

Crittenden Resort Report™

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FAIRMONT EXPECTS TO EARN \$300M MANAGING THREE UPCOMING RESORTS

It's been a busy two months for **Fairmont Hotels and Resorts**, which rolled into the new year with three management contracts valued at more than \$300M in its pocket. The company is sticking to its management-focused growth strategy for the second consecutive year, recently inking deals with **Turnberry Associates**, **Bayview Financial L.P.** and **The Wight Group** for resorts planned in Miami, Idaho and Turks & Caicos.

Fairmont is making the growth of its 2-year-old **Fairmont Heritage Place** its second priority in 2006, having signed agreements last year to develop the high-end, second-home brand at future resorts in San Francisco and South Africa. Fairmont Heritage Place currently features two properties in its portfolio — **Fairmont Heritage Place Franz Klammer Lodge** in Telluride, Colo., and **Fairmont Heritage Place Acapulco Diamante** in Mexico. A third resort, **Fairmont Heritage Place St. James Barbados**, is slated to open in November.

Heritage Place will soon head to the British West Indies, where Wight Group President **George Wight, Jr.**, has plans on the table to build **Fairmont Turks & Caicos** on North Caicos' west coast. Wight Group is investing more than \$100M to develop the 800-acre resort that, in addition to a Fairmont Heritage Place, also will consist of a 150-room resort hotel, 150-room condo hotel, a spa and an 18-hole championship golf course. Wight hopes to be in the ground on the project's first phase sometime this summer.

Subsidiary **Wight Cotton** will oversee real estate marketing when sales begin this fall. Fairmont, which will own a 19.9% equity interest in the property, will gain its third footprint in the Caribbean and first in the British West Indies when the resort opens in 2009. Don't be surprised to see another Wight Group JV with Fairmont in the not-too-distant future. Wight is enthusiastic about his company's ongoing relationship with the hotel brand and already is looking ahead to future resort developments.

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COMPANIES SEE HOT OPPORTUNITIES IN CARIBBEAN

"Have cash will travel" is a mantra being chanted this year by growth-minded resort developers eager to spread their assets beyond North America. **Throgmartin Co.** and **Auberge Resorts** foresee the Caribbean becoming the next hot resort market and are prepared to set sail there for the first time. Auberge is heading to St. Kitts and Throgmartin to the U.S. Virgin Island of St. Croix, where it's ready to take on **William & Punch Partners**, which is also seeking approvals to build a resort there. **Timbers Club** developer **Timbers Company** has a project in the works for the Virgin Islands as well, but for now has its attention on development of **Castello di Casole**, a \$100M resort community in Tuscany, Italy.

Deep-pocketed Throgmartin could be just what is needed to get the first resort in St. Croix in 20 years off the ground. Throgmartin Partners **Adam Holwerda** and **Barry Jones** indicate the company is ready and willing to pick up the full tab on a \$300M to \$500M resort it proposes to develop on 2,550 acres in Annaly Bay. In exchange, the developer is seeking a number of tax breaks, including up to a 90% reduction in income taxes. Throgmartin purchased the land for the resort last fall for an estimated \$30M from long-time owner **Jake Jacobus**, who also is the developer of the **Carambola Beach Resort** that neighbors the site. Carambola was not included in the sale.

With planning and landscape architectural firm **EDSA** and **David Pearson** of **David Pearson Associates**, the developer put together tentative plans for the resort that now include a 500-room casino hotel, a 350- to 400-room bungalow hotel and beach club and a 100- to 150-room boutique hotel or lodge. Construction on the first of three phases could begin in mid-2007.

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Fairmont also is making an initial foray into Idaho, where the company is joint venturing with **Agassi Graf Development** and Bayview Financial to manage a 225-unit condo hotel and residential community at the new **Tamarack Resort** in Donnelly. Development is being headed by tennis pros **Andre Agassi** and **Steffi Graf**, who are working with designers **Wilson & Associates** and **VAg. Inc.** Included in the community's design are plans for a restaurant, spa and 35 ski-in/ski-out private residences that are scheduled to break ground this summer. Completion is expected in 2008.

Across the country at 392-unit **Fairmont Turnberry Isle Resort & Club** in Miami, new owner Turnberry Associates has formed a strategic alliance with Fairmont to expand the 34-year-old property with luxury residences. Turnberry Associates, which was the property's original developer, sold the property in the 1980s and just recently reacquired the property from the **Rafael Group**, a Kuwaiti pension fund.

Fairmont picked up management of the 300-acre property in 2004 and will continue to oversee operations through a new long-term management contract. While final designs are still under review, Turnberry Associates CEO **Jeffrey Soffer** has suggested development of condominiums or a condo hotel on two acres of the resort. Construction could begin sometime later this year.

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Around that time, developers **Kevin Rames** and **Chris Elliott** of **William & Punch Partners, LLP**, expect to be in the ground on **The Mills of St. Croix**, a \$125M resort project also on St. Croix in Frederiksted. Rames, a lifelong resident of St. Croix, and Elliott acquired the project's 588-acre beachfront parcel in August from **The Fleming's Trust**. The \$3.75M purchase price was financed through a \$3.9M loan provided by **Kennedy Funding**.

A separate development entity will be formed to develop the resort's residential component, which calls for a mix of 125 luxury homes, residential lots and vacation condos. Residential development is estimated at \$45M. Additionally, developers are seeking permits to build a 10,000-s.f. casino, a marina, retail space, a spa, a beach club, tennis courts and up to two 18-hole championship golf courses. A 300- to 400-room hotel will be developed through a JV partnership with **West Paces Hotels**. According to Rames, financing for at least half of the development has already been obtained through private investors.

Timbers Company CEO **David Burden** has his eye on St. Croix's neighboring island and is in the process of acquiring 367 acres on St. Thomas' West End for development of a mixed-use resort community dubbed **The Preserve at Botany Bay**. Project plans include designs for a boutique hotel and a private residence club along with a mix of vacation real estate, including home sites and town homes. Burden has equally ambitious plans for **Castello di Casole**, a project he's developing in JV with property owners **Guido** and **Giulio Antonello**, and real estate investment company **SV Capital**, led by Principal **Mark Cooley**.

Featured on the 5,500-acre property is an 18th century castle and 10 surrounding farmhouses, which are being restored under a five- to seven-year master plan into a 30- to 40-suite hotel and vacation homes. By early 2007, **Castello di Casole** will offer 17 farmhouse villas, called casali residences, ranging from 4,000 to 6,000 s.f. Prices range from \$5M to \$6M for whole ownership and \$600K for a 1/10th fractional interval. **Castello di Casole's** design team includes project manager **Hank Bellamy**, architects **Allesandro Mendini** and **Gary Ross** and interior designers **J Banks Design** and **Showcase Design**.

Auberge Resorts CEO **Mark Harmon** is expanding the company's Northern California roots to St. Kitts where he's teaming up with developer **J.B. Turbidy** of **Firesky Ventures** to develop the tentatively named **St. Kitts Island Resort**. The partnership, operating as **Auberge Firesky Ltd.**, has earmarked \$300M to \$400M on the resort's first phase alone, which is slated to break ground mid-year.

Harmon will most likely bring aboard an internationally recognized, five-star brand to flag one of three planned hotels but intends to keep the lion's share of the resort's operations under the Auberge Resorts brand. In addition to the three hotels, St. Kitts Island Resort's 1,700-acre, 10-year master plan also calls for development of a marina, a golf course, 400 to 500 home sites and up to 600 fully furnished vacation villas priced from \$3M to \$10M. **Hart Howerton** is the project's designer.

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