

# WORTH THE WAIT

W MAKES ITS MARK IN SOUTH BEACH



Barbara P. Fernandez for The New York Times

## Worth the Wait

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### EXCERPTS FROM **WORTH THE WAIT**

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SOUTH BEACH  
THE RESIDENCES

## W Makes its Mark in South Beach

By Eric Stoessel

The only thing that hasn't changed is the address. The decades-old Holiday Inn no longer resides on the beachfront property at 2201 Collins Ave, on the northern fringe of South Beach. Now the W South Beach Hotel & Residences sits on the 3 1/2 acre-plot of land between 2nd and 23rd avenues, which isn't considered the edge of South Beach anymore. **The W has become the epicenter, the hottest spot in a destination known for its sizzle.**

When Robinson Callen finally decided to sell his Miami Beach Holiday Inn six years ago, he made buyer David Edelstein promise one thing: The New York City real estate developer had to build on the prime beachfront real estate and not flip the property.

The \$77-million acquisition of the Holiday Inn by Edelstein's Tristar Capital and joint-venture partner and fellow New Yorker Aby Rosen was a long time coming, just like the W to South Beach. Although Edelstein's deal with Callen was quickly consummated with a handshake, the courtship was a much longer process. For Starwood, finding the right spot and person to develop its stylish and design-led W brand in Miami, was a decade in the making.

After the purchase in 2005, the Holiday Inn was closed and then demolished a year later, making way for the 408-unit condo-hotel, the W South Beach. At the long-awaited grand opening in 2009, W brand leader Eva Ziegler boldly said the property would **"serve as a flagship hotel for the W brand globally."**

Despite opening in the midst of the worst recession since the Great Depression, the 20-story W South Beach stands tall. The hotel's occupancy is more than 80% this year, with some months topping 90%. Rates for a basic room start at \$500 a night during slow times and escalate all the way up to \$8,500 for penthouse suites during peak times. And more than \$240 million worth of condo units have been sold, despite opening in what Edelstein describes as "close to the worst moment in the history of the financial world."

**When basketball star LeBron James jilted Cleveland and took his talents to South Beach, his first stop was the W to celebrate with his new teammates and city. European soccer stars (Italy's Alessandro Nesta, for example), NBA and NFL players, tycoons and socialites from the U.S., Europe and Brazil have bought condo units. Celebrities like Tom Cruise, Leonardo DiCaprio, Bono and Jamie Foxx, to name just a few, have been spotted there and other A-list celebrities can be seen there on any given night.**

The property has become the place to be. Its unique approach, from being developed as a condo-hotel to its cutting-edge design, nightlife and overall vibe, is now paying off for Edelstein and Starwood.

### LONG TIME COMING

"South Beach needed a world-class hotel," says Edelstein, who was very familiar with the area as owner of real estate on nearby Lincoln Road. "It had great ones, but mostly all rehabs like the Delano, Raleigh and other smaller [boutiques] - well executed, but they still lacked, with small rooms and challenging views. I knew there was an opportunity."

He met with Callen, who was nearing 80s years old, for the first time in 2002 to discuss his beachfront property. South Beach was in the midst of a renaissance, beginning to inch north, and Edelstein knew he could win approval to tear down the plain-looking Holiday Inn. Demolishing buildings, or even building new, wasn't a given in the historic Art Deco district, but Edelstein was confident because the Holiday Inn wasn't exactly historic, and it didn't resemble anything Art Deco.

Callen knew the site was underutilized, but he wasn't ready to sell his still successful hotel. Edelstein didn't give up, and the two became friends, even traveling together and partnering on some other real estate deals.

Then one day in 2005, Edelstein got the call. Callen was ready to sell. A year later, Edelstein cut another deal, this time with an old friend. "I knew Barry [Sternlicht] and I knew he wanted to be in Miami," says Edelstein, who also considered luxury brands like Peninsula, Four Seasons, Shangri-La and others for his condo-hotel. "He wanted it bad."

Sternlicht, who was on his way out of Starwood then, launched W in 1998 with the opening of the first property in New York. The luxury lifestyle brand known for its personality, design and nightlife, was almost by definition a perfect match for South Beach.

"If you think about markets W should be in, South Beach was always at the top of the list," says Carlos Becil, Starwood's vice president of North America brand management for W Hotels.

With the property and plan in place, it took another two years to get the project approved. Tristar and Rosen's RFW Holding secured a \$370-million construction loan from German lender Hypo Real Estate and ground was finally broken in 2007.

### OPEN FOR BUSINESS

Seven years after Edelstein first contacted Callen and 11 years after Starwood launched the innovative brand, the W South Beach Hotel & Residences celebrated its grand opening on July 14, 2009. It was the 31st W to open, the brand's first, and to date, only condo-hotel.

Unlike the famous boutique hotels lining Collins Avenue to the south, the W has two distinct advantages: **It is on the beach and it has spacious, residential-sized rooms that come as a result of being built new — not repurposed from an older building — as a condo-hotel.**

**"The orientation and design of it is spectacular," says Scott Beriman, the principal and industry leader for PricewaterhouseCoopers' hospitality & leisure practice. "You walk into those rooms and you feel like you are in a special resort."**

The smallest guestrooms, at 574 square feet, would qualify as mini-suites in most hotels, boasts W General Manager George Cozonis. One-bedroom suites offer more than 1,000 square feet, the brand's Wow Suites feature two bedrooms and 2,000 square feet, and the Extreme Wow Suites offer three bedrooms and almost 3,000 square feet. A bi-level penthouse has a rooftop deck and small private pool.

Forty percent of the 408 units are suites, and all rooms feature a balcony with ocean views, thanks to the unique building design by famed architect Costas Kondylis that positions rooms on a 25-degree angle. Anna Busta of Studio B Design authored the interiors and the Living Room — W's take on the lobby — which features stunning artwork (Warhol, Basquiat, Damien Hirst, as examples) from collector Rosen, Edelstein's financial partner on the project.

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Other W brand staples highlight the property, with a little South Beach flare. The Wet deck pool and outdoor area has become a "dynamic spot and extension of the Living Room," Becil says. It features fashion shows and music events, and the programming has been so successful the concept has been expanded to other Ws in similar locations.

The Wall nightclub has become one of the most exclusive locations in Miami, and if you can get in, it's the place you're bound to bump into someone you've read about in the gossip pages. Famed celebrity eatery Mr Chow draws a similar crowd, and a new restaurant, Dutch, will open at the W next month when Andrew Carmellini brings his popular New York City eatery from SoHo to SoBe.

An outdoor basketball court has become a favorite spot for Miami Heat players like Dwyane Wade, who celebrates his birthday with a huge bash at Wall every year, and other NBA stars.

Edelstein's favorite part of the hotel is the Grove, a garden area, inspired, he says, from "little old hotels in France with great gardens and lawn chairs." Developed by landscape artist Paula Hayes, the tranquil setting offers respite from the sun and sizzle found everywhere else at the W.

**"This is such a unique project, in every respect," says GM Cozonis. "David was involved in every phase of development, every aspect of design, which is really what has made this a special place. He really is the visionary behind this project ... This is his favorite home away from home."**

### CONDO APPROACH

The condo approach to hotel development so popular in Miami and other resort locations during the mid-2000s has slowed, and in almost all cases, stopped completely as a result of the collapse of the credit and real estate markets. Sales at the W have been slow and steady, but Dan Peek, a senior managing director at real estate advisory firm HFF, says patience in South Beach will **yield big rewards.**

Of the 408 units, all of which are being sold as condos, 158 have been sold through Sept. 30, according to Condo Vultures, a

South Florida condo real estate tracking and analytics firm, for \$241 million.

"This has turned into a marathon, when the expectation was probably a sprint," says Peter Zalewski, founder and principal of Condo Vultures. Edelstein had \$300 million in presales before the economy collapsed in 2008. "It was a bitch," he says. "I lost a lot of weight. I was sweating over banks in Germany going under and I didn't know if I was getting funding. It was a very tough emotional fight to keep the property afloat and to open."

At the end of 2009, 43 of the 408 units had sold, and each quarter has since brought a minimum of 11 closings up to 23 in the third quarter of this year. Although 60% of the inventory is unsold, Edelstein says his focus is "selling dollars, not units."

**Through June 30, according to Condo Vultures, the units were selling for \$1,839 per square foot. The third-quarter numbers were down a little, to \$1,704, but Zalewski cautions that could be the result of the types of units being sold. And if not, he says, they're still overachieving.**

Since the real estate boom began in 2003, 5,555 units were added in South Beach, and 1,177 remain unsold, according to Condo Vultures. The average sales price of those was \$600 per square foot, **making the W "rock stars — absolutely and positively rock stars," Zalewski says of the W's pricing premium.**

**The \$240 million in sales have allowed Edelstein to restructure his loan, which he says makes him "very comfortable with low leverage."**

"Considering the contraction of the financial and real estate markets, [158] units is a stellar number," says Kevin Tomlinson, a vice president of ONE Sotheby's International Realty in Miami Beach. "If financing were abundant, that number would be higher. **W South Beach has flourished and will be one of the most successful condo-hotels. The velocity of sales is really picking up and every owner I've chatted with is extremely happy with their purchase.**"

Approximately 65% of the buyers have been international, and the units are being used as second and third vacation homes. Edelstein is personally invested as well, with a bi-level penthouse suite he bought for \$3.5 million that he uses monthly, and a \$2.5 million bungalow suite he has in the rental pool. Approximately 77% of the units sold have been placed in the rental program Starwood manages.

### MOVING FORWARD

The success hasn't been just at the property level. The W brand has benefitted, proving Ziegler's bold early statement true. The W South Beach has become a flagship location, drawing international guests from all over, while helping extend brand recognition and the global footprint.

"South Beach has a dynamic that few markets in the world have," says HFF's Peek. "It's at crossroads, with tremendous U.S. and North America demand, but you also have significant airlift, access and desire for Europeans. The new wealth in eastern Europe and South and Latin American markets has an affinity for South Beach."

W now has 41 properties open worldwide, with 28 in North America. Twenty-two are in the pipeline, and only one (Philadelphia) isn't an international location.

"Miami is such an international destination, this hotel is part of what has positioned the brand globally," says Cozonis, the GM. "At the same time, W has had a tremendous impact on the hotel. Our passion points are music, fashion, design, entertainment, and that's what Miami is known for. There is such a compatibility."

Whether the W has benefitted from the market's shift north, or been the driver of that, it's clear South Beach has evolved since the W's opening two years ago.

"The W has helped an area that seemed too far out of reach and too far north to walk five years ago," says Starwood's Becil, who as a child took family vacations to Miami and stayed at the old Holiday Inn at 2201 Collins Ave.

Edelstein kept his promise and even remains friends with Robinson Callen. The former owner, now into his 80s, has been back, Edelstein says, and loves the new property.

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