

Funding

HOTELBUSINESS

Clouded Only Interest Rates

ny, but there invariably are some
ning clouds on the horizon.
t's the case here. Berk cited rising
rest rates as a concern. "That's
at the only cloud we see," he said.
t Gordon even discounts that
cern. "It's true interest rates have
n, but in the context of where
ve been historically, we're still
fortable," he said. What does con-
him? "Energy costs, for example,
not just the cost of gasoline, are
oming an issue."



Group, Ltd., arranged financing
ans Hotel Group, including the
no in South Beach.

Condo Consumers Have Funding Resource

BY BRUCE SERLEN

BIRMINGHAM, MS— Given the number of condo hotel projects that have been announced, there is a considerable amount of interest in the best ways for individuals to finance condo hotel units. Unlike sources of funding that provide debt or equity financing for perspective hotel owners, Vacation Finance, based here, provides financing to consumers acquiring condo hotel units. "We're seeing rates holding at rates as low as 7% on five-year adjustable mortgages at a time when rates on traditional home mortgages are rising," said Vacation Finance CEO Bob Waun.

Even though the condo hotel model has drawn a lot of attention in the media, not that many projects have opened. Consequently, it's still something of an open question as to how they really will be received. Compounding the problem, a number of the projects that have opened are in high-visibility destinations like Las Vegas and Miami, so it's not clear how condo hotels will fare as projects come online nationally.

"The risk associated with condo hotels lessens as more projects go forward," Waun noted.

In downtown Chicago, for example, no condo hotel project deals have yet closed,

though seven or eight are in advanced stages of planning. "Early indications, however, are that demand is going to be strong," he said.

Similarly, only two projects have closed in Las Vegas. However, in the news the past few months have been a number of highly publicized projects that folded. According to Waun, the cancellations had more to do with the rapidly rising cost of construction materials than any lack of consumer demand. "Developers made the mistake of pre-selling the units at too low a price. As construction costs escalated, that pricing structure was no longer viable," he said.

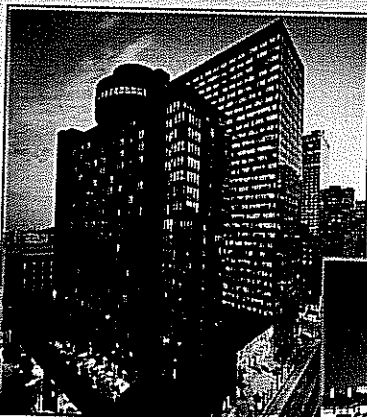
Typically, sales activity is seasonal. Mirroring the residential home market, spring tends to be the strongest selling market for condo hotel units. "Florida markets, for example, came steaming back with the start of spring, following a relatively weak January and early-February."

Nationwide, Waun said the condo hotel concept is likely to succeed anywhere there's a second home market. In what he termed the "rare air phenomenon," projects do best when there's a combination of high-worth individuals and a scarcity of available product.



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