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San Francisco hotels for sale as city's popularity soars

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San Francisco's status as the hottest hotel market in the country has convinced some hoteliers that now is the time to sell.

In the past year, the city's hotel industry has experienced double-digit revenue growth. Room and occupancy rates are the highest they have ever been and are growing. But these trends could be leading sellers to be overconfident in their asking prices, as the market is still recovering and hotel profits have not kept pace.

Hotels up for sale in San Francisco include the Clift Hotel, Harbor Court, Holiday Inn at Fisherman's Wharf, Hotel Rex, Hotel Triton, Hotel Kabuki and Ritz Carlton.

The Frank Hotel in Union Square recently sold for \$28.8 million, acquired by a buyer from the British Virgin Islands.

"The market is re-energized," said [Rick Swig](#), president of [RSBA & Associates](#). "When business is good, it's a good time to sell."

Even hotels that are not doing as well are capitalizing on the opportunity. "The idea is that the rising tide raises all the boats," said [Anwar Elgonemy](#), director of investments for Equinox Hospitality. "Maybe all these properties are not doing exceedingly well, but they can sell on future cash flow. You're selling financial hope to the buyer."

But there are a number of factors beyond confidence in the market driving the relatively high number of hotels for sale. Some owners are trying to recapture value that was lost when properties were bought at a premium at the height of the market in 2007, while others simply have been holding on to properties longer than originally planned.

Elgonemy cites yet another reason: pre-election psychology. Right now, he explained, the cost of financing is low and hoteliers have an opportunity to lock down low loan rates. In the next few months, interest rates could change, depending on who's elected.

"Here is a window of opportunity, where hotel interest rates are holding steady until we know who the next president will be," he explained.

Whatever the reason, there is no doubt that confidence is high and a number of hotels are likely to switch hands. But whether any of these properties will actually sell at the high prices they're asking is another question, Swig said, as rate growth has not kept pace with inflation and labor costs. "Profit margins are static and not growing quickly — so that's a real problem," he said.

According to [PKF Consulting](#), hotels' operating incomes per room have still not reached the levels they were in 2000 when they touched \$30,000. Profits are increasing, albeit slowly. Last year, income for major hotels was approximately \$12,000. By the end of this year that number is projected to reach nearly \$16,000 and grow to over \$19,000 by 2013.

Hotel Frank in Union Square, for example, closed for several million below the asking price. Industry sources also say that the Ritz Carlton, rumored to be on the market for over \$250 million — or \$650,000 per room — is unlikely to sell at that price.



Renee Frojo covers hospitality, restaurants, retail and nonprofits for the San Francisco Business Times.