

LaSalle Hotel Properties Acquires Portion of Landmark Chicago Property Through Joint Venture

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Company to Redevelop as Super Luxury Hotel

LaSalle Hotel Properties (NYSE: LHO) today announced that Modern Magic Hotel LLC, a joint venture between the Company and Oxford OG Hospitality Chicago, LLC ('Oxford'), has acquired from Prime Group Realty Trust ('Prime') floors 2 through 13 and a portion of the first floor (representing approximately 375,000 square feet) of the existing 52-story IBM Building located at 330 N. Wabash Avenue in downtown Chicago, IL for \$46.0 million. The joint venture has developed plans to convert the existing vacant floors to a super luxury hotel. LaSalle Hotel Properties holds a 95% controlling interest in Modern Magic Hotel, LLC with the remaining 5% interest owned by Oxford.

The existing building, designed by world-renowned architect Mies van der Rohe, was recently designated a historic landmark. The hotel will be created on the purchased floors, with exclusive elevators and a separate entrance on the ground floor. The upper floors, owned by Prime, an unrelated entity, will remain high-quality office space. The development plan has not yet been finalized, but the hotel is expected to house up to 335 rooms. The standard guestroom will be approximately 525 square feet, one of the largest in the city, and will feature large 5-fixture bathrooms. Guestrooms will have 9.5 foot ceilings with floor to ceiling windows providing dramatic views of the Chicago River, Lake Michigan and the Chicago skyline. Approximately 20% of the rooms will be suites, ranging in size from 775 to 2,350 square feet. The hotel will offer 17,000 square feet of state-of-the-art facilities for meetings and social affairs, including a 5,000 square foot ballroom with spectacular river views. A 9,000 square foot distinguished chef-driven restaurant will also be featured, as well as a lobby bar, wine room, fitness center, indoor pool and destination spa. The hotel is being designed by The Gettys Group, Inc. ('Gettys'), a global hospitality design and development firm based in Chicago. The joint venture is striving to achieve a Silver LEED certification for the hotel, through both 'green' design and operations. The joint venture is currently in discussions with both independent and branded operators, and a selection will be made later this year. It is expected that the completed hotel will open in 2010.

'We are extremely excited about working with Oxford and Gettys on this compelling opportunity to create a 5-star hotel, in one of our targeted urban markets at a very significant discount to what it would cost to acquire or construct this highest quality of hotel,' said Jon Bortz, Chairman and Chief Executive Officer of LaSalle Hotel Properties. 'By converting existing clean, vacant space, we are able to eliminate a significant portion of the development risk and can complete the project in less than half the time of new ground-up development. As the completed hotel ramps up to its full income potential, it will help fill our pipeline of growth for 2010 through 2013.'

The new hotel will enjoy an outstanding location directly on the north bank of the Chicago River, in the Michigan Avenue Corridor, one block west of Michigan Avenue proper and at the new epicenter for luxury hotels along the banks of the Chicago River. The hotel will join LaSalle Hotel Properties' luxury Hotel Sax Chicago, which is adjacent to the west on the river, the Westin River North, one block further west, the new Trump International Hotel directly adjacent to the east along the river, the Renaissance Chicago Hotel, directly across the river, and the proposed Shangri-la Hotel, also along the south side of the river. The hotel will benefit from its direct waterfront location along the rapidly expanding and increasingly visible Chicago River Walk, which ties directly into Chicago's famous Magnificent Mile on Michigan Avenue.

The building's world-famous minimalist modern architecture represents the last, largest and arguably one of the greatest designs by famed architect Mies van der Rohe, the father of the Modernist movement. It is one of the most iconic, distinctive and architecturally significant buildings in Chicago and is an ideal structure within which to develop a sleek and progressive super luxury hotel. As a mixed-use development, the office space above will be one of the most desired office locations in downtown Chicago.

'This building provides a great location and terrific structure to create a unique 5-star experience for our guests,' said Mr. Bortz. 'With the lower cost basis in the hotel and with landmark status creating significant property tax savings, we believe this opportunity furthers our mission to create long-term shareholder value. This redevelopment makes a fantastic addition to our current investments in Chicago, which include the Westin Michigan Avenue Hotel and the repositioned Hotel Sax Chicago in the Marina City complex next door.'

'We're excited to be developing a super luxury hotel in this iconic building, which along with the Seagram Building on Park Avenue in New York, is one of Mies Van der Rohe's most important buildings and thus among the most prominent mid-century modern buildings in the world. We are also excited to be part of developing one of only two luxury hotels directly on the waterfront in Chicago's new Gold Coast given the myriad positive developments in and around the immediate area,' said managing principal John W. Rutledge, Oxford Capital Group, LLC President and CEO.

LaSalle Hotel Properties is a leading multi-operator real estate investment trust owning 31 upscale and luxury full-service hotels, totaling approximately 8,500 guest rooms in 14 markets in 11 states and the District of Columbia. The Company focuses on owning, redeveloping and repositioning upscale and luxury full-service hotels located in urban, resort and convention markets. LaSalle Hotel Properties seeks to grow through strategic relationships with premier lodging companies, including Westin Hotels and Resorts, Sheraton Hotels & Resorts Worldwide, Inc., Hilton Hotels Corporation, Crestline Hotels and Resorts, Inc., Outrigger Lodging Services, Noble House Hotels & Resorts, Hyatt Hotels Corporation, Benchmark Hospitality, White Lodging Services Corporation, Gemstone Hotels & Resorts, LLC, Thompson Hotels, Sandcastle Resorts & Hotels, Davidson Hotel Company, Denihan Hospitality Group and the Kimpton Hotel & Restaurant Group, LLC.

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