

# Omni Center to convert luxury condos into hotel space

Managers plan to change most of 61 units over the next year to meet growing demand for extended-stay suites

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Managers of the Omni Hotel/Austin Center complex at 700 San Jacinto plan to convert most of 61 luxury condominiums there to more lucrative hotel space over the next year.

Omni Austin Hotel Downtown has taken over management of eight condominiums ranging in size from 360-square-foot studios to 1,700-square-foot, two-bedroom units, says Michael Chaffin, general manager at the hotel.

"The demand for extended-stay suites and corporate apartments in Austin continues to be very strong, particularly downtown where such product is practically non-exis-

tent at the luxury level," Chaffin says. "Our focus is to supply the four-diamond quality and service for which Omni Hotels is so widely recognized to the extended-stay traveler."

The condominiums remain the property of the building owners, Brazos Austin Center Ltd., which in turn is owned primarily by the Khimji family of Dallas and Vancouver, British Columbia, says Tom Stacy of T. Stacy and Associates, the building management firm.

The new hotel units are expected to draw even more profit, according to the new managers, than the much-sought downtown residential space that will be sacrificed in the conversion. While the unfurnished

apartments lease for as much as \$2.29 per square foot per month, extended-stay rates as part of the Omni Hotel will range from \$3.55 per square foot per month to as much as \$8.50, depending on room size and length of stay.

"They command the highest rental rates in town, but the demand for hotel space is extremely strong, especially in the full-service and extended-stay market," Stacy says.

Stacy also chairs the Downtown Austin Alliance, and is the first to acknowledge that the condo conversion runs against that group's objectives for increasing residential space in the Central Business District.

"It's counter to what we want to see downtown, but it makes the most sense for

this particular project," he says, voicing hopes for other residential projects in the works.

Top-dollar rates have not hampered leasing of the condominiums, evidenced by a waiting list Stacy's firm has maintained since acquiring the units. Stacy says he was torn between meeting a need for downtown residences and providing additional hotel space.

"It was a real dilemma for us because we really don't like taking residences out of the downtown market," he says. "We have maintained a waiting list for these condominiums ever since we owned them."

Stacy expects to convert all but a fraction of the 61 condominiums to hotel space within a year.

"We'll have all of them (converted) except 15 or 20, and we may never do

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Michael Chaffin  
General Manager  
Omni Austin Hotel Downtown

those," he says. "We're doing it monthly. As the leases expire, we are pulling more units into the hotel. Then as the legislative session ends, we will pull in some more."

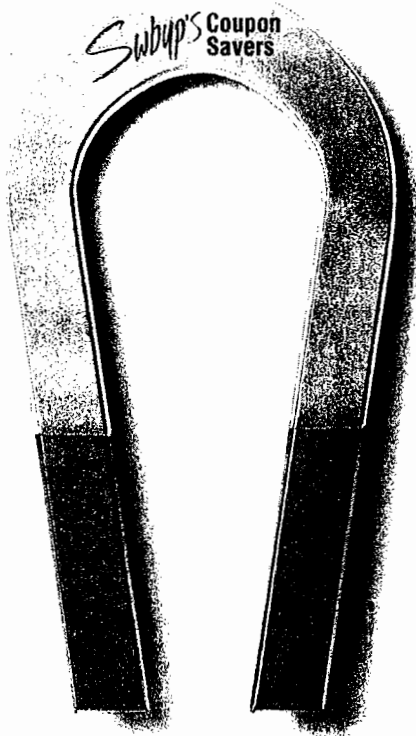
The move to add space at the Omni bodes well for others in the extended-stay hotel business, says John Kratzer, chief operating officer for Austin-based Homegate Hospitality Inc. Homegate Hospitality operates seven hotels and plans to have 65 open or under construction by the end of 1998.

"That's a pretty strong indication of how healthy and strong the Austin hospitality and lodging market is," Kratzer says. "This is a market that tends to be very difficult to build in and to get new projects entitled."

Extended-stay is the fastest-growing segment of hotel accommodations, Kratzer says. Units cater to guests requiring five or more nights' lodging and generally offer separate living, dining and sleeping areas. Demand for such units far exceeds availability, and the trend is expected to continue as extended-stay becomes more prevalent.

"Extended-stay is kind of a new segment within lodging, and there is very little product available," Kratzer says. "What we do is more value-oriented, mid-priced. At this point I wouldn't view (Omni) as competitive to what we're doing."

The Omni Austin Hotel Downtown was recently named one of only six Austin hotels to receive AAA's Four Diamond rating.



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