

Streeterville hotel rooms to become timeshare units

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After taking over a distressed Streeterville hotel, a New York investor is selling off a quarter of its rooms, which will be turned into timeshare units.

A venture led by New York-based Related Fund Management is selling the top six floors of the 26-story DoubleTree Chicago Magnificent Mile to Orlando, Fla.-based timeshare company Hilton Grand Vacations, the companies announced.

Related, which acquired the 500-room property at 300 E. Ohio St. in April after filing a [foreclosure lawsuit](#) in 2016 against its previous owners, will renovate and convert 122 of the rooms into 78 studio and one-bedroom timeshare units under the deal. HGV will then purchase the new units in phases beginning in the second quarter of 2019 and pay a total of \$54.5 million for them in installments through 2022, according to a statement and a conference call today with analysts for the publicly traded Hilton Grand Vacations.

The newly formed timeshare units will be HGV's first property in Chicago. The city "is a prime destination for dining, shopping, theater, sports and entertainment, and our project is in an A-plus location in a property undergoing a complete renovation," HGV CEO Mark Wang said on the conference call.

The deal allows Related to cash out on a portion of the property after seizing it through a so-called deed-in-lieu of foreclosure agreement. That agreement resolved the \$92.1 million foreclosure suit against San Francisco-based Chartres Lodging Group, which failed to pay off the hotel's debt when it came due in May 2014, according to the lawsuit. Chartres remained an investor in the property after Related's acquisition, according to a Related spokeswoman.

The sale also lets Related shed some of the hotel's inventory amid a long-running boom of new supply downtown that is challenging many hoteliers to boost or even maintain their room rates. The downtown market added 6,000 new rooms—a 13 percent increase—between 2014 and 2017, and is slated to get another 2,700 new rooms by the end of 2019, according to city tourism bureau Choose Chicago.

Record-high tourism to the city has helped the market absorb all of that new supply, but not all hotel owners are reaping the benefits of the higher visitation. Revenue per available room at downtown hotels, a key hotel performance metric that accounts for occupancy and room rates, dropped for the second consecutive year in 2017 after six straight years of increases, according to STR, a suburban Nashville, Tenn.-based research firm. The early part of this year has been more promising, however, with RevPAR up 4.6 percent year-over-year through May, according to STR.

Related Fund Management is a lending unit of giant New York real estate investor Related Companies and an investor in Related Midwest, the Chicago-based developer behind the One Bennett Park residential tower in Streeterville and a proposed mixed-use campus called the 78 on a vacant 62-acre site along the east bank of the river from Roosevelt Road to Chinatown.