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Virgin Hotels to Triple Number of Properties as It Ventures Into Coliving

Group Seeks Development Sites, Partners Across the Globe



Virgin Hotels plans to open its first hotel with a coliving component in Miami in 2023. (Virgin Hotels)

Virgin Hotels, the lifestyle hospitality brand led by billionaire Sir Richard Branson, is converting other hotel brand buildings and offices in a bet the formula for boutique hotels at affordable prices will take off. And it's doubling down on that bet with coliving.

Virgin Hotels is getting ready to open a hotel next month in Dallas, marking its third property since opening its first in Chicago in 2015 and a second in San Francisco earlier this year. By next year, the company plans to double the number of hotels it has open, with construction underway on others including its first overseas, in Edinburgh, Scotland, in the United Kingdom, and the first planned with coliving and a residential portion in Miami.

Related News: [Dallas Chosen for First Virgin Hotels Pool Club Hotel](#)

"The next few years are extremely significant for us," Raul Leal, CEO of Virgin Hotels, said in an email interview with CoStar News. "After the Dallas debut this December, the next Virgin Hotels slated to open will be in Nashville and New York. From the beginning, we created a list of target markets for Virgin Hotels and we're constantly on the lookout for the perfect space in these cities."

The hotelier teams up with third-party development firms for ground-up development of the hotels. It is also exploring hotel and office conversions like the [conversion of the Hard Rock Hotel & Casino Las Vegas](#) to the Virgin Hotels brand in a \$200 million renovation project expected to be completed next year. A New Orleans hotel is expected to open next year, deals have been signed for two California hotels: one in Silicon Valley and another in Palm Springs.

Target cities where Virgin Hotels is looking for development partners include Boston; Los Angeles; Austin, Texas; Seattle and London, according to a spokeswoman.

"Beyond what's under construction, our team is actively scouting new markets across the U.S. where Virgin Hotels can plant roots," Leal added.

The Virgin Hotels concept is about providing an experience a visitor can't get anywhere else, and at a relatively affordable price with free unlimited Wi-Fi and no extra fees. Items in the mini bar are priced at cost.

"I travel quite extensively and personally noticed a few key things impacting hotel guests: they were being short-changed at every turn ... and there hadn't been a significant innovative move in room design for years," said Leal.

Hotel rooms are called chambers and "are created with a lifestyle focus. At the end of the day, hotels should be fun and reinforcing that fact is our ultimate goal," said Leal.

Other hotel operators across the country are adding an experience component, similar to the way shopping centers are using best practices from elsewhere to add memorable interactive experiences such as escape rooms and rock climbing outlets to draw customers, all in an effort to edge out rival outlets and respond to online shopping competition.

Walt Disney Co. is [designing a Star Wars-themed hotel](#) in Florida called Star Wars: Galactic Starcruiser, where guests are expected to have a simulated launch into space and participate in a story that involves Disney cast members dressed as characters from the famous movies.

The hotel industry is in its 10th year of growth in revenue per available room, a key metric in the lodging industry, said Jan Freitag, senior vice president of lodging insights for STR Global, a CoStar Group company. Freitag said he expects revenue per available room to continue to grow, albeit it at a slower pace in the foreseeable future, with room demand growth expected to rise in lockstep with gross domestic product.

Nashville has the [highest percentage](#) of existing hotel inventory being built with 12%, according to STR. New York City follows for that metric with 11% but has the most total rooms under construction, with 13,907. According to the latest data from STR, about seven in 10 hotels under development in the United States are a limited service hotel, meaning budget friendly and usually without a restaurant or bar.

Virgin Hotels and other concepts such as Canopy by Hilton or the Autograph Collection hotel by Marriott are more boutique or soft-branded hotels, catering to the higher-end business and leisure traveler. Freitag said boutique hotels are often hard to develop and finance because they are unique and therefore more costly.

Large Markets Grow Rapidly

Market	Rooms In Construction	% Of Existing
Nashville, TN	5,642	12%
New York, NY	13,907	11%
Minneapolis/St Paul, MN-WI	3,233	7%
Miami/Hialeah, FL	3,489	6%
Phoenix, AZ	3,924	6%
Dallas, TX	5,426	6%
Los Angeles/Long Beach, CA	6,117	6%
Boston, MA	3,439	6%
Tampa/St Petersburg, FL	2,712	6%
Las Vegas, NV	9,163	5%

*US Pipeline, Rooms I/C and as % of Existing Supply, Largest % In Top 26 Markets, September 2019
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U.S. cities with the largest percentage of existing hotel inventory under construction. (STR)

Miami Project

Branson, whose wealth is estimated at about \$4 billion by Forbes, founded Miami-based Virgin Hotels in 2010 as part of his Virgin Group empire.

A Virgin Hotel is expected to break ground next year in Miami and be the company's first foray into coliving and residential development. The project is expected to have a car elevator system for valet parking as "a nod to the future of transportation," according to a statement. Branson also runs Virgin Galactic and Virgin Orbit, two commercial space flight companies.

The hotel brand plans to build a 40-story, 250-room hotel in the Brickell neighborhood at 1040 S. Miami Ave. The Miami project includes 150 microunit and coliving units as part of a partnership with Blue Jay Capital. The project is expected to be completed in 2023.

The Miami acquisition is one deal that Leal, a native of the city, is particularly excited about, he said. The hotel is about two miles southeast of where Virgin Group has a transit hub for Virgin Trains USA, a high-speed commuter train service, at [600 NW 1st St.](#) in downtown Miami. And Virgin Voyages, a cruise company formed last year, [picked the Miami area](#) for its headquarters and its first cruise is expected to set sail next year.

The microunits and coliving units are planned for 15 floors and expected to be furnished. The microunits are slated to be under 400 square feet and the coliving units are supposed to be between three and four bedrooms.

Earlier this year, Miami city commissioners approved developer Robert Wennett's [plans to build](#) coliving apartments as part of a mixed-use development in the city's Allapattah neighborhood.

Meanwhile, Property Markets Group of New York [recently paid](#) \$46 million for 1.6 acres in Miami's Wynwood arts district for a coliving apartment building. The company said last year it plans to develop 5,000 shared-space apartment units nationwide under its X Social Communities brand.

The coliving concept is being driven by both desire and need, as millennials embrace shared living at a time when downtown rents in many major cities top \$3,000 a month, analysts say.

"Coliving is a very good option for young professionals who want to work in the city and be in a building with great amenities and access to public transit," said Mitash Kripalani, director of investment services for Colliers International South Florida. "They're not so concerned with needing a 1,000-square-foot apartment."

Still, there's the risk that coliving could become a "generational fad," explained Jack McCabe, a housing consultant in Deerfield Beach, Florida.

"Will it last? I wonder that myself," McCabe said in an interview. "What if the next generation 10 or 20 years from now doesn't want to live like that?"

If coliving loses luster, many of the buildings likely could be retrofitted to make them marketable to traditional apartment renters, Kripalani said.

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