

# Many Hotel Sellers Won Big in 2018

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On average, hotel prices increased significantly in 2018, as a strong pool of buyers with favorable outlooks kept downward pressure on cap rates. A strong bidding environment for hotels, particularly those in markets where barriers to entry were high and PIPs had already been completed, kept prices strong, resulting in some big wins for hotel sellers that purchased their hotels at the right time during the last downturn.



We queried our database for hotels that were sold between \$10 million and \$20 million during 2018, and then we compared their prior sales price to the most recent one. For those hotels that were sold previously (between 2000 and 2017), winners far outpaced losers at a margin of 6 to 1.

A few properties that were sold during the prior peak of 2006 through early 2008 had not yet regained their prior-peak pricing. Ten hotels in our survey were sold in the 2006–2008 period and were resold last year; of these, four exceeded the prior sales price, but six did not.

For those hotels that were previously sold in the 2009–2017 period, 75 out of 82 exceeded the prior sales price, by an average of 79%. These 75 hotels reflected an average annual-price-appreciation rate of 16%. It is important to remember that many of the properties that were previously sold at very low prices had a significant PIP that the buyer needed to complete in order to regain market share, strengthen room rates, and secure a brand for the longer term.

- **106 hotels in the sample**
- **Overall total price increase of 34% for the 106 hotels, appreciating from \$1.1B to \$1.5B**
- **Average annual compounded price gain of 11% (16% for those hotels first purchased between 2009 and 2017)**
- **85% of hotels sold for more than the prior sales price**

We expect winners to outpace losers again in 2019. As my previous article discussed, metrics should remain

## Summary

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favorable for much of 2019. If your hotel is coming off a strong 2018, as evidenced per the profit-and-loss statement, and you purchased your property during the 2009–2014 timeframe, now may be the time to sell, if not refinance.

### About **Rod Clough**



As President of HVS Americas, Rod oversees strategy execution for HVS throughout its 40 Americas locations. Rod's tenure with HVS spans over 25 years, during which time he has played an important role in growing the company from a few locations across the Americas to 40. In a typical year, Rod's group consults on over 2,500 existing or proposed hotels and resorts, and in 2021, he oversaw the 568-hotel Extended Stay America appraisal portfolio. In 2003, Rod founded the firm's sister appraisal division, U.S. Hotel Appraisals, which completes roughly 1,000 hotel appraisals annually. Rod is a founding owner/partner of HVS Mexico-Latin America, and he re-launched the firm's U.S. Brokerage and Capital Markets division in 2018. Rod is a Designated Member of the Appraisal Institute (MAI) and a licensed real estate broker. Furthermore, Rod is proudly Latino and gay, and his firm is welcoming of all races and colors, sexual orientations, ages, genders, and gender identities. Once associates join HVS, they tend to stay due to the extraordinary culture Rod has inspired, a culture defined by the ideals of balance, connectivity, efficiency, collaboration, honesty, integrity, kindness, and excellence, among others. Rod resides in northern Colorado where he and his husband Jeff are raising their daughter, Rory.