

Desires charts course for expansion

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Desires executives [from left] Doug Carrillo, senior v.p. of sales & marketing and partner; Richard Millard, chairman and c.e.o.; and Raul Leal, president and partner, are planning an expansion of the company.

MIAMI—There still is plenty of room for boutique hotels to find their niche in the increasingly crowded lifestyle-oriented segment of the lodging industry. That's what the executives of Desires, the boutique division of **Tecton Hospitality**, are banking on as they partner with developers to create unique hotels.

"It's a very different process to develop boutique hotels," said **Richard Millard**, chairman and c.e.o. "[Developers] have a personality that they want involved in it. They have a vision. We want to create their vision, and there's a lot of room out there for that vision to become reality."

Desires, which was formed in 2005, manages 10 hotels comprising 1,000 guestrooms. It has seven properties in Miami

Beach, Fla., one in Puerto Rico, one in New York and one in Atlanta. It has two properties in development in New York, one in Milwaukee and one in Atlanta.

"Each market is different, and we're looking for new-build opportunities in those markets that have that ability and conversion opportunities in other markets," said **Raul Leal**, president and partner. "In some cases there will be mixed-use opportunities, but most will be freestanding hotels."

Leal said the approach to helping developers create distinct boutique hotels is similar to the one used to develop any hotel in one key way: "You have to look at each one to make sure the market will bear an independent boutique hotel. It has to have [revenue per available room] improvement possibilities."

The difference in the process, however, is that each hotel has to have its own identity.

"Up to seven or eight years ago, most developers had an idea of what they wanted and ended up with a brand," Millard said. "Now with e-commerce, it's different. We can create a brand and a hotel something like the developer originally envisioned it."

A prime example of that is the Iron Horse Hotel, which is being built in Milwaukee by developer Tim Dixon, Millard said.

"Tim wanted to create a vision," he said. "Tim is a developer and a skilled craftsman who enjoys Harley-Davidson motorcycles, and with the Harley museum opening there, he wanted to create a hotel not only for bikers but certainly biker-friendly."

The 110-room hotel is expected to open this summer.

Leal said that when Desires executives first meet with developers, the process is as much about selling their services as it is the developer selling Desires on their vision.





The Iron Horse Hotel in Milwaukee is an example of how Desires aims to make a developer's vision become reality.

"We're going to follow his vision as closely as we can and give it the nuances that we can to make it profitable," Leal said. "We will advise a developer when a decision is being contemplated that may not necessarily be the right decision for the hotel."

While Desires doesn't have a financial investment in the hotels it helps develop, it does have long-term management agreements that give it a stake.

Doug Carrillo, senior VP of sales & marketing and partner, said Desires will introduce an umbrella branding initiative in 2008.

He said the definition of boutique is to create personal relationships with customers, mostly at hotels with fewer than 200 guestrooms.

"Our loyalty program, Your Desires, is not about points and miles, it's about getting to know your customers on an intimate level," he said. "It's about knowing their preferences in munchies, music, theater and other areas. While each of our Desires hotels is a brand unto itself, in 2008 we will integrate the Your Desires program to have the ability to reach across properties."

The program currently is managed individually by each hotel.

"That's going to elevate the program and help the customer understand what a Desires hotel is," Carrillo said. "We've never marketed what a Desires hotel is, but we will begin doing that in 2008."

Growth for Desires will continue to be about two to three hotels each year, Leal said. It will announce early this year another property in New York and the acquisition of one of the properties it currently manages. The executives declined to reveal details.

"By 2010, we'll be north of 20-25 hotels," Carrillo said.

Millard said the company wants to expand to Chicago, San Antonio, Los Angeles and Oregon wine country, while increasing its presence in the Caribbean