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Boutique hotel eyed for downtown's Whitney Building

Owners have \$80M plan to turn property into trendy lodging

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/ The Detroit News

The new owners of an empty downtown Woodward Avenue building are putting their faith in Detroit's eclecticism with plans to open the city's first boutique hotel — a genre of small, trendy lodgings that often become local hangouts, too.

Detroit is late in joining the movement of boutique hotels, which sprang up in the early 1980s in London, New York and San Francisco, and can be found in most major cities, as well as popular resorts. Adding the David Whitney Building in Grand Circus Park to the luxury lodging trend will help the city, an industry expert said.

"A boutique would elevate the panache of the city," said Ron Wilson, chief executive officer of Hotel Investment Services, a hotel management and consulting firm in Troy. "It's a sign there is high-quality inventory already in downtown and a belief by investors that it can handle more."

The owners of the David Whitney Building want to take advantage of its architecture, which includes a sweeping four-story lobby with a glass atrium, and mostly intact white terra cotta columns and a marble floor.

The idea is for the hotel to be distinct and not have a corporate feel to it, said David Di Rita, one of the new owners of the David Whitney. It would aim for a young, cosmopolitan clientele, he said.

"Downtown Detroit is a destination now. There is much data to show that," Di Rita said as he stood in the lobby last week. "And clearly this room was meant to be a great urban destination."

De Rita is a principal with The Roxbury Group, a Detroit development firm that bought the Whitney for \$3.3 million in March. The other partner in the Whitney venture is the Farmington Hills-based hotel investment firm Trans Inns Management Inc., which operates 21 hotels in 13 states.

The Whitney partners are trying to raise \$80 million to bring a mix of 130 hotel rooms and 180 residential units to the 19-story building. They are in talks with several national hotel chains that run boutique brands, said Di Rita, but he declined to name the chains. Examples of those brands include the W, Aloft and Palomar hotels.

Boutique hotels — also called lifestyle or design hotels — are small properties marketed on their locations and eclectic style.

The term itself is a little murky, particularly since major hotel brands have joined the niche, Wilson said. Most boutique hotels tend to attract mainly Gen Xers — people in their 30s and 40s — and Millennials — those in their 20s, he said.

If things go as planned, construction in the David Whitney Building would start next year, and the residences and hotel would open in 2013, said James Van Dyke, vice president of development in The Roxbury Group and the Whitney partnership.

Such a plan shows a solid belief in Detroit's downtown hotel scene, which lagged for decades behind the suburbs and is just recovering from the recession.

"I'm a little surprised that a plan is happening this early, but, yes, the numbers are there right now to add high-quality inventory downtown," Wilson said.

Three years ago, downtown Detroit experienced a 56 percent increase to 5,115 hotel rooms with the addition of hotels in the three permanent casinos and the renovated Westin Book Cadillac and the DoubleTree Suites by Hilton Detroit Downtown/Fort Shelby.

Then came the 2008 financial meltdown.

The number of occupied hotel rooms in Detroit dropped to levels never before recorded by hotel analysts. By December 2008, the occupancy rate for the Motor City fell to a low of 34.1 percent, according to STR, a Hendersonville, Tenn.-based hotel research information company.

Not all hotels survived. The Detroit Riverside Hotel, across the street from the Cobo convention center, shut and remains in bankruptcy.

But now there is a healthy bounce back. Metro Detroit's hotels had their busiest May in more than a decade with an occupancy rate of 61.4 percent, according to STR. The last time May's occupancy rate was higher was in the dot.com boom days of 2000, when it hit 68 percent, according to STR.

The region's occupancy rate averaged 55.8 percent through the first five months of the year, the best showing in four years.

But such a rate remains below the break-even point for many facilities, several industry analysts said.

Detroit is ranked 10th among cities for best growth in the rate of revenue generated per room, a key gauge for the industry.

Several downtown hotels say they are seeing occupancy rates in the 70 percent level in recent months.

A boutique hotel would up the stakes for downtown Detroit, Wilson said.

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