



Distressed Hampton Inn Trades for 50% Below Replacement Costs

By Jennifer LeClaire
November 15, 2012

NAPLES, FL—The distressed Hampton Inn & Suites hotel has a new owner. **TerraCap Partners** snapped up the 120-room hotel on Fort Myers Beach for \$4.5 million, or about \$37,500 a key. The price represents less than half the replacement costs.

“There are many sellers of assets now and for secondary markets there are relatively few buyers,” **Bob Gray**, managing partner of TerraCap Partners, tells GlobeSt.com. “We buy all cash, can move quickly because we are local and know the markets well, so are more comfortable with limited representations and warranties which sellers want. That helps the ability to access transactions at low prices.”

Located at 11281 Summerlin Square Drive, the beach hotel is just 2.5 miles from two highly-trafficked tourist destinations: Fort Myers Beach and Sanibel and Captiva Beaches. Hotel amenities include two boardrooms with 800 square feet of meeting space, a business center, an outdoor pool and courtyard, and a 14-table breakfast area.

“Many factors are attractive locally and more broadly in Florida and for Fort Myers as a submarket within a state that has many appealing attributes,” Gray says. He pointed to a rapidly growing population over a sustained period, recovering housing market, limited space for new development, and job creation, along with attractive climate, modern infrastructure, low taxes, and low cost of living.

The Fort Myers beach hotel deal marks TerraCap’s second hotel purchase and demonstrates the firm’s ability to leverage high-quality **distressed** commercial real estate opportunities. But these types of deals get done without challenges. Investors need to move fast and have quick access to capital. Gray sees that challenge as an opportunity and says he seeks out these opportunities because it tends to lead to low prices with relatively limited competition.

“The seller was a pleasure to work with as was Hilton so the transaction was smooth,” Gray says. “Biggest challenge was rapidly assessing a property with many line items of revenue and expenses while building the business plan for operating the asset, investing in it’s continued success, and continuing motivating a strong team to maximize performance.”