



# View From The Shores

## SPRING 2013

### Sales Activity At The Shores

The first four months of the year have started off with much enthusiasm from the buyers. The present inventory of units for sale, as I write, is down to 25 properties. Mid-January there were 35 properties listed. We need listings; buyers are looking but aren't finding enough of a selection. The good news for the owners that purchased at the top of the market, recovery and appreciation is moving in the upward direction. During the last five to six years there were short sales and foreclosures that affected sales by lowering prices and set the comps for the next sale of similar properties. This is reflected in all real estate sales in Coronado. There isn't a community that didn't have to deal with these issues. Sometimes we think we are insulated from much of the economic problems in other parts of the state, but reality has hit hard on second homeowners. The following are the closed escrows since January 1st.

### ONE BEDROOMS

Cabrillo	0105	\$696,000	Mar
Las Flores	1505	\$690,000	Mar
La Princesa	0910	\$915,000	Apr
El Camino	1702	\$665,000	Apr
El Mirador	0306	\$650,000	Apr

### TWO BEDROOMS

El Encanto	0606	\$1,285,000	Mar
El Encanto	0802	\$1,100,000	Mar
Las Palmas	0304	\$1,917,500	Mar
La Princesa	1610	\$1,250,000	Mar
El Encanto	1104	\$ 985,000	Apr (foreclosure)
Las Palmas	0404	\$2,000,000	Apr

### TWO BEDROOMS + DEN & THREE BEDROOMS

Cabrillo	1203	\$2,450,000	Feb
La Playa	1603	\$1,848,175	Feb
El Encanto	1205	\$1,620,000	Mar
La Playa	0501	\$1,850,000	Mar
La Playa	1103	\$2,250,000	Apr

(Sales prices reported are from the MLS and the County Records offices)

### Follow The Money

The history of the Hotel Del Coronado gets more intriguing with time. The ownership of this famous landmark is full of colorful personalities and mystery.

To refresh your mind, the trail of ownership reads like this: February, 1888 was the grand opening for the proud owners, Babcock and Story; shortly after in 1890 John D. Spreckels, the sugar magnate and a good friend of Babcock and Story, had to help with additional funding and bought the two original owners out. The hotel changed hands after the Second World War; in 1948 Barney Goodman purchased the hotel from the Spreckels family. The hotel was starting to show her age and neglect. Apparently Mr. Goodman's pockets weren't deep enough to restore the hotel and he facilitated the sale in 1960 to John Alessio. He was a local restaurateur of Mr. A's and had played a major role in both Tijuana and San Diego business for over seven decades. Mr. Alessio had a very colorful history whose early family life's poverty was compared to the John Steinbeck depression era novel the "Grapes of Wrath". During the three years he owned the hotel Mr. Alessio invested \$2 million in restoration; however, much more was needed.

In 1963, M. Larry Lawrence makes his appearance, another colorful personality. Mr. Lawrence purchased the hotel; union



## CORONADO SHORES COMPANY

contributions were rumored to be part of the financing behind the purchase. Mr. Lawrence's initial plan was to develop the land on the south side. He saw the value in the land and not the hotel. Since the old hotel needed an excessive amount of restoration, it was reported that he considered demolishing the hotel in favor of developing the land. Mr. Lawrence was not able to obtain financing to develop the land. In 1968 the undeveloped land went into default and a year later J.H. Snyder Company purchased the property to the south of the Hotel del and built the Coronado Shores complex. During Mr. Lawrence's years of ownership he invested over \$150 million in the hotel. The colorful history during Mr. Lawrence's stewardship came to end when he died in 1996.

The story of big money made and lost, starts in 1996 at the passing of Mr. Lawrence. That year the Lawrence family sold the hotel to the Travelers (insurance) Group who had loans on the property. Travelers Group are not owners of real estate and sold the hotel the following year to Destination Development Corp. a Lowe Enterprises subsidiary for \$330 million. Destination Development invested the \$55 million in necessary upgrades which included seismic retrofitting and installing air conditioning in the Queen Ann building in order to sell the property in 2003. This group had great plans for the hotel; in 1998 they fought the battle with the locals on the removal of the hotel's tennis courts. The next public relationship battle was the development on the north and south sides of the hotel, The Master Plan, which called for more rooms and a very large convention center. They seemed to have been the more transparent company with the community and with their neighbors at Coronado Shores. This battle must have cost Destination Development Corp. more than they anticipated. They held the property for six years then sold it for what they paid in 1997, plus their investment of \$385 million, deeper pockets are needed.

Enter the "deep pockets". In 2003 the era of big investment starts. At this time the record shows that CNL Hospitality Properties and KSL Recreation Corp paid \$385 million for the hotel. Three years later in 2006, Strategic Hotels takes the possession of CNL Hospitality. A joint venture is formed with Strategic Hotels, 45 percent, Kohlberg Kravis Roberts & Co, (KKR) 41 percent, and KSL Resorts 14 percent, with a total investment from all three of \$745 million. They obtain a loan of \$610 million plus reported second loans. During this time the new owners start the building of the North Beach Village. They were able to build 11 buildings with equity financing from the sale of 78 rooms. They were selling the rooms as condo/hotels starting at \$2.5 million; the owners had become the "equity financiers". Now this is where the fun begins.

Large properties, and especially the hotel/resort properties, can be affected negatively by any blips in the economy. It can be very difficult for these types of properties to obtain financing. In 2005,

it was reported that Strategic Hotels paid \$745 million (leveraged) at the height of the real estate market. In 2011 with the loan due, the hotel is valued at \$590 million and they need to refinance.

In 2011 Blackstone steps in and replaces KKR, who is a rival of Blackstone, and a new joint venture is formed. Blackstone will own 60 percent, Strategic Hotels 34.3 percent, and the balance of the joint venture 5.7 percent to KSL.

The tangled web of investors in the hotel now has one of the largest players of real estate on Wall Street. It is said "if you throw a brick you're bound to hit a Blackstone investment" and that brick now means the Hotel del Coronado. The Blackstone Group is one of the largest private equity firms in the world, with more than \$166 billion in assets under management. It obvious by this trail of owners, and joint ventures that the Hotel del Coronado is highly leveraged.

Just recently I read a story in the Wall Street Journal about Blackstone and the new IPO for SeaWorld Entertainment that closed on the first day of trading at \$34 a share. This story caught my interest since I had read in 2011 that Blackstone was one of the owners of the Hotel del Coronado. The story went on to say, "Blackstone Group flooded SeaWorld with debt when they purchased it in 2009. Blackstone will use the IPO proceeds to pay itself \$47 million for terminating its 2009 advisory agreement with SeaWorld...they have paid themselves over \$610 million in dividends in the last three years...more millions to come to Blackstone from the IPO and they will remain SeaWorld's controlling shareholder". This article only makes me wonder what their plans are for the Hotel del. The Master Plan has been approved for a large convention center and the addition of 144 rooms to be sold as condo/hotel or not sold depending on the marketability. We will just have to wait to see what the future will hold for the Hotel del Coronado and if and when there will be new owners of this landmark.

I hope you enjoy reading all this history, the hotel is our neighbor and it does affect our lives for the good, most of the time.  
(the research for this story originated from the internet, newspapers and personal knowledge)

Summer is almost here, enjoy.

*We built them. We sell them.*

*We lease them.*

*Yvonne*  
Yvonne Barnum  
President



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