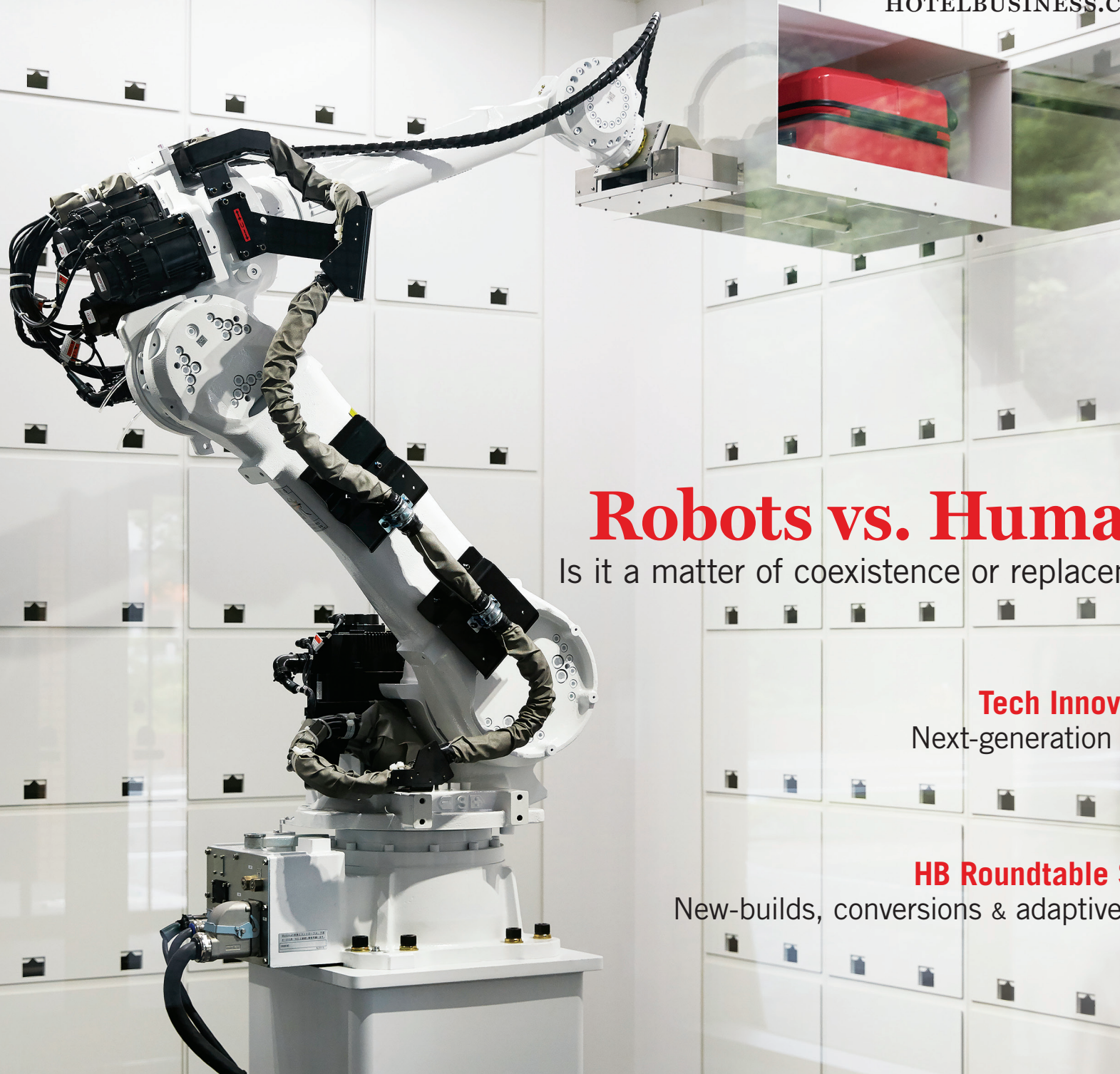


HITEC Issue

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Industry executives and RLHC (Red Lion Hotels Corporation) brass gathered at the brand company's office in Denver for the *Hotel Business* Executive Roundtable.

STANDING, LEFT TO RIGHT: Bruce Baltin, CBRE Hotels/Americas Research; Dawn Berry, PHD Hospitality; David Storm, Providence Hospitality Partners; Kerry Ranson, HP Hotels; Brian Quinn, RLHC; Adam Suleman, Equinox Hospitality; and Jeffrey Kolessar, GF Management

SITTING, LEFT TO RIGHT: Douglas N. Dreher, The Hotel Group; Yolanda Bender, HMG Hospitality; Bill Linehan, RLHC; Andrea Foster, Marcus Hotels & Resorts/MCS Capital; and Brian Fry, Commonwealth Hotels, LLC

Grow It! Buy. Build. Convert. Adapt

What's trending in new-builds, conversions and adaptive-reuse

By Matthew Marin
Associate Editor

DENVER—A panel of industry experts shared their perspective on the current trends of new-builds, conversions and adaptive-reuse projects during the 2016 *Hotel Business* Executive Roundtable—"Grow It! Buy. Build. Convert. Adapt. What's Trending Now?" held at the RLHC office here on May 11.

The roundtable was cohosted by RLHC (Red Lion Hotels Corporation) and Commonwealth Hotels, LLC. Arthur J. Gallagher & Co. Real

Estate and Hospitality Services, ProfitSword, LLC and Simmons Hospitality Bedding sponsored the roundtable. Stefani C. O'Connor, executive news editor, *Hotel Business*, and managing editor/roundtables, served as moderator.

While financial insiders have expressed pessimism regarding the construction outlook of the hospitality industry, a number of hotel operators have shared their optimism, according to Bruce Baltin, SVP, CBRE Hotels/Americas Research. And, as some markets in the U.S., such as New York City and Houston, have experienced development challenges, others—like some in the state of California—have been prospering.

"Right now, there is financial opportunity for select-service," said Baltin. "It's become tougher to develop full-service hotels, but select-service hotels limit group business. I think we need more of a balance of both full- and select-service."

To provide consumers with that balance, some hoteliers are turning to "hybrid select-service" models, according to the panelists. "We're developing select-service hotels with enhanced F&B and significant meeting space, along with

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high-concept bars,” said Brian Fry, president of Commonwealth Hotels. “Decisions vary upon each market and ownership needs. Both full- and select-service hotels have value depending on who the customer is.”

During the first quarter of 2016, Commonwealth Hotels opened three hotels, including the Hyatt Regency Aurora-Denver Conference Center and the Hyatt Regency Denver, which offers 30,000 sq. ft. of meeting space. Both properties feature high-concept F&B offerings and personalized experiences. The Covington, KY-based company also operates the newly opened, full-service Art Hotel in Denver, which served as the host hotel for the panelists.

Douglas N. Dreher, president/CEO of The Hotel Group, shared that his ownership and management company currently has six hotels under construction and two under development—all of which are select-service. The Edmonds, WA-based company has been able to strike a balance between meeting brand standards and providing a localized experience at these selective-service properties. For example, the new-build, Hilton Garden Inn in Bellevue, WA, will provide street-level access to the property’s restaurant.

The 256-room Hilton Garden Inn broke ground in the fall of 2015. With an emphasis on maximizing cost-effectiveness, Dreher pointed out construction challenges that still persist since the last economic recession. “Construction costs are so much more sophisticated,” he said. “It takes a lot of time. We’re still a thousand projects off peak. We’re still that street-corner business.”

Jeffrey Kolessar, SVP/development of GF Management, indicated that the strength of new-build, select-service properties depends greatly on developing relationships with regional banks. The Philadelphia-based company owns 21 hotels and third-party manages 30 hotels. “[The regional banks] understand the sponsorship,” he said. “The deals are still getting done.”

Exploring new-build opportunities in secondary and tertiary markets, David Storm, president/CEO of Denver-based Providence Hospitality Partners, has been hired to operate the Lincoln Park Hotel & Conference Center in downtown Greeley, CO. Scheduled to open in the summer of 2017, the new-build DoubleTree by Hilton hotel is being developed by a group of prominent Greeley businessmen.

The city of Greeley offered Providence Hospitality Partners major incentives in conjunction with a group of “legacy-minded investors,”

Storm explained. He credited the involvement of city officials with the investment group for supporting this project. “[The investors] weren’t looking for a traditional ROI they would normally seek,” he said. “They wanted to put together a legacy project that would stimulate growth in the community and provide a flag in the ground for the community.”

For Kerry Ranson, chief development officer of the third-party management group HP Hotels, growth in tertiary markets depends mostly on the lending community and the strength of the brand message. “I think you look to the brands to give operators the ability to deliver unique experiences in a tertiary market,” he said. “We find ourselves leaning toward brands that offer true value.”

Some of the panelists shared concern that the construction pipeline is only concentrated in certain markets. Brian Quinn, SVP/development of RLHC, noted, “The market is working the way it’s supposed to. The velocity of demand is slowing a bit. We’re at a point in which a lot more deals that were in the pipeline are starting construction. There’s a bit of tightening. It makes it a healthy industry.”

The demand for lifestyle hospitality product has risen within niche markets or emerging downtown areas, according to Quinn, as a method to repurpose unbranded properties. RLHC’s Hotel RL brand provides guests with an authentic lodging experience that reflects the surrounding culture of the destination, noted Quinn. For example, its modern interpretation of the hotel lobby, known as the Living Stage, offers lectures, musical performances and hands-on demonstrations.

Bill Linehan, EVP/chief marketing officer of RLHC, stated that the strategy behind Hotel RL presents a conversion strategy opportunity that pulls a property out from “a sea of sameness” in order to appeal to consumers with a millennial mindset. “For Hotel RL, we extend that further,” he added. “It brings a level of energy and opportunity for local residents to participate and utilize the hotel as well as the traveling guest through the Living Stage. It offers something unique to the Millennial-minded traveler with the Living Stage.”

Andrea Foster, SVP/development of Marcus Hotels & Resorts and MCS Capital, emphasized the importance of examining psychographics vs. demographics as more and more consumers are becoming receptive to technological shifts. Foster, who is responsible for

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1 Jeffrey Kolessar, GF Management

2 Dawn Berry, PHD Hospitality

3 David Storm, Providence Hospitality Partners

4 LEFT TO RIGHT: Bruce Baltin, CBRE Hotels/Americas Research; Brian Quinn, RLHC; and Yolanda Bender, HMG Hospitality

5 Bruce Baltin, CBRE Hotels/Americas Research

6 Kerry Ranson, HP Hotels

7 Brian Fry, Commonwealth Hotels, LLC





8 Brian Quinn, RLHC

9 LEFT TO RIGHT: Adam Suleman, Equinox Hospitality; David Storm, Providence Hospitality Partners; and Douglas N. Dreher, The Hotel Group

10 Bill Linehan, RLHC

11 Douglas N. Dreher, The Hotel Group (left) and Andrea Foster, Marcus Hotels & Resorts/MCS Capital

12 Yolanda Bender, HMG Hospitality

13 The panelists discuss what's trending.



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identifying and securing potential acquisitions and joint ventures, also underscored the importance of hoteliers delivering personalized experiences.

“When we talk about Millennials, we talk about the Millennial mindset,” she said. “It’s not just about one demographic. Baby Boomers are acting a lot like Millennials. There’s a story, and everything we develop has to have a story around it—whether it’s an adaptive-reuse of a historic property or a conversion of an office building. There’s a backstory.”

Linehan added, “If you’re not thinking of generational shifts, then you’re missing the boat. This year we are seeing the largest transference of consumerism than we’ve ever seen before. We speak of Millennials as though they’re kids, but they are in their 30s. They have kids. This year, the Millennials are going to outspend the Boomers.”

In recent years, hotel guests’ expectations have shifted, according to Linehan, and their preferences have become more defined and they want more options. The industry saw its biggest expansion when Baby Boomers began traveling, rolling out a large portion of its inventory in the 1980s, he noted. Now, with the modern mindset seeking out convenience, innovation and personalization, new brands have emerged with upgrades to the lobby, F&B outlets, arrival and check-in and fitness, according to RLHC. The company’s strategy with Hotel RL aims to adapt to consumer shifts with new guest programming.

Yolanda Bender, president of the San Diego-based management company HMG Hospitality, voiced her concern that the hospitality industry’s shift toward meeting the demands of Millennial-minded travelers could alienate other demographics struggling to catch up to technological advances. Bender arrived in Denver two days prior to the roundtable and stayed overnight at a property that required keycard access for the elevators. When entering the elevator, Bender encountered an elderly couple who didn’t understand this concept. “We need to be careful and ask

ourselves: ‘Is it necessary?’” she said. “It’s a slippery slope.”

Commonwealth Hotels’ Fry also shared concern that the brands are shifting their focus too strongly toward a single audience. “Our first question is: Who are the customers and what are their needs?” he said. “Our best hotels appeal to a wide audience. I think of them as value propositions. They’re going to appeal to leisure travelers on the weekends and business travelers during the week, and that’s why they work. I worry as the larger brands cut that onion more thinly, if we’re fragmenting our audience.”

Dawn Berry, president/CEO of PHD Hospitality, who worked with Hilton Worldwide for 17 years, revealed her understanding of brand standards while finding a balance for adding a personalized experience for each property. Scottsdale, AZ-based PHD Hospitality offers full-service asset management along with interior design, development and procurement services. “I commend the brands for moving to what we call designer choice,” Berry said. She indicated that a number of hotel owners are unaware of the flexibility that some of the brands offer to develop original design components. “The brands are not communicating to ownership,” she added.

Evaluating the appropriate brand for a development was a key element for Equinox Hospitality. The San Francisco-based company has been engaged by the Jabal Omar Development Company (JODC) as a consultant for an \$8-billion project located in Makkah, Saudi Arabia. The project consists of 26 brands from 11 international hotel chains. Equinox Hospitality recommended the selected brands totaling 11,535 keys.

“We were instrumental in negotiating all of the management contracts for all of the American brands,” said Adam Suleman, EVP of Equinox Hospitality. “That is a specific example of master planning around a massive demand for rooms that previously had no infrastructure. For us, in that particular market, Millennials or trends don’t really matter.” **HB**



TOP TO BOTTOM: James (Jay) Schultz, *Hotel Business* (standing) chats with, from left, Matthew Marin, *Hotel Business*; Bill Linehan, RLHC; and Kerry Ranson, HP Hotels.

Stefani C. O’Connor, *Hotel Business*, moderated the session.

Colin Findley of ProfitSword, LLC, and Jackie Collins and Scott Arnim of Arthur J. Gallagher & Co. Real Estate and Hospitality Services represented the sponsors.

