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# More hotel rooms coming to growing Denver market

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A proliferation of new hotels in downtown Denver is filling out the city's skyline.

Roughly 1,000 hotel rooms are slated to open in downtown Denver within the next few years, adding to the 1,900 rooms that opened in the last three years.

There are currently about 7,000 hotel rooms downtown.

The demand for more hotels is being spurred by increased business at downtown's three large sports venues, a strong tourism marketing campaign and, most of all, the expansion of the Colorado Convention Center, according to city officials and hospitality experts.

The 1,100-room \$335 million Hyatt Convention Center Hotel that opened in 2005 was the catalyst for market growth, tourism officials said.

"Before the Hyatt, if we brought in a big citywide convention, the benefactors were Aurora, Broomfield, Westminster and Englewood," said Richard Scharf, president of the Denver Metro Convention and Visitors Bureau. "Denver is now capitalizing on that because convention [business] used to go outside of Denver."

More downtown hotel rooms also means more capacity for leisure and business travelers, which equates to more money flowing through Denver's economy.

"Having enough hotel capacity downtown to fill that convention center ... pushes that tier one market that we've been looking for," said Ilene Kamsler, president of the Colorado Hotel and Lodging Association.

"Tier one" is a marketing term designating a city as the highest status. Denver is currently considered a tier two market.

A lot of markets have taken three to five years or more to absorb convention center expansions and a hotel the size of the Hyatt, said Steve Hennis, managing director of Arvada-based Hospitium, a hospitality consulting and research company.

"But in Denver it's been very successful, simply because Denver is a very central location in the country and more apt for holding meetings and conventions," Hennis said. "The year-round climate is very well-suited for outdoor activity -- more than, say, Houston or St. Louis or Kansas City ... second-tier convention cities that Denver competes with."

In the last few years, Denver has positioned itself to compete with upscale cities such as San Francisco, New York and Los Angeles -- and the new luxury hotels in downtown are making Denver more attractive for big conventions and meetings.

The upscale 202-room Ritz Carlton Denver opened in January at 18th and Curtis streets, and Denver's first Four Seasons Hotel -- a \$350 million, 230-room project -- is under construction at 14th and Arapahoe streets, just two blocks from the convention center.

But how do developers know if the market can handle more hotels?

One determining factor is the percentage gain of revenue per available room (RevPAR) in the market.

"That's what financial institutions and economists look at to determine the health of an industry," Kamsler said.

And in downtown Denver, the RevPAR has steadily accelerated for three years.

In 2007, RevPAR in downtown Denver was \$106.01, up 9 percent from \$96.76 in 2006. In 2005, the RevPAR was \$88.67, according to the Colorado Hotel and Lodging Association.

"That just shows a healthy growth and the ability for the Denver hotels to push their rate," Kamsler said.

Hoteliers also research hotel occupancy levels, which have slightly increased in downtown Denver for three years.

The occupancy level in downtown was 69.9 percent in 2007, compared to 69.1 percent in 2006 and 67.6 percent in 2005.

"I think as long as our demand exceeds our supply -- and right now we do have a demand for downtown [hotels] -- I think we're in pretty good shape," Scharf said.

The DMCVB already has 66 conventions booked -- one being the Democratic National Convention -- in downtown in 2008, with a projected total of 483,092 convention attendees. Their economic impact is projected to be \$503 million.

Still, the current state of the economy could hold back a few hotel developments.

"I would say that because of what's happening in the economy and because of what's happening in the market, there's probably a few projects that won't get off the ground," Scharf said.

Airlines also drive the market, he added.

"Anytime you have direct flights to Europe, you get tourists that all of a sudden want to come in and check you out," Scharf said, noting that the value of the U.S. dollar is favorable for foreign tourists.

Lufthansa began nonstop service between Denver International Airport and Munich last October, and United Airlines will launch a direct flight to London on March 31. DIA is trying to land a nonstop flight to Asia in the next year or two.

Newcomers in the downtown market include a 180-room, 56-residences W Hotel at 16th and Market streets; a 217-room Cable Building Hotel at 18th and Lawrence; a 250-room Embassy Suites at 14th and Stout streets; a 230-room, 102-residences Four Seasons Hotel at 14th and Arapahoe streets; and a 400-room Focus Property Group hotel at 14th and Stout streets.

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