

Inn of Chicago refinancing shows hotel market strength

By Alby Gallun
Feb. 01, 2007

Underscoring the strength of the Chicago hotel market, the new owner of the Inn of Chicago has refinanced the 357-room hotel in Streeterville with a \$57.2-million loan less than a year after buying the property for just \$40 million.

San Francisco-based Oxford Lodging Advisory & Investment Group LLC has boosted the hotel's value since buying it last February by running it more profitably and spending \$5.5 million renovating its lobby, guest rooms and meeting spaces.

At the same time, the hotel investment market has been especially hot, fueling a run-up in hotel prices.

Oxford "has really, really been able to drive both rates and occupancy in a strong market," says Jere Lucey, executive vice-president in the New York office of Jones Lang LaSalle Inc., the Chicago-based real estate firm that secured the loan.

► Related story: Hotel sales strong again in 2006

New York-based Column Financial Inc., a division of Credit Suisse First Boston, provided the \$57.2-million loan for the hotel at 162 E. Ohio St., replacing an earlier \$37.6-million loan Column provided to finance Oxford's acquisition last February.

Oxford acquired the hotel from an affiliate of Shell Vacations LLC, a Northbrook-based company that sells and manages timeshare investments. Oxford has increased the hotel's revenue by hiking room rates at times of high demand, a standard practice in the industry but one the previous owner did not practice, says Maxine Taylor, a senior vice-president of asset management at Oxford.

A Shell Vacations executive was not immediately available for comment.

The average daily room rate at the hotel jumped 35% in 2006 to \$127 and is projected to jump another 10% this year to \$140, Ms. Taylor says.

"This has been a great property for us," she says. "We took a pretty aggressive revenue-management strategy."

The Inn of Chicago is affiliated with the Best Western chain, but Oxford is considering running the hotel as an independent, she says.

Ms. Taylor and Mr. Lucey decline to disclose the property's appraised value. But many lenders these days are willing to loan as much as 80% of a hotel's value, suggesting the Inn of Chicago could be worth about \$71.5 million.

A Column Financial executive was not immediately available for comment.