

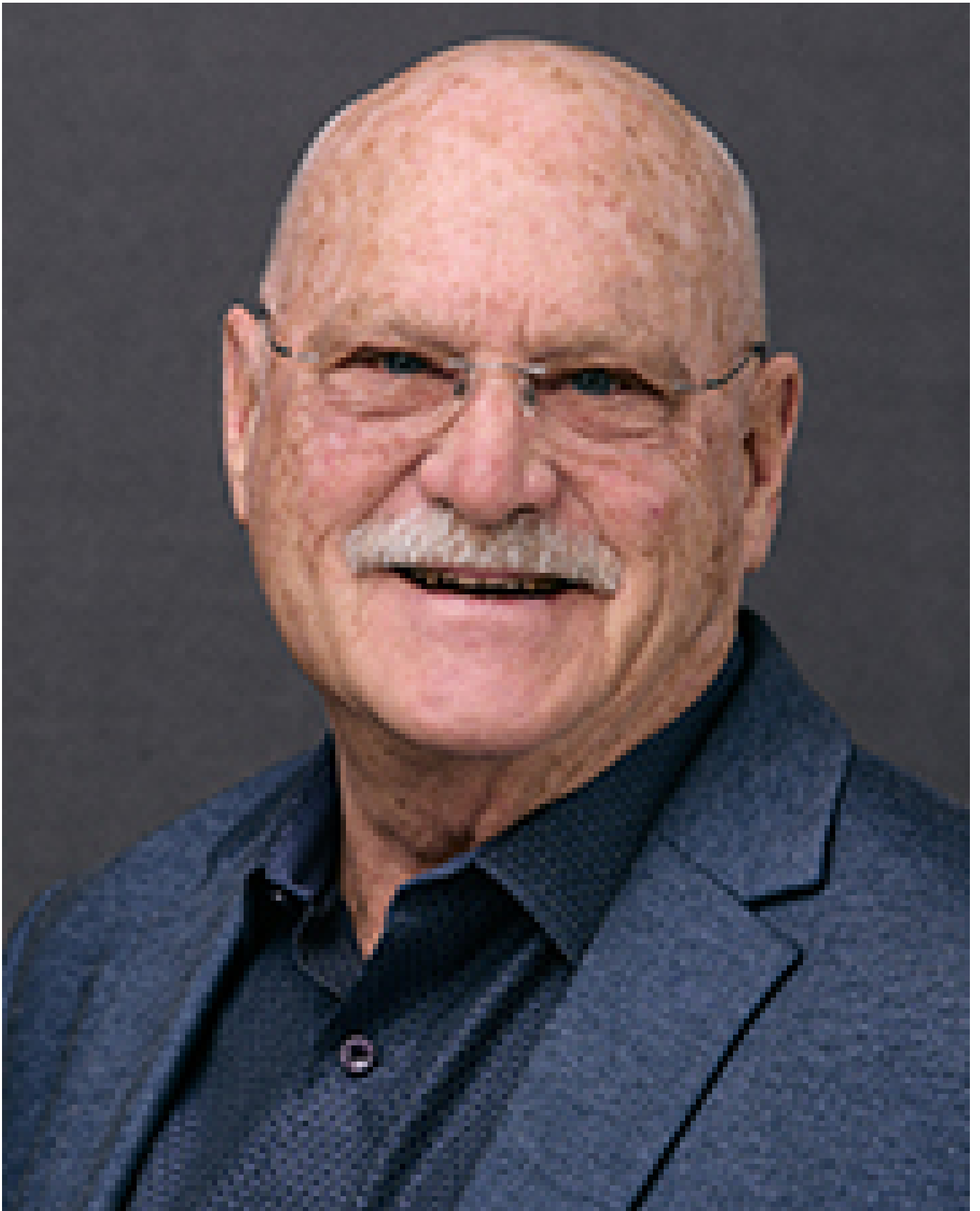


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New England is still an extraordinarily strong market - by Earle Wason

July 25, 2025 - Spotlights



Earle Wason

I have had a long and wonderful career in the real estate business, obviously with the ups and downs of a roller coaster. It was 20 years ago that I decided to put my name on a sign. My goal was to have an office with no name on the door and provide the best service, knowledge, and marketing efforts to a limited clientele. Peter Annon, CPA, and Joe Cardillo joined me then and we still work as a team today. You may call it a small boutique brokerage firm, but we have a very fair share of the New England hospitality transactions. Many have asked how much longer I plan to continue with my brokerage activity. It is remarkably simple, if I have mental facilities, much needed in the hotel brokerage world, and my health I will keep at it. As a psychologist put it "at your age you still do your thing because you do not want to lose your identity" There are just too many friends and clients who I enjoy.

I began to specialize in brokerage of hotels, motels, and resort inns in the early 1990s. I no longer count how many hospitality properties I have sold, but it is more than 750 ranging in values from \$1.5 million to the sale of the Anchorage by the Sea in Ogunquit which I brokered in June 2023 for \$100 million.

Many of my articles over the past few years have a theme. Key points have been valuations, financing effects on value, staffing shortages and the recently reduced level of available properties. Also, consideration has been given to functionally obsolete hotels and the high construction costs. These high construction costs have outweighed the pro-forma cash flows in a number of cases and either stopped or put on hold some new construction. Not much has changed in this regard as we approach mid-2025.

As we are near the half-way point of 2025 there are trends worth discussing. I was concerned at the beginning of the year that we could not live up to our normal expectations. The inventory of hotels for sale throughout New England is low and lenders are scrutinizing each transaction with a magnifying glass. I have spoken with hotel companies from outside of New England and they report that the larger equity investment firms are starting to place more hotels on the market for sale. New England is still an extraordinarily strong market with some of the best average daily rates in the country. This in combination with the consolidation in our industry has offset the need for significant numbers of hotels and resort inns to be available for sale.

Another trend which really complicates our job as brokers is the number of owners who want complete confidentiality in the offering of their hospitality property. This is driven by the staffing shortage and some concerns that may be felt by their repeat customers, especially when there is food service. It requires us to take a very targeted approach and not always able to get to a company or group that would pay the most. We find it much better if the owners tell the upper management, maybe offer a bonus to stay. In most all transactions the existing staff is offered a position to stay with the hotel.

As an example of current activity, we placed a two hotel -portfolio on the market in early July, one a franchise. Total value of around \$15 million. Both were under a letter of intent in less than one week.

In two days, I was holding 25 confidentiality agreements and multiple offers. In New England, well priced 60 to 100 room hotels are in heavy demand. Buyers are not looking as closely at the capitalization rate. Cost per room, opportunities for better operations, capital improvement plans to better compete have become the major criteria. It appears that when you can purchase a hotel for around \$100,000, a guest room versus new construction of \$250,000 and higher there can be a lot of benefits. All segments of the hotel, resort inn and even smaller motels still have more buyers chasing transactions than availability, we have been involved in enough of these so I can now say we will have another successful year, I am incredibly happy about that. Importantly, cash flows from 2022 are not a benchmark and values have decreased. Any owner will have to complete a review, not necessarily to agree to a price, but to calculate the net sales proceeds from sale, often much more important than the selling price.

My last point and one I expect to continue for some time is a major change affecting the hospitality industry regarding food and beverage. A resort inn will have a higher capitalization rate than a similar property without food and beverage. There is a real opportunity here. There are a number of hotel groups that look for full resort properties, most importantly this requires extraordinarily strong middle-management, and these people need to be compensated well. I am convinced the best hotel, in experience, includes a variety of food services and a bar, tavern or lounge facilities with guest experiences that exceed expectations.

I am looking forward to a steady and successful year end 2025 for all my friends in the hospitality industry.

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