

Hotel Sales Break the Stagnant Orbit of 2009

Written by: H. Brandt Niehaus

According to data compiled by TransActions Data Services, a division of Hotel Brokers International, the number of transactions is up, while hotel values were up for the industry as a whole through 3Q in 2010. The number of hotels sold in the last three quarters has more than doubled the number of sales in the same reporting period of 2009. With one quarter left, 2010 will not be described as stellar; however, the 104% increase in the number of hotel transactions seems light-years removed from the 42.6% decrease with which we started the year.

The value of all hotels sold (total dollar volume) is up 150% from \$3.0 billion in the first three quarters of 2009 to \$7.5 billion in 1Q-3Q, 2010. This compared to \$17.6 billion in 1Q-3Q in the peak year, 2007. Price per room has risen 35.6% this year but is still down 15% from 2007. Average price per room for hotel sales went from \$73,000 in 2009 to \$99,000 per room so far in 2010.

Transactions of midscale and economy hotels have been decreasing in number since 2005 when they posted 383 sales for their market. In 2009, the number of midscale and economy transactions was down to only 199. Thru the 3Q 2010 the number sold has been 194. This year midscale has seen an average price per room drop of 14% from \$64,000 to \$55,000 per room. Economy brands saw a decrease in price per room from \$35,000 to \$26,000 per room.

The bright spot is in luxury and upscale hotels. They are seeing the biggest increases in number of transactions and price per room. Transactions were up 101% to 155. The price per room for upscale hotels increased 28.2% and luxury increased 13%.

“With an expected industry average increase in RevPAR for 2010, we anticipate hotel sales to continue their rise,” says Tony DeGeorge, President of Greene, Canfield, DeGeorge, Ltd. and President of HBI. “With SBA guarantee loans increased to \$5.0MM in the recent bill passed by Congress, most ABVI properties can get financed with 20% - 30% down depending on their appraised value or sale price and qualifications of the borrower. New financing options mean values will increase,” added DeGeorge.

Much of the increases are due to: (1) investors with all cash are buying quality midscale and upper upscale hotels in 2010; (2) hotel revenues are expected to increase in 2011 and beyond; and (3) since 2009 is seen by most as the bottom of the cycle, those that can, are also buying today.

With hotel revenues expected to continue their rebound for the coming years, the number of transactions and hotel values will likely increase for the next 36 months.

About the Author: *H. Brandt Niehaus, CHB, CCIM, CHA is president of Huff, Niehaus & Associates, Inc. a Louisville-based full-service hotel real estate investment firm. Niehaus, a past president of HBI, has been named HBI's Top Regional Broker seven of the past 11 years.*