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## UrbanAmerica Honored by Hilton

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The Doubletree Resort Orlando – International Drive was UrbanAmerica’s first hospitality asset, but it probably won’t be the last. The acquisition and \$35-million makeover recently earned UrbanAmerica the 2009 developer of the year award from Hilton Worldwide, and founder and CEO Richmond McCoy says the current commercial real estate market offers a “historic buying opportunity in the hospitality space.”



A new guestroom at the Doubletree Resort Orlando – International Drive

New York-based [UrbanAmerica](#), one of the top minority-controlled real estate private equity firms in the country, has acquired more than 10 million square feet of real estate assets over the past decade.

After deploying \$521 million in its first two funds, UrbanAmerica is currently raising more capital for a third and fourth investment fund with an eye toward hospitality assets. The focus will continue to be on acquiring and developing commercial real estate in communities of diversity and major metropolitan markets.

The Doubletree, which was bought in 2006 as the Sheraton World Resort, underwent a

massive top-to-bottom transformation. The 1,094-room hotel is the largest in the Doubletree portfolio and features a Balinese-inspired theme with contemporary dark-wood furnishings and Indonesian design accents set against a tropical landscape covering 28 acres. The property includes three dining venues, three pools, a fitness center, spa and 60,000 square feet of meeting space.

The hotel remained open during the nearly three-year renovation project and is operated by Boston-based Pyramid Hotel Group and asset managed by T.R. ENGEL Group, also of Boston.

McCoy, who founded UrbanAmerica in 1998, took some time to discuss the acquisition of the Doubletree and his firm's investment strategies:



**What's this honor from Hilton mean to you and UrbanAmerica?**

The recognition is a confirmation of our commitment to excellence in the renovation as well as the excellence we want our staff to serve our guests with and that is in alignment with Hilton's goals and standards. Sometimes you set a high target and you never know if you hit it, but when someone else tells you you've reached it, it's even better.

**Tell me about the acquisition and initial plans for the property?**

We bought it at the end of 2006 with the goal to refurbish the property back to a three- to four-star quality. Initially the plan was to turn it into a condo hotel, but within six months the debt market evaporated. We had a parallel plan to continue renovations regardless. It took three years, but we continued to operate the property during the refurbishment. The property lent itself to that: It has one very large tower with 400 rooms, and the other 700 rooms are spread out over two- to three-story buildings across the 28 acres.

**What state was the property in when you purchased it?**

It was the Sheraton World Resort, owned by an investment bank out of New York that had been trying to sell it for three to five years. The asset had deteriorated in quality and reputation. We negotiated a very good price to acquire it and allocated \$35 million for the renovation.

**Did you rebrand it right away?**

We took a unique strategy. We decided to renovate and then put it out for competition for flags. We operated it as an independent—the International Plaza Resort and Spa. We always wanted a flag, but didn't want the construction mandates of a flag that wasn't investing, so we

felt if we created a high quality product we could create competition for the best flag. We saved a lot on some of the features they tend to ask for, but at the end of the day we matched up really well with Doubletree. It all came together in September of 2009 and we're really enjoying a significantly higher percentage of roomnights coming through the flag. It's usually 15 to 20 percent booked through the flag, but we're at 37 percent. The product just so beautifully matches up with Doubletree clients and it may be above some of the other products people enjoy with Doubletree. They, as do we, fully expect this to be the most profitable Doubletree of the many they have.

**How is the hotel performing this year?**

Gains in occupancy year to date: up 30 percent. Our RevPAR is up almost 36 percent compared to last year. We've really dominated the market. Overall RevPAR growth is at 51 percent year to date compared to the competitive set (which is down 15 percent).

**What do you attribute those gains to?**

We're hitting on all cylinders. We're not just another hotel in Orlando. It's all themed, over 28 acres—a really relaxing experience. You can stay in the tower for a more corporate experience, but it's all designed with a southern Pacific theme. We've got the different eateries (three), the spa, health club and a great location. We're adjacent to Sea World.

**How about year to date results?**

We're at 68 percent occupancy—damn good in this environment—and average daily rate is \$77. We hope to grow that next year, but we're way ahead of the competitive set.

**Is this UrbanAmerica's first hotel?**

This is, however many members of my management team have been involved in hospitality for 20 years. We have the capacity in house, but really this was such an extraordinary acquisition—we bought it at one-third of replacement cost and it's 100-percent location driven. The original plan was a condo conversion—get in and get out—but the secondary plan was to convert it and hold it. No one saw the extent of this downturn, but I'm confident it will be a profitable investment for our investors.

**Are you currently looking for more acquisitions and would you consider more hotels?**

We're intensely looking at hospitality assets, like this three- to four-star product (in Orlando), in destination locations. We think this is a historic buying opportunity in the hospitality space, one I never expect to see again in my career. Having said that, you have to go into a lot of these deals with a lot of equity. The debt market is very fragile, thin—almost nonexistent. You have to go in with a hold period in mind.

Our second fund is fully invested, and we're maximizing revenues out of the assets we own. We started that fund in 2005 and have several more years to go. This isn't a great time to liquidate assets, but we're doing pretty well. We're raising money for a third and fourth fund and are also putting together a product specifically geared to hospitality—a mezzanine debt product to help with hospitality. I can't talk a lot more about that, but it's a real need for hospitality assets. They are uniquely sensitive to (capital expenditure) dollars and it may be helpful to certain owners to bridge a gap to stabilize an asset. And it may lead to an acquisition opportunity.

**Why the focus in urban locations?**

It's been our philosophy since 1998. We like to acquire properties that have high barriers to entry. You can't get land in a dense urban market to create a competitive product. Tenants are

there serving a particular marketplace, like government, colleges, healthcare, in certain geographic areas, sensitive to mass transit, with an affordable employment base and in areas with a demonstrated private-public partnership. Those are strategies we've seen and we've been able to invest in these types of markets where growth will continue.

**What are the challenges that come with that?**

We saw in the late 1990s and it's kind of coming back: Many financial institutions are being particularly difficult in looking at investing debt and equity in communities of diversity. It's a challenge we'll see loosen up. There have been a lot of people very nervous investing anywhere, and that's been magnified in this financial crisis. But you can find some great deals where other people won't go.