

Transactions

Takeaways from three industry deals from the past year

13 JUNE 2018 8:02 AM

Executives from Blackstone, Wyndham Hotels & Resorts and Watermark Capital Partners shared insights about some major transactions they've been involved in recently.



By [Sean McCracken](#)

smccracken@hotelnewsnow.com

[@HNN_Sean](#)

NEW YORK—The hotel industry continues to be fertile land for deals both from a real estate perspective and for brands and operators, and some hotel executives recently shed some light on why they've been making the moves they've been making.

Speaking at the recent [NYU International Hospitality Industry Investment Conference](#), executives from Blackstone, Wyndham Hotels & Resorts, and Watermark Capital Partners discussed what they saw from some recent major transactions and their long-term hopes related to those investments.

Blackstone: Turtle Bay Resort

While [Blackstone's](#) planned [acquisition of LaSalle Hotel Properties](#) was the deal that dominated much of the discussion around the conference, Tyler Henritze, Blackstone's senior managing director and head of real estate for U.S. acquisitions, discussed the December purchase of the Turtle Bay Resort in Oahu, Hawaii, for \$287 million.

Henritze said his company remains optimistic about the long-term prospects in Hawaii, which enjoys low supply _____

growth and growing demand, particularly from Asian markets.

“The macro story is phenomenal, and it’s virtually impossible to build in Oahu, particularly on the North Shore,” he said.

In addition to the 452-key property, the purchase included 1,300 acres of land and entitlements that allow for the addition of 725 more rooms. He said the entitlement process comprised roughly 20 years leading up to Blackstone’s purchase.



Henritze said Blackstone had a somewhat circuitous path to the Turtle Bay buy, noting an international buyer had the property under contract for roughly nine months before regulations in its home country restricted the flow of outbound capital.

“It was difficult for them to close on the deal, so we bought the contract from them,” he said.

Henritze said the company will continue to keep the property independent, noting strong airlift and demand to Oahu will be enough to maintain occupancy levels in excess of 80%.

He described the property as “a little dated” but noted it has considerable upside.

“We’re looking at renovating not only common areas but rooms as well,” he said. “And when you have 1,300 acres, you can do interesting things. We’re looking at focusing on an ecotourism farm-to-table concept, and we really want to take advantage of the natural landscape. We are excited, but we’re still in the early stages.”

Wyndham: La Quinta Inns & Suites

The timing of the conferences fell just days after a series of corresponding spinoffs and deals resulted in the newly separated [Wyndham Hotels & Resorts](#) owning the [La Quinta Inns & Suites brand](#), and President and CEO Geoff Ballotti said he is excited about the brand’s potential as part of the Wyndham family. He described the La Quinta buy as “far and away one of the most transformational deals” in [Wyndham](#)’s history.

“It’s highly complementary of our brand portfolio, and there is strong upside for La Quinta,” he said. “And we’re gaining [a strong partner in CorePoint](#) (Lodging).”

Ballotti noted Wyndham is adding 907 La Quinta properties in the nearly \$2-billion deal and makes his company “a much larger player in the upper-midscale space.”

“La Quinta has tremendous ability to continue to grow,” he said, noting the brand has no presence in 200 tracts around the country according to HNN’s parent company [STR](#).

Wyndham announced an immediate integration with La Quinta’s loyalty program—La Quinta Returns—into Wyndham Rewards.

“It’s a powerful combination for those two rewards programs to come together,” he said.

Carey Watermark Investors: Bacara Resort & Spa

Watermark Capital Partners Chairman and Managing Partner Michael Medzigian said his company’s purchase of Bacara Resort & Spa in Santa Barbara, California, had some notable similarities to Blackstone’s Turtle Bay deal, including the barriers to new supply and long entitlement process in the area. He described the resort as the largest spa on the West Coast and the “life’s work” of the property’s previous developer, who dealt with 30 years’ worth of navigating entitlements for the 78-acre property.

“I’m not sure there will be another major California coastal resort built in my lifetime,” he said.

Medzigian said the September 2017 purchase was structured as a reverse 1031 exchange, cycling in the proceeds from several smaller assets owned by [Watermark](#)’s private real estate investment trusts, Carey Watermark Investors Incorporated and Carey Watermark Investors 2 Incorporated.

Immediately following the purchase, Watermark officials looked into branding opportunities for the property and selected Ritz-Carlton as the flag, converting the resort to The Ritz-Carlton Bacara, Santa Barbara.

Medzigian said his company is planning a “transformative renovation” for the property that includes a reimagining of the property’s public spaces, which will allow for greater group meeting space not originally included in Watermark’s underwriting for the property.

He noted it’s hard to gauge early performance for the hotel given several disruptive events in the region, including wildfires and mudslides, which either interrupted transportation in the region or took competing properties offline for short periods.