

Commercial Real Estate

Q&A with Key International exec: Demand 'mind blowing' for beach hotels

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Michael Vassilaros, Key International
KEY INTERNATIONAL

By Brent Godwin - Real Estate Reporter, Jacksonville Business Journal
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Just two years ago, the pandemic hit and changed the hospitality business in a big way.

But Michael Vassilaros, chief investment officer with Miami-based Key International, said there's one part of hospitality in particular that has bounced back: beachfront and leisure hotels.

Vassilaros recently spoke with the Business Journal on the state of hospitality and the company's plan to get into multifamily in the Jacksonville area.

What projects is Key International doing in the Jacksonville area?

We are working on a 156-room SpringHill Suites in Jacksonville Beach; it's right on the pier. We're currently working on the second floor of that, and we expect to finish construction on that in January of 2023.

In the St. Augustine area, we just finished a 42-room expansion of the Embassy Suites, St. Augustine Beach.

Then about three weeks ago, we actually closed on a 208-space RV Resort about four miles south of Anastasia State Park. We're looking at it almost as an extension of our hospitality platform, just obviously a bit different. But similar mindset. You've got some longer term tenants there but also a lot of folks that come for the weekend or that sort of thing. So we hope that with our hotel expertise, that we'll be able to add value there.

What kinds of projects would Key International look to do in Jax in the future?

We're always looking for multifamily development opportunities. So we've looked at a bunch of stuff in Jacksonville, but we don't have anything active right now. We're always looking to grow. And we like the Jacksonville market. We think the demographics are very strong.

What do you see in the hospitality market now two years after the pandemic started?

We tend to focus on coastal or beachfront assets that are heavily focused on leisure travel. And those have been performing exceptionally well. Obviously, in 2020 at the outset of Covid, there was a big drop-off there in demand, nobody knew what was happening, everybody was scared.

But since then, the amount of demand has been mind blowing. In our Embassy Suites in St. Augustine, we're already well above, from an income standpoint, where we were pre-Covid. And then obviously we're not open yet in Jacksonville Beach, but we know how the competitive set is doing and they're slightly above where they were pre-Covid as well. So on the leisure stuff, on the beachfront stuff, performance is fantastic.

Urban hotels have different demand drivers and rely a little bit more on business travel and that sort of thing, which is still very, very difficult.

Will it take the pandemic completely coming to end for that segment to bounce back?

You've got a number of different things that are impacting them. One, remote work. People are doing less travel. You maybe don't need to go to that big conference. You can do it virtually.

There's also some companies where they're taking apartment units, and they're leasing them out on short-term basis. And so you've got this kind of shadow supply of additional hotel options there that aren't your traditional hotel but that effectively function like that, and so that creates more competition. And that tends to be kind of in that urban setting is where those tend to kind of pop up.

What are your thoughts on the real estate market in general in Florida?

I think that the U.S. market as a whole may experience some bumps in the road. But I think being in Florida, you've got so many tailwinds helping you and so many people moving here that, hopefully, any issue will be a little muted in Florida relative to other parts of the country.

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