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Suite owners disappointed with investments

Unhappy investors in local strata hotels are keen to sell, but the market so far has been slow

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The September 11 terrorist attack in New York and a slowing economy have prompted holders of strata units in Vancouver hotels to seek buyers for their once-promising properties.

Only a handful of strata hotel units have sold in Vancouver so far this year, but Vancouver hotel broker **Angus Wilkinson** says ongoing discussions with suite owners at the 207-room **Westin Grand** hotel could boost that figure to more than 100.

He and a North Vancouver realtor are trying to cobble together a deal that will see one buyer purchase 100 suites in the development. So far, 76 suite owners have indicated they will sell their units. Wilkinson would only say the potential buyer is foreign, but not Asian, and that the hotel would continue to operate under the Westin flag.

"The hotel is performing not badly, given the state of the economy and the competition in the city," he said. "But the problem is, the investors paid far too much money for the suites, so in relation to their investment their return is very low."

While observers feel the hotel, which opened in April 1999, has outperformed similar properties in the city and is posting a 68-per-cent occupancy rate, Wilkinson said it still hadn't met investors' expectations.

General manager **Stephen Darling** said suite holders would probably receive a three-per-cent dividend on their suites this year, down from expectations earlier this year of a 5.7-per-cent return, or about \$11,628 on the average suite. Wilkinson noted that both were well below the expected return of more than 10 per cent.

Darling said the decline is due to the turndown in the tech sector and, more recently, in general travelling following the events of September 11.

Other local strata hotels -- including the **Hilton Vancouver Airport**, **Vancouver Airport Marriott**, **Sheraton Suites Le Soleil** and **Delta Pinnacle** -- were unwilling to comment on their performance or did not return calls.

But Wilkinson, who tracks occupancy rates at about 60 Lower Mainland hotels, said investors in the airport hotels and the Pinnacle are also experiencing declining returns on investment.

"The Richmond properties are really taking a hit since September 11," he said. "However, [investors] didn't pay nearly as much out there as people paid in downtown Vancouver."

Who would buy the suites from owners who consider them bad investments is another question, especially with market conditions showing little hope for near-term recovery. Many of the original purchasers at hotels such as the Westin Grand and the troubled Sheraton Suites Le Soleil were from Asia and bought the suites under vastly different economic conditions.

"The market's been hit. We had the strike, we had a 10-per-cent increase in supply, then September 11 didn't help us whatsoever. And not having the convention centre is another big factor," said **Betsy MacDonald**, managing director of **HVS Int'l (Vancouver)**. "We need that convention centre. It was going to bring guests in, and bring in their spouses, and then hopefully bring return guests for tourism. None of that reached fruition. So some of these things were built on projections based on things that were supposed to happen that never did."

That has killed the market for individual unit sales, a point Wilkinson highlighted.

"There's no secondary market for the sale of strata hotel units, unless you can find a bulk buyer who's in the hotel business who would buy a majority share," he said.

Meanwhile, Darling said that the values of suites at the Westin Grand have been appreciating against their original sale prices.

"We've had only three sales since January 2000, when the original ones were all completed. The first unit, in January of this year, sold at a 37-per-cent discount from the original purchase price. The second suite, that sold in March, sold at a 27-per-cent discount. And the third suite, that sold in May, sold at a 20-per-cent discount. From my standpoint that definitely shows progress in the marketplace," he said.

Sources close to the Delta Pinnacle note that approximately a quarter of the hotel's 434 units are still held by the developer nearly two years after the hotel opened in February 2000.

Vancouver continues to show potential, however. The Westin Grand's developer, **Trilogy Development Corp.**, is constructing the **Opus Hotel Vancouver** in Yaletown. Unlike the Westin Grand, Trilogy is securing financing for the 97-room boutique hotel through

conventional means rather than stratifying the property or by other means. The hotel is expected to have a \$30-million value on completion in May 2002.

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