

# Best of Both Worlds

Condo-hotels combine property ownership with all the amenities of a luxury hotel—and more.

by Denise Bates Enos

It's a concept that's so new and explosive that industry watchers are scrambling to compile data and analyze the impact that condo-hotels are making on the hospitality and real estate sectors of the marketplace. A case in point: Smith Travel Research, one of the nation's leading research firms in the lodging industry, had not yet begun compiling figures on condo-hotels as recently as 2005.

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**DANTE ALEXANDER**

*President and CEO of the National Association of Condo Hotel Owners,*

But as condo-hotel projects continue to flourish—Florida is currently home to approximately 40 percent of all the proposed and in-progress condo-hotels in the nation—the concept has clearly caught on. The reason, says Bob Ostrander, Central Florida vice president for the Miami-based Condo Hotel Center, is a “shift in the demand curve. Travelers like the idea of gaining some equity, and developers have seen that they can enter the market with a product that can benefit everybody.”

Dante Alexander, president and CEO of the National Association of Condo Hotel Owners, which is based in Scottsdale, Arizona, says the boom is just beginning. “We believe it's a market segment that's in its infancy,” he states. “It signals a major paradigm shift for hotel ownership; it's a better way to own, operate and develop a hotel.”

## Who's Buying Into the Concept

The Sunshine State, especially the attractions-rich Central Florida area, is a prime locale for vacation properties, and condo-hotels are in a prime position to tap into that trend.

The American Resort Development Association, or ARDA, a Washington, D.C.-based organization that represents the vacation ownership and resort development industries, recognizes Florida's position as a prime spot for recreational properties. According to the organization's research, Florida is the single most preferred state by Americans for recreational property purchases.

International buyers also show a preference for Florida in general—and Orlando in particular. In fact, foreign buyers favor Orlando over all other Florida and U.S. cities and account for 23% of Orlando home sales, according to the National Association of Realtors. Additionally, these buyers are more likely to purchase higher-priced homes, 38% of which are used as a vacation home or as investment property.

“International buyers are a big component of the condo-hotel market,” according to Dave Spector, director of marketing for CMA Companies, a Miami-based company that provides financing, equity, development and asset management services to property owners. The company is currently developing The Blue Rose luxury condo-hotel in Orlando. “They like the idea of having a luxury getaway in Orlando that they own. It gives them the ability to participate in the real estate and tourist markets.”

Savvy Orlandoans are also seeing the value of buying close to home, and a condo-hotel is often the purchase of choice, adds Spector. “All of our buyers are very sophisticated and recognize an opportunity when they see it,” he says.



## A Blossoming Opportunity

True to its name, The Blue Rose is a unique condo-hotel project among the many sprouting up throughout Orlando. With its strategic location close to Universal Orlando, the Orange County Convention Center and the Walt Disney World Resort, The Blue Rose is positioned to change the very face of Orlando's tourist district. Nearby, I-4 links visitors to points of interest downtown, the Orlando International Airport and area theme parks.

A self-contained oasis with 75,000 square feet of convention space, plus top-flight entertainment, dining, recreation and amenities, The Blue Rose also distinguishes itself with its Hotel of Tomorrow designation. Innovative, forward-thinking features such as recycling shower water into toilet tanks to save water and “smart rooms” that sense when a key-bearing occupant approaches the door catapult The Blue Rose well into the future of technology.

“I call The Blue Rose a history-making event in Orlando,” says Mark Goldberg of Goldberg Realty LLC. “It's changing the way people see Orlando; it's changing the city's entertainment, the architectural style. The Blue Rose is one of those places that people don't have to leave if they don't want to. What we're talking about is entertainment for adults--nice night-clubs and dining, New York-caliber plays, Las Vegas-style shows; why wouldn't you want to stay there?”

**Where:** 7575 Universal Blvd. On a private lake between I-Drive, The Convention Center and Universal Studios

**What:** Three 39-story towers with 1,300 condo hotel units, including: studios, one- two-, three-bedroom and penthouse units

**Who:** CMA Development Group, a Miami-based developer with highly experienced management team

**Amenities:** 5 themed restaurants, 1,000 seat Broadway Theatre, spa, private lakeside promenade, on site convention center

**For more Information:** [www.TheBlueRose.com](http://www.TheBlueRose.com) or call 866-313-ROSE (7673)

## No Reservations About Ownership

Condo-hotels are an entirely different approach to hotel development. Purchasers of condo-hotels contribute capital to the building project and can build equity at the same time. “The condo-hotel has come alive because of what it can provide to the purchaser,” states Ostrander. “It provides a place to put their capital and a place to enjoy when they come to Orlando. And there’s ownership; unlike a time-share, where you’re buying time, you actually have a title. You’re actually an owner in that hotel.”

Not only does a condo-hotel provide a comfortable place to stay while in town, owners typically have the option to put their units in the hotel’s rental pool if they desire. And with room-night demand and hotel occupancy rates in Orlando that are consistently higher than the national average, according to the Orlando Convention and Visitors Bureau, Central Florida is an exceptionally attractive location for a condo-hotel. Orlando area occupancy rates vary with the season, and are historically among the highest in the world with prime properties remaining solidly booked during high-traffic times of the year. The average is typically 73%, with some properties reporting average occupancy rates up to 10 percentage points higher.

What’s more, convention hotel occupancy rose 5% in 2006, and Orlando’s average daily rate for rooms went up 10% during the same period, a full percentage point above the

national rate. “Condo-hotels are a tangible asset a consumer can own and enjoy,” says Alexander. “And if they fully participate in the rental program, they will be able to defray some property costs.”

Of course, it’s also possible to opt out of most rental programs altogether. Those condo-hotel owners who wish to keep their units to themselves may choose to do so, either on a temporary or permanent basis; some projects also include no-rental residences, in which owners can enjoy all of the amenities and services provided by the hotel without renting out the unit in their absence.

## Orlando: Condo-Hotel Hotspot

With more than a dozen condo-hotel projects containing nearly 6,000 units currently under construction or in the planning/proposal stages in the Orlando area—and still others on the horizon—Central Florida is clearly a condo-hotel hotspot. Orlando’s undisputed position as the vacation capital of the world and the area’s year-round pleasant climate both contribute to making the area an ideal location for condo-hotels.

Central Florida’s location at the heart of the state is another bonus, since the area is a short drive to and from beaches and major cities on both coasts. All that, plus there’s the Orange County Convention Center, the second-largest in the country, which attracts major trade shows and conventions 12 months of the year. The center’s busy calendar translates into a year-round demand for luxury hotel

rooms as conventioners and their families flock to Orlando.

But it’s the wealth of theme parks and attractions that remains the key draw for many of the approximately 49 million (and growing) visitors who come to Orlando each year, according to Ostrander. “Orlando has become an entertainment mecca; nothing else comes close,” he says. “What’s really driving the Orlando-Central Florida scene is the parks and the family experience. The attractions just keep getting bigger and better, and there’s more destination travel to Orlando, since visitors want to come back more often. If they have a condo-hotel and they can get some kind of equity and potential appreciation and income, then it starts making a lot of sense.”

## Answering Demand

Of course, those millions of visitors need a place to stay, and many aren’t satisfied with a no-frills, no-name motel. “There’s enormous pent-up demand for luxury hotel rooms,” notes Spector.

Many experts agree. As Abe Pizam, dean of the University of Central Florida College of Hospitality Management, noted in a recent article spotlighting The Blue Rose in The Orlando Sentinel: “The Orlando market has a shortage of luxury rooms. Many conventions look around at the kind of rooms that are available, not just the number of rooms. And we don’t have enough luxury rooms within a reasonable distance of the convention center.”

And that’s the void that upscale condo-hotels are poised to fill. By combining

Properties like The Blue Rose in Orlando offer a wide variety of 4-star amenities including, multiple pools, concierge service and gourmet dining.



Photography courtesy of The Blue Rose



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Vice President of Condo Hotel Center

the benefits of real estate ownership with the luxury hotel experience, condo-hotels are in a unique position to address that need. “We know we’re thousands of rooms short in the luxury hotel market,” says Mark Goldberg, broker/owner of Goldberg Real Estate LLC in Orlando. “Condo-hotels are addressing that need. People need to understand that this is a niche market; it’s not a fad. It’s not going to be gone in 2008. Conventions will go on, and visitors will keep coming to Orlando.”

## What to Expect and Demand in a Condo-Hotel

Typically high-end luxury properties, condo-hotel units come fully furnished with all the quality and designer touches consumers expect to find in multi-star hotels. Chic furnishings, quality artwork, state-of-the-art electronics and top-of-the-line finishes such as granite countertops and solid-wood cabinetry are among upscale offerings better condo-hotel units will contain.

And since they function as full-service units rather than basic hotel rooms, condo-hotel accommodations include kitchen facilities and designated living and sleeping quarters. Studios and one-, two- and three-bedroom units ranging from approximately 500 to 1,500 square feet in size are the room configurations buyers can expect to find—with some variations, of course—in a condo-hotel.

Amenities consumers should look for in a quality condo-hotel include swimming pools, exercise and fitness facilities, sports courts, top-flight restaurants, and room, concierge and housekeeping services. A world-class spa and entertainment venues are a decided plus when selecting a condo-hotel. For buyers with families, child-oriented facilities such as a kiddie pool and playground should be key selling points, while adult, solo and business travelers may wish to look for condo-hotel features that cater more specifically to their needs and interests, such as nightclubs and meeting space. Of course, the most savvy hoteliers know how to be all things to all visitors, and a condo-hotel that appeals to a broad

range of clientele with multiple amenities and offerings is a smart choice for buyers who are interested in including their units in the rental pool.

Many market-watchers predict that condo-hotels are more than a present-day phenomenon, and will likely prove to be an enduring part of the hospitality landscape. “This is something that’s going to be around for some time; it just makes too much sense as a concept and as a product,” states Ostrander. Alexander agrees: “Condo-hotels will be the prevailing product for hotels in markets throughout the world.”

**Denise Bates Enos** specializes in real estate, home design and lifestyle topics, she is a regular contributor to a variety of local, regional and national publications, including: *The Orlando Sentinel*, *Chicago Tribune* and *South Florida Sun-Sentinel*, *Florida Travel & Life*, *Vive*, *Pool & Spa Living*, *Golf Life Orlando* and *Florida Magazines*.

## Smart Shopping

With an ever-increasing variety of choices, selecting the right condo-hotel can be tricky business. Keep these tips in mind while shopping around.

**Pick a Spot.** Balance the right location for your own needs with a location that will appeal to a broad range of potential renters as well. If you’re a business traveler, choosing a condo-hotel near the airport or your place of business may seem like a good idea, but remember the teeming hordes who come to Orlando are seeking a prime spot near the attractions or the convention center. A condo-hotel that provides easy access to both the theme parks and the Orange County Convention Center could be your best move.

**Seek Expert Assistance.** Although condo-hotels have been in existence on a very small scale for nearly 40 years, the current boom is the first time most consumers have been exposed to the concept. As a result, condo-hotels are an unexplored avenue for many, even those in the real estate business. Many agents and brokers are on a learning curve of their own when it comes to condo-hotels, so be sure to seek out a professional who thoroughly understands the market instead of someone who has just recently jumped on the bandwagon.

**Choose an Established Player.** As with any high-growth business, not all participants or projects are created equal. Be sure to choose a condo-hotel that is being developed—and will be managed—by professionals who have a solid track record in the luxury hotel business.

**Get in on the Ground Floor.** Buying in the pre- and early-construction phases of a project usually ensures that you’ll pay less and have more inventory from which to choose than those who buy later in the process.

**Understand the Details.** Ask questions—lots of them—about what the condo-hotel can offer you and other visitors. Review the services and amenities offered, and consider their appeal to a broad range of travelers, including couples, singles, families and business people. Also, ask if there are any unit usage restrictions; in other words, are there any regulations governing how long, when and how often you will be able to occupy the unit you purchase? Most importantly, get the facts on how revenues will be shared if you put your unit in the rental program—what percentage will you receive when the unit is rented?

**Use Your Head.** As with any major purchase, let logic rather than emotion drive your decision. While a condo-hotel should be a place for your personal use and enjoyment, you need to balance the equation by reviewing the financial particulars. Do the math, or let a professional analyze all the factors for you: One resource to consider is the National Association of Condo Hotel Owners, which provides unit-level feasibility studies to its members. Log on to [www.nacho.us](http://www.nacho.us) or call 480-905-2376 for more information.