



nerej

The New England hotel market continues to be vibrant - by Earle Wason

March 30, 2018 - Spotlights

Earle Wason,
Wason Associates

When asked if I would provide a Spring Preview article for 2018 it felt as if I had just completed the article I contributed for the 2018 Forecast, time seems to be moving at such a rapid rate. Then in reviewing my notes I determined that this is actually the third year in a row that I have contributed my thoughts to this same issue. Actually there have not been a lot of changes and for instance the first paragraph of last year's article:

"As we near the summer and fall season it appears that many hotels, and resorts throughout New England will enjoy a very good year in 2017. Already many owners and operators have told me that again for the third year in a row the advanced deposits have grown."

Again this seems to be true, the New England hotel market continues to be vibrant. It appears the addition of new franchise brands will continue. Marriott now has 30 different brands, can you name them? I know I can't so here is a site where you can review each brand: <https://skift.com/2016/09/21/every-one-of-marriotts-30-hotel-brands-explained/>

One of the major problems facing the hospitality industry is the lack of good help. Some hotel properties cannot operate all their rooms as for a lack of housekeepers. Managers are making beds, working the front desk and recently I spoke with a general manager as he was doing all the cooking in a Marriott Courtyard. The restaurant industry is also really feeling this problem, not enough line cooks, dish washers and waitresses, areas of the dining room need to be closed or in one case a restaurant in Maine closed on Saturday and Sunday.

The H2B program which has been so beneficial has been seriously curtailed. This has to change. I recently received an e mail from Greg Dugal, the legislative coordinator for the Maine Innkeepers and Restaurant Association. In total hospitality owners in Maine made requests for 88,000 H2B seasonal workers for the upcoming summer and fall seasons, total approved was 33,000, a real problem. I spoke with one other owner who has had the same 9 Jamaicans each season for a number of years. These people know his clients and were a significant help in maintaining his business. This year he was told they would not be approved to enter the States. He does not know

how he will be able to provide his normal services.

Continuing last year's Spring Preview: "As I predicted earlier this year there is a lack of good quality hotels for sale at a time where there is great buyer demand. This could be for a number of reasons; Hotel owners are getting very good returns on their investment, so no need to sell. There are number of older hotels sold in the last boom that still have mortgage balances at or above the value of their properties."

One of the most prominent reasons, I believe is the large number of Indian owned hotel companies. These companies can range in size for 15 to 60 hotels held in ownership and the Indian Community tends to be long-term holders.

"Typically when the inventory of available hotels is low many companies will begin to look at building new. The cost for new construction has increased significantly over the past three years but still new hotels will be built especially with the push for new brands. There are so many brands now that it is impossible to know them all. Hilton is now pushing its new Brand "Tru" and more Home2 Suites are under construction. Choice is really making a strong effort to grow the Ascend Brand as "a collection of one of a kind upscale hotels," Hyatt now includes: "Centric" and "Andaz" and the list goes on."

"Many companies are now looking to find well-built 3 to 6 story hotels that can be purchased in the \$60,000 to \$70,000 a key range; followed by an remodeling and repositioning effort. Also another hotel segment to watch in 2017(now 2018) is the continued growth of boutique hotels, both through new construction and redevelopment. There are now some very good companies based in New England that are actively seeking opportunities and bring with them great business plans to improve or build properties with well-defined business models."

This year will continue to be challenging for the brokerage community, my biggest concern is the trend for brokerage firms to "buy listings" of hotels for sale by providing unrealistic "broker opinion of values" to a potential seller. Current cash flow is very important but a new PIP, new construction in the market and determining an exit strategy have to be added to give proper consideration to the valuation.

Earle Wason, CCIM, is president and owner of Wason Associates Hospitality Real Estate Brokerage Group, Portsmouth, N.H.

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