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Sir Francis Drake Hotel goes on the block

San Francisco Business Times - by [Sarah Duxbury](#)

The **Sir Francis Drake Hotel** is up for sale.

Chartres Lodging, a San Francisco-based lodging investment and advisory firm, put the landmark Union Square hotel on the market this week.

Chartres and a Dubai investment group bought the 416-room hotel from Kimpton for \$65 million in July 2005, and subsequently invested \$20 million more to renovate it. All in, Chartres has invested over \$204,000 per room.

What kind of price the hotel fetches depends on cash flow. Rick Swig, a hotel consultant with **RSBA & Associates**, said San Francisco hotel income is down as much as 40 percent from 2007.

The exclusivity of the address adds value; so does the fact that it comes unencumbered. A buyer can reflag it with a brand of their choosing. That's a fairly rare opportunity in this market, and it commands a premium.

"Given the nature of the property, and that it's unbranded, I think foreign capital will come in with a flag. That represents the best opportunity," said Anwar Elgonemy, director of acquisitions for **Equinox Hospitality Group** in San Francisco. "Several Asian groups are now looking at San Francisco quite closely. There's a lot of equity out there looking."

Marketing materials put together by Eastdil Secured, which has the listing, say that Scala's Bistro is among the highest-grossing restaurants in San Francisco. They say that it, along with Harry Denton's Starlight Room, Bar Denton and a leased **Starbucks**, are "highly profitable."

It is unclear whether the Sir Francis Drake is in distress — Robert Kline, president and co-founder of Chartres Lodging, did not return calls seeking comment.

Industry sources say Sir Francis Drake has debt coming due this summer.

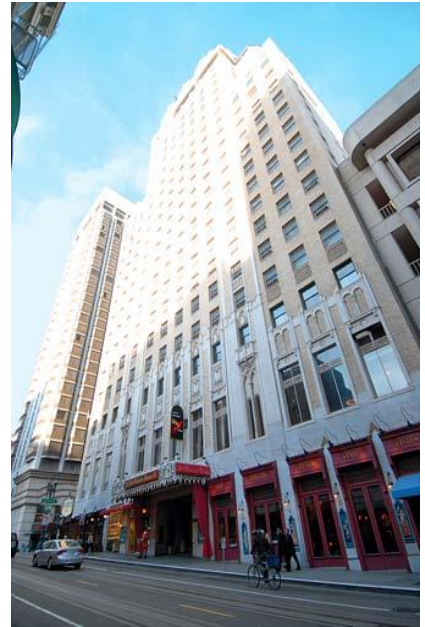
Last month, Chartres returned to its lenders the 443-room **Allerton Hotel** in Chicago in a deed-in-lieu of foreclosure. Chartres bought the Allerton in 2006 for \$79.8 million.

Chartres, formerly called **Oxford Lodging**, has a \$6 billion portfolio with over 20,000 rooms.

Few expect the Sir Francis Drake to fetch as much as the **W Hotel** did when Keck Seng Investments of Hong Kong bought the 404-room hotel for \$90 million, or \$223,000 a room, in July 2009.

Buyers and sellers being able to agree on a price is key for the hotel to sell quickly, though industry watchers say that there remains a divide between what buyers and sellers believe a hotel to be worth.

The hotel's general manager, Ed Gunderson, stopped working there a couple of weeks ago.



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Read her blog postings at **Bay Area BizTalk**.