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WORST OF DOWNTURN IS OVER, BUT EXPANDED ROOM INVENTORY HURTS PROFITS



Hotels south of Interstate 40 near Meridian in Oklahoma City.

PHOTOS BY BRYAN TERRY, THE OKLAHOMAN

Recovery occurring in OKC hotel industry

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In the past two weeks, John Sweeney's home has been the Hyatt Place on Northwest Expressway.

Sweeney isn't a traveler; he lives in Oklahoma City. But as vice president of Kasum Hospitality, he's helped keep the doors of the hotel open during recent winter storms by carpooling employees to work and even helping make the lasagna in the hotel's restaurant kitchen.

"When everything is shut down, we're still open," Sweeney said. "We still have customers. So you've got to love it; if you don't, you go real fast."

A report delivered by the Oklahoma City Convention and Visitors Bureau indicates that hoteliers such as Sweeney can at least take comfort in what appears to be a citywide recovery for the industry, which took a big hit nationwide since the Great Recession began at the end of 2007.

Just a year ago the city was reporting declining revenues for the lodging industry and hotels that were facing potential closure over nonpayment of taxes.

Mike Carrier, president

Oklahoma City Council last week that the city has seen positive growth in hotel room taxes in 10 of the past 13 months. In the most recent collections for December, taxes were up 9.2 percent over the same period in 2009. Overall, collections for last year were up 13.4 percent.

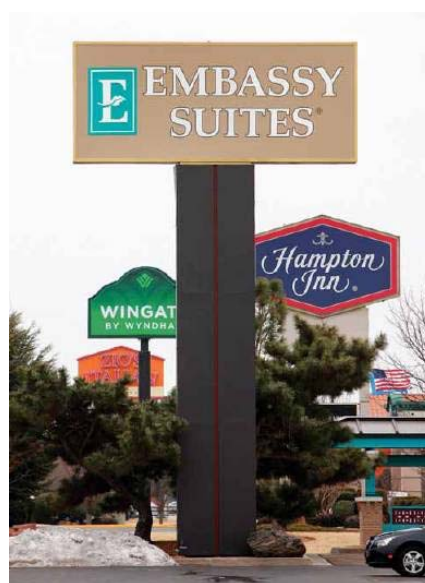
"In the last calendar year, we had the highest number of actually rooms sold in Oklahoma City that we've ever had," Carrier said. "We're on the road to recovery from the recession. And we were never as bad off as other cities were."

Those numbers come with a caveat: Oklahoma City just came out of a years-long building spree that added hundreds of rooms to the market.

Sweeney's group was among many that built new hotels and upgraded others. Both Sweeney and Carrier welcome what is the first break in hotel construction in several years.

"It's strange good news," Carrier said. "I arrived here in the summer of 2007. And for the first time since I arrived, we have no hotels under construction. Having said that, there are 22 hotels in the pipeline."

With the increased



Hotel signs are shown on Meridian south of Interstate 40 in Oklahoma City.

desired, Carrier said. Carrier added he expects the market to recover by the time some or all of those 22 hotels (representing developers who have paid for a franchise "flag") are built or opened.

Sweeney cautions against rushing into another building spree.

planned for Bricktown that was well into design when the 2008 crash hit.

"Occupancy seems to be OK," Sweeney said. "The consumer is definitely in control of the price. In terms of rate recovery, we've not seen that yet. Tax collections are up, but it's divided among a lot

of the convention and vis- competition, room rates Sweeney himself dropped
itors bureau, told the continue to run lower than a Holiday Inn Express SEE HOTELS, BACK PAGE

Hotels: Finding balance

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bigger supply. At the micro level, each hotel may not be seeing the rate of recovery being seen at the macro level."

Sweeney estimates his group, which owns seven hotels spread out along Memorial Road, Northwest Expressway, Edmond, Norman and Midwest City, is seeing occupancy averaging 70 percent.

"Our hotels built 10 to 15 years (ago) are fine," Swee-

ney said. "They're paying 1995 mortgages. All these new hotels are paying 2010 mortgages, which is a lot different. For the rates to be in the \$80 range is not big deal for those built in 1998, but (it) is a big deal for a hotel built in 2010."

Sweeney doesn't think the hotel building spree that ended last year was irrational. He says studies done in 2006 showed a need for more hotel rooms in the Oklahoma City metro.

He points to Norman as

a town struggling to balance supply and demand. Within six months the college town saw its room count jump from 700 to 1,400 rooms.

"Growth is good," Sweeney said. "I'm never going to not be a proponent for growth. But where the new supply goes, we just need to build business back up. In my opinion, the feasibility studies in 2007 justified new construction. Nobody expected 2008 to happen, but it did."