

Universal projects expected to send Orlando skyward

BY DAVID WILKENING

Florida Real Estate Journal

ORLANDO—The opening of roller coaster-rich Universal Studios Escape meant one thing to teenagers — perhaps the greatest collection of thrill rides ever assembled at one place.

For officials at Universal, many of them with Disney resumes, it meant that their former employer now faces a real competitor that is a destination in itself with its own hotels and supportive services.

But what does it mean for investors? Will land prices go up? The apartment outlook? Hotel potential? And shopping?

There are a few doubters, but for the most, observers think the \$1 billion expansion at Universal is a major market move that will create many investment opportunities.

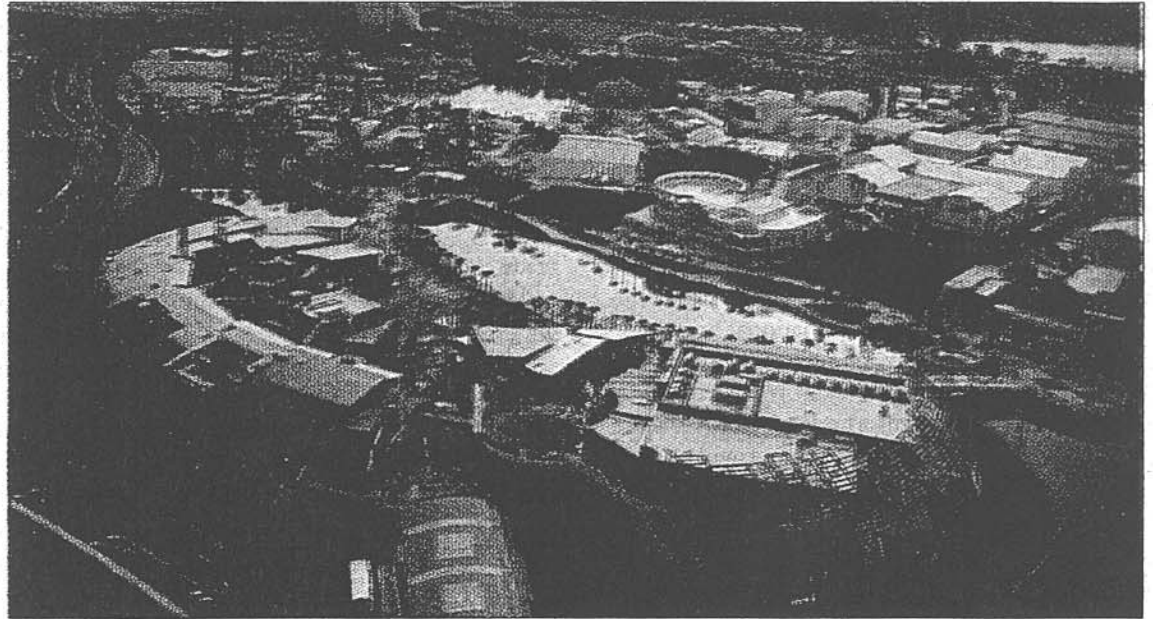
Jim Hall, a vice president of planning for the well-known Orlando firm of Canin and Associates, completed a study on the impact of Walt Disney World's expansions more than a decade ago.

He did it for a law firm involved in litigation. He has also updated the study.

One element remains a constant whenever Disney expands.

"Every time Disney opens a new park, two things happen to private properties. Demand goes up and prices go up," he said. The same applies to Universal, he said.

Another conclusion he



Universal Studios Escape includes the new CityWalk and Islands of Adventure projects, as well as the Universal Studios theme park. Real estate professionals are expecting Universal's influence to boost the Orlando real estate market in many sectors.

makes is that Universal, which in the expansion is opening its own hotels, will almost certainly be better able to command higher rates.

"Until this point, there were no Universal (owned) hotels. So when they open, I expect their prices to be up near Disney prices," he said.

Disney not only has the most hotels in the area, but they are also the highest priced. Hall said rates are \$246, on average, during the peak season, and \$194 in the off season.

The average price of hotels surrounding Universal are \$156 in season, and \$91 off-season.

Hall expects to see more tear-downs of "mom and pop" operations in favor of chains.

Many of the Disney properties benefit from its grandfathered in provisions that allow them to skirt regulations that new developers must overcome. But future hotel developers around Universal will also have advantages because the theme park has already completed many of the studies that are required before they can build their hotels, Hall said.

"They should be able to piggyback on Universal approvals," he said.

Daryl Carter with Maury L. Carter & Associates Inc., while saying he is no expert on tourist-related property, has a philosophy of often buying land and waiting to see it escalate in price before selling.

But Carter was involved in a



12-acre commercial property on Kirkman Road near the planned development of MetroWest not long ago that surprised him with its results.

The property was purchased for about \$5 psf. But sales of the portions of frontage on Kirkman Road ran from \$11 psf to \$14 psf.

See **UNIVERSAL**, Page 3

Universal to generate more hotel rooms, apartments

From PAGE 1

Less than a year later.

"I think we underestimated the impact of Universal. We were very pleasantly surprised," he said.

His conclusion: "I have to confess that the tourism business and how it drives property values is still somewhat of a mystery to me, but when a company dumps \$1 billion into an area, it has an impact."

Chris Jones, an economist with the land-planning firm of Miller Sellen Conner and Walsh Inc. in Orlando, also has taken a serious look at Universal's impact.

"The expansion will push even higher demand for hotel rooms in the area," he said.

He estimates another 2,300 to 2,400 new hotel rooms a year will be required during the short-term future of the area.

"I expect to see an increase in hotel rooms of anywhere from 10 to 15 percent," he said.

The Central Florida area already has one of the healthiest apartment markets in the Southeast, with more than 90,000 units. The average rental rate is about \$700 a month. Occupancy is in the mid-90s.

But the expansion will mean even more growth in that market.

"Universal's type of expansion

tends to create even more demand for apartments for people who work there," he said.

That could particularly have an impact on the north side of nearby International Drive, which has not done as well as its southern neighbor.

Tourist-oriented commercial properties along International Drive have ranged from \$10 to \$25 psf, Jones said. Pointe Orlando, the retail-entertainment center, is on a tract that sold for \$19.82 psf, which translates into \$1 million an acre.

"With the Universal expansion, and with the relative lack of large tracts of vacant land available within this corridor, I would expect expansions to push land values up as much as 20 percent in the next 18 to 24 months," he said.

As for retail, Jones sees a 10 to 15% increase in the immediate area.

The one skeptic who asked not to be identified acknowledged that there will be a development impact from Universal, but questioned the escalation of land values in the immediate area that many others assume.

This observer thinks "a few more folks" will look at land buying there, but that "leapfrogging development" further out will be more common.

What to conclude about all this?

A real estate salesperson

viewing the market with self-interest will always say it is time to buy, if you can get it. But economists such as Jones have no vested interest. And Jones says:

"It's a time to buy, if you do it quickly. A year from now, it might be a good time to sell."

And if this seems to some investors like too many theme parks, observers such as Hall say don't worry.

Both theme parks have done their homework. Both appeal to different elements of the market. And both are big.

So big, in fact, that Hall says: "These guys don't go bankrupt."