

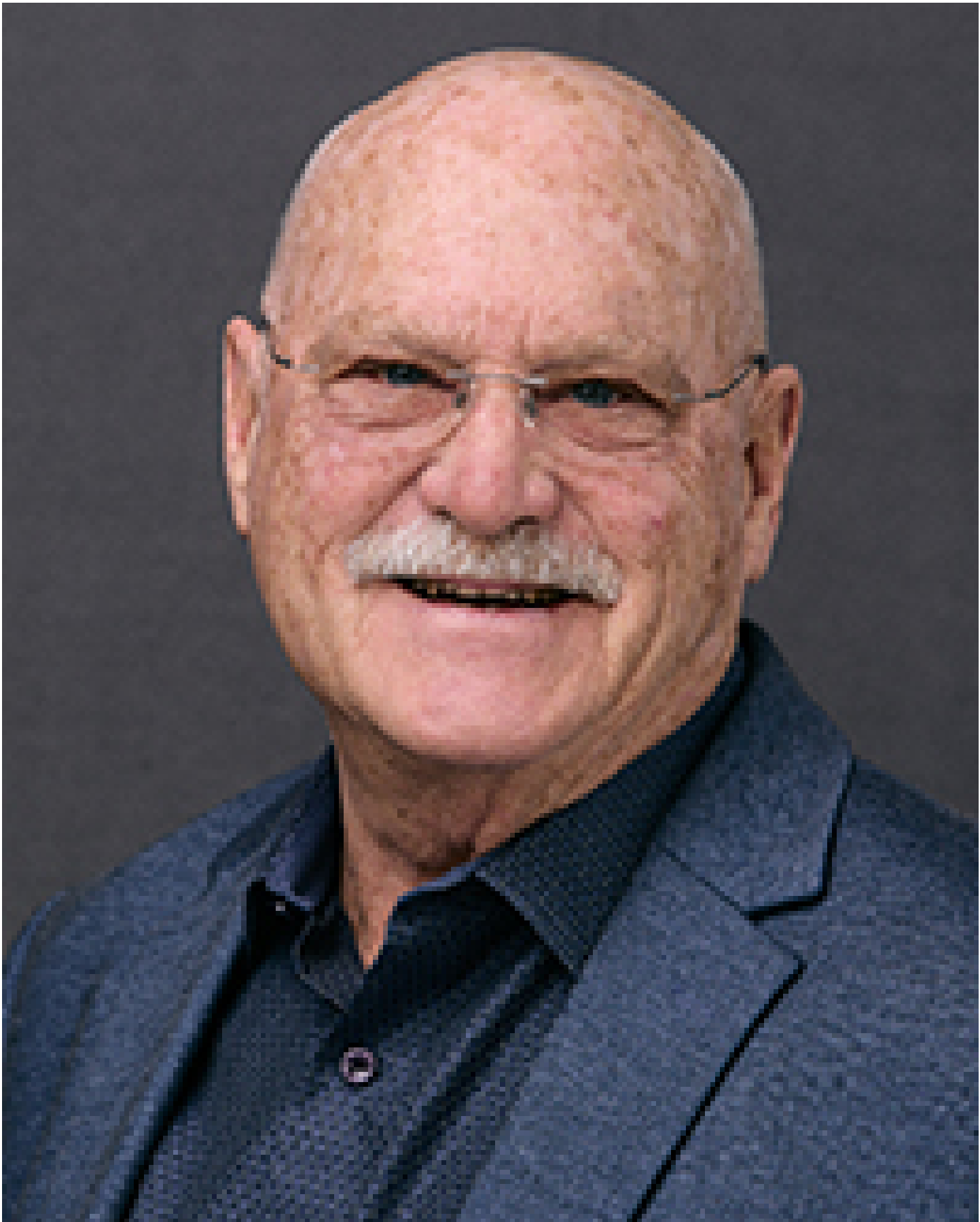


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New England hotel market continues to be viable - by Earle Wason

March 28, 2025 - Spotlights



Earle Wason

When asked if I would provide a Spring Preview for 2025, I reviewed my notes and I determined that this is the seventh year in a row that I have contributed my thoughts to this same issue. 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 particularly good year. Already many owners and operators have told me that again for the third year in a row the advanced deposits" are holding about the same.

Again, this seems to be true, the New England hotel market continues to be viable.

The addition of new franchise brands will continue. Marriott now has 30 assorted brands; can you name them? I know I cannot 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/>

An old and deepening story; 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 GM as he was doing all the cooking in a Marriott Courtyard. The restaurant industry is also really feeling this problem, not enough line cooks, dishwashers and servers, 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 must change. I have received emails from Maine Innkeepers and Restaurant Association; now known as Maine Hospitality Association. In total hospitality owners in Maine have 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 nine Jamaicans each season for a number of years. These people know his clients and were a significant help in maintaining his business. In 2018 he was told they would not be approved to enter the U.S. and did not know how he will be able to provide his normal services.

Continuing last year's Spring Preview article: "As I predicted earlier this year there is a lack of excellent 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 particularly 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." Also, values are down slightly and many are waiting for the interest rates to drop. The Fed has indicated a possibility of a two point drop this year. Now the rates are at the 6.5% to 7.5 % range for non-recourse loans, my thought here is, that has been a common rate range for much of my career and not a rate that should halt sales.

One of the most prominent reasons, I believe is the substantial number of Indian owned hotel companies. These companies can range in size of 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 contemporary 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 \$100,000 a key range: followed by a remodeling and repositioning effort. Also, another hotel segment to watch is the continued growth of boutique hotels, both through new construction and redevelopment. There are now some particularly 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 (2025) 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 particularly important but new PIP, new construction in the market and determining an exit strategy have to be added to give proper consideration to the valuation.

I must confess that 80% of this article was taken from my Spring Preview in 2018. That speaks volumes to the market cycles that have been prevalent in the hospitality business for decades.

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