

Dual-brand popularity is response to urban development

By Nicole Carlino
Associate Editor

NATIONAL REPORT—The development and operational benefits of a dual-branded property are clear: Two brands allow an owner to maximize efficiencies and appeal to multiple consumer types.

And, certainly, the development pipeline is strong. To name just a few, the combined Hyatt Zilara Rose Hall and Hyatt Ziva Rose Hall celebrated its grand opening in Jamaica last month; Hilton Worldwide and Kana Hotel Group, LLC are planning the Hampton Inn and Home2 Suites by Hilton Louisville East/Hurstbourne, set to open in Kentucky in Q1 2017; and Starwood Hotels & Resorts Worldwide, Inc. is planning an Aloft and Element dual development in the historic Tobacco Dock section of East London in 2017.

Starwood is also opening, along with Indus Hotels, a 136-room Aloft and 123-room Element in Columbus, OH, in 2017, while Concord Hospitality is developing the first full-service Marriott/Residence Inn dual-brand property in the same city. For its part, IHG, in partnership with AWH Partners, LLC, will open a 102-room Staybridge Suites in the same building as its 360-room Crowne Plaza in Atlanta by January 2016, and other developments include a Holiday Inn/Candlewood Suites hotel for Joliet, IL; a Crowne Plaza/Staybridge Suites in San Diego; and an IHG-managed Hotel Indigo and Holiday Inn Express in Austin, TX.

Deno Yiankes, president and CEO of

investments and development for White Lodging Services Corporation, which has done several dual-brand developments—and is currently developing a Hyatt House/Hyatt Place in Denver (set to open later this year), an Aloft/Element in Austin (set to open summer 2016) and a Le Méridien/AC Hotel that's also in Denver (set to open in 2017)—noted that the reasons for developing a dual-brand is a multi-prong approach. “We like the idea of offensively securing strong brands,” he said, noting that, in urban areas, many hotels are renovated but 20 to 40 years old.

“Land is at a premium in urban markets. So, if land is going to cost a premium, you're driven by maximizing the density of it,” he explained. “Dual-brands allow you to feel comfortable adding the number of rooms to the market, but we get comfort from a feasibility standpoint that we have a couple of different reservation systems working for us. That's not to say we don't like building 500-room hotels but, in this case, it's risk diversification to have two different reservation systems and cater to two different segments.”

“I think dual-brands make the project much more interesting for the locals and our guests, and it adds an extra level of pizzazz than a property with one flag,” added Jake Wurzak, principal, Wurzak Hotel Group, whose company is currently building a 300-room dual-branded hotel in Fort Lauderdale, FL (the brands have yet to be announced). He added that dual-branded properties usually allow you to get a better building. “We're very design driven,” he said, noting that the 25-story Fort Lauderdale property will have an amenity level on the eighth floor and a rooftop bar, “which you couldn't do with a single hotel. We have views 25 stories up, but the only way we're getting there is because we have two hotels helping support the cost but also adding the mass, allowing us to go up.”

And, of course, Yiankes said, “Once we open, there's cost efficiencies. There's shared back of house.” Wurzak added that it's not just about shared fitness centers or being able to use the banquet kitchen at the full-service

hotel to prepare the meals at the extended-stay property, instead of a small prep kitchen that it would typically have. “We did a dual-brand in Philadelphia—we have a Hilton teamed with a Homewood—and we realized it was a phenomenal decision for us [because] it allowed us to operate the Homewood in a higher degree than you would do at a standalone location. The level of staff we had on both properties was higher than a single hotel,” he said.

Both agreed that dual-brands are an offensive move. “You build one hotel and it's successful. Chances are a second and third brand are going to follow, so we secure that ourselves and make it part of our development and, in some ways, reduce our risk,” said Yiankes. Added Wurzak, “Strategy plays into it. If you think there's a potential brand out there that would compete with your hotel, by building it yourself, you're eliminating competition or at least keeping it in house. I'd rather compete with myself than other people.”

But, Yiankes cautioned, no one should do a dual-brand just for the sake of it. “What we work hard to do is not lead with the answer. We don't say lets go to Chicago and do a dual-branded hotel. We assess the market on a case-by-case basis and try to be market-driven. And, then, even drilling down further, what our particular site is best served as,” he said.

One thing that is distinct about White Lodging's Denver property is that it has two hotels under two different brand families: Marriott and Starwood. White Lodging has done a similar project—an Aloft, Fairfield Inn & Suites and Hyatt Place in Chicago—but, typically, dual-branded projects are done with two hotels under the same brand umbrella. Yiankes stressed the importance of market. “In Denver's case, what drove our decision is we're big believers in the strength of these brands. They're relatively young in the U.S., but they have a strong international following and incredible amount of pipeline activity in the U.S.,” he said, adding that the “no-brainer benefit is the two strongest pipelines as far as reservation systems coming to one location.” He added that, in looking at the market, Starwood's existing properties were 25 to 35 years old and Marriott had an opening in the premium-branded lifestyle segment. “There was a big void,” he said.



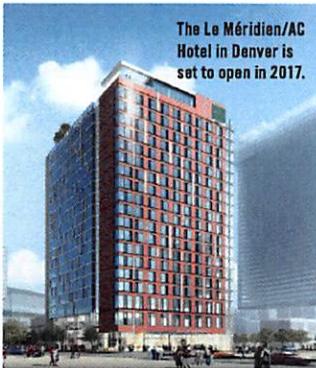
Deno Yiankes
White Lodging Services Corporation



Jake Wurzak
Wurzak Hotel Group

Yiankes agreed that you definitely give up some efficiencies when you have different umbrella brands. “We still have to maintain separate lobbies and elevators, but we, frankly, do that even under one brand,” he said, noting that, once brands understood that the property would always be treated as one asset with common ownership, it eliminated a lot of their concerns.

Wurzak added that, even within the same brand family, dual-brands allow owners and developers to explore a little. “You're limited by what's available in that market, and that might encourage you to do brand that you might not have thought of,” he said. “Maybe you're taking a risk to do a high-end, full-service product but, with two brands, you have just 100 rooms, and 200 rooms can be the more select-service model. It allows you to take a little more risk.” He also noted that, if a brand is trying to launch, “attaching it to a dual-brand might allow them to do it more successfully.” If one brand is slower to pick up, the operator could use it for overflow, and visitors to the more-established brand would have the opportunity to become familiar with the new brand. **HB**



The Le Méridien/AC Hotel in Denver is set to open in 2017.