

Kimpton's fall debut rides wave of New York City's comeback

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Mary Scoviak



With its bleisure market pitch, Hotel Theta hopes to steal a march at the top of the market when performance is strong and the pipeline has slowed to a trickle.

NEW YORK CITY - Slated to open this fall, Kimpton Hotel Theta is riding a gust of tailwinds. There's the halo effect of the 72% year-over-year increase (to \$215) that rocketed New York City to the top of the RevPAR leader board at the close of 2022, and the traction of continued demand that made it one of only two of the top U.S. markets (Las Vegas was the other) to post occupancy above 80% in late April, according to STR.

But, at a time when another bank failure or interest rate hike could be calm demand in a matter of hours, this 364-room lifestyle luxury "retreat" will have to leverage both the strengths of the asset and the market to make the most of the city's opportunities.

Made for multiple markets

The 48th Street at 8th Avenue address for this IHG Hotels & Resorts brand's second New York City hotel (it joins Kimpton Hotel Eventi) helps this 15-floor adaptive re-use of an existing mixed-use hotel bridge the business-leisure gap. Times Square is around the corner; most points in Manhattan are less than a half-hour away. It's an asset Kimpton Hotel Theta operator, Highgate, knows well—having managed it in its previous incarnation as a Hilton

Garden Inn. An investment, development and hotel operations company with 87,500 rooms under management, the New York City-based firm saw the potential for taking this Morris Lapidus-designed building upmarket with repositioning and rebranding.

“We’re excited to partner with Kimpton to launch this unique property in the heart of New York City’s iconic Theater District,” said Arash Azarbarzin, CEO, Highgate, in a statement. He was traveling and declined comment for this story. “As the newest addition to Highgate’s growing lifestyle and luxury portfolio, Hotel Theta offers an unrivaled experience for travelers and locals with its reimagined design, dynamic programming and soaring rooftop lounge.”

Executing on that target put the emphasis on market-spanning design that makes room for a 1,100 sq.-ft. penthouse to attract travelers who want an “experience.” There is 1,100 sq. ft of meeting space to court the growing small- to mid-size meetings market and answer demand for boardroom/coworking spaces for groups of remote employees. The topper is a 3,200-sq. ft. rooftop restaurant showcasing the launch of TableOne Hospitality (a new partnership involving Michelin-starred chef Michael Mina, of the MINA Group, Patric Yumul, hospitality leader and restaurateur, and Highgate) that could generate FOMO among locals and guests.

That level of something for everyone may be critical to ramp up as macroeconomic factors fluctuate and recession intensifies a corporate and personal concern. The payback for multi-market design and service offers cushions that uncertainty while transforming some necessary line items into investments.

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Evan Weiss

However, Weiss added, “Economically though, NYC is doing extremely well. Many, of course not all, office workers have returned, tourists are arriving in droves and ADR and occupancies throughout NYC are hitting and exceeding pre-pandemic levels. We are also seeing a nice pickup in corporate group, further driving the city’s hotel, restaurant and experiential revenues up.”

Question marks for transient, group, leisure

Weiss cautions against operating into one-size-fits-all market trends. “Patterns based on premises such as the suggestion that bleisure is softening or corporate transient will never fully return can be looked at nationally, but I think they are much more focused locally,” he said. “New York City continues to see strong leisure and bleisure performance. Rates and occupancies continue to climb without significant recovery from Asia and South America, and without Europe fully returning to its pre-pandemic levels.”

He added, “That said, we are of the opinion that some markets, and likely the United States overall, may not ever fully recover its past levels of corporate transient travel volume. However, this is market by market; it cannot be taken in one lump sum.”

Whether the current uptick in corporate and social group as well as leisure transient travel can fill the gap is still unclear. As Weiss pointed out, there’s not much guidance on how far off-peak transient corporate travel will be. Hotel owners and operators will just have to wait and see, in his view.

Need for unique experiences

Whatever the purpose of trip, Weiss sees travelers continuing to seek out new experiences and lodging choices. “Brands that don’t fit into cookie-cutter molds have a great opportunity to attract a new generation (and old) of travelers and also have the opportunity to push new experiences, amenities, food and beverage opportunities and room rates for these experience seekers,” he said.

For those in the know, the hotel’s name clearly signals its marketing message. Inspired by the Theta brainwaves most present in moments of self-reflection, meditation and internal focus, the Theta name is also derived from the eighth letter of the Greek alphabet, a triple-play on the hotel’s 8th Avenue location.



Mike DeFrino

Mike DeFrino, managing director, Luxury & Lifestyle at IHG Hotels & Resorts, called the property a boutique oasis that brings a “an unexpected, refreshing experience to the Midtown West neighborhood.” While fitness-conscious travelers may book because of lifestyle-support features such as the in-room yoga mats, 24-hour fitness facilities and PUBLIC bikes, it would hard to find any traveler who would fail to appreciate the larger-than-average guestroom footprint.



Evan Weiss

Short supply of new competition

Although any of the above factors is subject to change without notice, one upside that can't implode or explode short term is the number of new openings for 2023-25. The good news for Kimpton Hotel Theta is that the total of hotels opening their doors in the upper upscale and luxury sectors over the next two years will add well under 3,000 rooms, according to Lodging Econometrics. Even the overall pipeline numbers, heavily weighted toward upper midscale, midscale and economy are real-world, according to STR's late April data: In construction: 65 properties/10,505 rooms; in final planning: 11 properties/1,986 rooms and in planning: 16 properties/1,951 rooms.

Kimpton Hotel Theta also will benefit from attrition in the market. "By some accounts, NYC currently has, between homeless rooms and migrant rooms, upwards of 25,000 rooms per night occupied by these sources of business. Couple that with roughly 10,000 rooms lost during the pandemic that likely will not re-open as hotels, you have roughly 35,000 rooms off-line for typical guests," Weiss said.

Combine that with extremely high construction costs (over 30% higher than pre-Covid), along with a dearth of construction financing and the cost of such financing, exacerbated by the moratorium on all new hotel construction without a special permit, and, said Weiss, "I would say we have an interesting hotel market in 2024, and beyond."

