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Fund presses Larkspur to sell 11-hotel portfolio

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

A portfolio of 11 of Larkspur Hotel & Restaurants' best West Coast properties are up for sale.

The hotels are owned as a joint venture between Larkspur and Farallon Capital Management and industry insiders say Farallon is driving the sale.

"Farallon is a fund. They're not married to real estate or anything else; it's about where they feel they should put their money, and it could be in anything," said hotel consultant [Rick Swig](#). "When you do business with a fund like Larkspur has done with Farallon, and the fund says it's time to sell, then it's time to sell."

Farallon declined to comment, and [Karl Hoagland](#), founder and CEO of Larkspur Hotels, did not return calls seeking comment.

Larkspur manages 23 hotels under three brands; its other 12 hotels, most branded Larkspur Landing, are not part of this portfolio sale.

Many of the hotels for sale were bought between 2005 and 2007 when properties sold at premium prices and then failed to provide the expected revenue yield after the recession hobbled the hospitality industry. The 1,357-room portfolio is listed by Eastdil Secured for a rumored \$250 million.

According to the offering memorandum, the 11 hotels, which include three San Francisco hotels as well as properties in Silicon Valley, Monterey, Truckee, Los Angeles and Portland, saw revenue per available room increase 6.9 percent in 2010 and revenue per available room, a key hotel metric, was up 19.1 percent in the first quarter of 2011, suggesting that a strong recovery is under way. The portfolio has budgeted net operating income of \$10.6 million for this year. All are in high-barrier-to-entry markets, and they also are in top physical condition, having collectively undergone \$72.7 million, or \$53,000 per room, in renovations since 2004.

According to the offering document, the portfolio is being sold as a collection with Larkspur continuing to manage the 11 hotels.

"I think these assets probably have more value on an individual sales basis, but will most certainly be of interest to a wide range of buyers due to their good locations," said [Alan Reay](#), president of Atlas Hospitality Group.

One active investor class that might not be takers on the Larkspur portfolio are REITs. (See related story, Page 1.)

"The Larkspur deal, the average size of each hotel is 125 rooms which might be a bit small for a REIT," said [Anwar Elgonemy](#), director of acquisitions for Equinox Hospitality Group.



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