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Pebblebrook Hotel Trust acquires Gurney's Newport Resort & Marina for \$174 million

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Newport, RI Pebblebrook Hotel Trust acquired the AAA Four Diamond 257-room Gurney's Newport Resort & Marina (Gurney's Newport) for \$174.0 million.

Gurney's Newport is a 10-acre waterside resort located on Goat Island. The independent resort has 360-degree unobstructed water views of Narragansett Bay as well as Newport Harbor, and the Newport Bridge, creating a coastal New England experience. Gurney's Newport features 257 guestrooms, including 18 suites, and 80,000 s/f of flexible indoor and outdoor event space, surrounded by lawns, water views, a marina, and a lighthouse. The resort contains a wide variety of waterside eateries, including Showfish Newport and The Pineapple Club, which feature ingredient-driven menus with healthy bites, locally sourced dishes, and seasonal classics. The resort also contains a 22-slip full-service marina with direct access to Gurney's Newport. Additional resort amenities include a 3,000 s/f spa with nine treatment rooms, outdoor fireplaces throughout, a lobby bar, a grab-and-go coffee shop, a 3,200 s/f waterside pavilion with fantastic views, a resort-style saltwater outdoor pool with poolside cabanas, an indoor pool, a fitness center, and a seasonal ice-skating rink.

"We are very excited to acquire this extremely unique premier resort within the vibrant, high barrier to entry Newport market," said Jon Bortz, chairman, president, and chief executive officer of Pebblebrook Hotel Trust (Pebblebrook). "Gurney's Newport is the only resort-style property in Newport, and it is one of the very few true waterside resorts on the Northeastern Seaboard, drawing strong demand from New York, Boston and Providence. This unique New England retreat features an expansive footprint overlooking Newport Harbor and Narragansett Bay, where guests can enjoy

upscale dining, spa treatments, sailing tours, outdoor event spaces, a private marina, cabana experiences, and numerous other resort-style amenities. With group and individual travelers increasingly seeking a unique resort experience with open-air amenities, Gurney's Newport is well-positioned to continue to grow in the highly attractive Newport market."

Known as "America's First Resort" and the "Sailing Capital of the World," Newport is considered the crown jewel of coastal New England and is built on a history of travel and tourism. Newport is one of America's most vibrant tourist destinations, with a combination of qualities that attracts millions from all over the world each year and is a 1.5-hour drive from Boston and a 3.5-hour drive from New York City. This renowned leisure destination has authentic historical sites, the famed Cliff Walk, the Newport Mansions, Ocean Dr., shopping and waterside dining, the International Tennis Hall of Fame, yachting, sailing, fishing, golfing, beaches, and events such as the Newport Folk Festival, and many wedding venues. Newport remains one of the highest barrier-to-entry markets in the country, with limited potential for new supply. Gurney's exceptional location surrounded by water in the heart of Newport Harbor offers guests an elevated experiential stay in a desirable destination.

The company is evaluating numerous operating and physical enhancements to the guest experience to drive increased cash flow. Pebblebrook believes the overall opportunity is to reposition the property to a higher level, given its unique location and amenities. Potential improvements include fully renovating the guestrooms and guest bathrooms, upgrading the lobby, arrival experience, and landscaping, refurbishing the restaurants and bars, adding a market, relocating/upgrading the spa, reimagining the Grand Ballroom, South Lawn, and outdoor pavilion spaces, and adding new guest activities and amenities. In addition, the Company has the right to purchase the marina (which includes 22 slips accommodating boats up to 240 feet) in 2027. The resort will also become part of Curator Hotel & Resort Collection, which is expected to generate a wide array of expense reductions combined with enhanced technology and operating initiatives.

Based on the estimated May 2022 trailing-twelve-month performance, the hotel generated total revenue per available room (TRevPAR) of \$401, hotel earnings before interest, taxes, depreciation, and amortization (hotel EBITDA) of \$13.6 million, and hotel net operating income (hotel NOI), after a 4% capital reserve, of \$12.1 million.

The acquisition of Gurney's Newport brings the total number of properties in the company's portfolio to 55, including 13 unique drive-to, independent lifestyle resorts. Pebblebrook funded the acquisition with cash on hand and proceeds from its senior unsecured revolving credit facility.

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