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Hotel living in a condominium

Condo developers have placed splashy names on their buildings for years. But add the name of a hospitality brand and it speaks of a lifestyle experience that appeals to more condo residents.

Increasingly, condo dwellers seek high-end services such as a concierge, housekeeping, and on-site food and beverage – services that hospitality companies excel at delivering.

It's no surprise, then, that brands such as Ritz-Carlton, SLS and Mandarin Oriental have partnered with South Florida condo developers to name and manage their buildings.

“Buyers these days want to feel that they live in a residential unit with hotel services,” said Carlos Rosso, president of Miami-based Related Group's condo development division. “They want to go down to a restaurant and have spa services in the building.”

Many developers say this has increased the prices and boosted sales. However, condo buyers must ensure the relationship between the hospitality company and the property lasts over the long term to fully maximize their investment.

Beyond a typical condo

A hospitality firm can be integrated with a condo in several ways. Both SLS Lux Brickell and SLS Brickell Hotel & Residences have condos co-developed by Related and separate hotels run by SBE. The hospitality brand runs the restaurants and are available to provide hotel-level services, Rosso said.

Auberge Beach Residences in Fort Lauderdale lacks a hotel, but its high-end restaurant and spa are managed by Auberge Resorts, which can host and cater parties for condo residents, Rosso said.

“You don't necessarily need a full-fledged hotel to give buyers that branding and service,” he added.

Ritz-Carlton has been training staff at the recently completed Ritz-Carlton Residences, Miami Beach to deliver a five-star-hotel level of service, said Ophir Sternberg, CEO of developer Lionheart Capital.

The staff will get to know Ritz-Carlton residents and their families so they can cater to their daily needs, including arranging birthday parties and transportation, stocking refrigerators, and setting up their dinner and flowers.

“The chef will get to know the residents and customize the menu for them,” Sternberg said of the condo’s exclusive restaurant. “In the garden, we created a food forest. We are growing organic herbs and vegetables the chef will use in the restaurant.”

For the Residences at Mandarin Oriental, now under construction in Boca Raton, the staff will provide hands-on services such as changing sheets, walking dogs and buying items, said Frank Weed, VP of development and construction at Penn-Florida Cos. The guests can expect incredible food in a members-only dining club, given the quality of the many Michelin-starred restaurants at other Mandarin Oriental locations, he added.

While the Ritz-Carlton and Mandarin Oriental brands prioritize exclusivity and long-term residents, the Yotel brand invites short-term-rental guests. The YotelPad Miami sold all 231 condos during construction. It will also feature 222 hotel rooms.

While Yotel is a relatively new brand, it convinced buyers – who were mostly investors – that the units would be easy to operate as short-term rentals thanks to direct management by Yotel, said David Ardit, principal of Aria Development Group and co-developer of YotelPad. In most condo buildings, short-term rentals are either prohibited or management doesn’t provide short-term guests full access to the building’s amenities.

“It was the right brand, the right product, the right price and with the right rental policy,” Ardit said.

Brands impact pricing

The name brand of a hospitality company and all those extra services come at a cost to buyers – and a premium for developers.

Adding a hospitality brand to a condo project generally increases prices by 15% to 20%, said James V. Andrews, senior managing director of the Miami/Caribbean office of research firm Integra Realty Resources. They provide the most value to condos that can be rented out through a hotel pool or short-term rentals through home-sharing services such as Airbnb.

Pay close attention to association fees, Andrews advises, since they are often steeper for condos rented out because the management company includes extra hospitality-related charges and expenses incurred by guests.

“Guests usually leave the lights on and open the balcony door, so the utility costs are higher,” he said. “If you are an owner user or a second homeowner, you need to have an HOA structure that is more akin to what a residential product would be and not pay for extra services you aren’t using.”

Retaining brand management

Maintaining quality service for the long term is the key to a building’s success. And while the hospitality brand is often tied to the building through a naming and management contract, those deals may not last.

In 2015, the Canyon Ranch Miami Beach condo lost its branding after the project was sold through bankruptcy. The buyers found themselves living in the Carillon Miami Wellness Resort under a different hospitality management firm.

In some cases, the hospitality brand isn’t involved in the building beyond licensing the brand, said Susan Fitch, president of Dania Beach-based Akam On-Site, which manages about 75 condo buildings in South Florida. Management performance can decline over the years once the residential condo association takes over, she added.

“It’s going to be very difficult for building directors to hold onto the five-star experience,” Fitch said. “[Condo owners] wonder five years later: ‘Where did the hotel services go?’”

Rosso said he’s confident SBE will maintain the quality of the lifestyle at its SLS projects in Miami because it operates hotels in both buildings.

“They will always be there to provide all the services owners want,” he said.