

Miami Beach Hotel Industry Not Immune To Market Angst

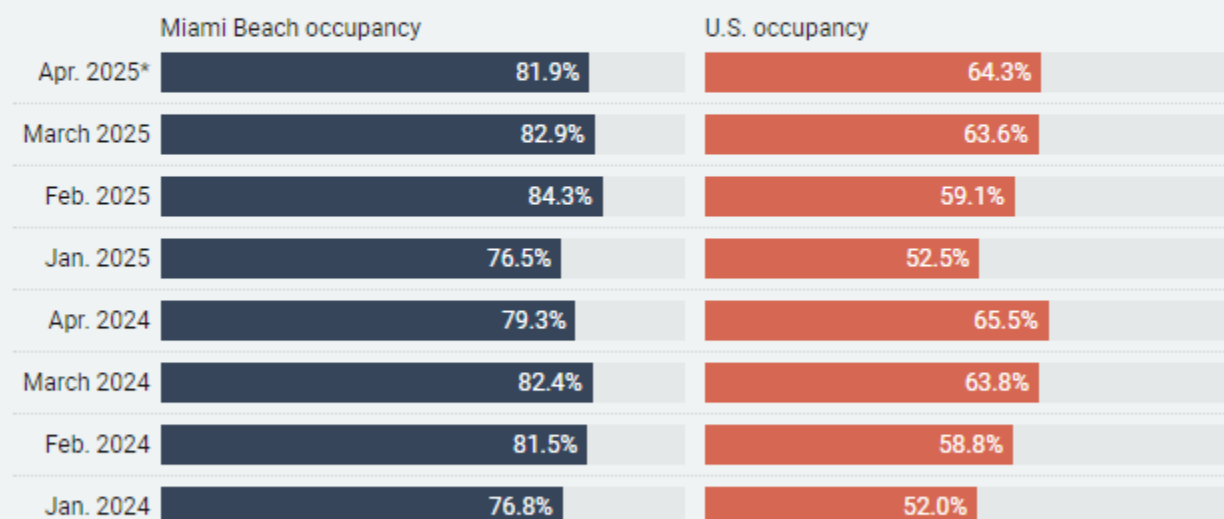
By Nathan Hale

Law360 (May 7, 2025, 4:32 PM EDT) -- With strong market fundamentals and significant hospitality projects progressing through its development pipeline, Miami Beach looks poised to build on its long-held standing as a top U.S. travel destination. But uncertainties raised by trade wars and immigration policy threaten to disrupt that sunny outlook, hospitality lawyers say.

A Premier Destination

Miami Beach, which has consistently rated as a top performer in the U.S. hospitality marketplace, according to major industry metrics, has delivered strong numbers to start 2025, although recent uncertainties in the broader economy have raised some concern among industry experts.

Click to view: [Occupancy](#) [Average daily rate](#) [Revenue per available room](#)



* Preliminary April 2025 data

The recent news that local developers Terra and Turnberry secured \$392 million in financing needed to commence construction on a 17-story, 800-room hotel connected to the Miami Beach Convention Center marked a significant step for a long-awaited project expected to bring a new segment of travel business to the city. Meanwhile, several of the classic but aging hotels lining the beach are undergoing transformations into high-end luxury offerings, some with new residential additions.

While those areas of development should help diversify and strengthen this already robust hotel market, hospitality lawyers told Law360 Real Estate Authority that the optimism is tempered by the implementation of higher tariffs and more restrictive immigration policies, which have generated uncertainty about the broader economy and expectations for the travel industry.

Ari M. Tenzer, managing partner of the Miami law firm TA PLLC, called the upcoming projects "a very positive, encouraging sign."

"But like any other market," he added, "it is susceptible to economic factors. And what's going on now, just as a general matter with respect to the politics and the trade wars and the uncertainty and the instability and the Canadians being offended and not wanting to come to Florida, none of that's helping."

High Demand

So far in 2025, Miami Beach's hotels have continued to put up strong operational numbers. Occupancy has hovered around 83% for most of the year, up slightly from the same periods in 2024, according to global real estate data and analytics firm CoStar. Meanwhile, average daily rate and revenue per available room, two main industry indicators, have mostly climbed all year, with a slight year-over-year dip in March attributed in part to a shift in when Easter fell on the calendar.

Miami Beach's performance has also far exceeded U.S. averages, with average daily rates topping \$330 every month this year and even breaking \$400 in February, well above national rates close to \$160.

"It's a desirable location, everyone wants to be here, everyone's heard about it," said Suzanne Amaducci, who chairs the real estate and finance group at Bilzin Sumberg Baena Price & Axelrod LLP, one of the firms representing the developers on the convention center hotel.

So far, the hotel data from CoStar shows occupancy down about 2% year over year nationally, but up nearly 3.5% in Miami Beach in preliminary data from April, when President Donald Trump announced broader global tariffs.

But there have been signs of foreign travel to the U.S. dropping off. The U.S. Commerce Department's International Trade Administration reported noncitizen international arrivals into the U.S. were down 9.7% year over year

Sealing the Deal

Six and a half years after voters approved plans to build a hotel on city-owned land beside the Miami Beach Convention Center, construction is finally starting in earnest.

Developers Turnberry and Terra were able to press the start button after securing \$392 million in financing from TYKO Capital, capping a complex process that faced several hurdles, according to lawyers involved.

"The project overcame the global pandemic, escalated construction costs and historically restrictive capital markets," said Eric Singer, a Bilzin Sumberg partner who worked on the public-private partnership, public finance and government contract components, including a \$75 million grant from the city's redevelopment agency.

Laura Gangemi of Gangemi Law Group, who represented the developers on the ground lease and the construction loan, noted the size and complexity of the project and its capital stack, which includes layers of mortgage and mezzanine loans within the TYKO financing, rounded out by the city grant and developer equity.

The biggest cause of the delay was COVID-19, she said. The property, which was home to a surface parking lot, was used as one of the city's primary testing sites during the pandemic.

"It delayed many projects. This one was no exception," Gangemi said. "It's really a testament to Terra and Turnberry that they were able to make this happen in this market, with COVID thrown in the middle."

"It's full steam ahead now," she said.

in March, the most recent dates available, with Miami experiencing a 14.4% decrease and neighboring Fort Lauderdale taking a 21.5% hit.

These numbers are worth watching for Miami Beach hotels, said Jim Butler, chair of the global hospitality practice and a founding partner at California-based Jeffer Mangels Butler & Mitchell LLP, noting that the greater Miami market has typically stood out from the rest of the country as more sensitive to international travel and politics, given its popularity with travelers and investors from Europe and Latin America.

"We don't have a quarter worth of reporting to look at data [yet]," he said. "Any change makes people nervous, and we keep changing the changes."

A New Segment

While Miami Beach has been a top destination for tourism, weddings and cultural events like Art Basel and the South Beach Wine and Food Festival, it has not registered as a major player in the large-scale convention and conference circuit, which can bring thousands of dentists, car dealers or financial planners to a city for several days at a time.

For decades, local government and business leaders have talked about the need to develop a proper convention center hotel with the capacity to accommodate large groups and a direct connection to the convention center. A hotel was contemplated as part of a recent renovation of the convention center, but those plans got derailed. In 2018, city voters approved the current project in a referendum.

The process of negotiating a lease on the city-owned land and securing construction financing proved lengthy, but the Grand Hyatt Miami Beach is expected to bring substantial benefits to the local market with its anticipated opening in 2027.

"It's going to open up a whole new segment or submarket to the Miami hospitality offerings, because we were just never in the running in the past for that business," TA PLLC's Tenzer said.

Currently, convention planners must split up attendees among multiple area hotels. It's not ideal for achieving a sense of togetherness, and the hotels typically are not very keen on blocking off large numbers of rooms at often less-than-maximum rates for a lengthy booking window leading up to a show, Tenzer and other attorneys said.

"You need one-stop shopping," Bilzin Sumberg's Amaducci said. "It makes it a lot easier for transportation. It makes it a lot easier for food and beverage. It just makes it a lot easier for a lot of things."

Local hoteliers also expect the project to be an overall positive for them, Amaducci and Tenzer said. There are bound to be overflow bookings from the larger events, as well as attendees who choose to stick with their favorite brands instead. Conventions also serve as a feeder for future business, as some participants who may not have otherwise come to Miami Beach may be enticed to return, possibly with their families in tow.

"Cities and counties like them, because people who come to conventions ... are typically going to spend money on parties or dinner or various things, which boosts the local economy," Butler said, although he noted there is the potential for convention center hotels to undercut local prices if they find themselves needing to fill rooms when there is no show in town.

Looking to Luxury

While the convention business is unlikely to boost the room rates Miami Beach is accustomed to commanding, a wave of luxury projects in the works should have that effect.

One developer has started referring to a stretch of Collins Avenue as "Billionaires' Beach," as several landmark hotels — including the Delano, Raleigh, Shore Club and Shelborne — undergo major renovations to bring them up to date and elevate their luxury offerings, including through collaborations with high-end hospitality brands such as Rosewood and Auberge. Further up the beach, Aman, Cipriani and fashion label Bulgari are also planning new hospitality entries into the market.

"The luxury market has just been blowing the doors off," Butler said, noting that this segment of the hotel industry has seen the highest growth in revenue per available room in recent years.

Many of these projects — as well as **one** behind the Ritz-Carlton and Sagamore hotels in South Beach — also involve the construction of new residential towers, as owners look to maximize value on the high-cost land and tap into the trend of branded residences that has taken off across the greater Miami market, Amaducci and others said.

"What's the highest and best use of a piece of land?" Amaducci said. "You know condos are going to have the biggest return, but people need hotels."

As Butler noted, while more economy-level hotel chains will often avoid urban centers because of land costs, luxury properties need to be in desirable but expensive locations and often require more land.

"That's why some have predicted that, if it is not already, it will soon be impossible to build a luxury property without mixed-use, without that residential component," he said.

There's a standout number of projects in this category underway in Miami Beach, Tenzer said, noting that there is a limited number of markets, domestically and internationally, that can attract the clientele and sustain the level of luxury that is being planned. A confluence of factors — including customer demand, potential rates and lending environment — must check out before hoteliers and investors will commit.

"All the stars have to line up for you to see this much interest and activity at the same time," Tenzer said. "Clearly, there's a lot of people right now that believe in Miami Beach and think it's a good play."



The Grand Hyatt Miami Beach slated to rise next to the city's convention center is expected to attract a new segment of group travel business, but recent economic uncertainty could affect the city's plans to grow its hospitality market. (Courtesy of Terra and Turnberry)

Tenuous Outlook

But Tenzer's thoughts quickly returned to how recent events have delivered a stark reminder that those expectations are not guaranteed to pan out, especially with many of these projects still years away from delivery. What rates and occupancy levels will be at that time remains to be seen.

"That can all slow down over the next couple of years depending on what happens in the economy and whether the U.S. becomes this protectionist place where a lot of international tourists may all of a sudden not feel necessarily welcome," he said. "Trump's doing a lot of things that, politics aside, are unprecedented. I think there's legitimate trepidation or fear for international travelers to come to the U.S. and to get harassed at the airport."

Canadians and other travelers have alternative vacation options, such as Mexico, the Caribbean and even Cuba, if they choose not to come to Miami, Tenzer noted.

"We have always had very strong rates, very strong occupancy, because Miami's a very popular destination across multiple segments. But to the extent that this Trump trade war continues and people's feelings get hurt, it's entirely possible that that won't necessarily be the case over the next couple of years," he added.

While all the attorneys said it is far too early to determine what impact new tariffs or immigration policies will ultimately have, and for how long, they also said it is already on the minds of the hospitality industry.

Amaducci said she has already seen some ripple effects in the U.S. group travel arena, including firsthand, as some foreigners are skipping an event she is traveling to within the U.S. later this year.

Aside from their potential effect on international tourism, the possibility that tariffs may trigger a recession could also affect how much money Americans spend on travel. While that might reduce visits to Miami Beach overall, Butler also recalled how when COVID-19 posed an obstacle to international trips, Americans turned their attention to domestic destinations.

Luxury hotels also fared well as the pandemic lessened and travel reopened, Butler said, and he thinks that segment may be able to weather these headwinds better than other segments.

"I tend to go with the school that believes that at a time like this, the luxury end will be more protected because the wealthy people can afford things if they want to do it," he said. "It'll be a question of whether it is still something they desire to do. And we'll have to see. I don't know."

The Trump administration's more restrictive immigration policies and emphasis on deporting immigrants could also have an impact on hotels from a labor standpoint. Many hotels draw upon immigrant populations for their service positions, but the attorneys said they think any near-term impact would more likely be among smaller, independent hotel operators than large brands, which likely follow much stricter hiring practices.

If immigrant labor pools shrink, then hotels will have to turn to other workers, which would probably necessitate raising wages, Tenzer and others said. But in Miami Beach, Amaducci said, challenges for low-wage workers regarding affordable housing and transportation pose a more immediate issue.

Hotels are also very supply-driven, and increased costs on products such as food and liquor could be felt in the bottom line, she said. But she noted that they also have the advantage of being able to adjust their pricing quickly.

Similarly to how South Florida has fared recently in its overall real estate and economy, she said, Miami Beach's hotel market appears positioned to handle economic challenges better than most markets with all it has going for it.

"We just have to hope that the demand is still there," she said.

--Editing by Haylee Pearl.