Condo Hotel Lawyer: Condominium Hotels are hot! What is a Condo Hotel?

01 November 2014

Click here for the latest articles on Condo Hotels

What is a Condominium Hotel (or Condo Hotel)?
Definition of a real estate legacy

by

Jim Butler, Bob Braun and Guy Maisnik
Condo Hotel Lawyers

A rebirth of the condo hotel phenomenon

Condominium hotels (or “condo hotels” as they are commonly called) are back in the news again. It seems like every high-end or luxury hotel development is at least considering using the condo hotel approach. The renewed interest is fueled by recovery of residential real estate markets, high construction costs for high end hotel rooms, and the recent change in SEC Rule 506(c) that has completely changed the “securities” dynamics on condo hotels. (On this latter issue, see “The "new breed" of condo hotels — Key to financing new hotel development? Selling condo hotels as "securities" under new SEC Rule 506(c) . . .”)

There are many important issues to discuss about condo hotels – whether they make sense, whether to structure them as real estate or securities, what regime structure best ensures a sound hotel operation, who owns what and who pays for what, and much more. But the first question many people ask, is “What is a condo hotel?”

What is a condo hotel?

Condo hotels enjoyed their first wave of popularity in the United States in the 1970s and 1980s. And the term "condo hotel" is often applied (or misapplied) to a wide variety of real estate structures.

The Condo Hotel Lawyers in JMBM’s Global Hospitality Group® think of condo hotels in the following terms, and condo hotel veterans generally agree:

What is a condo hotel?

Definition: A condo hotel is a hotel where some or all the rooms have been legally transformed into condominium units which are sold to purchasers, and where it is intended that the condominium units will be part of the hotel’s rooms inventory to be rented to the public and operated by the hotel management.
A condo hotel should be “transparent”

A condo hotel that is properly designed, structured and operated will be “transparent.” In other words, a hotel guest at the condo hotel will not recognize the difference between a traditional hotel and the condo hotel. The condo hotel element should be transparent or invisible to the hotel guest.

What else fits well with condo hotels?

As a special class of hotel mixed-use, condo hotels can be standalone projects with no other components, or they may be combined in a single project with other hotel, residential and commercial real estate uses. For example, in addition to the condo hotel units, many condo hotels also have dedicated hotel rooms — “normal” hotel rooms that are owned by hotel owner and are not sold off to third parties.

It often makes sense to include branded and/or unbranded “for sale” condominiums, townhomes, fractionals, club and vacation ownership elements. Some or all of these elements may be serviced by the hotel or not serviced. And of course, a robust hotel mixed-use project will often include commercial uses such as office, spa, restaurant, golf, tennis, marina, and other sport, retail, and entertainment facilities.

Other condo hotel resources

You can access the full library of Condo Hotel materials on Hotel Law Blog by going to the home page, selecting the tab at the top that says “HOTEL LAW TOPICS”, and then clicking on “Condo Hotels” in the drop down menu . . . or by clicking here.

Below is a partial listing of articles by JMBM’s Condo Hotel Lawyers:

- Condo hotels: Don’t forget the secret sauce!
- Condo Hotel Lawyer: What is a Condo Hotel?
- The “new breed” of condo hotels — Key to financing new hotel development? Selling condo hotels as “securities” under new SEC Rule 506(c) . . .
- Using condo hotels for financing new hotel development: Traditional condo hotel structures as “non-securities”
- Condo Hotel fundamentals — 5 Keys to Success!
- Condo Hotels’ enduring legacy: hotel-enhanced mixed-use
- Hospitality Lawyer: The 5 biggest misconceptions about Condo Hotels
- Condo Hotel Lawyer: Why does the SEC care about condo hotels?
- Condo Hotel Lawyer: Standards must be “built in”
- Condo Hotel Lawyer: Not so fast! Locking down the condo hotel structure
- Condo Hotel Lawyer — What is fanning the condo hotel wild fire in Latin America, the Caribbean, Europe, China, India and the Middle East?
- Condo Hotel Lawyer — Las Vegas Report: What drives successful sellouts today?
- Condo Hotel Lawyer — What in the world is going on with condo hotels now?
- Hospitality Lawyer — Trump’s luxury residential mixed-use project in Hawaii sells out in 8 hours. New sales record claimed.
This is Jim Butler, author of www.HotelLawBlog.com and hotel lawyer, signing off. We’ve done more than $87 billion of hotel transactions and have developed innovative solutions to unlock value from hotels. Who’s your hotel lawyer?

Our Perspective. We represent hotel owners, developers and investors. We have helped our clients find business and legal solutions for more than $87 billion of hotel transactions, involving more than 3,900 properties all over the world, including more than 100 condo hotels and hotel condos. For more information, please contact Jim Butler at jbutler@jmbm.com or +1 (310) 201-3526.

Jim Butler is a founding partner of JMBM, and Chairman of its Global Hospitality Group® and Chinese Investment Group™. Jim is one of the top hospitality attorneys in the world. GOOGLE “hotel lawyer” and you will see why. Jim and his team are more than “just” great hotel lawyers. They are also hospitality consultants and business advisors. They are deal makers. They can help find the right operator or capital provider. They know who to call and how to reach them.