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## **We are finding business to be somewhat different than the past years - by Joe Cardillo**

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Joe Cardillo

Peter Annon

Earle Wason

In June of 2006 after 22 years of ownership, I sold my business in New London, N.H. During that same period of time, I had also been actively involved in real estate investments, sales and served on boards for different municipalities dealing with zoning and planning issues.

At about the same time Peter Annon, a friend and my tax advisor, had also sold his accounting practice. We had always worked well together and began to have conversations about ways we could form a new business by incorporating our backgrounds and professional experiences.

In the fall of 2006, I was reintroduced to Earle Wason. I knew Earle had been a broker for a number of years and had an extensive background in brokerage, specifically in hospitality. During our conversation Earle learned that I was exploring new opportunities focused on commercial brokerage. Earle mentioned that after years of working with other companies, he had started his own firm that was operating under the banner of Wason Associates Hospitality Brokerage Group. We decided that it may be beneficial for Earle, Peter and I to meet and discuss his vision for his new company.

In our meeting we discussed a concept for a new business model. We saw an opportunity for a boutique style firm that handled the needs for both buyers and sellers of hospitality properties. Some of the services would include hotel brokerage; planning exit strategies well in advance of a sale and providing advice and options to significant tax consequences after the sale. Peter's background as a CPA would prove to be beneficial in providing guidelines for determining net proceeds of a sale and structuring tax deferred exchanges. In the winter of 2006, Peter, Earle and I came to an agreement and began our journey.

We implemented our new strategy quickly and handled sales that incorporated a number of our skills. That first year, we worked together on the sale of the Nordic Village Resort in Jackson, N.H. This \$13 million transfer included the use of an installment sale and a section 1031 Tax Deferred Exchange. Peter identified a number of net leased properties for the seller to exchange into that provided a strong income stream going forward for the seller and also deferred significant taxes.

We ramped up quickly with Earle's assistance as our next sales included the transfer of a franchised properties including a Hampton Inn and a Best Western on the seacoast of New Hampshire. The next few years proved challenging as we would face the biggest recession in years. Earle claimed it was the worst period he had experienced in his 40 year career. Those adverse times helped us focus on other areas that certainly would prove to be beneficial in the future. We continued to make sales at a slower pace, however our relationships with owners across New England continued to grow.

We worked REO markets and found a niche with a number of retail developers. Many older hotels suffered through the recession and we found that in many cases the land value was greater than the

hotel value. This created an opportunity for an owner who had a functionally obsolete hotel to sell their property for another use. These older hotel sites in many markets proved to be attractive for a new retail redevelopment or in some cases repositioned for medical office or health care uses. Today we are finding many two story, exterior corridor properties challenged to compete in the market as many franchises will no longer allow these hotels in their systems.

Since 2013, the hotel market has grown significantly. We are seeing rates and occupancies at historical highs; leading to greater values for many hotel assets. Our firm remains very active and has been involved in a number of strong transactions across a variety of hotel types. Some of the transactions included The Concord Colonial Inn in Mass.; The Admirals Inn in Ogunquit, ME; Comfort Inns in three New England states. Recently, Vermont has been active with the sale of a Best Western in Bennington, The Shire in Woodstock and The Palmer House in Manchester. For a more extensive list of our sales please visit: <http://hospitalityrealestate.com/sold/> .

As we work through 2017, we are finding business to be somewhat different than the past years. Brokers and buyers are finding a shortage in inventory of hotel assets throughout New England. Again, we find ourselves adapting and involved with transactions that focus on hospitality, but with slightly different parameters. We are involved in projects that have included a buy out of a partnership interest into newly formed corporations that take ownership of the real estate. We are negotiating the sale of Northern Outdoors at The Forks in Maine which is a hospitality business driven by white water rafting. We are working on the sale of The Anchorage at The Lake in Tilton, N.H. This property includes cottages that sit on 36 acres with 3,000 feet of waterfront on Lake Winnisquam in N.H. Clearly a big redevelopment opportunity for a residential housing developer.

I think one of the significant changes we are seeing in our industry in recent years is the number of "Off Market" transactions. Many buyers are chasing few opportunities. Most buyers tend to target specific types of hotel assets and we have been successful with identifying certain properties for these buyers as they expand their portfolios or look to complete 1031 exchanges. Many sellers have indicated that "we do not want to be actively on the market, however we are open to conversations if the buyer and the timing is right for my property". This is prevalent right now, especially in the boutique hotel market and for those with 1031 exchange opportunities.

It is hard to believe that it has been 11 years since Peter Annon and I joined forces with Earle Wason to form our Hospitality Brokerage Group. We have learned a lot along the way and have experienced some interesting market cycles. We are confident that we will continue to adapt to the challenges and changes that we will see in 2017 and beyond.

Joe Cardillo is an associate broker with Wason Associates.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540