

# LODGING: Austin's hotel market benefiting as economy improves

Continued from C1

A spokeswoman said. Hixon's revived plans are evidence that hotel companies have a high level of interest in the Austin market, industry consultants say.

"The activity we're seeing downtown is certainly encouraging," Stacy said. "Hotel companies that are not in downtown Austin today are certainly looking for projects that they can put their flag on."

John Keeling, a senior vice president for PKF Consulting, which tracks the lodging industry, said he has heard that developers are trying to pull together three or four hotel projects in downtown Austin. He wouldn't identify which brands but said, "Name anybody who's not there."

The downtown area is the region's strongest hotel market, with a 72-percent occupancy rate in the first quarter, up from 66.7

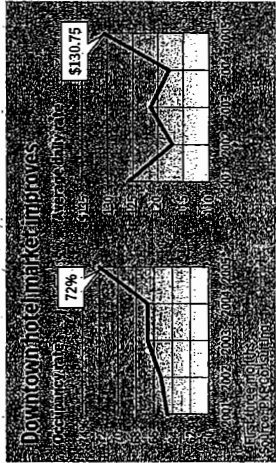
percent in the first three months of 2004, according to Houston-based PKF. The average daily room rate was \$130.75, up 8.3 percent from a year earlier.

Citywide, the occupancy rate was 66.4 percent, with a \$86.41 average room rate.

Hixon bought the land in the Warehouse District three years ago from a partnership that included former Schlitz's Inc. executives John and Jeff Woolley. But the San Antonio-based company shelved plans for a 350-room upscale hotel as the travel industry struggled in the wake of the 2001 terror attacks.

John Beauchamp, Hixon's vice president for acquisitions and development, confirmed that this company has revived its project but wouldn't discuss details, including the size or what hotel banner it will bear.

In 2002 rumors were that the site would become a W hotel, Starwood's trendy upscale brand, where rooms can cost



AMERICAN-STATESMAN

Hixon was a partner in the team that developed the 473-room Westin Riverwalk in San Antonio and the adjacent 265-room Hotel Contessa, an upscale all-suites hotel slated to open this fall.

Starwood, based in White Plains, N.Y., recently rolled out plans for a lower-cost version of the W, which for now is called Bitter End.

The new hotels will include pools, bars and outdoor areas for socializing, with rooms costing between \$100 and \$150 a night.

"We've identified Austin as an ideal site for an XYZ," said KC Kavanagh, a Starwood spokeswoman. "It's a vibrant market, a young market, and the fact that it's a college town is ideal. I think it will be a hit in Austin."

In the past four years, downtown has added more than 1,000 hotel rooms, with the Hilton Austin and the 209-room Hampton Inn & Suites. Two more — a 270-room Courtyard by Marriott and a 179-room Residence Inn by Marriott — are under construction just west of the Hilton.

"With the addition of the Hixon and Tom Stacy hotels, the Austin market will be pretty saturated," especially for hotels with rooms priced in the \$100 to \$125 range, said Randy McCaslin, a senior associate with PKF.

Since late 2000, Austin's hotel market has spiraled down, starting with the tech crash. Marriott projects were announced in 2003, the market was experiencing its lowest occupancy rates in 15 years.

But McCaslin said the expanded Austin Convention Center and the Hilton will increase demand locally for group and corporate lodging. In addition, Austin has "completed several new office and residential projects and expanded high-tech campuses," priming it to benefit from the economic recovery, he said.

"Austin was one of the last to rebound after the recession, but it's coming back strong now," McCaslin said. He cautioned that Austin still has more rooms than guests, so "developers need to be very cautious before we see how stable the market is going to be."

snovak@statesman.com; 465-3956

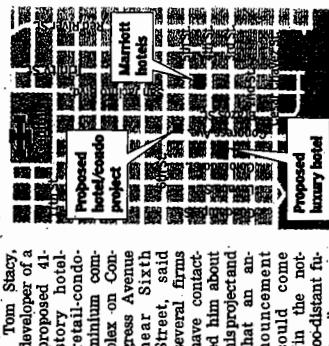
# Two hotels coming to Austin's downtown

## A third project also looks likely as area's lodging market improves

By Shonda Novak  
AMERICAN-STATESMAN STAFF

At least two new hotels are headed for downtown Austin, as the city's hotel market gains steam from a strengthening economy and growing convention business.

Hixon Properties Inc. is moving ahead with plans for an luxury hotel at Third and Colorado streets downtown on land it purchased three years ago next to the Bitter End restaurant.



Meanwhile, Starwood Hotels & Resorts Worldwide Inc. said Austin is near the top of its list for a new hotel concept with loft-style rooms, sunken conversation areas and 24-hour kitchens for "grab and go" foods instead of room service. If the company finds the right site, construction could start next year.