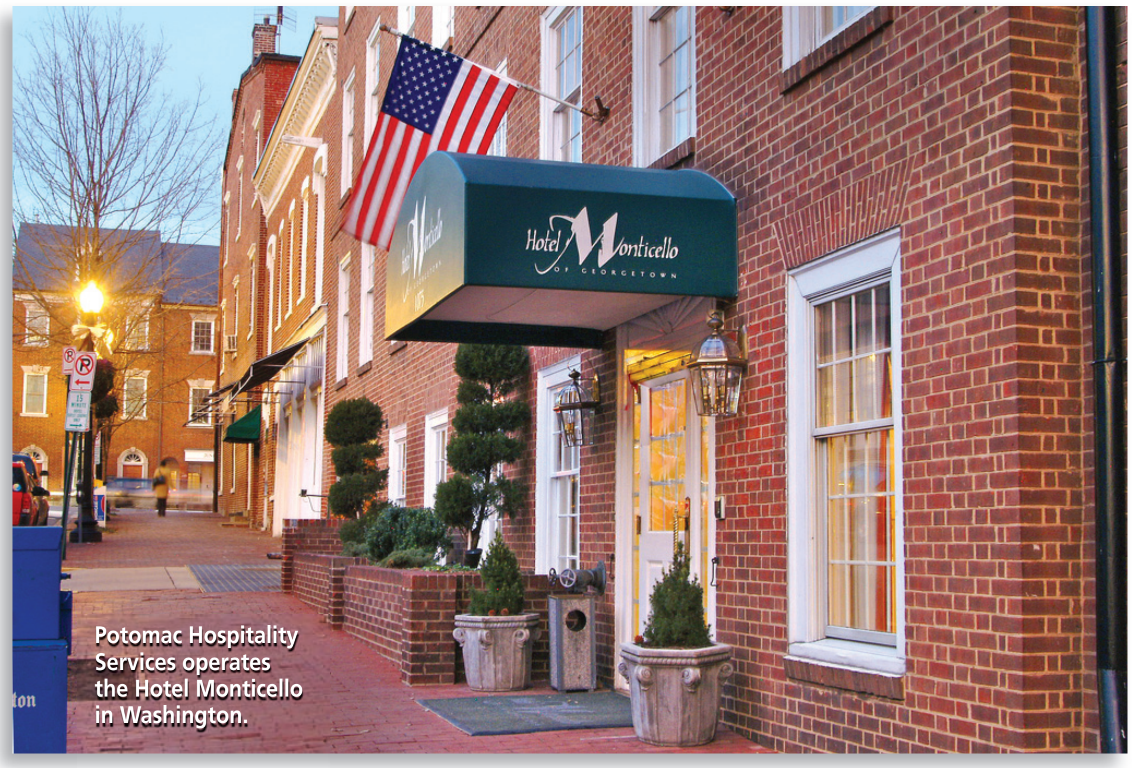

Potomac Hospitality Services operates the Hotel Monticello in Washington.

Branching into brands

Potomac honing strategy with new exec

By Stefani C. O'Connor

WASHINGTON— After several decades of owning and operating a raft of independent properties concentrated in and around the metro area here, Potomac Hospitality Services is looking to stretch its reach, not only in terms of geography but in terms of product as well.

With a new strategy geared toward incorporating brands into the Potomac portfolio of almost a dozen properties, founder and CEO Conrad Cafritz in October brought on board Aaron Katz as president of the organization.

Katz— who previously served as vp of brand management strategy for Choice Hotels International with oversight of seven of its 10 brands— is expected to parlay his expertise to move the needle on Potomac's growth along brand lines.

"He understands the value proposition from brands," said Katz of Cafritz' decision to leverage Katz's skill set. "And that is my leaning. I believe strongly in the power of brands."

Katz was an intrinsic part of the development of Choice's Cambria Suites brand. "I understand the demographics and the share shift that will occur going forward from business travelers seeking the types of accommodations that the select-service side of the business offers," said Katz. "I'm talking about brands like Courtyard, Hilton Garden Inn, Aloft, Cambria, Hyatt Place. Those are a lot of very strong companies that are going to be spending a tremendous amount of money targeted at business travelers in a fairly wide demographic and fairly wide psycho-

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HB HEARS

Wyndham forms Grand Collection sub-brand

As part of its Wyndham Hotels and Resorts brand, Wyndham Hotel Group has introduced the Wyndham Grand Collection, which will be a group of elegant, one-of-a-kind hotels that are part of the Wyndham brand and are designed to provide guests with unique experiences in distinctive destinations.

The Wyndham Grand Collection properties all feature regionalized design reflecting local surroundings; culinary experiences with local and international cuisine; expertise in regional events and attractions; well-appointed spa, wellness services and facilities; and attentive service.

Wyndham properties making up the collection thus far are located in various locations around the globe, including Puerto Rico, Mexico, Panama, Czech Republic, Portugal, Africa and Russia.

PKF sounds warning for lodging if recession occurs

If an economic recession occurred in the U.S. during 2008 and 2009, the U.S. lodging industry would be in store for a 6.1% decline in rooms revenue through 2010, according to PKF Hospitality Research. However, PKF does not anticipate a near-term economic recession and forecasts that without one, the average hotel will witness a 5.5% annual RevPAR growth rate over the next three years.

That 5.5% growth forecast is greater than the long-term annual average of 3.3%. If the hypothetical recession were to occur, PKF noted that the average U.S. hotel would achieve annual RevPAR growth of 2% through 2010.

Shamin launches hotel in downtown Richmond

Management company Shamin Hotels has completed the conversion in Richmond, VA, of its first downtown property, which recently began operating as a Holiday Inn Express. Formerly a Quality Inn and Suites located at 2nd and Cary streets, the hotel's interior and exterior renovation was a blend of historical restoration and modern updating.

The reconfigured main floor lobby includes 2,300 square feet of meeting space, a fitness center and a breakfast area. The newly landscaped exterior features updated patio furniture and an awning.

Shamin Hotels operates more than 20 hotels and has 14 hotels in development.

HP Hotels finances two properties

HP Hotels has obtained $17.5 million worth of financing from GE Capital Solutions, Franchise Finance for the refinance of its Hampton Inn in Birmingham, AL, and the construction of a 115-room Hilton Garden Inn in Oklahoma City, OK.

HP Hotels consists of a development arm known as HP Properties and a management arm known as HP Management.

HP Hotels has 35 hotels in its portfolio and an additional 10 under construction as well as seven in the planning stages.

JW Marriott spreads its wings with MI property

By Bruce Serlen

GRAND RAPIDS, MI— The U.S. profile of Marriott International's luxury JW Marriott brand took a major step forward recently with the opening of its first Midwest hotel.

The 337-room JW Marriott Grand Rapids is distinguished most visibly by its striking 23-story, all-glass, elliptical shape. But the $100-million project also represents an expanded commitment to Grand Rapids by its owner, locally-based Alticor, Inc., which already owns the upper upscale, 682-room Amway Grand Plaza and a moderately-priced 214-room Courtyard by Marriott in the market.

Meanwhile, from a design standpoint, the JW Marriott property boasts an unusual collaboration with Steelcase, the office furniture manufacturer, which is based here.

From an industry brand perspective, the opening

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La Quinta is fulfilling its dual growth promises

ATLANTA— Executives at La Quinta Management, LLC have been hosting a series of regional meetings to focus on strides made and strategies put in place to make good on president and CEO Wayne Goldberg's forecast last year that the company would enjoy "extreme growth" on both the corporate and licensee sides.

One such meeting for the Blackstone-owned organization took place here last month at the Crowne Plaza and drew several dozen owners, general managers and corporate staff members, who were presented with an update on development, operations, technical and administrative progress.

"We're growing faster than we've ever grown," Goldberg told HOTEL BUSINESS®, noting an estimated 118 La Quinta contracts at press time had been executed thus far this year.

Raj Trivedi, La Quinta's executive vp of franchising (left), and Wayne Goldberg, La Quinta's president and CEO, presented an update on the brand at its recent Atlanta regional meeting.

"That's a record," added the CEO, who also mentioned that 86 La Quinta Inns and La Quinta Inns and Suites opened in 2006 and that the expectation is for similar numbers by the end of 2007. The current development pipeline has in excess of 200 properties, he said.

"In 2008, I believe it will be the first year we actually open 100-plus hotels in the calendar year," said Goldberg, adding 75% to 80% of the growth will continue to be on the franchise side. "We are extremely aggressive with our franchise growth."

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Potomac taps Katz as president

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graphic, but one that is going to shift a lot of demand over time depending on their ability to gain distribution, which you can see from the development pipeline there's a lot of business being done in the select-service category. What I plan to bring to Potomac is that understanding of the contribution a brand can bring to an asset in a strong market."

Currently at some 4,000 guestrooms, Potomac is the lodging arm of Cafritz Interests, a fully diversified real estate development company that does all classes of real estate.

"The strategy is to increase the positioning and performance of the existing assets as well as to find some new growth opportunities. I was hired to grow the hotel side of the business. My interest is finding strong locations that drive business demand," said Katz.

While Potomac has properties in Chicago, Philadelphia and Easton, MD, the company has flourished largely within the high-barrier-to-entry Washington market with small, boutique-style properties that average 100 to 150 rooms and what Katz described as high occupancies, strong ADRs and "personalities" that help them compete against the wealth of branded product in the area.

"The DC market is very dynamic. There's a tremendous amount of business with the government and association business. Obviously, there's strong corporate demand and extremely strong leisure for the nation's capital; the SMERF [social, military, educational, religious and fraternal market segment] and transient are good. There's a very wide range of business in the DC market," said Katz, who indicated one drawback to such market conditions is that "asset prices have really gone crazy."

Given that scenario, Katz said he didn't really see a lot of opportunity in the Washington market. "I don't think pricing has matched forward opportunity. I think there's a little bit of a disconnect there. And we want to diversify. We're very well represented here," he said.

Nonetheless, Katz feels there's also a "big opportunity" to create a Potomac connection with the independents— akin to what Kimpton has done —to raise the company's profile. "Right now we don't have that and I'm looking to create something," he said, adding, "I don't know if we're going to have a brand, but we're certainly going to have an identity."

The properties include 320 North Michigan, the Quincy, the River Inn, the Virginian Suites and 2424 Pennsylvania. Managed properties include the Tidewater Inn, the George Washington University Inn, the Windsor, One Washington Circle, DC Suites and Hotel Monticello.

In a nod to brands, the company also handles Marriott ExecuStay properties in Philadelphia and Chicago. However, Katz indicated the company is likely looking to "harvest" those as opposed to growing them. "Corporate housing isn't my strength, hotels is and that's where I want to spend my time," said the executive.

Cafritz has owned all the properties at various points. At other times he has sold some while retaining both long- and short-term contracts. "He's been in and out of a bunch of stuff," said Katz.

Potomac, in strategic situations, does do some third-party management. However, said Katz, "We're not after third-party management contracts. We're looking to grow the business through our own account and deploy some of [Cafritz's] equity and some institutional equity that we've partnered up with."

The One Washington Circle Hotel is among a handful of properties managed by Potomac Hospitality Services.

Katz does feel there are good opportunities to expand along the Atlantic Seaboard. "But we're going to be opportunistic about it," he said. "We're going to be smart about it. We're not going to grow for the sake of growing. We believe there are strong opportunities out there for branded assets in business markets. Those are the opportunities we're going to be looking for. We're going to be doing deals that make sense that are smart for our owners and our investors."

He noted the company recently partnered with institutional investors to commence with a seven-acre project in Steamboat Springs, CO, that will incorporate retail and whole- and fractional-ownership units. "We have some fairly deep equity sources," he said.

The new president added Potomac also has "a fairly good stockpile of cash for our own account and we partner that up with investor equity" that's largely private.

While the company is taking various roads— acquisition, redevelopment and construction— to expand its portfolio, Katz stressed he wants to "grow smart" and doesn't want to grow too quickly. "Our model is to develop, own and manage," he said. "I don't want to do deals just to do deals. We want to control our deals. We want to control our destiny." HB

Hostmark takes on unique assignment with Queen Mary

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guest experience and service levels up to expectations will not be difficult because of a phenomenal core of employees."

Physical upgrades are needed in many areas of the ship, Hawkey indicated. "A lot of technological advances made over the last 15 years at traditional hotels didn't happen [on the Queen Mary] because of a lack of financial resources," he said.

In terms of how much will be spent on upgrades, he noted, "The technology/IT component will be in excess of $1 million. Over $1 million will be put into food and beverage outlets, another $1 million into common areas and $500,000 for a parking system for 2,500 vehicles."

Improvements will include a new state-of-the-art property management system; new mechanical systems, including elevators, escalators and air handlers; and renovations in the ship's three main restaurants.

The guestrooms were renovated in 2000 and are in relatively good shape, according to Hawkey. But he also noted, "We will spend $1.5 million to upgrade them."

The rooms are not as small as the ship's original 600 staterooms, as reconfigurations were done over the years. "The smallest of the guestrooms is 250 square feet, which meets many hotels minimum standards," Hawkey said.

With the décor and features like portholes rather than windows, "the guest experience is similar to that of being on a luxury cruiseliner," Hawkey said.

The Queen Mary's clientele in the past has been tourists from around the U.S. and the world, according to Hawkey. "And it's been a tremendous site for family social events like weddings and bar mitzvahs. We will keep that base of core guests," he said.

As for rates, "ADR in now $117 and our competitive set is $151. We will try to narrow that gap," Hawkey said. "And there will be more focus on increasing occupancy, which is now 63%, while our competitive set is doing 76%."

Hawkey is confident that the Queen Mary has a bright future and will give a boost to the local economy. "We're very excited about the upside potential and bringing it back. As the Queen Mary rises with the tide, so does the [Los Angeles] Basin," he said.