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After long downturn, seaside inns find new investors

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PHOTO / TIM GREENWAY

Peter Twachtman, a partner at **Migis Hotel Group**, which recently acquired the Higgins Beach Inn in Scarborough, pictured here. Migis bought the property for \$1.5 million and plans to invest another \$1.1 million in upgrades.

After searching several years for exactly the right buyer, Higgins Beach Inn owner/sellers Bob Westburg and his wife Diane Garofalo are delighted to have found Migis Hotel Group.

The deal is part of considerable transactional activity among independently owned hotels along the coast over the past year. Along with the Higgins Beach Inn, legacy resorts like the Linekin Bay Resort in Boothbay Harbor, which sold a year ago for nearly \$4 million and is line for a \$5 million to \$6 million makeover, and the Colonial Village Resort in Ogunquit, constructed in 1950 and sold for about \$5 million, reflect a new interest from investors. They are showing a willingness to put in the capital needed to bring the aging resorts up to the standards demanded by today's travelers.

"We love places that have a sense of place, that are timeless in some ways," says Peter Twachtman, a partner at Migis Hotel Group, the new owner of the Higgins Beach Inn. "We think a lot of our success is based on understanding the community we work within, and realizing we're not successful without the community. With the Higgins Beach Inn in particular, we know it's cherished by generations of families that have ties to the community. The generational aspect is a huge part of our tradition."

The Higgins Beach Inn, located at 34 Ocean Ave. in Scarborough, is typical for a certain category of seller who enjoyed innkeeping but is ready to retire. Comprised of a 9,624-square-foot building with guestrooms and restaurant on 0.69 acre, the inn sold for \$1.5 million in a deal that closed Dec. 22. In time for the coming season, Migis is working with Camden National Bank and Biddeford-based Caleb Johnson Architects + Builders on a \$1.1 million remodel to provide baths for all guestrooms, new HVAC and WiFi and a three-season porch.

The previous owner, Westburg, worked for Hannaford Brothers for 20 years. His wife continues to enjoy a 36-year career with Unum Group. They purchased the inn in 1997 to fulfill Westburg's dream of owning a business at Higgins Beach. After two decades, the couple

decided it was time to hand over innkeeping's long hours to someone else. But they wanted the right buyer.

"I had many opportunities to sell the inn, I had offers higher than what Migis offered — but it was never to people who wanted to take it to the next 50 years," he says. "Nobody in the community wants to see this centerpiece of architectural beauty disappear to redevelopment."

Other inns that have sold in the recent past include the family-owned Ledges by the Bay in Rockport, which sold for \$2.1 million. Vacationland Inn in Brewer sold for \$2.5 million, and the Lucerne inn in Dedham traded hands for \$2.3 million.

On Cape Neddick in Ogunquit, Cliff House Maine, a 19th century hotel on 70 acres by the ocean, has undergone considerable renovation under its new owner. Room rates can range from \$199 a night in the winter to more than \$500 a night in the summer, according to its website. The inn, which has 132 guest rooms, is owned by Rockbridge, a private equity firm in Columbus, Ohio.

In Stonington, the historic Inn on the Harbor, which has 13 guest rooms and dates to the 1880s, was purchased by an educator and a photojournalist from Pennsylvania. In Freeport, the Casco Bay Inn, which is on Route One, sold for just under \$3 million.

Investment in boutique hotels and resorts is not limited to taking over existing places.

In Camden, 16 Bay View, is a new boutique hotel situated in a historic building. The inn, with 21 guest rooms and suites, opened in 2015. Elsewhere in Camden, the owners also have the Lord Camden Inn and Grand Harbor Inn.

Other hotels that have changed hands include Hampton Inn in Waterville and the Hampton Inn in Freeport, which sold for a combined \$16.9 million; the Ramada in Saco, for more than \$5 million; and Econo Lodge in South Portland, for more than \$2.5 million, according to an overview prepared by Daigle Commercial Group partner Nick Farrell and presented by another partner at the firm, Mitchell Muroff, to Maine Real Estate & Development Association's Jan. 19 conference.

The Daigle report also cites hotels under construction or in the planning phases, including a Hampton Inn in Kennebunk, The Francis Hotel in Portland, AC Hotel Portland on Fore Street, Tru by Hilton and Home2Suites in South Portland, Best Western in Rumford, and an unnamed hotel in downtown Waterville.

In a subsequent phone conversation, Farrell and Muroff indicated that, overall, occupancy rates in Maine have steadily increased since 2009, compared with stagnant rates elsewhere in the nation.

"What's exciting is that Maine occupancy continues to increase, despite the fact that U.S. occupancy has not increased as much," Muroff says. Staycations are one reason for Maine's draw, he says. "Also, urban Maine markets have been very strong. Portland has been very hot."

It's been a busy year of lodging transactions — in fact, the busiest year his firm has ever seen, says Muroff.

Buyers are looking to take an existing property to the next level.

"So you might have an average hotel where a new owner comes in and improves the FF&E — the furniture, fixtures, and equipment — and maybe update bathrooms and amenities and make it a finer class of hotel," Muroff says. "We've been approached by a lot of developers who are seeking older properties in prime resort areas where they can put some money into a tired property and give it a fresh look.

Among sellers, there are often generational issues, with owners getting ready to retire but children not interested in taking over.

"We have an Old Orchard Beach property right now that's a prime example of that," Muroff says. "In this situation, it's been in the family for two generations and the third generation is not interested in pursuing that, so the owner is selling the property."

With the economy growing at a healthy rate, Muroff says, supply and demand are currently working hand-in-hand. Independent and boutique hotels are thriving, as are upscale and upper mid-scale chains.

That's the focus of the Migis Hotel Group, which got its start in 2007. It was founded by Tim and Joan Porta, owners-operators since 1978 of Migis Lodge on Sebago Lake in South Casco. Their son Jed grew up working at Migis Lodge and is now a partner with Migis Hotel Group, along with Jesse Henry, Phil Kronenthal and Peter Twachtman.

In addition to the Higgins Beach Inn, the group's portfolio includes two historic hotels in Massachusetts, the Emerson Inn in Rockport and the Groton Inn, which was rebuilt after a 2011 fire. In its management portfolio, the group has the Inn at Ocean's Edge in Lincolnville, the Black Point Inn on Prouts Neck in Scarborough, Sparhawk Oceanfront Resort in Ogunquit, The Shire Woodstock in Woodstock, Vt., the new 250 Main in Rockland and Hotel Domestique in Travelers Rest, S.C. Migis has invested \$33 million in the portfolio, not counting annual maintenance.

"So we try to take good care of them," says Twachtman. "We think it's important for the product."

"Migis," says Twachtman, is an Abanaki word denoting "a place to steal away and rest." What the principals seek are independent lodgings that evoke their communities.

"We think of them as properties where there's nothing else quite like it," he says.

Another consideration is size: 25 to 40 rooms is small enough to retain a sense of friendliness. They're looking for the right price that makes sense for a good return after potential rehabilitation and upgrades.

"Part of the challenge with inns and beds-and-breakfasts and small hotels in Maine and New England is that many owners have owned them for 10, 15, 25 years, and you end up with a valuation issue," Twachtman says. "It's their nest egg, and you might have a lot have deferred maintenance, or the property hasn't been updated for years."

Like the Higgins Beach Inn, owners often want just the right buyer.

"So it takes patience," says Twachtman. "It was three years before we could buy the Higgins Beach Inn. The other piece is, Does it have the right emotive for us? Do we like it when we show up? That might sound silly. But because we're able to choose, it's a wonderful place to operate from."

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