Transactions

IREFAC: Could Radisson be up for sale?

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Executives speculated on future hotel industry mergers and acquisitions, including the potential for HNA Group to sell Radisson Hotel Group.

By Sean McCracken
smccracken@hotelnewsnow.com
@HNN_Sean

NEW YORK—China-based HNA Group has spent the first half of 2018 exiting some high-profile international hotel and tourism investments, and experts with the Industry Real Estate Financing Advisory Council believe there's more of that to come.

Speaking during the "Financially speaking: IREFAC insiders" session at the 40th annual NYU International Hospitality Industry Investment Conference, Jacques Brand, partner with the strategic advisory group at PJT Partners, said Radisson is the most obvious target for M&A on the market.

"There's an opportunity for one of the branded companies to buy (Radisson) and/or Rezidor," he said. "There are lots of synergies to realize in that transaction."

In late 2016, Minnesota-based Radisson, then known as Carlson Hotel Group, was purchased by HNA during a particularly acquisitive run for the Chinese conglomerate. But amid pressure from the Chinese government, HNA and several of its peers have been selling off international investments, including HNA's stakes in Hilton, Park Hotels & Resorts and Hilton Grand Vacations.

Other M&A opportunities

Brand said overall he expects to see "consolidation continue to occur in the C-corp space" as those companies "look to expand their portfolios of offerings in segments and regions."

He expects the market to be particularly active in Europe—including Spain, where Grupo Barcelo has been openly courting NH Hotel Group for months.

J. Allen Smith, president and CEO of Four Seasons Hotels and Resorts, said M&A in the branded space is growing more important as traveler preference shifts. He said it's interesting to note that there is little to no brand loyalty in the luxury space, outside that enjoyed by Four Seasons and the Marriott-owned Ritz-Carlton brand.

"Brand preference is remarkably low for all of luxury, especially when you look at millennials," he said.

He noted younger travelers have a greater preference for something "very experimental."

In the real estate investment trust space, much of the conversation centered on Blackstone's announced deal to take LaSalle Hotel Properties private, and Pebblebrook Hotel Trust's continued pursuit of LaSalle.

Speaking before the announcement of Pebblebrook's latest offer, Pebblebrook Chairman and CEO Jon Bortz said the fact LaSalle's stock is trading at a price higher than Blackstone's all-cash offer is a sign that the current deal is "not acceptable to shareholders."

"The game is still on, and we'll see how it works out," he said.

Neil Shah, president and COO of Hersha Hospitality Trust, said much of the discussion during the National Association of Real Estate Investment Trusts' REITweek centered on the fact that the "public and private spread is pretty significant."

Mark Elliott, president of Hodges Ward Elliott, said one of the broader market upsides of a potential LaSalle-Blackstone deal would be it provides "transparency on what the real value is" for portfolios like LaSalle's. He said current cap rates indicate that either "the rest of real estate is overvalued, or hotels are undervalued."

"Our view is hotels have been undervalued for quite a while," he said.

Panelists noted there are still opportunities in the all-inclusive resort space, which Brand described as "fragmented."

Michael Shannon, chairman of KSL Capital Partners, noted his company remains bullish following several key investments recently, including the purchases of Apple Leisure Group and Outrigger Hotels & Resorts. He said the value offered by all-inclusive resorts should continue to be appealing to travelers.

"If you're a family from Milwaukee, you have the opportunity to go to some truly unique places for about half the price of similarly positioned four-star (resorts) in Orlando," he said.

But Majid Mangalji, president of Westmont Hospitality Group, noted there are reasons to be wary about where and how you're investing. He said his company is a global "value buyer" that tries to hit at the "right point in the cycle," and right now he's seeing fewer opportunities in some markets, particularly in the U.S.

"In Europe, we're seeing more opportunities because it's still quite fragmented in different parts. … Japan is quite frothy. It's been exciting there, but it's not time to load up the boat," he said. "There's little stress in the world at the moment."

Organic growth

During the panel, Hilton CFO Kevin Jacobs reiterated his company's commitment to organic growth, over M&A, and noted his company has several new brands in the works.

"We do have new brands coming," he said. "We've spoken publically about four … but we won't launch for the sake of launching a new brand."

He said his company is careful in surveying the market and crafting new brands to meet consumers' needs and different price points, noting the launch of Tru was an example of the success of that strategy.

Asked whether his company will make a move into home-sharing or alternative accommodations in the way that several competitors have, Jacobs said Hilton is content for now to see how those experiments pan out. He noted the company will keep particularly close watch on Marriott's recent announcement of a home-sharing platform pilot in London.

"We think about it and track it, but we have to ask if our customer is going to want this sort of product," he said, noting that there is "nothing imminent."