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INNOVATION

Developer gambles on residential hotel

Granduca designed for high-end guests on extended visits

By NANCY SARNOFF
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Giorgio Borlenghi, the real estate developer that created an upscale housing and shopping community just off the West Loop, is taking his chances on a new project for the city: a luxury extended-stay hotel.

The new hotel, called Granduca, is being built on the grounds of Uptown Park where Borlenghi has developed two condominium towers and an outdoor retail center that he sold last week for \$69 million.

With six stories and 132 rooms, the hotel will be small compared to other properties in the area. And there won't be a restaurant or any huge ballrooms there. Borlenghi said that's to give the guests more privacy.

Italian-born Borlenghi, head of Houston-based Interfin Cos., said the model for Granduca is based on a common European concept called a "residential hotel" where guests typically stay a week or longer.

"I'm bringing it to Houston as the city continues to be more international," he said. "We see a tremendous need for a project of this type."

In keeping with his penchant for Italian styles and concepts, Borlenghi said staying at the hotel will be "like being in the Palace of the Grand Duke of Italy."

Others see it as a high-style version of an all-suites hotel.

"It's essentially a very expensive extended-stay hotel," said John Keeling of hotel advisory firm PKF Consulting.

"It'll be nicer than a lot of the homes people live in," Keeling added.

Because the hotel won't open for more than a year, Borlenghi hasn't set the room rates.

"We'll be competitive with luxury hotels in the area," he said.

The competition

At the nearby St. Regis Hotel, rates on suites run anywhere from \$540 per night for a one bedroom to \$2,500 for a 2,500-square-foot presidential suite.

The luxury hotel, which was once a Ritz-Carlton, offers extended stays to its guests, but that's not its main business.

"There is a market, but we would not survive totally on that market," said Don Boyd, director of sales and marketing for the St. Regis.

Boyd said guests occasionally stay for longer periods because they're here getting medical treatments or their homes are being remodeled or repaired.

He said the hotel offers discounted rates for extended-stay customers, but those prices vary depending on the kind of room and services provided.

In recovery mode

Hospitality consultants said that there's a market for hotel rooms that look and feel like luxury residences, but they noted that the hotel industry is still in recovery mode after the terrorist attacks in 2001.

Occupancy and room rates crashed after 2001 in Houston and elsewhere when companies curtailed business travel and conventions were canceled or postponed.

Randy McCaslin, a senior associate at PKF, said corporations "turned off the tap" in 2001 and employees only traveled when it was absolutely necessary.

Now as the economy continues to recover, "the tap is being turned back on," he said.

"For the first time in several years, rates are being pushed up."

Still, occupancies in Galleria-area hotels were 73 percent in April, up 11 percentage points from the same month in 2004, according to PKF.

Borlenghi, who didn't disclose the price of this project, expects to attract more than corporate travelers.

Guests, he said, could include wealthy people looking for temporary housing after a divorce, folks who are building or remodeling homes and need places to stay, or high-level executives transferred here.

He also expects plenty of Mexican nationals who do business in Houston to occupy units.

Borlenghi, who has built several high-rise condominium towers in the area, said about 30 percent of the units were sold to Mexican nationals.

"The importance of the Latin market is huge," he said.

International flair

International themes permeate Borlenghi's recent real estate developments.

His Uptown Park shopping center, near the intersection of the West Loop and Post Oak Boulevard, which opened in 1999, attempted to re-create an Old World Italian village.

The two residential condominium towers later built on the property include landscaped gardens and pools reminiscent of the lavish grounds at a European castle.

Brand Allen and an in-house architectural staff at Interfin designed the project, which will replicate 17th-century Tuscan architecture.

At more than 800 square feet, most of the guest rooms will be about the size of a large one-bedroom apartment, and more than double the size of a typical hotel room.

There will also be smaller rooms and 12 three-bedroom units at 2,100 square feet.

PKF's Keeling, who was a consultant on Borlenghi's project, said there aren't many options for a luxury hotel that can be rented like an apartment.

At some level, all hotels compete, Keeling said, but "if you want these kinds of amenities, you're not going to find them in another hotel."

Borlenghi said he hopes to create a brand with Granduca and build them around the country.

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