

Tecton's Desires grows its identity

BY BRUCE SERLEN

MIAMI— In September, Desires Hotels unveiled plans to enhance its management portfolio of what it calls “modern boutique hotels” with the addition of three new properties. Two of the three are in New York and one is in Milwaukee, WI. Desires’ existing 13 hotels are located in markets ranging from Miami to San Juan, Puerto Rico, to Atlanta to New York.

Two things separate Desires from other management companies, according to the firm. First is its strict focus on small, independent hotels. Second is its commitment to third-party management as opposed to ownership.

“We have an ownership stake in certain hotels, but we’re a third-party manager in each and every hotel,” said Desires’



The Desires team includes (left to right) the vp of sales and marketing, Douglas Carrillo; Chairman and CEO Richard Millard; and President Raul Leal.

chairman and CEO, Richard Millard. “The ownership stake is sliver equity, however, which could be as little as 5% or as much as 20%. It’s clearly a minority stake if there’s any stake at all. Some are strictly third-party management

where’s there’s no ownership at all.”

Not that Millard and his team don’t aspire to full ownership someday, finances notwithstanding. “In the same way, our preference would be to drive a Rolls-

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Royce, but in fact we drive a Volkswagen," he noted.

Regardless of whether they have an ownership stake, Millard said Desires sees the business through the eyes of an owner. "Our interests are very much aligned with our owners' interests," he explained. "We only do projects where the owners have the same kind of cul-

ture we do. We share everything with them—the good and the bad—and they with us. Owners shouldn't just pick management companies. Management companies should also pick owners."

Added Desires' president, Raul Leal: "We structure our fees relative to revenue production and hitting certain bottom-line targets based on the owners' financial

needs. In order to hit their targets, we have to hit ours as well. So we may not own a piece in certain hotels, but we certainly think like owners. Our job is to enhance the value of the asset and improve profitability, which are exactly the same goals we would have as owners."

As it happens, Desires Hotels is part of Tecton Hospitality, which also manages a number of branded

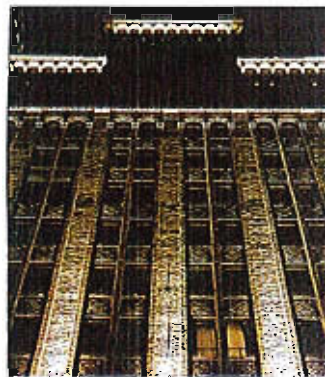
hotels, including those flying the flags of Courtyard, Residence Inn and Holiday Inn. But the Desires part of the business is strictly about modern boutique hotels.

"When Desires is engaged to do a project, we try to understand what the owners' vision is for the property, regardless of whether it's a new-build or a conversion of an existing building," Leal said. "What are the

owners trying to create? How does the hotel fit in the marketplace? What segments go into the hotel? How we help the owners create their brand and their vision."

Leal explained how Desires evolved within Tecton. "Desires started out as Tecton's boutique division. But about five years ago, we saw there was an opportunity to help develop and manage modern boutique hotels. A lot of management companies weren't really specializing in that niche," he said.

Being based in Miami, home of numerous boutique hotels, gave Desires a leg up. "We really had the opportunity to learn the business first-hand," Leal recalled. "Over time, Desires evolved into basically its own company. But we're not a consumer brand. Our customers are developers and owners who have their own buildings and don't want to be a Marriott or Hilton or, for that matter, a Kimpton or a W Hotel. Yet they want to create something personal and be involved in the brand-



The Mela hotel in New York is part of Desires Hotels' portfolio.

ing component of the hotel. Each hotel is independently branded and reflects its local market."

Unlike many owners and operators today, Desires doesn't obsess over the implications of the word boutique versus, say, lifestyle. "We're good with the word boutique," said Desires' vp of sales and marketing, Douglas Carrillo. "In fact, we think lifestyle is the wrong word because every hotel is a lifestyle hotel. Lifestyle speaks to different lifestyles, including the person who stays at a limited-service property. That hotel speaks to their lifestyle."

In Carrillo's mind, boutique hotels are about the emotional connections the properties make with their customers. "They've always been small, generally a size that allowed the owner or manager to have a more personal relationship with the customer," he said.