

Detroit's hotel market on the rise

Millions being invested in city 'woefully behind' in accommodations for visitors

BY CANDICE WILLIAMS

The Detroit News

Detroit — When Cambria Hotel Detroit Downtown opens in February, guests will be greeted by gleaming marble floors, tall ceilings and architectural details found in the Albert Kahn building originally home to radio station WWJ.

At the rear a newly constructed hotel will feature 158 hotel rooms — including four corner suites. The development is among the numerous new or redevelopment hotel projects underway that will boost by 20%, or roughly 1,000 rooms, the availability of hotel space in Detroit's central business district and surrounding areas.

"Everybody's excited to try the brand new hotel in town," said Dawn Barth, director of sales and marketing for Cambria Hotel Detroit Downtown. "We're also just blocks from the convention center, so that brings in significant amount of business as well."

The city's hotel market is showing signs of new life, with operators and developers investing millions in new and renovated properties. It comes as hotel occupancy makes a steady return to pre-pandemic levels after the industry was shaken to its core in 2020 as restrictions impacted travel plans, venues had to operate at reduced capacity and business travel was replaced by virtual meetings and conferences.

In addition to Cambria Hotel Detroit Downtown, expected to open in February, Corktown's Godfrey Hotel west of downtown is slated to open in the spring. The Westin Book Cadillac is also undergoing \$20 million in renovations that will begin in January.

Meanwhile, the Ilitch family's Olympia Development and New

York mogul Stephen M. Ross's Related Companies last month detailed plans to build two hotels with 467 rooms as part of a \$1.5 billion investment in the District Detroit. Operators of Huntington Place, the sprawling convention center along the Detroit River, are pushing for the construction of hotels on the site of the former Joe Louis Arena.

The tourism industry says there is a need for this investment as it hopes to attract more large-scale events, like the 2027 NCAA Men's Basketball Final Four awarded to the city last month.

"In our competitive set, we're at the bottom as far as hotel rooms downtown," said Claude Molinari, president and CEO of the Detroit Metro Convention & Visitors Bureau. "When you compare us to cities like Indianapolis, Cleveland, Nashville, even Pittsburgh, we're woefully behind. If we had 3,000 hotel rooms tomorrow, that would only put us in the middle of our competitive set. So while we're thrilled to have these hotel rooms coming online, there's a lot more that needs to be done."

Hotel room occupancy in Detroit's central business district is steadily returning to pre-pandemic levels, according to STR, a global hospitality data and analytics company. The year-to-date occupancy as of October was 51.9%, up from 34.1% for the same time period in 2021 and 28.6% in 2020.

As of October 2019, occupancy in the central business was 69.9%. That occupancy level is just shy of the level when a hotel market would typically consider adding new hotels, which is north of 70%, said Romy Bhojwani, director of hospitality market analytics at CoStar Group, STR's

parent company.

"You're kind of borderline in terms of making the case on why a particular market needs more rooms, and whether those rooms are going to be feasible over the long term," Bhojwani said.

Molinari and the Detroit Metro Convention & Visitors Bureau say there is a need. He said that while the Metro Detroit area has 45,000 hotel rooms, at issue is Detroit's 5,000 rooms.

"What's happening is that there are events that are just straight up choosing not to come here simply because they would have to shuttle-bus their attendees and that's just not optimal, especially when you have choices in other cities like Houston or in Indianapolis where they've got 2,000 rooms connected to the convention center," he said. "That's not an area we can necessarily compete with."

The roughly 1,000 hotel rooms coming online in upcoming years will help with future bookings, he said. "And not only does that help us in the future, it also helps us in the present with booking," he said. "Because a lot of these major events — if you look at the NFL Draft, they booked for 2024. NCAA Final Four, which we just acquired, they booked for 2027."

"They booked those events with the understanding that there was a lot of hotel development moving forward, and that our current ability will be augmented in the future with a lot more hotel rooms. And so, when these announcements are made that these are under development, these are under construction, these are about to come online, that helps us in the future. When we book events because we can say all right, our current capacity is 5,000, but by this time in 2025, we might be at 6,000 or



6,500.”

Molinari points to legislation recently passed in the Legislature that, if signed by the governor, would allow for a public-private partnership between Detroit Regional Convention Facility Authority, which operates Huntington Place, and Sterling Group, owners of the former Joe Louis Arena site, to build one or two hotels next to the convention center. Molinari, also chair of the Detroit Regional Convention Facility Authority, said they’ve been in talks with Sterling Group.

“It’s one of the largest convention centers in the country, and not having a hotel connected to it is a significant negative differentiator when compared to its competitive set,” said Molinari, even as officials with Sterling Group did not respond to a message seeking comment. “It is a critical piece.”

Added Molinari: “What we’re looking to do is put a project together that spurs private development, and we’re going to invest dollars in infrastructure and preparation with the facility with potentially parking, potentially a ballroom or redesign of the loading dock, certainly connecting Second Street to the Detroit River, but it’s also to have private developers spend their private dollars on building hotels. That will attract more business to downtown.”

The goal would be to have at least one hotel with 750-800 rooms on the west side of Huntington Place, he said: “That would be optimal. And if we could have two hotels of that size, I think that would be sensational. I think that in the immediate future that’s a bit of a long shot. And it may be wiser to just have one large-scale hotel attached to the building in the short term and then after that matures then maybe look at a second one.”

A few blocks away from Huntington Place, construction workers were in the final stretch of construction at Cambria Hotel

Detroit Downtown, in the former radio station building on Lafayette that previously housed trade union AFSCME. In the rear, four levels of the hotel’s guest rooms, constructed off-site, sit atop the parking structure.

The previously existing structure was converted to feature amenities including two ballrooms, two restaurants and a bodega. The basement will house an indoor Five Iron Golf facility with two lanes of bowling. Artwork in the spacious hotel rooms pay homage to the site’s history as the former home to radio station WWJ.

As the opening nears, the hotel has seen an increase in requests from groups seeking book the hotel for events in late 2023, Barth said: “Not only are we brand new, we have a little piece of history as the WWJ radio station building here, so it’s pretty incredible to be able to show it off.”

As part of its \$1.5 billion investment in the District Detroit, Olympia Development and Related Companies have a plan for two hotels. One 177-room hotel would be an adaptive reuse of the current Fox Office Building at 2211 Woodward Ave., and the other would be a 290-room hotel built from the ground up at 2455 Woodward, next to Little Caesars Arena.

During a community benefits ordinance meeting last month, Keith Bradford, president of Olympia Development of Michigan, said he’s looking forward to the two hotels increasing tax revenue for the city and attracting future events.

“Whether it’s a sports team themselves that comes into town, whether it’s hockey, basketball, baseball, you name it, many times not only are the teams but the fans themselves (are) not staying in the city of Detroit,” Bradford said. “They’re staying outside in the suburbs. Those individuals need to be staying in the city of Detroit when they play. Raising the tax revenue for our city, that’s

the goal here with this, and obviously, it increases capacity of hotel rooms.”

In Corktown, Oxford Capital Group LLC is continuing construction on the 227-room Godfrey Hotel Detroit on Michigan Avenue. The hotel, along with its ballroom and rooftop lounge, is expected to be complete in late spring or early summer, said Matthew Kalt, senior vice president of the Chicago-based developer. The exterior façade is nearly complete and the bulk of the work continues on the interior build-out.

They’ve already received numerous inquiries about reservations, group events and weddings, he said. He credited the city and the visitor’s bureau with doing a great job attracting large events to town, and he’s encouraged by the post-COVID hotel market recovery.

“We believe our project adding more rooms, meeting space and (food and beverage) to the city’s inventory will help attract more events, both large and small and augment overall hotel demand,” Kalt said.

In late 2021, the firm purchased the Westin Book Cadillac after its previous owner, John Ferchill, fell behind on payments, hit hard during the pandemic with a loss of hotel revenue due to a decline in events. The company announced Thursday it would be opening a Sullivan’s Steakhouse to replace Michael Symon’s Roast, which abruptly closed in January after 13 years.

Oxford Capital Group also has plans to start in January a \$20 million renovation of the historic hotel, which will include its 453 rooms and suites as well as its meeting spaces. The hotel will remain open throughout the construction, which is expected to be complete in early summer 2023.

In Midtown, Roxbury Group plans to start construction in 2023 on a \$49 million, 154-room AC Detroit Hotel at the Bonstelle, a Marriott-branded property next to the Bonstelle Theater on

Woodward. The previously announced project was expected to begin construction in 2020.

"COVID certainly impacted timing, not only in terms of the need to see a full return of the hospitality market to pre-pandemic levels, but the related impacts to available financing and the substantial increase in construction costs that followed," said David Di Rita, Roxbury Group principal. "Fortunately, we have a great team of partners and lenders, who have weathered those impacts with us, and have worked closely with Marriott as well as our construction team at Sachse Construction to work through those issues."

Di Rita said construction is expected to be complete in the early second quarter of 2024: "Ideally in time to host guests for the NFL

Draft."

"Detroit remains a significantly under-served market, particularly for the sort of well-located and amenity-laden lifestyle properties we have been fortunate to be able to collaborate with Marriott on bringing to this market,"

Di Rita said. "We believe the AC Detroit at the Bonstelle will help satisfy the unmet demand that currently exists, and in turn assist the city in attracting even more visitors — and hotels."

cwilliams@detroitnews.com
Twitter: CWilliams_DN



Clarence Tabb Jr. / The Detroit News

The Cambria Hotel Detroit Downtown is slated to open on Lafayette in a former trade union's home.



Photos by Clarence Tabb Jr. / The Detroit News

The Godfrey Hotel, under construction on Michigan Avenue in Corktown, is to feature 227 rooms and a ballroom and rooftop lounge.



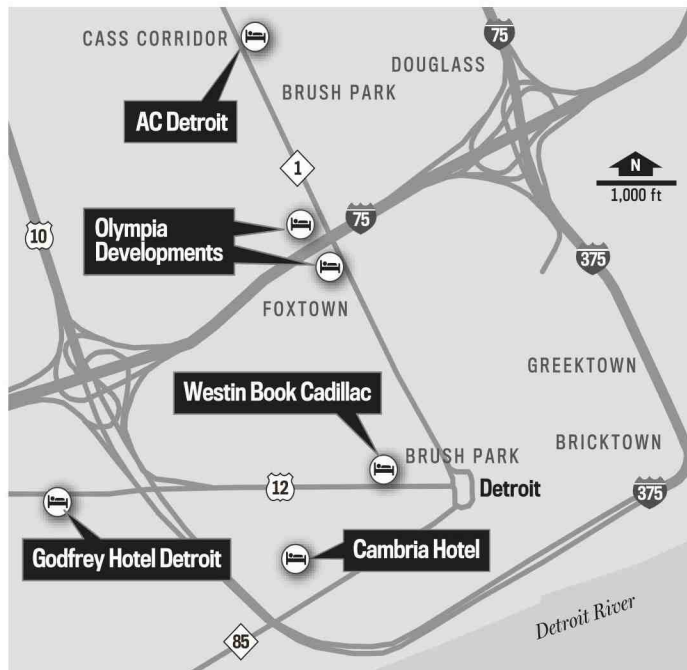
The third-floor lobby of the Cambria Hotel. Such projects underway will boost by 20%, or roughly 1,000 rooms, the availability of hotel space in Detroit's central business district and surrounding areas.



The Westin Book Cadillac on Michigan Avenue is undergoing \$20 million in renovations that will begin in January.

Hotel happenings

Several hotel projects are under construction or planned in and near downtown Detroit.



The Detroit News