

Blackstone, Starwood Capital To Buy Extended Stay America for \$6 Billion

Sale Expected To Close in Second Quarter of 2021



Blackstone Real Estate Partners and Starwood Capital Group are acquiring Charlotte-based Extended Stay America and its paired-share real estate investment trust ESH Hospitality for \$6 billion. Pictured is the Extended Stay America Charlotte Airport. (CoStar Group)

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Blackstone Real Estate Partners and Starwood Capital Group are acquiring Extended Stay America and its paired-share real estate investment trust ESH Hospitality.

The deal comes in at roughly \$6 billion in cash, or \$19.50 per paired share, Extended Stay America announced Monday. The 50/50 joint-venture will acquire the Extended Stay America brand and its owned hotel portfolio, which at the end of 2020 totaled 563 properties.

The Board of Directors for both Extended Stay America and ESH Hospitality unanimously approved the deal, and the transaction is expected to be completed in the second quarter of 2021.

Bruce Haase, president and CEO of Extended Stay America, said in a news release the deal sets the company up for more growth.

“We are pleased to announce this transaction with Blackstone and Starwood Capital, two of the most experienced investors in the hospitality space with impressive track records of building value in a wide variety of real estate assets, and we look forward to this partnership and continued growth,” Haase said. “The boards and senior management are especially grateful to the excellent team of leaders and associates who have made this company such a leader in the lodging industry and we are confident in the company’s continued success under private ownership.”

In a statement, Barry Sternlicht, CEO of Starwood Capital, said the extended-stay hotel segment has continued to perform despite the historic low-demand environment induced by the global pandemic.

“Extended Stay [America] has demonstrated resilience over the past year despite persistent challenges due to government lockdowns and travel restrictions,” he said. “We are excited about the company’s growth opportunity as restrictions ease and we’re confident that, in partnership with Blackstone and the company, our team has the right experience to drive continued success.”

Tyler Henritze, head of U.S. acquisitions for Blackstone, said Extended Stay America is positioned for long-term growth.

“Travel and leisure is one of Blackstone’s highest conviction investment themes, and we have confidence in the extended stay model,” Henritze said. “We helped create this company nearly twenty years ago, and believe our expertise puts us in a unique position to add long-term value.”

An affiliate of Starwood Capital, which owns approximately 9.4% of Extended Stay America’s outstanding paired shares, has entered into a support agreement whereby it has agreed to vote its shares in favor of the transaction, according to a news release.

Shared History

This isn't the first time Blackstone has owned Extended Stay America. In 2004, affiliates of The Blackstone Group [acquired Extended Stay America for \\$3.1 billion](#). Blackstone then [sold Extended Stay America in 2007](#) to The Lightstone Group for \$8 billion.

In June 2009, Extended Stay America filed for Chapter 11 bankruptcy. During this period, affiliates of Blackstone and Starwood Capital competed to take the company out of bankruptcy, and in July 2010, a consortium led by Centerbridge Partners, Blackstone Group and Paulson & Co. bought the hotel company for nearly \$4 billion.

Several months later, the company emerged from bankruptcy.

In 2020, Blackstone and Starwood Capital both [acquired portions of Extended Stay America](#). Blackstone acquired a 4.9% stake and Starwood Capital acquired an 8.5% stake.

Extended Stay America's Franchising Focus

Extended Stay America officials launched an official franchising strategy for the brand [back in 2016](#).

Then, in February 2018, Extended Stay America [sold 25 hotels to Three Wall Capital for \\$114 million](#) in the first of several deals to build its franchise business.

Most recently, Extended Stay America announced in February 2021 the launch of a new brand tier — [Extended Stay America Premier Suites](#) — to offer franchisees another conversion option, with an initial footprint of 30 assets. In a news release announcing the brand, Extended Stay America said the Premier Suites portfolio will include new-build assets and fully renovated properties "with upgraded amenities to target higher-rated extended-stay guest segments." The launch will formally begin in the second quarter of 2021.

Along with that announcement, the company said the remainder of the portfolio — comprised of 625 franchised and owned assets as of Dec. 31, 2020 — would adopt "Suites" as part of the brand name.

During [a fourth-quarter earnings conference call](#), Haase said Extended Stay America officials see plenty of space to develop the Premier Suites brand in the extended-stay segment, emphasizing there is room for "hundreds" of new hotel assets.

"There is a substantial portion of our own estate which we think has the potential to be repositioned should the numbers work out, and when we look at the segmentation opportunity," Haase said. "You look at the impact that we have with our existing estate and if we can be successful in separating the [average daily rate] and the customer mix between our existing estate and the Premier Suites brand, that opens up a lot more territory for development. We think of this as substantial expansion in the many hundreds [of hotels], not the 10s or the 30s