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Sam McVay: Biting into The Big Apple Hotel Market

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It's not unusual for Sam McVay to go to a different city and check in and out of three different hotels over three nights.

It's not that he's particularly picky. The Sydney-based agent who heads up [McVay Real Estate](#) has an insatiable curiosity about the hotel industry.

He spent a lot of the time in the air last year, [scoping deals all over the world](#).

His latest, a hotel in New York's Manhattan, is probably the first and last he will do in the US, but it's a homecoming of sorts for



McVay.

He spent time in The Big Apple while completing a Masters at Columbia University, cutting his teeth on some real-world deal-making.

Now he's working his extensive contact book of investors across Asia and the Middle East for the sale of a vacant possession hotel in New York's supply-starved Manhattan.

McVay is helping to facilitate the Modernhaus Soho sale, which he says has attracted strong international interest. The bids are to be shortlisted this week.



▲ The Modernhaus Soho hotel is one of a few in Manhattan with a rooftop pool.

The 114-key hotel on Grand Street and 6th Avenue is in arguably one of the strongest sub-markets in the world, and one of only eight hotels in the suburb of Soho.

The hotel, majority owned by two wealthy families, has undergone a \$US17.5 million renovation in 2021 and has one of the few rooftop pools in Manhattan.

McVay has been overseeing the bid process, which is “nuanced” compared to Australian processes. But it's not just about hitting the phones—it's also about working the market locally and internationally, he says.

“It's a vacant possession hotel so we spoke to other operators to gauge interest and they then talk to their preferred owners,” he says.

Hotel scarcity driving sky-high prices

The scarcity of hotel rooms is also driving significant demand and prices are sky-high in New York.

McVay says while the market hit the doldrums during the pandemic, many of the boutique hotels were converted to housing, while Airbnb was also made illegal in Manhattan—putting a premium on hotel rooms.

There were 125,000 hotel rooms pre-Covid. That is now down to about 80,000, according to McVay.

“Rates have doubled and at the same time it’s now impossible to build a hotel,” he says.

“Hotels have gone up on average daily rates. Nowhere has experienced it more than New York.”

The average daily rate in Manhattan is \$US600—The Four Seasons is charging about \$US3000 a night for an entry level room.



▲ McVay sold the landmark Brisbane Sofitel Hotel in a \$178-million deal, the biggest single hotel transaction for the city.

Green shoots for Australian hotels

But this could well play into Australia’s tourism market with a weaker Australian dollar becoming more appealing to international travellers.

“I think this is going to be a golden era of trade in Australia,” McVay says.

Expanded airport infrastructure, great hotels, no new supply coming into the market, strong demand and a weaker Aussie dollar are all feeding the fundamentals for a strong hotel trading environment, according to McVay.

But in terms of hotel deals, McVay stands by his comments last year at *The Urban Developer’s* Hotel Summit, where he predicted a downturn in activity.

“We’ve turned down several listings—I just knew they were not going to sell,” McVay says.

“We’re selective about what we take on.”

And it seems they’re on to a winning formula, bagging some of the biggest deals, and holding records for the highest rate per key across multiple jurisdictions.

“In our business, we generally take on a lot less things and invest time in understanding the asset. When you understand it, you can put out fires and sell the upside,” he says.

McVay is predicting that the high-end luxury hotels will continue to perform well with domestic and international tourists, while hotel operators will push into other areas including office building concierge services and branded residences.

Strong population growth on Australian shores is also driving demand for more hotels.

Indicative cap rates for prime hotel assets

City	Peak	Q4 2024	Change	2025 Outlook
Sydney	4.75%	5.5%	+75bps	Flat
Melbourne	5%	5.75%	+75bps	Flat
Brisbane	5.5%	6.25%	+75bps	Flat

Source: CBRE Research

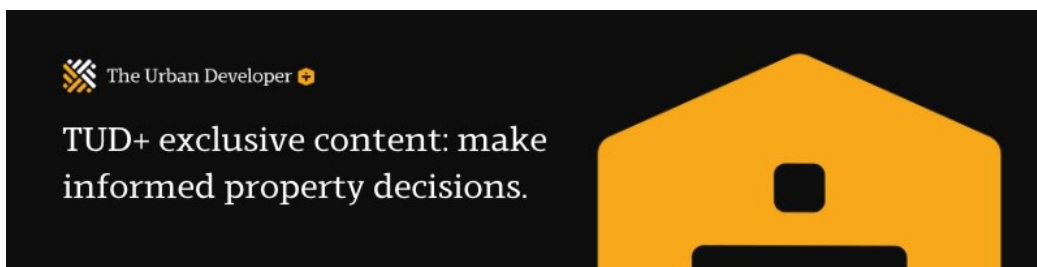
According to CBRE research, an additional 11,500 hotel rooms are needed for every million new residents in Australia. The company is also forecasting a 10 per cent increase in investment volumes in the hotel sector in 2025.

December preliminary data from CoStar shows Sydney's hotel industry posted a record-high average daily rate of \$854.38 on New Year's Eve with occupancy levels at 94.5 per cent.

Last year was a somewhat muted for hotel transactions, which included [Brookfield Property's \\$90-million acquisition of Hotel X](#) in Brisbane, the Australian Rugby League buying up a Mantra hotel in Brisbane and an ibis at Port Macquarie, and [Salter Brothers](#) acquiring three Bannisters Hotels for about \$128 million.

Metrics Credit Partners has also reportedly splashed \$265 million on the [Sir Stamford at Circular Quay, which JDH Capital acquired for \\$210 million two years prior](#).

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