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February 6, 2014

## Are Phoenix Hotels Ready for The Super Bowl?

Now that the big game is over, we can get excited for **next year** at **University of Phoenix Stadium**. (It's never too early start tailgating.) Expect a boost for Phoenix's hotel market, but where does it stand today?



It's still **tempered**, reports LW Hospitality Advisors CEO **Dan Lesser**. For investors, there's more than enough supply for a couple of years, and **scant development** is happening in a **few small pockets**. "It's just not economically viable if you can buy a hotel below replacement cost, and there's **no shortage** of those properties to be had," he says. Only when asset values start exceeding development costs will we see more shovels in the ground.

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Regardless, there were few sales in the past year, including **Interstate Hotel & Resorts** and **Waramaug Hospitality's** \$16M buy of the 257-room **Hilton Phoenix Airport Hotel** (pictured) and **Interwest Capital Corp's** \$11M purchase of the historic 249-room **Crowne Plaza San Marcos Golf Resort** in Chandler. When the Hilton closed last month, Waramaug founder **Paul Nussbaum** said the Phoenix-Mesa-Scottsdale area has great upside, and it liked the hotel given its location within the **Phoenix Sky Harbor Airport** submarket and easy access to downtown Phoenix, ASU, Scottsdale, and downtown Tempe. HREC's **Bill Murney** (who repped the seller with colleague **Scott Stephens**) says Hilton required a \$7.5M renovation in return for the new 10-year franchise.

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While Dan says Phoenix occupancies are still running **below the national average**, the market will—and always does—**bounce back**. (Can we say the same for our Cardinals?) Growth will radiate from the core of the city, and available land is being offered at a **fairly low price**. That could offer opportunities for **select-service hotels**, which can be developed quickly, versus a market like San Francisco, where it's tough to get permits and build. Dan, who's based in New York, is leaving nearly a foot of snow for even more white stuff, heading to Colorado for **four days of skiing** at Vail, Beaver Creek, Breckenridge, and Copper Mountain.



**Say Goodbye to the Bottom**



Hotel isn't the only sector poised for a return. Colliers International's **Phil Briedenbach** has a positive outlook for office. While more than **2M SF** of positive absorption happened last year, Phil notes it's an **uneven number**, as it occurred mainly in 15 buildings. In 2014, watch for the return of **small bread-and-butter tenants** and even—dare we say it—**spec**. (Interesting note: Spec adds space to the market, while bread and butter adds space to the waistline.)




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### Meet Your Phoenix Reporter



*Bisnow* reporter **Jarred Schenke** has been around with us for awhile, and like any good puppy, he **laps up any attention** you can give him (and we just removed the newspapers from his play area, too!). Actually, Jarred is very well known in **Atlanta** where he's spent the past 15 years reporting on business and commercial real estate for such publications as *The Macon*

*Telegraph* and the *Atlanta Business Chronicle*. He's also a fan of the '80s. (Well, maybe "fan" is too tame a word. Let's just say he **annoys us** with '80s trivia and singing what seems to be an endless list of '80s tunes.) When not writing or listening to his Sony Walkman, Jarred can be found raising his two cub reporters, sons **Connor**, 7, and **Spencer**, 6, while taking orders from his editor-in-chief, wife **Megan** (and also his *Bisnow* editor-in-chief **Sibley Fleming**). Send your **story ideas** and favorite Lionel Richie lyrics to [jarred@bisnow.com](mailto:jarred@bisnow.com).

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**Peter Linneman** is really smart. He started the **Wharton School's** Real Estate Department, and he's been Chairman of Rockefeller Center Properties, and on the Executive Committee of Equity Office Properties. He's widely considered the **top real estate professor** in the United

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You can tune a piano, but you can't tuna fish. Send your sage advice and story ideas to [jarred@bisnow.com](mailto:jarred@bisnow.com).

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