



Manchester Grand Hyatt to be sold for \$570 million

By Lori Weisberg

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Hotel developer Doug Manchester plans to sell his namesake downtown property, the Manchester Grand Hyatt San Diego, to Host Hotels & Resorts Inc. for \$570 million, a deal that still requires the blessing of the San Diego Port Commission.

Host, which is the largest lodging real estate investment trust, already owns the 1,362-room bayfront Marriott that Manchester originally developed in 1984. He sold his remaining stake in 2008 to Host, at the time a majority owner, in a stock deal valued at about \$93 million.

If the acquisition goes through, it would be the largest sale since 2006 when Strategic Hotel Capital acquired a 45 percent stake in the Hotel del Coronado in a deal then valued at \$745 million, said Alan Reay of Atlas Hospitality Group.

“This says a lot about what’s happening in the hotel business — that it’s definitely rebounded and there are buyers for extremely large transactions,” said Reay, whose company tracks hotel sales in California. “Buyers are seeing hotels as a great place to invest because the market is rebounding, even if the price is still below its replacement cost, and this is an asset that would be very, very difficult to replace.”

While Manchester will no longer have control of his marquis waterfront properties once the Host deal closes, Manchester will remain a key player in redevelopment of downtown’s waterfront. His company’s plans for the billion-dollar Navy Broadway Complex at the foot of Broadway call for the development of offices for the Navy, as well as hotels, private office buildings and shops.

The move to give up controlling interest in the 1,625-room Hyatt -- the second largest hotel in California -- is simply an effort by Manchester to diversify his interests, explained Dick Gibbons, vice chairman of the Manchester Financial Group. Manchester also owns the posh Grand Del Mar resort in Carmel Valley.

“Host is acquiring the hotel through a contribution of Manchester’s ownership interest to Host in return for preferred and common operating partnership units,” Gibbons said. “He’s diversifying his ownership and will now have a minority interest in Host and the 120 hotels it owns around the world.”

The Manchester Grand Hyatt’s name will not change under the proposed transaction, according to Manchester. The high-profile property first opened in 1992 as a single tower at a cost of \$140 million. A second 33-story tower was added in 2003, costing \$240 million.

“It has been part of the hotel for years and represents one of the best, if not the best, in the Hyatt chain, and I am proud to have our family name continue,” Manchester said in an e-mail.

Host said that its proposed acquisition will be accomplished through a combination of cash, including the repayment of existing loans, and the issuance of common and preferred shares. The transaction is expected to close in March, pending approval by the Port of San Diego, which acts as the Hyatt’s landlord.

Manchester representatives are meeting Wednesday with Port officials to talk about placing the matter on the commission’s March agenda.

Twice before, Manchester sought to sell his controlling interest in the Grand Hyatt, first to Hyatt Hotels and later to Orange County-based Sunstone Hotels and Investors. Those deals, however, ultimately collapsed.

Host, which owns a number of high-end properties, including Ritz-Carltons in San Francisco and Phoenix, said it also expects to complete the acquisition this month of seven midscale and upscale hotels in New Zealand for roughly \$145 million.

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