



JUNE 04, 2019 | MOLLY ARMBRISTER

# America's Hottest Hotel City Surges on Convention Center

Influx of Wealthy Vacation Owners Also Stokes Denver Development



Part of Denver's Union Station renovation was the construction of a new hotel in the transit center called The Crawford Hotel, one of the first hotels built as part of the city's current development wave. Photo: iStock

The Denver area has the fastest pace of hotel construction in America as national investors bet on more demand in the city buoyed by convention center expansion and a steady influx of wealthy owners of vacation homes across the state.

Greater [Denver](#) is projected to complete hotel rooms this year equivalent to 5.1 percent of the market's overall hotel supply, the highest ratio of new development to existing stock any U.S. market, according to the most recent [CoStar Market Analytics report](#). The area has been busy for several years with hotel projects, including the 2018 completion of the 1,500-room [Gaylord Rockies](#) in Aurora, Colorado, an eastern suburb of Denver.

Adding 1,500 rooms in one fell swoop could have easily slowed construction, but developers and investors are still plowing cash into hotel development, with the expectation that a planned expansion of the Colorado Convention Center in downtown Denver, as well as the city's overall rising star nationally in both the business and leisure travel industries, will lead to enough demand for new hotel rooms to justify rising development and staffing costs.

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All the activity is indicative of Denver's rising prominence on a national level, said Mike Cahill, founder and chief executive of Hospitality Real Estate Counselors, a Greenwood Village, Colorado-based hotel and casino brokerage firm that does deals in markets across the country.

"Denver's emerging from a hotel investment perspective as a very desirable destination among non-coastal cities," Cahill said in an interview.

Many wealthy people from outside Colorado own homes in ritzy mountain towns such Vail and Aspen, and fly into Denver to get to those homes, which helps boost the idea of Denver as a travel destination, Cahill said.

Denver is shedding its reputation nationwide as an oil and gas town, something it acquired decades ago when the energy industry was the main user of office space in the city. Today, Denver is full of technology, finance and business services firms and is viewed as a more diverse economy where people want to live, work, and most important for hotels, visit.

Economic expansion in the Denver area has been a constant for a decade now, defying expectations for a slowdown with new projects breaking ground and ever-larger deals breaking records only to have them broken again months later. Some categories of commercial real estate have slowed from their peak in 2016, but the pace of development in the market is the strongest in the country by some metrics.

Thirteen hotel projects with 100 rooms or more are under construction now in greater Denver, according to CoStar. The largest of these is a 382-room, 21-story tower at [801 15th St.](#) in downtown Denver, a project by local hotel developer Stonebridge.

Stonebridge also recently started work on another hotel nearby, the [renovation of Denver's historic Emily Griffith Opportunity School at 1250 Welton St.](#) and is among the most prolific hotel developers active in Denver right now.

Both hotels are near the Colorado Convention Center, which is targeted for a huge expansion after hotels agreed to raise their lodging taxes to help pay for it.

## Development Sweep

The \$233 million expansion of the Colorado Convention Center is greatly anticipated by many in the hospitality and tourism industry, though progress on that project has been slowed after concerns that project manager and general contractor may have improperly shared information about the project.

State and local authorities are looking into that matter and determining if they will bring charges, but in the meantime, Denver city staff are managing the project.

Convention centers are logically a boon to hotel construction, with the number of hotel projects within two miles of a convention center nationwide increasing sharply after the recession. In 2011, about 40% of all new hotel rooms in the United States were built near a convention center, according to CoStar Market Analytics. Since then, the number has decreased to 26%, which is still well above the historic average.

But it's not just the convention center that's attracting new hotel development. In Denver's Stapleton neighborhood, on the city's eastern edge, Blackridge Cos., a Montana-based developer, is putting up a Home2 Suites, a Hilton Hotels brand, at 47th and Central Park Boulevard.

Stapleton, a relatively young neighborhood that began as a master-planned community after the decommissioning of Stapleton International Airport, Denver International Airport's predecessor, in the early 1990s, is filling up with residents and businesses and in recent years has landed stops on the Regional Transportation District's light rail lines for the first time.

A representative from Blackridge did not respond to an email request for comment.

Historic hotels are getting new life as part of the development sweep as well. In the Five Points neighborhood, a renovation plan is in the works for the [Rossonian hotel](#), which dates back to the early 20th Century.

That project is waiting on approval from Denver's Landmark Preservation Commission, whose job it is to protect the city's historic buildings, but eventually is expected to reopen after years of standing vacant. Breathing new life into the Rossonian is not only about taking advantage of the market for hotels in Denver right now, but also about bringing back a cultural icon to the neighborhood, according to Haroun Cowans, managing partner at Five Points Development Corp., one of the entities involved with the redevelopment.

"It's the activation of a property that is the crown jewel of Five Points," Cowans said in an interview.

But hotel development in Denver and elsewhere is getting more difficult and costly, said Chris Manley, chief operating officer for

## Stonebridge.

New developments are getting harder work out financially, Manley said, and accordingly, more difficult to complete.

Growth in revenue per available room, or RevPAR, a key statistic in the hospitality industry that shows both how well a hotel can fill its rooms and how much it is able to charge, has been slowing, Manley said in an April interview with CoStar News.

In the entire Denver region, including Boulder, RevPAR actually dipped slightly from \$85 year-to-date in March 2018 to \$84 in the same period this year, according to the Rocky Mountain Lodging Report, a study conducted monthly by the Colorado Hotel & Lodging Association. In downtown Denver, RevPAR ticked up by 4 percent annually to \$118 year-to-date through March in 2019.

Costs are also up in nearly every category, Manley said. Land, labor and materials costs for development are all up as projects across the Denver area compete for resources. And once hotels open, it's difficult to find people to work in them because of the area's low unemployment rate. That means that hotel owners and operators must continue to pay more after a hotel is finished as well as during the development process.

Those increasing costs could slow development of all kinds in Denver and across the country, but for now, developers are finding ways to navigate those challenges to capitalize on demand in the city while they can.