

JV Pays Highest Per-Key Price For Colony Palms Hotel

By *Carrie Rossenfeld*



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PALM SPRINGS, CA—**Pacifica Colony Palms LLC**, an affiliate of **Pacifica Capital Group**, has sold **Colony Palms Hotel** for \$15 million to a joint venture between real estate investor and developer **Michael Rosenfeld** through an affiliate of his **Woodridge Capital Partners** and an investment fund managed by **Oaktree Capital Management L.P.** The 57-room hotel, restaurant and spa was named to Conde Nast's "Hot List" upon opening in 2008, thereby establishing it as one of the top new hotels in the world.

PCG had acquired the property and redeveloped it in 2004. As [GlobeSt.com previously reported](#), **PCG** launched the hotel after extensive renovations. Located at 572 N. Indian Canyon Dr., Colony Palms was built in 1936 and was a favorite of Hollywood celebrities for many years. The Spanish Colonial hotel sits on a three-acre site that is extensively landscaped and is within walking distance of the Palm Springs strip, the convention center and other amenities.

Also as [GlobeSt.com previously reported](#), in March Woodridge had agreed to purchase the Fairmont San Francisco after owners **Maritz, Wolff & Co.** and Saudi billionaire **Prince Alwaleed bin Talal** failed to win permission to convert part of the property into residences. Woodridge and Oaktree worked together on the purchase, which totaled approximately \$200 million.

"Since opening in 2008, we have been intensely focused on establishing Colony Palms as one of the most prominent boutique hotels nationwide," said **Britten Shuford**, president of **PCG**, in a prepared statement. "With a tremendous amount of passion, vision and dedication from our team, we were able to build and position the brand to a discerning guest base in a very short period of time and demonstrate operating and profitability margins unique to boutique hotels."

While Shuford is not able to reveal more details on the sale's financing, he tells [GlobeSt.com](#) that selling Colony Palms was consistent with **PCG's** strategy. "We opened it up near the depths of the recession, and we were able to execute our operating plan and strategy, so it was an appropriate time for us."

Shuford adds that when **PCG** purchased Colony Palms, Palm Springs was in the early stages of a major renaissance led by boutique hotels such as **Le Parker Meridien** and the **Viceroy**, followed by **Ace Hotel & Swim Club** and the **Riviera Palm Springs Resort & Spa**. In addition, new restaurants and cafes began to open, fueling the fire started by the boutique hotels.

"What we saw and experienced with the renaissance was that as a direct result of the recession, guests—particularly from Southern California—wanted to vacation closer to home, especially in Palm Springs," Shuford tells [GlobeSt.com](#). "This coincided with the hotels that had opened up, so Colony Palms is sort of a strange beneficiary of the recession."

Also, he says, as corporate-incentive and group travel have shifted away from expensive airline travel, Southern Californians have embraced Palm Springs as a destination spot for meetings and corporate vacations.

Steve Ohren, co-founder of the firm, was one of the earliest visionaries of the Palm Springs renaissance, but sadly passed away in 2008 after the hotel's opening at the age of 54 following a battle with cancer. "We are proud to honor Steve's legacy by reaching high expectations for the hotel," added Britten. "I think he would have been very pleased to see the Colony Palms' success."

With a rich and storied history, in the 1930s the Colony Palms had embarked on a mission to establish itself as one of the top brands and boutique hotels in an otherwise forgotten market. By commissioning celebrity designer **Martyn Lawrence-Bullard**, the goal was to establish an upscale sophisticated boutique hotel in what was seen at the time as an underserved market. By combining classic architecture, unique history of the property, Lawrence-Bullard's design aesthetic and a specific marketing program, the Colony Palms was quickly able to establish a nationally recognized independent brand.

John Strauss and **Anthony Muscio** of **Jones Lang LaSalle Hotels** represented the seller in the sales transaction. Muscio tells [GlobeSt.com](#) that the sale, at \$265,000 per key, was the leading transaction in Palm Springs during the post-economic downturn, with **Saguaro Hotel Palm Springs** having sold for \$10 million, or \$41,000 per key. "The market really started turning around double-digit RevPAR growth in 2011, with some tough times in 2009 and part of 2010. We started to see a resurgence at the end of 2010 into 2011 with a lot of renovation occurring—Ace Hotel, the **Hyatt**,

Saguaro Palm Springs, the convention center—and this rising tide has helped lift the boat, so to speak. The 2012 market is also experiencing double-digit RevPAR growth.”

Muscio tells GlobeSt.com that he attributes Colony Palms’ high value to the thorough renovation PCG gave the hotel upon purchasing it in 2004, which included everything from public areas and walkways to restaurants, guestrooms and mechanical and operating systems. “The Purple Palm Restaurant is really successful, and the current platform is a really successful one for a hotel, from the guests and loyal clientele to the successful cash-flowing operation. The high price per key is related to both the high-quality physical product and successful operating performance.”

Other factors drawing visitors to Palm Springs include **Virgin America**’s new flight path from Southern California into Palm Springs, bringing a younger demographic from Orange County, San Diego and L.A., as well as the Coachella Music Festival in the spring, during which Muscio says it’s hard to find a room in the city. A pedestrian-friendly city plan has also made the area more inviting.

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