



COVID-19 Recovery Value Stocks: 1 Cheap Hotel Asset to Buy

Description

American Hotel Income Properties ([TSX:HOT.UN](#)) is a [limited partnership](#) that invests in hotel real estate properties primarily in the United States (U.S.) and is engaged primarily in growing a portfolio of premium-branded, service hotels in larger secondary markets with diverse and stable demand generators.

American Hotel (AHIP) has several long-term objectives. These include to generate monthly cash distributions from hotel properties located in the U.S. and to enhance the value of the company's assets and maximize the long-term value of the hotel properties through active asset management. Further, the company is focused on expanding AHIP's asset base and increasing funds from operations (FFO) per unit through an accretive acquisition program.

Best-in-class hotel assets

AHIP owns 79 hotel properties located in 22 states across the U.S., representing an aggregate of nearly 9,000 guestrooms. The average effective age of AHIP's hotels is approximately four years. The total revenues from AHIP's current portfolio of hotels are approximately \$400 million.

The company's hotels are located near airports, highway interchanges and other transportation hubs, and major demand generators such as universities, manufacturing facilities, distribution centres, and medical centres. AHIP's hotels cater primarily to corporate travelers seeking select-service hotels.

AHIP focuses on acquiring existing hotels with [top-quality brands](#) with leading hotel franchisors. Management expects, following the expected recovery from the impacts of COVID-19, that AHIP's portfolio of premium-branded hotels will continue to provide a platform on which to expand AHIP's business and activities through focusing on accretive acquisitions.

Long-term growth in lodging industry fundamentals

The U.S. lodging industry is expected to grow over time as a result of long-term growth in the U.S.

economy. The U.S. lodging industry has historically shown a strong degree of correlation with the overall U.S. economy. As the U.S. economy recovers, the hotel industry should recover and grow. Growth in new hotel room supply in the U.S. hotel market is expected to drop significantly, at least through next year, as a result of the impacts of COVID-19.

Attractive valuations

The scale and fragmentation of the hotel industry and the impact of COVID-19 on certain hotel owners has presented AHIP with opportunities to grow through accretive acquisitions in AHIP's target markets. AHIP targets the extended-stay, midscale, upper-midscale and upscale chain scale segments, as well as the airport, interstate, and secondary location geographic segments.

The airport, interstate, and secondary location segments of the U.S. lodging industry is the most stable geographic segments over the long term compared to other types of hotels within the U.S. lodging industry. Midscale and upscale hotels, including extended-stay hotels, are the most common types of properties in these locations. Hence, AHIP's portfolio in aggregate is well positioned for continued operations as the properties are primarily select-service, located in U.S. secondary cities and non-gateway markets, and often cater to vehicle-based travelers.

As a result of the high quality of AHIP's properties and the company's long-term strategic relationships with leading hotel brand companies, AHIP is well positioned to participate in the expected long-term growth of the U.S. lodging industry following the expected recovery from the impacts of COVID-19.

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Date

2025/08/15

Date Created

2021/05/22

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