

# Hotel Business

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## Sonesta to join luxury lifestyle segment with newly launched Kept Hotels

By BRUCE SERLEN

BOSTON, MA—With the economy strengthening and industry fundamentals rebounding, hotel companies are coming up with new growth strategies, some traditional and others more non-traditional. As

an example of the latter, the Sonesta International Hotels Corp. earlier this year entered into a partnership with veteran designer and developer Dodd Mitchell to launch a brand called Kept Hotels & Resorts. Unlike other brand launches, Sonesta International will manage Kept Hotels separate and distinct

from its existing branded hotels.

As envisioned by Dodd Mitchell Design & Development and Sonesta International executives, Kept Hotels will be 80-300 room luxury lifestyle hotels, located in gateway cities and prime resort destinations in the

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## Sonesta's expansion plans include launching new select-service brand

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U.S. and Europe. Rather than new construction, the plan is to grow the new brand through the conversion, upgrading and repositioning of existing hotels.

Mitchell said the intention would be that each hotel reflect its particular location through the use of local artisans and craftsmen. Recent design projects include the Crescent and Hollywood Roosevelt Hotels in Los Angeles and the Thompson LES Hotel in New York. Mitchell and Sonesta International are currently seeking potential conversion candidates to be the first Kept properties, but neither a timeframe nor a budget has been announced.

The Mitchell partnership aside, Sonesta International plans to grow its existing Son-

esta brand, including the introduction of a limited-service product. "We're planning to enter the select-service tier to go with our existing Royal Sonesta and Sonesta tiers. It will be called Sonesta Esprit and is a concept that was developed internally to go head-to-head against a Courtyard by Marriott or Hilton Garden Inn," explained John DePaul, Sonesta International executive vp for development. Sonesta Esprit Suites will be a comparable product aimed at the extended-stay market.

"We'll look at portfolio plays with lenders or investors who want to recapitalize the existing portfolio of hotels," DePaul continued, promising that, "We're

going to create a unique response to the upper select-service market segment."



Sonesta International president & CEO Stephanie Sonnabend and executive vp for development John DePaul, standing, review early plans for the new luxury lifestyle brand with Dodd Mitchell.

Sonesta International's portfolio includes 27 hotels in locations ranging from Boston, Miami, New Orleans and Orlando in the U.S., to Peru, Chile, Colombia and Egypt, among other international locations. The company also operates six cruise ships in Egypt.

In the past few years, South America and the Middle East have become aggressive growth targets for Marriott International, Hilton Worldwide and other of the major multi-brand hotel companies. But Sonesta has been a pioneer in both these markets for many years. In Peru, for example, Sonesta operates seven hotels, while in Egypt it

also operates seven.

As envisioned by president & CEO Stephanie Sonnabend, the hotel portfolio will consist of three tiers. Top of the line is Royal Sonesta, which has properties in Boston and New Orleans. The middle tier will be the upscale Sonesta brand, followed by Sonesta Esprit and Sonesta Esprit Suites.

"Our approach in all segments is going to be opportunistic. We can't sit here and tell you we'll have this many Esprit hotels in this bucket, x number of Sonesta hotels here," DePaul said. "We're going to opportunistically help existing developers and owners recapitalize existing investments. Growth could be in any of the segments. It could be upper upscale Royal

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## South America remains key growth market for Sonesta going forward

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Sonesta down to Esprit."

Similarly, development of the Kept or Sonesta Esprit brands could occur first in the U.S. or possibly one of the international markets where the company is active. "We've created a business plan where either of these segments can be rolled out in either the domestic U.S., Europe or South or Central America," noted DePaul, who joined Sonesta International last year from National Hospitality Holdings LLC, and NHH Hotels & Resorts, where he was managing member and president.

Growth will most likely occur through management contracts. "We'll make select acquisitions, using money off our own

this history, it shouldn't be a surprise we're expanding in that market. Plus the fact that South American economies have been rebounding significantly in the past few years means there is a

lot of opportunity there," he said. "In fact, the South American marketplace is one of the fastest growing in the world."

While other industry players have shown interest in South

America in recent years, the bulk of development interest remains focused on China and India. "Arguably, people say South America is a more difficult market to navigate because of the

various cultures, but that hasn't been an obstacle for us," DePaul noted. Likewise, the company's growth in the Middle East has occurred organically because of existing relationships. **PH**



The 400-room Royal Sonesta Hotel Boston in Cambridge, MA, is Sonesta International's U.S. flagship.

balance sheet as a joint venture partner," he said, adding that the ownership stake "would always be what we call sponsor equity or sliver equity."

Asked why the company has seen so much activity over the years in South America and the Middle East, DePaul attributed it to the success the founding Sonnabend family had in building relationships with local developers and investors. "One of the nicest things about the Sonesta story is the genuine care the Sonnabends took in building these relationships," he said.

Growth in South America, for example, has been strategic, but it occurred initially because of an existing relationship with a local developer, DePaul continued. The developer had been impressed with the company's track record and felt the team was one he could trust.

"We were one of the first U.S.-based hotel companies to be active in South America. Given