

Condominiums helping fund luxury hotel projects

Rising building costs and long pay-back periods driving the trend to developing condo-hotel combinations

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It's like a mortgage helper writ large.

As Vancouver's skyline fills with iconic luxury brand hotels, it's the condominium developments that sit atop them that make it all possible.

Whether it's the Estates at the Fairmont Pacific Rim, Living Shangri-la, the Residences at the Ritz-Carlton, Vancouver or the Private Residences at Hotel Georgia, all of Vancouver's newest hotel properties are also some of the city's swankest new condominiums.

While the redevelopment model of the Hotel Georgia differs slightly from the others because it includes the restoration of an existing building, the trend towards dual hotel/condominium developments is global, according to Kirk Robinson, senior project manager for Delta Land Development Ltd., the group behind the Hotel Georgia project. "It makes it a lot more palatable for developers. Hotels, especially high-end hotels, are extremely expensive to build and the payback periods are very long-term. It vastly increases the commercial viability of a development to pair it up with a residential component."

Today's high-end consumers are also demanding that condominiums provide five-star hotel amenities and services. With many high-end owners owning multiple properties around the world, condominium units needs to be low maintenance.

"Pairing up with the services offered by a hotel works for them," Robinson said.

He added that local planning legislation can promote the proliferation of condo/hotel developments, although he said that was likely not the case in Vancouver.

With the Hotel Georgia scheduled to reopen in late 2009 or early 2010, the adjacent 48-storey condominium tower will not likely be completed until mid-2011.

He confirmed that the demolition of the site's parking lot is scheduled to start in October or early November.

For Bob Rennie, director of Rennie Marketing Systems, which is overseeing the sales and marketing for the condominiums in the Fairmont Pacific Rim, Ritz-Carlton and Shangri-la developments, it was

the Sheraton Vancouver Wall Centre that kicked off the city's love affair with luxury hotel/condo projects.

"You will not see another five-star hotel built in North America without condos above it. You can't get it financed. You can't spend \$700,000 a room at today's rates and costs of staffing, and what it costs to maintain that asset without a mortgage helper."

The profit from residential sales is what makes a luxury hotel a "workable economic model," said Rennie. "We have all stayed in a great hotel and said I could live like this the rest of my life. It's as simple as that."

The prestige associated with brands like the Ritz-Carlton is attracting buyers who had never considered the condo market before. "Living on top of a hotel, you want the implied warranties that go along with that brand," Rennie said. "You don't have to say, 'What is the service going to be like at the Ritz?' We're attracting very high net-worth individuals who want that luxury in their life."

And the response has been strong. Living Shangri-la has five units remaining. Only 14 units out of 175 remain in the Fairmont Pacific Rim. All the waterfront-facing units – priced at a staggering \$2,300 plus per square foot – are sold. In mere weeks, about 30% of the residences at the Ritz-Carlton have been sold "at phenomenal prices," according to Rennie.

"Implied warranties go along with brands. We're not going to see luxury condos above a Motel 6. That doesn't work." •

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