

TRAVEL

Miami Suddenly Has a Glut of Plush Hotel Suites

Hui-Yong Yu

May 9, 2016 — 5:01 AM EDT

- ▶ Rates decline during what is typically busiest season
- ▶ Mild U.S. winter also limits demand from the Northeast

Hotels in sun-drenched Miami are getting burned by a pullback in Brazilian travel and a building boom that has added thousands of rooms to the market.

Nightly room costs are dropping. Greater Miami's revenue per available room -- a key measure of rates and occupancies known as revpar -- has fallen each month this year, and in April was the worst of the top 25 U.S. markets, according to STR, a data provider for the lodging industry. Marriott International Inc., set to become the world's largest hotel operator, said on its first-quarter earnings call that Miami is among its weakest U.S. areas.

The city, known for its Latin American influences and trendy South Beach party scene, is being hit by too much hotel supply and not enough demand. An unusually mild winter in North America has curbed visits, while Brazilians, a major source of tourism, are pulling back as the country's currency slumps and its economy is mired in recession. Developers who rushed to take advantage of soaring interest by wealthy tourists are now facing the prospect of a glut of rooms, particularly at the high end.

"Miami has been this go-go-go market and now we've got to take a breath," said Gregory Rumpel, a Miami-based managing director for commercial-property broker Jones Lang LaSalle Inc.

Hotel revpar in the Miami-Hialeah market fell 3.6 percent from a year earlier in the first three months of 2016, compared with a 2.7 percent increase nationally, according to STR. Occupancies slid 1.9 percent, while rates dropped 1.7 percent.

In March, the average nightly room rate was \$250.93, also down 1.7 percent from the prior year. It was still the costliest in the U.S., since the month is typically part of the city's high season as travelers from New York and other northern areas flee the tail end of winter.



The cooling continued last month, with greater Miami revpar down an average 6.5 percent for the four weeks ended April 30, according to STR. The average room rate fell to \$201.60. A drop in revpar for the full year would mark the first annual decline since 2009.

Northeast, Brazil

New York was the biggest source of visitors to the city last year, at a record 2.1 million people, according to the Greater Miami Convention & Visitors Bureau. Brazil was second, with more than 747,000 visitors, followed by Canada, Colombia and then Chicago.

“The mild winter in the Northeast killed us,” said Robert Finvarb, principal of a Miami-based family company that develops real estate.

Brazilian travelers have also pulled back, said Steven Marin, vice president of Travelers Hotel Group LLC, which buys, develops and manages lodging properties in South Florida, typically near airports. Tourists from Brazil, and to a lesser extent Venezuela, used to order goods from Amazon to arrive at their hotels before landing, sometimes 15 to 20 packages per guest, he said.

“When it started to get out of control, we said there’s a five-package limit,” he said. “That has slowed down a lot.”

Brazil Weakness

Marriott also indicated that Brazilian visits to the market are slowing.

“Miami is weak, probably mostly because of the weakness in Brazil, one of the great source markets for Miami, and to some extent maybe growth in luxury supply,” Chief Executive Officer Arne Sorenson said on Marriott’s earnings call on April 28. The company declined to comment further.

Marriott’s properties in the area include the Miami Beach Edition, a tower designed by famed hotelier Ian

Schrager that opened in December 2014 as part of a building boom in the city.

Miami trails only [New York](#) for U.S. hotel construction, as measured by the number of rooms in the pipeline relative to existing supply, according to research firm Lodging Econometrics. Hotels either being built, scheduled to start construction in the next 12 months or in the early planning stage account for 29.3 percent of the existing market in Miami. In the top 25 U.S. markets, the pipeline represents just 14.6 percent.

Miami Beach

A total of 2,866 hotel rooms opened in the Miami area in 2015, with 62 percent of those in Miami Beach, according to Greater Miami & the Beaches Association. An additional 2,128 rooms are slated to open this year, with only 186 of those in Miami Beach.

Collins Avenue, the north-south spine of Miami Beach on the Atlantic Ocean side, is lined with hotels that run the gamut from the decades-old Fontainebleau to newer luxury boutiques to a Holiday Inn. Miami Beach openings last year included the 388-room Roosevelt Hotel, the 169-room Faena, the 426-room 1 Hotel & Residences and 105-room Hyatt Centric South Beach.

The temporary closure and renovation of the Miami Beach Convention Center, home of the [Art Basel](#) festival each December, likely is contributing to softness in hotel performance, said JLL's Rumpel.

Any slowdown in Miami hotel performance is a "blip," said Marc Shuster, a lawyer at Berger Singerman LLP whose work includes advising about 140 family offices, many of which are interested in hotel investments in Miami-Dade County. He said he has several clients who already own hotels in Miami that are running at or near full occupancy and are looking to invest in new developments.

"Clients are knocking down my door to put their money in those projects," Shuster said.

Developer Appeal

International upheaval enhances the perceived safety of U.S. markets, and South Beach has trophy appeal for hoteliers the way Beverly Hills, California, has for retailers, Shuster said. A slowdown in Miami's [luxury-condominium](#) sales could end up helping hotel developers, who often lose out to residential developers in bidding for land, he said.

Hyatt Hotels Corp. in April purchased Thomson Miami Beach for \$238 million and renamed it The Confidante. CEO Mark Hoplamazian called Miami a "key expansion market" on the company's May 3 earnings call. He didn't mention a slowdown in the city, though said properties in Rio de Janeiro are being hurt by weaker demand.

May is looking like a stronger month for Miami visitors, said Peggy Benua, manager of the Dream South Beach hotel, known for its rooftop pool and Naked Taco restaurant. She said it may take two or three years for demand to catch up to the new supply.

“Miami continues to grow as a destination,” Benua said. “Right now, there’s some readjustment.”

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