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## What's inn fashion

Downtown and Brickell hotel projects now rival Miami Beach stalwarts November 03, 2012 By Alexander Britell



Sam Nazarian

As the greater Miami condominium market sees an unprecedented sales spree, the area's hotel sector has experienced similar gains. And it's not just the traditional vacation destination of Miami Beach that is thriving; downtown Miami is also reaping the benefits.

The growth of downtown Miami's hotel sector in the last two to three years has transformed an area once home to economy hotels into a legitimate competitor to Miami Beach and given Miami-Dade County not one, but two robust hotel markets.

The volume of hotel transactions in greater Miami rose 154 percent in 2011 compared to the previous year, according to a report from Jones Lang LaSalle Hotels.

In Miami Beach, rows of aging Art Deco classics and forgotten boutiques, from the former Peter Miller (now the Lennox) Hotel to Vikram Chatwal's Dream South Beach, have been overhauled in recent years, helping to move forward a resurgence that began with the work of frontiersmen like André Balazs and Ian Schrager in the 1990s and early 2000s.

"By the end of this year, the market will probably move to 2008 levels, which is pretty impressive," said Bo Ashbel, who oversees the hospitality group at Aztec Group, a Miami-based investment banking firm. "The average daily rate has been very, very strong, and so far through July, the revenue per available room rose 8.9 percent."





Fontainebleau Miami Beach

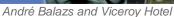
Ashbel brokered the sale of the Fontainebleau Miami Beach in 2005, three years before it unveiled \$1 billion in renovations. While the Morris Lapidus–designed resort underwent a series of financial troubles during the downturn, it was the hotel's 2008 debut that reinforced Miami Beach as a destination.

The Fontainebleau was one of the first of a series of city hotels that are either being completely demolished and built up anew (like Sam Nazarian's SLS South Beach) or overhauled (like the Menin Group's Shelborne South Beach).

A number of big players have made an entry into Miami in the last two years, highlighted by a group of Starwood affiliates that purchased the Gansevoort South Beach on Collins Avenue, rebranding it as the Perry South Beach. Starwood plans a \$100 million renovation project that is slated for completion in 2013.

And in April, Man-Co purchased the Miami Beach Best Western for \$50 million. The total sales volume in 2011 was \$557 million.





So it's only natural that the two hotels largely responsible for bringing hotel hype back to Miami Beach in the 1990s — the aforementioned Schrager's Delano and the Raleigh, which represented Balazs's first foray into South Beach, were both put on the block this summer. The



Raleigh reportedly sold to David Edelstein, the developer of W South Beach, and his partners for about \$55 million in August; the Delano is still for sale.

"The Miami Beach hotel market has been extremely active," said Lori Schumacher, a partner in the hotel practice at Miami law firm Bilzin Sumberg Baena Price & Axelrod. "Miami is a gateway city, so everyone wants to be there. And there's limited supply, so the top hotels that are being snatched up are beachfront properties and the boutique luxury hotels."

And as Miami Beach has regained its status as a vacation destination — and a continued investment target — downtown Miami has become a hospitality hub, too, from the Viceroy Miami and JW Marriott Marquis to the newly opened, eco-conscious Hampton Inn in Brickell.

Laurence Dubey, the general manager at the Viceroy, came to downtown Miami three years ago when the city's downtown was, for all intents and purposes, a ghost town.

"You've really seen growth in the downtown Brickell area that competes 100 percent with Miami Beach," Dubey said. "Before, everyone would be referred to a hotel on the beach. Now with the Kimpton, the Four Seasons, the Marriott and us, [there are] luxury hotels that actually wanted to be based in downtown Brickell."

Brickell-downtown Miami is now the second-best-performing hotel submarket in Miami-Dade County (after Miami Beach), according to Ashbel.

"Some can argue that probably the best hotels in Dade County are in Brickell and downtown," he said. "There's a great deal of interest and a great deal of demand in staying in Brickell — I think [Miami and Miami Beach] complement each other."

