

Travel & Tourism

Risk pays off for Key International as it completes expansion at St. Augustine Beach property



This is the Embassy Suites on St. Augustine Beach that was developed by Key International.

PROVIDED

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9 hours ago

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Looking at the crowds – and looking at the bottom line, especially – it's hard to believe that building the Embassy Suites in St. Augustine Beach was a pretty big risk for hotel developer Key International.

The resort hotel turned out to be an outstanding success, though, adding an upscale property to a busy area between the county fishing pier and Anastasia State Park, right on the ocean.

The Embassy Suites opened just before the start of 2019 and did so well that Key International soon added 42 more rooms, which were completed earlier this month. Even throughout the pandemic, it's turned out to be a great investment.

Shawn Gracey, executive vice president of hospitality for Key International, told the Business Journal that the company went in with caution, not knowing how the market would react to a new upscale hotel.

"We thought the land was irreplaceable; we felt that the city

was obviously an amazing city as far as everything it had to offer," Gracey said. "So we were able to secure it and then developed the hotel (with the idea that) we weren't going to go all in."

With no precedent for that kind of hotel in the area, Key hedged its bets by starting with 175 rooms and an option to expand. It was a replacement for a run-down hotel on a stretch of State Road A1A, where there are some nice properties but no full-service hotels comparable to the Embassy Suites.

Gracey said the project also strayed a little from the typical business model in that the location was an hour from the closest airport. At that time, the St. Augustine airport had no commercial service and even now has only limited offerings.

Yet as soon as the hotel opened, it did excellent business, the company said, which paved the way for expansion.

Of course, everything halted at the onset of the pandemic in

2020, but Gracey said the recovery was swift as travelers turned to beach vacations as soon as restrictions were lifted.

"We really did not see demand drop off that much in '20 because the transient drive market went through the ceiling," Gracey said. "What started out as a very challenging March, April, May, we turned around in June through December and had a really good '20."

With vaccines becoming available in 2021, demand was steady, and Gracey said occupancy levels went back to around 80% for the St. Augustine Beach hotel.

The start of this year has also been strong. Gracey said the Embassy Suites enjoyed a 60% increase in revenue per available room in January 2022, compared to January 2021.

Looking for opportunities

Key International, which has a healthy presence in South Florida, is interested in growing in Northeast Florida. The company has a project underway in Jacksonville Beach and

tried to redevelop an older property in Vilano Beach before community pushback halted that plan.

In Jacksonville Beach, the company is working on a 156-room Springhill Suites by Marriott that is scheduled to open in the spring of 2023.

"We're real excited about that one," Gracey said. "We had our eye on that side of Jax Beach for quite some time. We didn't feel that we wanted to go all-in with a luxury resort."

The company felt confident in that brand of hotel in part because of what else is working in the area and because of the success it had with a similar property in Clearwater Beach.

Gracey said having exposure in secondary markets – like St. Augustine Beach, New Smyrna Beach or Destin – was a boon for the company in 2021.

"St. Augustine did phenomenal; Destin did phenomenal," he said. "When people were concerned with density (due to Covid worries) ... and where they didn't want to be around a

lot of people, but they definitely wanted to go to the beach and they wanted to be in secondary markets, we had amazing success."

If another opportunity opens in North Florida, Key International will likely be among those interested.

"We just really think North Florida has a lot to offer, and that's why we've got quite a few hotels in the area," Gracey said.