

A special kind of room service - Hotels are converting rooms into condominiums available to rent when the owners aren't there, says Amy Yee.

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Eloise, the fictional children's book heroine, knew first-hand of the luxuries of hotel living. The six-year-old star of the eponymous series spied on parties in the gilt ballroom of New York's Plaza hotel, walked her pet turtle down its corridors and plagued room service with orders of "one roast-beef bone, one raisin and seven spoons".

These days, even urbane Eloise would be overwhelmed by the variety of hotels-cum-residences on offer. "Mixed-use developments" include hotels with wholly owned condos, where residents live for all or part of the year and "condo-hotels" in cities and holiday destinations, which are occupied for a certain number of days a year by their owners and let out, at a daily rate, for the rest.

Linked to both big hotel chains and boutique players, these hybrid buildings appeal to consumers looking for a second home or a short-term rental that comes with the convenience of a concierge, valet, housekeeping and, of course, room service and minimal responsibility for maintenance and upkeep. They are attractive to developers and hoteliers because they mitigate the risks associated with soaring hotel construction costs and wide fluctuations in occupancy rates.

Conversions of existing hotels - which tend to be usefully well located and have no tenants to evict - into condominiums has been most feverish in Manhattan where prime real estate is scarce and the average price for an apartment hit Dollars 1.3m in the first quarter of this year. Sales of hotels in recent years, including the Mayflower and Stanhope near Central Park, have hinged on plans to convert all or some of the building into residences, while owners who have held on to luxury hotels such as the St Regis and the Essex House have ramped up their condo offerings.

The highest-profile example of hotel-to-condo conversion is the Plaza overlooking Central Park South. (Yes, that's Eloise's Plaza.) Property developer El Ad Properties bought the historic building for Dollars 675m in 2004 and embarked upon its controversial makeover.

Following protests from preservationists and hotel labour unions, it pledged to retain some hotel rooms - 130 - "out of respect for the Plaza's historical significance". But once the scaffolding comes off next year, it will also house 181 condos - ranging from one-bedroom units to a four-bedroom triplex penthouse - and 152 hybrid condo-hotel units - sized from 650 sq ft to 1,100 sq ft. Prices range from Dollars 1.6m to Dollars 40m. About half have sold since they went on the market in December.

Roughly 50 per cent of buyers are New Yorkers moving from townhouses and co-operative apartments, according to El Ad; 25 per cent come from across the US and the rest are international. Owners of the traditional condos will have access to all the Plaza's services, which will be managed by Fairmont. Owners of the condo-hotel units, which will be furnished exactly like Plaza hotel rooms, can use them for up to four months each

year; for the remaining eight months, they return to the hotel's rental programme for nightly visitors.

London is also at the forefront of the condo-hotel trend. Guest Invest, which debuted its Guesthouse West in Notting Hill two years ago, will next year launch Nest, a 170-room property near Paddington station. Rooms start at Pounds 175,000 and are available to owners for up to 52 nights annually. They are rented out for the rest of the year and owners receive 50 per cent of the income.

Marriott's London offering is 47 Park Street, a property in Mayfair that is run like a five-star hotel with 49 one- or two- bedroom flats. Services include concierge, an in-house florist and fridges pre-stocked with favourite treats. Owners can even leave behind photographs and clothing that can be unpacked prior to arrival. Membership in 47 Park Street is sold in 21-day chunks priced from Pounds 99,000, with the rest of the year divided up between other owners.

Similar properties are being planned across the US. But these hybrids are a new and relatively untested concept. Analysts point out that condo-hotels are potentially risky for the consumer because investment in a unit depends on the hotel's performance. If business stumbles, either at the hotel or across the industry, it is not clear how individual owners and developers or property owners will share responsibility. There is the added uncertainty of how much hotel inventory would be available, especially if owners occupy their units during peak season. And while there is potential to generate rental income, monthly association fees for condo-hotels are higher to support hotel facilities and service. Some big hoteliers such as Starwood, owner of the Sheraton and St Regis brands, have backed away from the model even as they aggressively build hotels with wholly-owned condos.

Condo-hotels can be a "viable option in the right circumstances", cautions Scott Berman, a principal with Price Waterhouse Cooper's hospitality practice. Smaller hotels with steady, reliable travel demand are most desirable, he adds.

With their steady flow of business and leisure travellers, London, New York and other big cities are good condo-hotel locations as do popular beach and ski resorts. On Grand Cayman island in the Caribbean, for example, the Ritz-Carlton has 69 oceanfront homes ranging from 2,400 sq ft to 20,000 sq ft and priced from Dollars 3.6m to Dollars 40m, all of which can be rented out through the hotel.

Owners and tenants have access to amenities and services of the Ritz-Carlton's adjacent Dollars 500m resort, including two lifetime memberships to a Greg Norman-signature golf course, access to a tennis centre, a Dollars 10m spa and fitness centre and the hotel's meeting rooms and ballrooms, use of a luxury BMW 6 or 7 Series cars and crewed Intrepid powerboats. A 24-hour concierge can arrange services such as private jet, butler, massage and childcare.

In Dubai, German developer BMG Middle East is building The Cube, a five-star condo-hotel in Dubai Sports City. Slated to open in 2008, the building will include 561 condo-hotel units ranging from studios to three-bedroom flats that face an urban lake landscape and mall park. Prices start at about Pounds 71,000 and owners will be able to use their condo-hotel unit up to 30 days per year. For the first three years, The Cube offers a 10 per cent minimum return on investment or half of the revenues generated, whichever is greater, through its rental program.

In the Bahamas, Kerzner, owner of the sprawling faux-Mayan water park and casino resort the Atlantis, and Turnberry Associates, known for building condo towers in Las Vegas, are collaborating on a 500-unit condo-hotel tower that will be part of a Dollars 1bn renovation. Owners can stay in the properties, which range from 519 sq ft to 1,718

sq ft, for up to 90 days per year; for the remaining 275 days, the rooms go into the resort's rental programme. Anyone who uses them will have access to hotel services plus bonuses such as an island golf course accessible by private ferry.

Whether these hybrid developments will be a hit with owners and tenant-guests remains to be seen. But all would provide enough room to walk a pet turtle. Eloise would surely take notice.

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