THE REAL DEAL
SOUTH FLORIDA REAL ESTATE NEWS

June 8, 2016 **UMV: 212,105**

Following Viceroy Miami sale, expect more foreign investment

Qatari buyer also owns the St. Regis Bal Harbour, which it bought for $213M in 2014

By Katherine Kallergis

W Miami and Tarek M. El Sayed, managing director of Al Faisal Holding Company

The Qatari purchase of the former Viceroy Miami hotel last week could be a sign of more foreign investment to come.

Experts say investors like Al Rayyan Tourism Investment Company, which paid $64.5 million for the 148 room hotel last Wednesday, are taking advantage of hotel real estate investment trusts' hunger for cash. Boaz Ashbel, managing director of Miami-based Aztec Group said those REITs have been selling assets over the past 12 months and will continue to do so "in the foreseeable future" as a way to repurchase their own stock.

"Miami continues to be a desirable place for investors," Ashbel told *The Real Deal*. Just last month, a Japanese firm paid $220 million for the iconic Miami Tower in downtown Miami.

Pebblebrook Hotel Trust sold the Viceroy on the same day it sold the Redbury Hotel in Los Angeles for $40.9 million and vacant land in Boston for $6 million, announcing all three transactions together. Over the past year, Pebblebrook's stock peaked at about $46 a share, and as of the market's close on Tuesday, its stock was trading at $26.10 a share. The Bethesda, Maryland-based REIT paid $37 million for the Viceroy in 2011.

Meanwhile, ARTIC is no stranger to South Florida. In 2014, the company paid $213 million for the St. Regis Bal Harbour, a deal that broke down to more than $1 million per room.

At the NYU Hospitality Industry Investment Conference on Monday, the CEO of Hilton Worldwide said he expects more investment in U.S. hotels from the Middle East, specifically. "I think this is the peak of the iceberg," Christopher Nassetta said. "When you wake up 10 or 20 years from now, you'll find that a lot more assets are held by global players than today."

Last year, Marriott International sold the Miami Beach Edition hotel for $230 million to the Abu Dhabi Investment Authority. CBRE predicted last year that the Middle East is poised to take a bigger role in Miami investment.

"[We're at] what many consider the top of the market," Ashbel said. "If you are an owner of hotels and exiting is something you're considering, it's a very good time to exit."

ARTIC paid $436,000 a room for the Brickell hotel, which the company renamed W Miami. "Even though the Viceroy is a very nice hotel, the new owners will invest a significant amount of money to bring this property up to a W," Ashbel said.

Reached via email through a spokesperson, ARTIC managing director Tarek M. El Sayed said renovations on the property will begin immediately and will be completed in stages by the end of 2017. He told *TRD* ARTIC "will continue to evaluate opportunities in Florida."

"There are three elements on which we never compromise when buying or developing any property: quality, location and architectural design. W Miami scores highly across all of these elements," El Sayed wrote in the email. "Committing to these core values enables us to attract world class international operators with high-end brands to partner with. Miami itself suits our geographical expansion strategy which is focused on having a presence in major cities around the world."

With the changes in ownership and management company, the hotel will offer a "W Living Room" overlooking Biscayne Bay on the 15th floor, and will convert FIFTY, the 50th floor rooftop, into a cocktail lounge and WET deck.

ARTIC's portfolio includes 24 hotels and projects in the Middle East, Africa, Europe and North America. The company also owns Radisson Blu in Chicago, the St. Regis Washington D.C. and the Manhattan at Times Square W Hotel in New York.

Ashbel said that as the cycle evolves, he expects that any assets owned by REITs could be up for grabs. "I am happy to see this trade because it re-emphasizes how well Miami is viewed and how it's looked at globally," he said.