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Desires Hotels To Grow In New York, Midwest

MIAMI Boutique hotel operator Desires Hotels, with new management contracts in New York city and Milwaukee, Wisconsin, is looking to make a name for itself outside its home market of South Florida.

Desires, a division of **Tecton Hospitality**, came about in 2005 after that company's executives, who had long been in the branded hotel business, recognized a need for a professional boutique hotel manager to help developers make their design-driven creations profitable.



The Water Club in Puerto Rico was one of Desires' first projects.

Starting by turning around the Wave Hotel in Miami and the Water Club in Puerto Rico, Desires evolved quickly into what President **Raul Leal** calls "a freestanding company within a company," with its own set of operations and service standards, and a dedicated team focusing specifically on the Desires business.

Already in New York's Times Square with Hotel Mela, Desires will add to its Manhattan management presence with Cassa Hotel and Residences, a 42-story luxury tower with conference facilities, set to open in early 2009. Also in the works is the 58-room Lift Hotel on Long Island, plus another two or three New York projects farther down the pipeline.

The Milwaukee project is the 100-room Iron Horse Hotel, just across the river from the new Harley-Davidson Museum opening in that city this summer. "The Iron Horse Hotel creates a gateway for us to enter into the Midwest," Leal says. "We will probably do two to three more hotels with that developer."

Other Midwest markets in which Desires plans to have a presence include Chicago, St. Louis and Dallas, Leal notes. Projects in those cities will get under way in 2008 and should open in 2009, he says.

"We'll continue to add to the Desires portfolio, but we don't have a target number of hotels in mind," Leal says. "We'll take it one project at a time. With these kind of hotels, you must be very deliberate with the location, design and branding, because you are actually helping create a brand. It's a bit more difficult than doing a new Marriott."

That said, Leal is confident that the independent boutique market will continue to grow and that Desires will continue to grow with it, even into secondary and tertiary markets.

"The advent of the Internet has changed the playing field for independent hotels," he says. "Today's travelers are looking for choices—they are not bound by the traditional method of picking a hotel by how many points they get. They are looking for different experiences, and they will pay a premium when service quality is delivered."

According to Leal, it is delivering that quality service that is vital. "It's important that these hotels be professionally run and operated. So when a guest does get to a boutique hotel, the person does not say, 'Oh my god, next time I must stay at a branded hotel.'"

Leal sees that as the biggest challenge for the segment. Fortunately, other boutique management companies like Kimpton Hotels & Restaurants, Joie de Vivre Hospitality and Kor Hotel Group help build the segment's credibility. And while Leal names those operators as competitors, he welcomes the competition, saying it is better for the public's understanding of boutiques.

Asked about the difference of managing boutiques versus flagged properties, Leal says part of the beauty of the boutique segment is that it is not bound to traditional brand standards.

"If Marriott decides tomorrow to use a certain shampoo, that is applicable across the board. The beauty of a boutique is that you can forge branding alliances specific to property and market segmentation." Doing so helps give individual properties their own identities, positioning each hotel as a unique asset, he says.

Leal sees this as a strength of Desires: "What we bring to a developer that has a vision—we help them create and brand it, and then operate it based on the brand we've created [together]."



Hotel Mela in New York City's Times Square (r.), is one of its latest.