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From the Orlando Business Journal:

<https://www.bizjournals.com/orlando/news/2018/06/04/orlandos-hotel-market-prime-for-investment-boom.html>

Orlando's hotel market prime for investment boom thanks to tourism growth

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The 72 million-plus people who come to Orlando each year are expected to draw billions of dollars in new hotel investment into Central Florida in the coming years.

The reason: Orlando's average revenue per hotel room — a key indicator of the industry's health — is inching toward the \$100 mark. Revenue per hotel room in greater Orlando hit \$96.40 last year, the highest it's been in a decade, thanks to increasing room rates that hit an average of \$121.53 last year — another high for the decade.

"We are approaching a point when the institutional investment community will start taking a more serious look at the overall market. Certainly, Blackstone is already a big investor in the market," Paul Sexton, vice president of Orlando hotel-services firm HREC Investment Advisors, told OBJ. "Because of the supply-and-demand dynamic, the overall Orlando market is approaching the \$100 revenue per available room (RevPAR) mark with the I-Drive submarket and the Lake Buena Vista market already over this hurdle. This is important, because many institutional investors will not invest in sub-\$100 RevPAR markets."

Thus, hitting the \$100 revenue per available room mark likely will result in more local hotel construction and job creation, as well as more variety in hotel choices for tourists, which can help draw more people to the region. "Many in the investment community still think Orlando is a boom and bust market, which it has been in the past — but no longer, given the maturation of the market over the past 20 years," said Sexton.

In fact, Orlando's robust hotel industry already has more than 500 hotels boasting 125,000-plus local hotel rooms, which help supports the region's \$70 billion tourism industry.



JIM CARCHIDI

Meanwhile, another key indicator that the region may see a new boom in hotel development and investment is the fact that average hotel occupancy rates are hitting 80 percent in the overall market. Certain submarkets, like International Drive and the Lake Buena Vista area, are hitting 85 to 90 percent occupancies, thanks to tourist attractions in those areas, and the overall market is catching up, Sexton added.

Recent sales trends in Orlando's hotel market support that claim:

In May, Breit Orlando Property Owner LLC, an entity related to Blackstone, acquired the 120-room Residence Inn Orlando at Millenia and the 134-room SpringHill Suites Orlando at Millenia hotels from AREP III SSC-IHP Orlando LLC, a Puerto Rico-based firm related to the Prisa Group. The transaction, which Orange County documents show closed on May 10, was for \$48.5 million.

Also, other investors such as Tishman Select Partners, an affiliate of New York City-based real estate firm Tishman, have grown their portfolio. The company paid \$81 million on June 1 for three Orlando hotels: the 133-room Homewood Orlando Theme Parks, the 130-room Homewood Lake Buena Vista, and the 137-room Hilton Garden Lake Buena Vista. The seller was Kalson's Hospitality, a family-owned business that developed the three properties.

"Adding these properties to our growing hotel portfolio continues our diversification of room offerings through our Tishman Select Partners affiliate," said Tishman CFO Obaid Khan, in a prepared statement. "Vacationing families and business travelers in Orlando depend on quality select service hotels when they come here, and we are aiming to provide a truly best-in-class experience for both."

In addition, the ongoing growth in Central Florida's hotel industry, which includes new additions from the theme parks such as Universal Orlando Resort's new 2,800-room Endless Summer Resort, will further help to bolster the region's offerings for guests.

Richard Bilbao
Senior staff writer
Orlando Business Journal

