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Mixed-use projects' hotels cater to shopping-minded travelers

By Danny King - October 3, 2013

PHOENIX — Among consumers, "retail therapy" describes shopping as a way to soothe frustration and relieve stress. But according to some panelists at last week's Lodging Conference here, hoteliers have their own version of retail therapy: developing lodging, especially select-service hotels, either on top of or alongside shopping malls and retail centers.

Increasingly, U.S. developers and hotel-brand operators appear to be reaching mixed-use development agreements that work to the mutual advantage of the retail and lodging industries.

Consider: Since the beginning of the year, a 500-room Radisson Blu opened at the massive Mall of America in Bloomington, Minn., while the 209-room Alexander, which is operated by Dolce Hotels & Resorts, opened as part of Indianapolis' CityWay mixed-use project.

And the panelists pointed to many more such projects in the works.

In the Los Angeles market alone, Hyatt Place select-service hotels are being planned for both Pasadena's 12-year-old Paseo Colorado shopping center and the yet-to-be-built Village at Westfield Topanga in L.A.'s Woodland Hills district.

San Antonio's first Kimpton hotel will be part of the Pearl Brewery mixed-use redevelopment when it opens next year, and a yet-to-be-named 180-room hotel will be part of a mixed-use project to be built near Nashville's Vanderbilt University. In Tysons Corner, Va., a 300-room Hyatt Regency will open next year at a new retail complex to be built by the shopping center giant Macerich Co.

"People are just starting to get comfortable with mixed use," said panel moderator Jim Butler, chairman of Jeffer Mangels Butler & Mitchell's global hospitality group. "For leisure travelers, shopping has been No. 1 or No. 2 on the list."

Indeed, an underlying theme at the conference, which attracted about 1,500 people, was how the increasing frequency of retail-adjacent hotels reflects growing confidence within both hotel development and the retail environment.

Overall, the number of rooms under construction in the U.S. is up about 25% from a year ago, according to STR.

"On a national basis, we have more room to roam," Simon Turner, Starwood Hotels & Resorts' president of development said on one of the conference panels. "We have a couple of years of solid demand growth, and supply growth has remained relatively low."

Meanwhile, August marked the fifth consecutive month of increased retail sales, according to the U.S. Commerce Department.

"Do not underestimate the psychological impact on households that see that [unemployment] line coming down," said **Bernie Baumohl**, **chief global economist at the Economic Outlook Group** and one of the conference's keynote speakers. "That will encourage people to spend more."

The growing frequency of retail-adjacent hotels presents a solution of sorts for select-service hoteliers looking to give guests access to full-service amenities. It's also a problem solver for shopping center operators looking to either include an on-site shopping contingent or replace an anchor tenant.

For example, panelist Bruce Baltin, Los Angeles-based senior vice president at PKF Consulting, pointed out that the Hyatt Place at Paseo Colorado will be built where a Macy's closed earlier this year.

"There are truly not as many strong anchors for shopping centers," said panelist Tom Lander, vice president of Mortenson Construction, which built the Radisson Blu Mall of America. "So they're trying to replace that density with upper-upscale hotels."

Panelist Dupree Scovell, managing director of Woodbine Investment Corp., which is building the Hyatt Regency in Tysons Corner, said that retail adjacency is "pushing brands in directions where they haven't gone before.

Courtyard [by Marriott], Aloft — all of these brands are trying to provide a full-service guest experience in a select-service box."

Granted, such projects are not without complications. With shopping center builders loath to sell prime real estate, hotel developers often have to enter into complex agreements such as long-term ground leases and air-rights acquisitions on top of existing retail centers in order to make the deals work.

Additionally, there is the sometimes sticky issue of established brands less than willing to hand over the reins and allow their hotels to be cross-promoted with the retail center in order to create a unified marketing message for a mixed-use center.

That said, more brands are viewing the trade-off as worthwhile because of the additional foot traffic and because on-site dining options and other amenities offer hoteliers the option of not having to build a full-service restaurant or retail shop.

"You're giving a guest a choice of five restaurants instead of the only one you'd have in your hotel," said panelist Scott Travis, senior vice president of Buckingham Cos., which built Indianapolis's CityWay and will be developing the Nashville project.

"The brands have been somewhat protective of their space, but they're becoming more open-minded," Travis said

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