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Sonoma hotel could sell for \$102 million

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

A landmark has hit the sale block: Fairmont Sonoma Mission Inn is up for grabs. There's no stated sale price for the 226-room hotel and 40,000-square-foot spa in the town of Sonoma, but industry sources say the number being whispered is up to \$450,000 per room, or \$101.7 million. Hodges Ward Elliott of Atlanta is marketing the property, which is in default.

The resort has lots going for it. Sonoma is a high-barrier-to-entry market, which jacks prices up there. The resort is one of the region's best-known luxury resorts and is one of the few large enough to attract business groups.

"There's not another big brand in the market that competes with them," said [Anwar Elgonemy](#), director of acquisitions for Equinox Hospitality Group. "Something of that size and caliber is not available in Sonoma because of the red tape for new hotel development. ... It is irreplaceable."

That's not to say the sale will be quick. The property, cobbled together from a 1926 main building, is not as architecturally harmonious as many top resorts. Also, Sonoma's hotel business has recovered slowly. For the first eight months of 2011, revenue per available room climbed 11.5 percent over 2010 to \$85.67, according to PKF Consulting. Occupancy averaged 67.3 percent compared to 62.8 percent in 2010, and average nightly rates were \$127.21.

Nor has the notion that luxury resort travel is a bad thing entirely gone away.

"Resorts have not been a real target market for anyone since 2008 when the government came out and said, 'Why do people take meetings at resorts?' ... so there's not been a lot of transactions there," said [Rick Swig](#), a hotel consultant.

Finally, any buyer will know that the seller is extremely motivated. Crescent Real Estate bought the resort in 2002 for \$442,000 per room, roughly \$99.9 million. Fairmont Sonoma Mission Inn went into special servicing in late 2010 when the loan balance was \$55 million, according to [Alan Reay](#) of Atlas Hospitality Group. The property was valued at \$105.6 million in January 2006, and Midland Loan Services is the special servicer on the property.

"What they are selling is the resort opportunity in the Sonoma Valley, where there are barriers to entry and there won't be another one like it," Swig said.



Sarah Duxbury covers hospitality, restaurants, retail and nonprofits for the **San Francisco Business Times**.