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Emergence of 'condotels' in Central Texas increases growth

Austin Business Journal - by [Jonathan Ball](#) Contributing writer

Neil Riemer is looking forward to the services offered to residents when he moves into The 5 Fifty Five luxury condominiums located high atop the downtown Hilton Austin Hotel later this month. Riemer and his wife have lived in condominiums before, but never at a property that offered so much in the way of residential services.

"We're empty-nesters now, and we wanted a place that offers the lifestyle we desire without all the maintenance and hassle," Riemer says. "It's great, because we'll have a spectacular view, it's close to my work, and we get to live downtown, where we can find anything we want."

Downtown Austin is becoming a haven for developers looking to cash in on the viability of offering residential properties constructed inside major hotel chains. The concept is known as the "condotel."

The hybrid of a luxury hotel selling units to private investors is a booming trend at popular tourist destinations around the country. New York City, Miami and Los Angeles are witnessing huge returns for hotel chains looking to convert some of their floor space into privately owned condominiums.

Condotels are extended versions of time-share properties owned by investors; they're jointly maintained and rented out by the hotel when the owners are away. The hotel enters prospective bidders into a rental pool to determine priority dates the condominium can be rented to others interested in using the property.

However, in keeping with its reputation as a city that moves to its own beat, Austin is putting its own spin on the condotel format. Area luxury hotels are offering something different to prospective residents seeking relocation to a downtown condominium. Properties located inside major downtown hotels are strictly residential units that offer the services of the hotel, without the fractional ownership associated with traditional condotels.

The Austin-flavored setup provides residents with all the amenities and extras offered to hotel guests, but goes one step further by offering them a property they can permanently call home.

Buyers can be assured they're not merely purchasing a hotel room open to lease, but rather a first-class, custom-designed, resort-style home environment. The reason for the boom in available hotel property is due to hotels and developers riding the wave

of prosperity associated with the re-engineering of downtown Austin, as well as a renewed focus on expanding business and commerce in the area.

"Our downtown has really come alive within the past 10 years," says Kelsey Mayabb, marketing coordinator for The 5 Fifty Five. "Whereas it used to close down at 6 p.m., now there's something to do every night."

The 5 Fifty Five pioneered the sale of luxury high-rise condominiums atop the Hilton Austin downtown when it opened more than a year ago. The Hilton's condominium units are at 70 percent capacity.

"The market here is really taking off, but Austin is still playing catchup to other Texas cities like Dallas and Houston," Mayabb says.

Another major hotel, the Four Seasons Hotel Austin, is working with local developers to provide similar offerings. Austin-based **Ardent Residential** constructed condominiums in the Houston Four Seasons Hotel and is working with Austin's Four Seasons to develop condominiums on the site of the former Four Seasons Residences.

"Austin is a unique market that has a different clientele interested in downtown living," says Art Carpenter, Ardent Residential principal. "If you look at Houston, the downtown area there is largely corporate and commercial. In Austin, downtown is a place of entertainment as well as business, and you'll find buyers are interested in both."

Carpenter says the large spectrum of potential buyers means opportunity exists for developers working with hotels to seize this demographic.

"This creates a market niche that's more difficult for competitors to mimic. Almost any space downtown can be turned a condo, but not all of them can attach themselves to a four- or five-star hotel and be successful at maintaining their property," Carpenter says.

Austinites desiring the convenience of a luxury hotel will find that it comes with a hefty price tag. Prices start near \$300,000 and peak at over \$2 million for top-of-the-line properties, adding up to about \$600 per square foot.

For the Riemers, it's an investment they're willing to make.

"We're here for the long haul," Riemer says, "and we're excited to begin a new chapter of our lives in a new place."