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IN DEPTH: REAL ESTATE: A QUARTERLY REPORT

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Hotel properties hot as travel market recovers

Marriott Downtown, Fenton Fairfield among those sold

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With several companies both inside and outside St. Louis investing in the local hospitality market in the past six months, industry experts say the market for hotels is the best it's been in four to five years.

Mike Mullenix, president and chief executive of Brentwood-based The [Mullenix Cos.](#), said he sought to sell only one of the company's two hotels in Fenton earlier this year.

However, interest was so strong for the Fenton properties, both locally and nationally, the company ended up selling both to Sioux Falls, S.D.-based [Summit Hotel Properties LLC](#), Mullenix said. Summit purchased the 106-room [Fairfield Inn](#) from Mullenix in February for \$4.4 million. The sale of the 95-room Towneplace Suites by [Marriott](#) this summer was part of an \$18 million package of four hotels that included properties in Tennessee and Idaho.

"The whole industry throughout the country is seeing tremendous sales velocity," Mullenix said. "A lot of properties are trading hands. We have a couple good years coming up in the industry."

The company's portfolio, under its subsidiary, Dominion Hospitality, now includes six hotels -- three in St. Louis and three in Indianapolis. Dominion also is building a \$25 million Residence Inn by Marriott at Jefferson Avenue and Highway 40 and is developing a \$70 million dual-hotel project near the Saint Louis Galleria at Clayton Road and Brentwood Boulevard consisting of a 235-room Westin and a 124-room Homewood Inn.

Hotel ownership in the St. Louis market remains a mixed bag of local and out-of-state entities. Of the 10 largest hotels in the area, ranked by number of guest rooms at the end of 2004, just three -- the Adam's Mark, Sheraton Westport Hotels and the Hilton St. Louis Airport Hotel -- are locally owned.

One out-of-town owner, Lodgian Inc., based in Atlanta, announced in July that it had sold the Holiday Inn St. Louis Airport North for \$3.5 million to rid itself of noncore properties from its portfolio. The company would not disclose who bought the hotel.

St. Louis-based [Lodging Hospitality Management \(LHM\)](#) owns 16 hotels in the St. Louis metropolitan area. This month, LHM put the 675-room St. Louis Marriott Downtown under contract from owner Cornerstone Real Estate Advisers, based in Hartford, Conn. LHM

President and Chief Executive Robert O'Loughlin said the Marriott's proximity to the new Cardinals stadium and planned ballpark village made it an attractive piece of property.

Lew Reed, co-founder and chairman of Los Angeles-based [Maritz, Wolff & Co.](#), which owns the Ritz-Carlton in Clayton, said major hotel chains are seeking to add hotel flags to broaden choices for customers. "Any brand that is not represented in a major city likes to be represented, whether the market is booming or not," Reed said. "If you're a hotel chain, the more dots on the map for your customers, the better it is."

Last fall, Maritz, Wolff & Co. disclosed that several hotel operators had made inquiries about purchasing the Ritz-Carlton in St. Louis. Reed said that the company is not actively pursuing a potential buyer; however, it keeps getting offers.

"We have had quite a few," he said. "Our hotel will always remain a Ritz-Carlton. We wouldn't sell it to some other chain or brand."

Ted Leines, hospitality sales and asset management specialist with Colliers Turley Martin Tucker, said there is an increased demand for upper level limited-service and full-service hotels, such as Marriotts and Hampton Inns, across the country.

The upturn in the hotel sector began about a year ago, Leines said. Hotel stays are up overall, as people begin to travel at pre-Sept. 11 levels. "With more people traveling, hotels can start to return to rates they had prior to 9/11," Leines said. "We're still not there yet, but it's steadily improving. We're seeing it all throughout the Midwest."

Out-of-state buyers are increasingly turning to markets like St. Louis, Leines said. "We're seeing a lot of attention for Midwest properties from coastal ownership groups," he said. "When they see our prices, they're more reasonable. Also, there's stability. When the economy cools, it doesn't get as cool in the Midwest."

A combination of lower interest rates and more available capital is fueling sales, Leines said.

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