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'Getting ready to explode'

Eight hotels on drawing board for downtown

By John Rebchook, Rocky Mountain News

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There will be plenty of rooms at the inn in downtown Denver, but whether they will be filled remains to be seen.

The number of hotel rooms downtown could balloon to 8,215 in the next three years. That's a 29 percent increase from a month ago.

A *Rocky Mountain News* analysis shows that more than 1,800 rooms in eight hotels are in some stage of planning for downtown. Combined, they have a completed value in today's dollars of almost \$700 million. When the new 1,100-room Hyatt Regency at the Colorado Convention Center is thrown into the mix, the dollar value is close to \$1 billion.

"Downtown Denver is getting ready to explode," said longtime lodging consultant John A. Montgomery. "This is absolutely the biggest hotel building boom we've ever seen. No question."

And more opening invitations are in the mail. The \$44 million Residence Inn by Marriott will open Thursday at 18th and Champa streets.

The new hotel plans include a Four Seasons and Ritz-Carlton, and there are more tentative plans for a W hotel, St. Regis and Trump hotel.

Byron Koste, head of the University of Colorado Real Estate Center at the Leeds School of Business in Boulder, sees an imbalance between supply and demand.

"I think it is an example of the gluttonous behavior of which we have become so famous for," Koste said. "We always say we learned after our last round of overbuilding, which gives us a bad case of acid indigestion, yet here we are again."

Koste said the problem is that all developers believe they have the best site and the best product "and their hotel is the one that absolutely has to be built. What it's going to mean is that it will be a good fight and the best will survive."

But Montgomery isn't worried about overbuilding.

"Even if they all get done - and we'll give them the benefit that they will - they're going to open over the next four or five or six years," he said.

However, he takes issue with developers who say their hotels will open by 2009.

He said some of the hotels are more likely to come on line from 2010 to 2012, giving downtown plenty of time to digest the new supply.

Jeff Selby, the co-developer of the planned Four Seasons hotel, said just tallying the number of new rooms oversimplifies the matter.



David M. Barreda © News

Walter Isenberg, president and CEO of Sage Hospitality Resources, visits the new Residence Inn by Marriott on Champa Street in downtown Denver. Isenberg said his company thought there was "quite a bit of pent-up demand for this hotel," which offers extended-stay rooms.

"You have to look at all of the different hotel units. There are so many different price points," Selby said. "The Four Seasons and the Ritz-Carlton are one price point, and they are very different from the garden-level hotels. And there is only one convention center hotel."

In addition, downtown Denver, which has had almost no hotel construction during the past 20 years, has a fraction of the hotel rooms in cities such as Atlanta, Dallas, Seattle and San Diego, he said.

So while Denver may show a larger percentage increase, it's because the city is starting from a smaller base than other cities, he said.

Local hotel consultant Bob Benton, principal of Robert S. Benton & Associates, said he is not concerned about the construction boom, although he says it will drive down the overall occupancy rate downtown in 2006 by about 5 percentage points from 2005 - from about 68 percent or 69 percent to about 63 percent.

But in the coming years, the Hyatt Regency and the expanded Colorado Convention Center will increase demand enough to cause an overflow to other hotels, he said.

"And, hotels like Four Seasons and the Ritz-Carlton . . . tend to bring in a lot of high-end businesspeople and high-end group business that might not otherwise come here," he said.

Mike Cahill, president of Denver-based Hospitality Real Estate Counselors, noted that only two hotel projects are under construction - the Residence Inn by Marriott and the Hilton Garden Inn, which recently broke ground on 14th Street.

The Residence Inn is being co-developed by Sage Hospitality Resources, headed by Walter Isenberg, and the Hilton is being developed by Arapahoe County-based Stonebridge, headed by Navin Dimond.

In addition, Sage is renovating the Executive Tower Inn, also on 14th Street.

Dimond said he doesn't think too many hotels are being built.

"I think there is sufficient demand being created," he said.

"If there were a lot of hotels the size of the Hyatt being built, then I would be concerned."

He agreed with Selby that most of the hotels are going after different market niches.

"To a certain degree, every room competes with every other room," Dimond said. "But the hotel that Walter (Isenberg) is about to open, the Residence Inn by Marriott, is an extended stay hotel, so it will compete very minimally with my hotel."

Sage Hospitality's Isenberg said that he would have developed the Residence Inn even if the Hyatt hadn't been built.

"We felt there is quite a bit of pent-up demand for this hotel," Isenberg said on a tour of the hotel on Wednesday. "It stands on its own."

The question is how many high-end hotels can downtown support, he said.

"I think that the market can certainly support a five-star hotel, but it is questionable whether it can support two," he said.

Richard Scharf, president and CEO of the Denver Metro Convention & Visitors Bureau, said that over the past 15 to 20 years, most of the hotel construction in the Denver area has occurred in the suburbs, not in downtown.

Those hotels, while serving a local need, don't increase the size of the pie, he said.

"The Hyatt, with 1,100 rooms in downtown, is the hotel that is really going to bring additional demand to the city," Scharf said. "It is being absorbed quicker than anybody thought it would. 2006 is going to be a better year than people expected, and 2007 is going to be a great year."

Hotel name	Address	Cost	Rooms	Opening	Developer	Cool factor
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Hyatt Regency Denver at Colorado Convention Center	15th and California streets	\$285 million	1,100	Dec. 2005	Austin, Texas-based Faulkner USA	Answers chicken-and-egg-questions about hotel rooms for big conventions
Four Seasons	14th and Arapahoe streets	50-story building; 120-180 rooms, plus about 140 luxury condos	2008 (est.)	Jeff Selby, Michael Brenneman	Four Seasons often leap-frog over competitors' rates and are especially attractive to well-heeled European and Asian tourists.	
Ritz-Carlton	1881 Curtis St. (current Embassy Suites)	\$88 million (estimated)	Approx. 350	Late 2007 or 2008	Charlie Biederman, Steve Roitman, Jim Cobb	Allows Denver to boast it's "putting on the Ritz"
Residence Inn by Marriott	18th and Curtis streets	\$44 million	225 suites	Jan. 26	Sage Hospitality and Shames-Makovsky	First major hotel indecades built downtown from scratch with no public subsidy
Hilton Garden Inn	14th and Welton streets	\$35 million	221	Early 2007	Stonebridge Cos.	Alternative to Hyatt for conventioneers who want a first-class but less expensive place to stay across the street from the Colorado Convention Center
Executive Tower Inn	1405 Curtis St.	\$70 million (purchase/renovation cost)	337 rooms	Sept./Oct. 2006	Sage Hospitality, which bought it from LNR Property Co. late last year	Old Lava rock exterior will give way to glass and steel in a design by Newman Cavander & Doane.
Embassy Suites	14th and Stout streets	\$42 million (estimated)	250	2007-2008	WPM Construction, Merriville, Ind.	Replaces the Embassy Suites that is being turned into a Ritz-Carlton
Homewood Suites	14th and Stout (next to proposed Embassy Suites)	\$18 million (estimated)	125 suites	2007-2008 (estimated)	WPM Construction	Lower-priced and smaller all-suites hotel next to Embassy Suites
The Inn at the DAC	13th and Welton streets	\$47 million	138 hotelrooms, 14 luxury condos	Late 2008 to early 2009 (estimate)	Glenarm Limited Partners	Guests of Denver Athletic Club members who like to work out before or after a business

meeting would
be in heaven.

Source: Rocky Mountain News research

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