

Ritz-Carlton Kapalua on Maui sells for top dollar

The Ritz-Carlton Kapalua in Maui has sold for almost \$1 million a room — one of the state's highest hotel sales on a per-room basis ever.

Blackstone Real Estate Partners, an affiliate of Blackstone Group, closed Tuesday on the 297-room hotel, which includes 107 condominium residences, for approximately \$275 million, according to real estate sources.

The transaction is notable for the property's significant jump in value. In 2016, a joint venture made up of funds managed by the Real Estate Group of Ares Management LP, SMW Hospitality LLC, and Trinity Real Estate Investments LLC, paid just over \$164 million for the 49-acre property known for its beachfront, golf and tennis facilities, according to Tennessee-based STR, data and analytics specialists.

Hawaii's continued appeal to the global transaction market is reflected by short-term investor gain and the roughly \$925,926 price per room, which was the state's third highest per-room hotel real estate transaction this year and one of the top 10 per-room prices ever, said Joseph Toy, president and CEO of Hospitality Advisers LLC.

"The market dynamics in Hawaii are outstanding. We are one of the highest-performing hotel markets globally. We are consistently in the top three U.S. hotel markets. We tend to run head-to-head with New York and just ahead of San Francisco," Toy said.

Mark Bratton, senior vice president for Colliers International, said Hawaii is one of the few premier hotel markets in the country where hotels may trade for \$1 million per room or more.

"You sometimes see (this level of pricing) at the five-star resorts, but there's no doubt this is a big sale for 2018," Bratton said.

To put the price that Blackstone paid for each room at the Ritz-Carlton Kapalua in perspective, Hawaii's average price per room based on all hotel real estate transactions in 2017 was \$536,481, which STR estimated was the highest average of any state that year.

What's more interesting to Bratton is that the Ritz-Carlton Kapalua's price per room based on real estate transactions rose more than 67 percent from \$553,670 in 2016.

"That's a sizable change in a two-year period and it was sold to Blackstone, a very sophisticated buyer, which earlier this year purchased the Waldorf Astoria Grand Wailea. I'd expect they've got plans to add some big value on top of what's already been added," Bratton said.

Sean Hehir, managing partner of Trinity Investments, said the Ritz-Carlton Kapalua's sale price demonstrates the significant value the joint venture was able to create over the past two years when the hotel's common areas and guest rooms were renovated.

"I'd say the Hawaii hotel market, right now, is stronger than it's ever been. There's a lack of new supply and a lot of institutional owners are seeking Hawaii assets," Hehir said.

Judging from the Ritz-Carlton Kapalua transaction and other 2018 highlights, Toy said Hawaii's "unprecedented hotel transaction cycle, which began in 2012," is continuing.

But how much more runway the market has "depends on interest rates, capital markets and liquidity," he said.