

Hotel business looks good after drought: Busting out the boom

By Tavia Evans
ST. LOUIS POST-DISPATCH
02/07/2006

A run of sporting events, robust leisure travel and redevelopment in downtown St. Louis helped boost the city's hotel occupancy in 2005.

Occupied rooms in downtown hotels increased 2.9 percent during 2005, according to the St. Louis Convention & Visitors Commission. The average daily rate, or price for rooms, increased 1.7 percent.

Hotel revenue generated per room, which includes, for example, money spent by guests on food and beverages, also saw a 4.6 percent hike.

In St. Louis County, average hotel occupancy was up only 0.8 percent. But an increase in average daily rates, which were up 3.7 percent, offset the lower occupancy enough to generate a 4.6 percent increase in revenue generated by rooms.

The NCAA men's Final Four basketball championship and a winning baseball Cardinals season kept area hotel rooms full during peak periods of the year, the commission said.

The Final Four games generated \$71.9 million in the city, drawing about 54,000 people to the region, according to the CVC.

"A strike in the hockey season probably hurt things a bit, but we had a strong sports season and we're very positive about the leisure travelers who are coming to St. Louis," said Carole Moody, president of the commission. "Bookings are up on our site and it's a very good indication of travel for the coming year."

But the city also is in the running for a new chief booster, after Moody announced she will resign as CVC president in March.

Hotel operators are hoping a new CVC president will sell St. Louis for larger convention business, generating more room-nights for area hotels.

After a challenging year for its finances, the Renaissance Hotel St. Louis and the Renaissance St. Louis Suites last year saw a 10 percent increase in occupancy to an average of 62 percent.

"The hotels had an increase of 38,000 room-nights over the year before, and we think it's helped that now we've been in operation for two full years and the work along Washington Avenue continues to pick up," said Richard Mersman, an attorney for the hotel's owners, which include Kimberly-Clark Corp. and St. Louis-based HBE Corp.

The two convention center hotels have struggled with sluggish convention business since their opening in 2003. Recent proposals to generate more revenue for the property have included converting the Renaissance St. Louis Suites into condominiums.

The hotels' current financial status is unclear after a bond interest payment on Dec. 15 whittled the hotel's debt reserve fund to about \$177,000. Another interest payment of \$3.5 million is due June 15.

"It's in the best interest of everyone involved for that hotel to operate, but the CVC needs to figure out how to bring in larger conventions to St. Louis to support that hotel property," said Gary Andreas, a hotel consultant with H&H Consulting Group of Chesterfield.

A new Hilton St. Louis Ballpark hotel, formerly the Marriott Pavilion, is set to capitalize on the new baseball stadium complex. West Port-based Lodging Hospitality Management purchased the Market Street hotel property last year. "We've seen growth in the average daily rate throughout the city, from Westport to downtown, especially with an increase in convention business in St. Charles," said Tom Lyons, director of corporate revenue for the company. "With the new stadium opening up and development continuing downtown, we're confident we'll see growth in the new property, too."

New hotels coming online in St. Louis this year hope to capture niche business that currently flows outside the city's limits.

St. Louis city's only extended-stay hotel, a Marriott Residence Inn at Jefferson Avenue and U.S. Highway 40 (Interstate 64) opened in January. And a Hampton Inn near the Central West End is scheduled to open by summer.

Nationwide, travel and hotel occupancy are starting to again approach levels reached before Sept. 11, 2001. Hotel occupancy nationwide averaged 63.1 percent in 2005, up 2.9 percent, according to Smith Travel Research. The average daily rate also increased 5.3 percent.

Leisure travel has led occupancy rates in recent years, but there also are signs business travel is rebounding as well.

"Top markets throughout the country are running very high occupancy from Tuesday through Thursday, the traditional business travel days," said Jan Freitag, vice president of Smith Travel Research, of Hendersonville, Tenn. "We're seeing strong increase in room rates during those days now, too, that should continue in 2006 and 2007."