

Crittenden Resort Report™

Crittenden Research, Inc. P.O. Box 1150 Novato, California 94948

Customer Service (800) 421-3483

Vol. 13, No. 8

February 19, 2007

DEVELOPERS GO LATINO

For American developers looking to stay ahead of the curve in a slow domestic residential real estate market, Latin America is all but yelling out, “venga por aqui” — come this way! **Baja Resort Advisors LLC, The Related Group Inc. and The Jack Parker Corp.** find in sections of Mexico and Costa Rica something the U.S. seemingly has nothing left to offer: affordable, available land that’s in high demand from American, Canadian and European investors seeking second homes.

Baja Resort Advisors sees Baja California as a peninsula ripe with seemingly endless development possibilities right in its own backyard from its San Diego headquarters. Managing Partner **Gabriel V. Robles**, who’s also president of the **Resort Real Estate Developers Association of Baja California**, has a trio of developments taking shape, two along the Gold Coast, and another in Guadalupe Valley. Baja Resort Advisors’ **Falls at Puerto Nuevo** in Puerto Nuevo feature 90 oceanfront luxury condos with one, two and three bedrooms ranging from \$199K to \$699K. **G.E. Money** and **GMAC** are providing 30-year financing at 8.5%. The units range in size from 950 s.f. to 2,700 s.f., while amenities include swimming pools, a spa, track and clubhouse. The cost of the cascading water-themed resort is \$22M with a \$35M expected value at sellout. Buildout of the 22-acre project should come by Q4 2008. Anticipate Baja Advisors also breaking ground on its second Gold Coast resort: the 75-acre equestrian resort north of Bajamar along the Tijuana/Ensenada toll road to come in Q3 2007. The yet-to-be named resort will feature an estimated 100 homes.

Buyers become members of **Interval International** and can use their privileges immediately upon purchase, which allows them to exchange time in their condos for one-week stays at any of the worldwide resorts affiliated with the system. As a result, buyers don’t have to wait 18 months for the project to be completed in order to take advantage of their condo. **Stewart Title Insurance** will provide coverage for homebuyers, which primarily will come from the U.S. and Canada.

Baja Resort Advisors’ **The Villages of the Vineyard** is a JV with the **Liceaga Winery** in the Guadalupe Valley, east of Ensenada. The \$40M, wine-themed development is scheduled to break ground by late Q3 2007 and take 18 months to complete. It will host a 50-acre winery, a 15-acre Tuscan-style village with 75 homes featuring one, two and three-bedroom models, and a 20- to 36-suite boutique hotel. Look for the creation of a cosmetic surgery center within the development, a full European-type spa and a wedding chapel. Homes within the village will follow the same 30-year, fixed-rate financing as the Puerto Nuevo project. Baja Advisors envision the homes being used as overflow for the hotel when owners are away, and also for people utilizing the cosmetic surgery facility who wish to recover in a large home, rather than a hotel suite.

Look for Related Group to invest an excess of \$1B in Latin America through its new subsidiary, **Related International**. Related International’s strategy focuses on developing upscale condos and hotels in popular tourist locales in Latin America, with the first development set to begin during Q3 2007 or Q4 2007 in Puerto Vallarta at the \$200M **ICON Vallarta** project.

ICON Vallarta’s design includes a trio of 26-story luxury towers holding 343 condos with one-, two- and three-bedroom units ranging from 892 s.f. to 2,056 s.f. The resort will also feature seven poolside villas measuring 1,615 s.f. Prices for residences at ICON Vallarta range from \$200K to \$1M. Expect Related also to set its sights on Acapulco, Cabo San Lucas, Playa del Carmen, Zihuatanejo in Mexico, and to the Latin American nations of Costa Rica, Panama, Columbia, Argentina and Uruguay.

The Jack Parker Corp. makes its first venture into Costa Rica with **Pacifico**, a 175-acre mixed-use development in Playas del Coco. Along with the affordable land, privately-held Jack Parker aims to take full advantage of the low construction costs — an oxymoron domestically — and available land to pursue its strategy of developing real estate on its own dime, minus outside financing, which allows the company to reap large returns on its investments.

Continued on Next Page

Quotation not permitted. Material may not be reproduced in whole or in part in any form whatsoever. Copyright © 2007 Crittenden Research, Inc.

DEVELOPERS GO LATINO...

Continued from Page 1

The Jack Parker Corp. believes Costa Rica is the most attractive second-home market available and does not have plans in place, as of yet, to develop elsewhere in Latin America. Pacifico will feature 350 condos, with one-, two- and three-bedroom units starting at \$150K, and 150 homesites featuring ocean views ranging from \$100K to \$400K. Jack Parker believes upwards of 75% of its target market are U.S. residents already living in Costa Rica, and domestic Americans shopping for a second home or looking to make a real estate investment.

Amenities at Pacifico include a retail village center featuring a 3,000-s.f. **Robb & Stucky Design Studio**, and 20 village apartments. The adjacent 20,000-s.f. **Auto Mercado Center** will host an additional 3,000 s.f. of retail along with an **Auto Mercado** grocery store. Phase I of the residential construction consists of six buildings holding 56 units. The first three buildings will be ready by Q3 2007, and the other three by Q4 2007. Phase I also includes much of the property's infrastructure, guardhouses and main entryway into the complex. Expect buildout by 2012, and sellout of the residences by 2011. The developers have also sold 62% of the first 100 residences, which were released at the beginning of the year. Jack Parker will release additional homesites and residences by the end of this month.

COMPANIES FOLLOWING FOOTPRINTS

If you can't beat 'em, join 'em. **The Dowling Co., Trinity Investments, Morgan Stanley Real Estate, Crown Realty & Development** and **Starwood Land Co. LLC** all are bypassing potential lengthy (i.e., costly) red-tape issues within their development communities by building on top of the footprints of fading or bygone resorts. Purchasing and developing over the remains of defunct resorts help developers to cut construction costs. It also enables them to steer clear of the oft-bitter confrontations with residents who remain agreeable with the parameters of the previous resort, but oppose changes to the status quo.

Reviving existing resorts with established names that fell behind the curve in increasingly crowded markets — or that have completely fallen off — also gives developers a leg up on the competition in marketing. Renovating helps marketers because it attracts previous visitors wanting to experience new upscale amenities at a trusted locale, and it reels in younger, first-time visitors looking for luxury destinations with a name.

Look for Dowling, Trinity and Morgan Stanley's \$575M purchase of the 1,800-acre **Makena Resort** on Maui from the **Seibu Group** to close at the end of Q2 2007. The developers will continue to operate the resort's **Maui Prince Hotel**. Expect the new owners to renovate the 310-unit beachfront building in order to add water conservation measures, alternative energy and also to add a native-Hawaiian flair to the hotel's landscaping and two golf courses.

The JV trio also aims to resurrect plans for a residential community Seibu received approval for, but couldn't follow through on, because of the company's financial hardship. Seibu intended to build 1,100 multifamily homes and 700 single-family homes on 1,300 acres within the Makena property. Makena's new developers will finish the pre-approved residential community, however, expect them to skewer the master plans to include a different proportion of multi- to single-family homes.

Crown intended to transform the former **Mountain Shadows Resort** in Paradise Valley, Ariz., into a five-star resort and residential community. But after two rounds of proposals to transform the property into a high-end hotel with a high-end residential community resulted in a pair of black eyes from Paradise Valley residents, Crown decided to stop fighting an uphill battle.

In addition to the \$42M Crown paid for the property, the company will spend \$150M to upgrade the existing facility where possible, and build on top of the foundations of buildings that need to be destroyed. Whereas Crown initially projected spending more than \$250M to raze and then construct a five-star resort, the company will save itself \$100M by simply adding a spa, constructing a lodge on the foundation of the previous one, and nixing the idea of a residential community altogether. Expect the 68-acre redevelopment to pass with flying colors, and to be completed by 2009, instead of the five-star target date of 2011.

Continued on Next Page

SEEN ON THE HORIZON

- ❖ The Caribbean has always conjured up images of romance, but it's also a place where men can flex their outdoor muscles on ATVs, charter fishing expeditions or even skydive. **Sonesta Maho Beach & Casino** is promoting "mancations" in St. Maarten. This comes on the heels of Idaho's popular **Coeur d'Alene Golf & Spa Resort**'s current focus on gentlemen-only spa treatments for guests. Going along with a growing trend in male pampering, such guests at the Sonesta are offered supersaver rates for deluxe ocean room and a free suite upgrade for the group organizer. They also get in free to the resort's Q-Club nightclub. If a lot of men take advantage of the offer, they might be dancing alone.
- ❖ A new niche is tapped in the resort world. **Guy Harvey Outpost Resorts & Marinas** will reportedly build resorts for travelers who have a penchant for marine ecology. Looks like the company is seeking properties to develop in the Bahamas, Florida, Caribbean and Central America. The company's namesake is a Cayman Islands marine scientist, conservationist and artist. The company would reportedly create resorts having 50 to 125 rooms.
- ❖ A huge resort is in the works for Northeast Ohio that could be the biggest in the entire state. **Trans European Securities** received approval to build a resort at the former Cleveland Quarries. The massive project would transform the west side of Lorain County, which is fairly rural. But progress on the project has been slow lately on the developer's part while the county works on sewers, roads and traffic studies. The county already has approved a tax incremental financing plan to build infrastructure, which would also serve the area surrounding the project.
- ❖ A New Hampshire resort is in new hands. **The Anchorage Resort** on Lake Winnisquam reportedly sells to **XLV Tilton Resorts** from its private, individual owners for just more than \$4M. The property has 30 cabins, two houses, three beaches, a playground area and a dock space. Word is, the new owner will keep the resort as is until it comes up with new plans.
- ❖ Looks like Dewey Beach, Del., put the kibosh on timeshares and condo conversions. Officials in the resort town believe the two segments would cause overcrowding and a threat to preserving their small-town way of life. The new ordinances culminate two years of controversy over condo conversions in the area that included a lawsuit, a moratorium, and reportedly, public tiffs among commissioners. When condo conversions first started being allowed two years ago, more hotels than city officials originally thought applied to convert, and soon there weren't enough hotel rooms available on the weekends. Dewey Beach is known as something of a party town for the younger set.
- ❖ **Lowe Enterprises** loves the Orlando/Jacksonville region of Florida enough to spend nearly \$40M acquiring **The Shores Resort & Spa** in Daytona Beach Shores. **Noble House Hotels & Resorts**, a boutique hotel/resort owner and operator, was the seller. Lowe Chairman and CEO **Robert Lowe** sees the market as having potential to grow, thanks to its proximity to the Daytona Airport and its draw as an oceanfront destination. Lowe has been very busy developing lately. The company makes The Shores acquisition during a time when it's got so much on its development plate that it has been scaling back such projects — as it recently did in Austin, Texas. The Shores is an 11-story building that reopened two years ago after undergoing \$30M in renovations. It features a spa, fitness center, restaurants and homes with detailed finishes.

COMPANIES FOLLOWING FOOTPRINTS...

Continued from Page 2

Starwood Land plans to begin construction of **The Colony** resort by Q1 2008 on top of the former **La Siesta Resort and Marina** in Islamorada, Fla. The \$100M luxury resort is scheduled for buildout by Q1 2009, and will include 40 ocean-view condos ranging between \$2M and \$6M, and 2,300 s.f. to 5,800 s.f. The property will also expand upon the existing marina by offering 16 wet slips and a 70-boat dry-stack storage facility that will offer access to the Gulf of Mexico. Along the six-plus acres bordering the Atlantic Ocean, the resort will also offer a boat basin capable of harboring 30 boats at a time. **Jonathan Nehmer & Associates Inc.** serves as the project's architect of record, and **Siskind, Carlson & Partners** is the project's design architect.

CHILDREN'S CONCIERGE TREND PICKING UP

Parents spending time at residential communities and resorts want to reconnect and spend time with their entire family, but they don't want to continually have to ask, "now what do we do *with* the kids?" To that end, companies such as **Timbers Resorts**, **Cliffs Communities** and **Hilton Hotels Corp.** employ full-time children concierges to ready themselves for the concentration of kids visiting their properties. They also offer something more hands-on than a brochure or a simple list of area activities. A children's concierge holds a child's hand and can teach them everything from fly-fishing to ceramics, as it certainly is not a desk job.

Timbers Resorts will debut its first official concierge at its \$175M **One Steamboat Place** in Steamboat Springs, Colo., which is set to begin construction in Q3 2007. Timbers' strategy is to meet an increasingly common buyer request of incorporating a blend of hotel services into its communities. Timbers aims to provide a level of accommodations expected at resort destinations, which is hard to execute, but needs to be attempted at the very least. By employing a children's concierge, Timbers takes a step in that direction.

The idea of a children's concierge was hatched half a world away at the Timbers' **Castello Di Casole** residential community in Tuscany, Italy. Because of the remoteness of the property, it became evident Timbers would need to think outside of the box when developing programs catering to kids. However, this concept might not work at all Timbers properties, like those in the Caribbean, where a full concierge will be enough to serve families because of the wealth of ocean-oriented, all-inclusive amenities.

The company recruits athletes who are plugged into the local scene and can arrange and understand local activities. The person also has to be service-oriented in order to deal with parents, and preferably have camp counseling experience. They go through the same concierge training as regulars, learning patience and communication and organization skills.

Cliffs Communities plans to debut its own children's concierge at its upcoming Lake Keowee resort in South Carolina, which will open in summer 2008. Cliffs aims to offer children a sense of independence while on vacation. The company previously utilized summer camps at some of its communities in order to cater to visiting children, but VP of Hospitality **Rick Hayduk** feels the company needs to cater to every demographic within its communities in micro-segments, and to truly take Cliffs' penchant for southern hospitality to the next level.

Cliffs wants to build upon a "relational service" strategy as resorts and residential communities become increasingly individualized. That allows the company to relate to each child based upon who they are, and where their personal interests lay. With that in mind, a key function of a children's concierge at Cliffs will be to contact kids weeks in advance in order to familiarize themselves with their upcoming visitors, and to get a sense of their likes and dislikes. Cliffs expects its labor market to come from college-age people from the surrounding communities with patience and a willingness to work for \$12 or \$13/hour.

Due to the success of a children's concierge concept at its brand-new **Fort Lauderdale Beach Resort**, expect Hilton to launch the concept at many of its properties soon. Hilton manages children's programs and employs children's counselors throughout its network.

In an increasingly creative industry, the company feels tailoring experiences to individual children allows it to provide an extra level of service to the young demographic — which could become the company's future customers.

Hilton's children's concierge service caters to ages six to 15 years old at its Fort Lauderdale resort. Through its Ocean Explorers program, Hilton introduces young visitors to experiences throughout Fort Lauderdale, geared towards making them familiar with the local scene. Hilton seeks concierges who have a recreational background working with kids and are familiar with Fort Lauderdale.

CONTACTS

- Baja Resort Advisors LLC: 9605 Scranton Road, Suite 801, San Diego, CA 92121. Gabriel V. Robles, Managing Partner, (858) 729-0013, fax (858) 729-0031. grobles@bajaresortadvisors.com
- Cliffs Communities, The: 3598 Highway 11, Travelers Rest, SC 29690. Rick Hayduk, VP of Hospitality, (864) 371-1000. rhayduk@cliffscommunities.com
- Cottage Co.: 131 E. Bay St., Harbor Springs, MI 49740. Rob Mossburg, Owner, (231) 526-2537, fax (231) 526-2546.
- Crown Realty & Development: 18201 Von Karman Ave., Suite 950, Irvine, CA 92612. (949) 476-2200. snavarro@crowndev.com
- Dowling Co. Inc.: 2005 Main St., Wailuku, Maui, HI 96793. Everett Dowling, President, (808) 244-1500.
- Elkhorn Golf Course: 32295 N. Fork Road, Lyons, OR 97358. (503) 897-3368
- Fort Lauderdale Beach Resort: 4221 N. Ocean Blvd., Fort Lauderdale, FL. (954) 563-2521. www.ftlbeachresort.com
- G.E. Money: 3135 Easton Turnpike, Fairfield, CT 06828. Mark W. Berger, President/CEO, (203) 585-6791. Michel.Ettlemmver@ge.com
- GMAC Financial Services: 200 Renaissance Center, P.O. Box 200, Detroit, MI 48265. Eric Feldstein, CEO, (313) 556-5000. toni.simonetti@gm.com
- Herlocher Properties (c/o Olsen Architecture): 539 E. Church Lane, Bellefonte, PA 16823. Ed Olson, (814) 355-7339, fax (814) 355-7339.
- Hilton Hotels Corp.: 9336 Civic Centre Drive, Beverly Hills, CA 90210. Stephen F. Bollenbach, Co-Chairman/CEO, (310) 205-4070. lisa_cole@hilton.com
- Interval International: 6262 Sunset Drive, Miami, FL 33143. Bryan Ten Broek, VP, Western Region, Resort Sales and Service, (305) 667-5321. Chris.boesch@intervalintl.com
- Jack Parker Corp., The: 1 Parker Center, 9001 Daniels Parkway, Suite 200, Fort Myers, FL 33912. Adam Glick, President, (239) 481-5040, fax (239) 481-2532. www.thejackparkercorporation.com
- Lowe Enterprises: 11777 San Vicente Blvd., Suite 900, Los Angeles, CA 90049. Robert Lowe, Chairman/CEO, (310) 820-6661, fax (866) 743-0203. www.loweenterprises.com
- Makena Resort: P.O. Box 1359, Haiku, Maui, HI 96708. Maui Vacation Properties, (800) 782-6105. makenasurf@mauivacationproperties.com
- Mountain Shadows Resort: 5517 E. Lincoln Drive, Paradise Valley, AZ 85253. (480) 905-8999. www.mountainshadowsgolfclub.com
- Pulte Homes (Corporate Headquarters): 100 Bloomfield Hills Parkway, Suite 300, Bloomfield Hills, MI 48304. Richard Dugas, CEO, (248) 647-2750, fax (248) 433-4958.
- Related Group Inc., The: 315 S. Biscayne Blvd., Miami, FL 33131. Jorge M. Perez, Chairman/CEO, (305) 460-9900, fax (305) 460-9911. info@relatedgroup.com www.relatedgroup.com
- Shea Homes (Corporate Headquarters): 655 Brea Canyon Road, Walnut, CA 91789. Bert Selva, President/CEO, (909) 594-9500, fax (909) 594-0914.
- Starwood Land Co. (Starwood Capital Group): 591 W. Putnam Ave., Greenwich, CT 06830. Roy Paskow, VP, (203) 422-7710. kleeman@starwood.com
- Trinity Investments LLC: 1 Aloha Tower Drive, Suite 3100, Honolulu, HI 96813. Charles M. Sweeney, Chairman, (808) 529-0909.
- Timbers Resorts: 201 Main St., Suite 202, Carbondale, CO 81623. David Burden, President, (970) 963-4626.

BOUTIQUE RESORTS CATCHING ON

Like its hotel-segment counterpart, boutique-style condo hotels are starting to gain popularity. The downtown areas of Pennsylvania and Michigan feature the latest, as **Herlocher Properties** builds its \$30M project across the street from Penn State University, and the **Cottage Co.** targets Harbor Springs in northern Michigan.

While companies like **Joie de Vivre** and **Kimpton Hotels and Resorts** carve names for themselves in the boutique hotel realm, others are going the resort route. Firms like Herlocher choose downtown locations, like near Penn State, because those areas tend to lack the type of hotel that can revitalize the area. So far, city officials are deeming Herlocher's project both innovative and progressive.

Expect Herlocher to build a nine-story hotel as the city looks to expand the area's appeal to non-students. Chief among the target buyers will be alumni, and especially football fans, as the football games sell out quickly. The project was designed to be a little smaller and of a higher caliber than a typical hotel. The company is shopping around for a four-star hotel brand. Five of the floors would house traditional hotel rooms, while two floors would contain 18 condos that would be part of a rental program when they're not being occupied. The first floor would be retail and there would be a rooftop garden. Local businessman **Charles Herlocher** owns the land. The area contains a number of businesses that would be razed to make way for the new project. The project area would have to be added to a commercial-incentive district that already applies to about 10 square blocks downtown. Construction is not expected to start until 2009 due to the leases of the existing businesses.

Michigan's Harbor Springs has been a resort town for more than a century and offers recreational activities such as sailing, golf and skiing. **Rob Mossburg's** Cottage Co. hopes to build a three-story condo hotel with 19 units. Eight of them would have lockout capacity, so there would be a total of 27 units altogether. The condo hotel would replace an existing, yet dated, condo hotel on the site. Mossburg's project would have a more historic design, but would be subjected to rigorous new standards for condo hotels created by the city last year.

Mossburg would also have to get city approval to build three stories high. And the site would have to be rezoned because he wants to build part of the hotel where a parking lot currently sits, and the parking lot area is not zoned for hotel use. Another challenge will be winning over some residents who live next to the parking lot and are concerned about the change.

The Crittenden Resort Report Team

E-mail: editor@crittendenresortreport.com

Customer Service

Tel: (800) 421-3483 Fax: (415) 475-1516
Email: market@crittendenonline.com



Newsroom Tel: (949) 900-3717
Newsroom Fax: (949) 900-3761

Resort Report™ is published by Crittenden Research, Inc., 45 Leveroni Court, Suite 204, Novato, CA 94949. Send address changes to *Resort Report™*, P.O. Box 1150, Novato, CA 94948-1150. Contents Copyright © 2007 Crittenden Research, Inc. Sample newsletters may be viewed online at <http://www.crittendenonline.com>

Subscription Rate: \$967 annually (also available via e-mail). Single Issues: \$100 each. Single issues are only available to current subscribers.

Crittenden publishes *The Crittenden Report on Real Estate Financing™*, *Real Estate Buyers™*, *Retail Space News™*, *Restaurant Insider™*, *Hotel/Lodging News™*, *The Apartment Report™*, *Manufactured Housing Report™*, *Builders™*, *BuildersReport™*, *Real Estate Developers™*, *Resort Report™*, *Golf Business & Real Estate™* and *Pension Funds & Real Estate™*. For more information on our publications go to <http://www.crittendenonline.com>.

Resort Report™ is protected by copyright. It is illegal under federal law to make or distribute copies of this newsletter in any form without permission, including without limitation, photocopies, faxes, e-mails, digital scans and postings on an intranet site. Violators risk criminal penalties and up to \$100,000 in damages per offense. Please contact our customer service department at (800) 421-3483 for information regarding site licenses, to request reprints of articles or to inquire about permission to make copies.

Crittenden makes every effort to ensure the accuracy of information in *Resort Report™*. Crittenden uses only those sources it determines are accurate and reliable, but no guaranty or warranty with regard to the information is made or implied. Information in *Resort Report™* is subject to change. Crittenden does not accept fees, nor is it a business partner with any of the companies mentioned in this publication. The newsletter is an editorial service.