

Interstate Hotels & Resorts to Acquire Seventh Wholly-Owned Hotel

2007-09-20

Forms Joint Venture with Investcorp Real Estate Group to Acquire Two Hotels

Interstate Hotels & Resorts (NYSE:IHR) announced the formation of a joint venture partnership with Investcorp International's U.S. based Real Estate Group. The partnership, along with Interstate, have agreed to acquire three hotels from affiliates of The Blackstone Group L.P. for an aggregate price of \$118 million: the 321-room Hilton Seelbach Louisville in Kentucky, the 226-room Crowne Plaza Madison in Wisconsin, and the 288-room Sheraton Columbia in Maryland. Interstate will invest approximately \$4.7 million in exchange for a 15 percent equity interest in two of the properties, the Hilton Seelbach and the Crowne Plaza Madison. The two joint venture properties will continue to be managed by Interstate under new management agreements.

As part of the overall transaction, Interstate will also acquire 100% of the third hotel, the Sheraton Columbia, for \$46.5 million. The company plans to invest \$12 million in a comprehensive renovation of the property, including upgrades to all guest rooms and public spaces, which is expected to be completed by the end of 2008. Interstate will fund the acquisition with available cash and capacity under its senior revolving credit facility. The transaction is expected to close in the fourth quarter.

"This falls directly within our strategy of owning real estate, both for our own account and in joint venture partnerships," said Thomas F. Hewitt, Interstate's chief executive officer. "This transaction is an illustration of our successful execution of our growth strategy. We remain opportunistic in our acquisition strategy and maintain flexibility to structure transactions within dynamic markets."

"These three, geographically diverse properties are located in key urban, airport and major suburban markets," said Leslie Ng, chief investment officer. "All of the properties are strong performers with steadily improving RevPAR and income and have significant further upside potential. This is our first venture with Investcorp, one of the world's largest and most diverse alternative investment managers, and we look forward to exploring additional opportunities with them."

"The acquisition of these hotels is consistent with our multi-disciplinary focus of aggressively pursuing opportunities across product platforms and geographies to deliver strong cash flows and above average returns to our global clients," said John Fraser, Co-Head, Investcorp Real Estate Group. "Interstate has been successfully managing these properties and is thoroughly familiar with the individual markets. Given Interstate's solid track-history, expertise and proprietary management systems, we are very confident in its ability to drive these properties to their fullest potential."

Sheraton Columbia, Maryland

The 288-room Sheraton Columbia Hotel is located in Columbia, Md., a 14,000-acre planned community approximately 40 miles north of Washington, D.C., and 15 miles from Baltimore. Situated in Howard County, one of the wealthiest counties in the state of Maryland, this award-winning community features more than 2,500 businesses, over 60,000 jobs, 21 million square feet of commercial and residential space and a wide array of social, cultural, educational, entertainment and recreational programs and facilities.

Hilton Seelbach Louisville, Kentucky

Since its grand opening in 1905, the legendary Seelbach Hilton Louisville has been the premier, luxury hotel in Louisville. The 321-room, four-diamond property offers the atmosphere of a bygone era coupled with modern amenities and state-of-the-art technology, including high-speed internet access in all guest rooms and meeting rooms. It also is home to Kentucky's first and only five-diamond restaurant, the Oak Room. The landmark hotel enjoys an excellent downtown location, in close proximity to Louisville's unique attractions, such as Bluegrass-style entertainment, the Kentucky Derby, bourbon-distillery tours and scenic riverboat rides.

Crowne Plaza Madison, Wisconsin

Located off I-90/94, three miles from the Madison airport, the 226-room Crowne Plaza is situated near Madison's largest shopping mall, theater and restaurants, and proximate to the city's convention center, the University of Wisconsin and the state capitol. Renovated in 2005, the hotel features an indoor pool, restaurant and lounge, a business center and more than 6,800 square feet of meeting space.

Madison is the second largest city in Wisconsin, after Milwaukee, and is located in the state's fastest growing county. In addition to state government, Madison is home to a number of major corporations, including Alliant Energy and American Family Insurance.

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