

# WESTERN REAL ESTATE BUSINESS®

Connecting Real Estate in the West

## IS EXTENDED-STAY HERE TO STAY?

Two development companies team up to take the extended-stay hotel trend to the next level in SoCal.

By Nellie Day

**V**alue Place Real Estate Development has recently partnered with Irvine, Calif.-based KZ DevCo to build at least 14 new extended stay hotels throughout Southern California. These developments will commence in 2014, and hope to bring an alternative, hybrid option to people looking to stay in the Southland.

WREB reached out to Value Place's president David Redfern and KZ DevCo's co-founder, Mark Zimmerman, to discuss the value of their partnership...and the value this innovative model can bring to people living and traveling in southern California.

### What is Value Place's strategy when it comes to developing new properties?

**David Redfern:** First of all, we never reflag an older hotel — every Value Place is new construction. When we started developing our hotels more than 10 years ago, we agreed that we had to have the same exterior for all our properties — it's part of our corporate standards. But that's not the way it is today. Now, we want to be sure communities are comfortable with the look and feel, in terms of the exterior design. We offer the same number of rooms and basic structure, whether it's two-story or three-story and so forth. But the exterior look is what we can adapt, so that it blends into the fabric of the community.

### How important is the neighborhood, including the general community and nearby businesses and stores when deciding where to develop a property?

**Redfern:** Communities are the critical element in our decision regarding where we build a Value Place. We want to be able to actually be part of the community. We want to be a neighbor. We go to the fire department, the police department and other essential community functions and leaders and say, "Here's our plan, how does this look to you? We would appreciate your input and any suggestions you might have."

### Housing costs in Southern California can be hinder people who would otherwise consider moving to the area for a new job or other reasons. What's is your outlook on these costs?

**Mark Zimmerman:** There is a limited number of housing options for people new to the area. For example, apartment occupancies are very high, around 90 percent. And rates for those apartments can go up by 20 percent annually. New residents could use some options while they look for a suitable permanent home. That's where we can come in. We offer weekly rates, no lease requirement, and a safe, clean, affordable home base.

### We hear Value Place is currently looking for land. What are some of the basic requirements a potential building site must offer to nab Value Place's attention?



**David Redfern**  
President  
Value Place



**Mark Zimmerman**  
Co-founder  
KZ DevCo

**Redfern:** Yes, we're looking for the right real estate right now, with help from the KZ DevCo team. We typically consider sites that include: frontage to highways or thoroughfares with daily traffic of more than 50,000, including local and out-of-town traffic; a strong mix of non-retail employers with more than 150 local employees; a 1-mile population of at least 5,000 people, as well as a 5-mile population of at least 100,000.

### How can you ensure that a project runs smoothly and makes solid forward progress?

**Zimmerman:** Working with experienced people who are passionate about the project and are involved in the process from the beginning to the end. So often what kills a transaction is time. For example, waiting for financing or for a decision to move forward. It's refreshing when you can work with the top officers of a well-capitalized company who are directly engaged and can get deals done promptly.

### What is the average occupancy rate at Value Place properties? How does this compare with other hotels?

**Redfern:** Our average occupancy rate is 85 percent. The industry average is 65 percent. Our guests stay with us for a week at a time, not one or two nights, because we operate on weekly rates. A third of our guests are returning customers at Value Place. They aren't looking for a swimming pool or a workout facility or an on-site restaurant. They can find those things in the local community, which is another reason why communities are so important to us during the selection process.

### How do you keep construction and development costs under control?

**Redfern:** We hire local builders and local subcontractors. Because we have built the exact same structure 185 times nationwide, we have buying power for everything from cabinetry to construction materials to lighting. Every floor is the same, every chair is the same, and so on. ■