

# Building Scene

Marilyn Fitchett editor/591-2300



\*\* 1F

## Marriott



JIM JAGGELD/retail photographer

The employment door may become harder to nudge open in the area hotel industry as the building boom subsides. Livonia's Tom Diglio

found a job at the newly-opened Livonia Marriott.

## Hotel industry hangs 'full' sign on region

By Gerald Frawley staff writer

It is doubtful southeastern Michigan will see more hotel development in the near future.

That's the word from BDO Seidman, the Detroit-based accounting firm, which annually compiles a metropolitan Detroit hotel market summary. The report, released Monday at the Embassy Suites hotel in Southfield, is BDO Seidman's fifth annual summary.

Five years of continued hotel growth has almost saturated the market, according to Wanda L. Spencer, senior manager at BDO Seidman. Low demand, stricter zoning and a resistance on the part of banks to finance further projects will slow hotel development.

The number of hotel rooms in metropolitan Detroit will increase from almost 23,000 rooms in 1988, to almost 26,000 in 1989, Spencer said. In 1990, approximately 2,000 more hotel rooms will be added to the market.

Market absorption has not kept pace with the supply, Spencer said. In 1988, hotel rooms in metropolitan Detroit were occupied 63.2 percent of the time; by the end of 1989, the occupancy rate is expected to drop to 60.3 percent. (See accompanying story on occupancy rates.)

Hotel development will begin to taper off as the demand declines, but not enough to offset lower occupancy rates in 1990, which she expects will fall to 58.9 percent, Spencer said.

Metropolitan Detroit may see development of super economy hotels, like the Quality Inn corporation's Sleep Inn, and perhaps even a few extended stay hotels, Spencer said, but the full-service hotel market is saturated.

Average daily room rates, which peaked in 1986 (at \$61.59), are expected to begin recovering by year end 1989 to approximately \$58, Spencer said. In 1988, the average daily rate in metropolitan Detroit was \$57.50 because of a boom in

budget and mid-priced hotel developments and a highly competitive market.

Fewer room additions in 1989 and a healthy economy will enable hotels to increase rates slightly and still stay competitive, Spencer continued, but an oversupply of rooms will keep room prices low.

According to BDO Seidman's annual hotel market summary, the Observer & Eccentric coverage area market mirrors the metropolitan Detroit market trend.

The Troy/Madison Heights market, which had an occupancy of 69.2 percent in 1988, declined to 64.6 percent in 1989. The report attributes the decline to an 8 percent room supply increase and a 3 percent room demand increase. The 133-room Fairfield Inn was the Troy/Madison Heights market's only addition in 1988.

The planned February 1990 opening of Marriott's 350-room hotel in Troy will result in a 12 percent growth in room supply and a 1.8 percent occupancy drop to 64.6 percent, the report says.

Average daily hotel rates slipped from \$61.21 per night in 1988 to \$60.32 per night in 1989 after the opening of the mid-market Fairfield Inn. BDO Seidman expects average daily rates to climb to \$67 per night in 1990 with Marriott's entrance in the market.

In the north Woodward, Rochester Hills, Auburn Hills market, which includes Birmingham and Bloomfield Hills, occupancy rates fell from 65.9 percent in 1988 to 59.7 percent in 1989. The report attributes the decline to a 54 percent room supply increase following the Holiday Inn, Signature Inn, Fairfield Inn and Courtyard by Marriott openings.

The market is expected to see an increase of about 31 percent in room supply in 1990 in this area that will reflect the final absorption of the four hotels and the Hilton Suite hotel's partial opening, according to the report. Occupancy is expected to decline to about 54.8 percent in 1990.

Average daily hotel rates fell from \$61.87 per night in 1988 to \$60.09 per night in 1989 as a result of an increasingly competitive market and the economy hotel influence, according to the report.

BDO Seidman expects rates to rebound \$1 to \$2 in 1990.

In the I-696/Lodge corridor market, which includes Southfield and east Farmington Hills, hotel occupancy dropped from 54.6 percent in 1988 to 52.1 percent in 1989. Marginal demand increases were surpassed by room supply increases, the report states.

In 1990, BDO Seidman expects occupancy rates to increase 53.4 percent, the first increase in five years because of slowing hotel room development and the completion of I-696.

An oversupplied market in 1989 resulted in average daily hotel rates falling from \$64.20 per night in 1988 to \$63.56 per night. BDO Seidman expects the average daily rate to rebound slightly in 1990 — to about \$65 — because of slowing growth.

In the I-275/I-96/west corridor, which includes Livonia, Novi, Canton and Plymouth townships, occupancy rates fell from 64 percent in 1988 to 61.8 percent in 1989.

Despite the area's booming office market, BDO Seidman stressed the supply of hotel rooms — including the Marriott and Marriott Courtyard in Livonia, the Hampton Inn and Super 8 hotel in Canton, the Wyndham Garden hotel in Novi and the Signature Inn in Plymouth — exceeds demand.

With plans to open a 160-room Hotel Baronne in Novi, the 240-room Embassy Suites and 240-room Comptel hotels in Livonia, room supply will increase, resulting in an estimated 1990 occupancy rate of about 55 percent, according to the report.

Average daily hotel rates declined slightly from \$52.86 per night in 1988 to \$52.76 per night in 1989, because of increased supply. BDO Seidman expects average daily rates to increase only nominally in 1990 to approximately \$53 per night for the same reason.

## Hotels wait for demand to rise as building levels off

By Gerald Frawley staff writer

Local hotel managers are not panicking over declining occupancy rates, nor are they surprised.

Livonia Marriott general manager Ron Shifflett said he has not only recognized the lower occupancy, he expected it. "Hotel markets go through phases — it's not unusual to see developers enter an area and build too much," he said.

"Some hotel chains even build to keep others out (of a market)," he said. But once developers see 55 percent occupancy rates, they stop building because hotels become unprofitable.

### Take curiosity out

(AP) — To make your new home safe for children, look at it as a youngster filled with enormous curiosity.

Are there ordinary items that would attract a child because they are colorful, intriguing, or look like they are fun to play with? If so, it's likely a child will make every effort to get at them.

Here are some tips to help keep your child safe and keep you from sounding like a broken record repeating "No."

• As soon as your baby learns to crawl, remove easily breakable objects from coffee tables, sideboards, furniture and other easy-to-reach places.

• Rearrange closets so that only safe, sturdy objects are near the floor.

• Keep attics, basements and other storage areas locked.

• Remove bathroom and other interior door locks if they can't be opened from the other side. If necessary, install a latch higher up.

• Safety latches designed to prevent small children from opening drawers and cabinets are available at home centers and are easy to install. Use them on all cabinets and drawers containing dangerous materials, sharp objects and delicate glassware or bric-a-brac.

• If your windows are double hung, locate your screens in the upper part and open the upper sash for ventilation. Otherwise, install guard

profitable.

Room occupancy, Shifflett continued, is probably artificially low because the market is new. After business people become aware of the newer hotels, occupancy should increase.

"I don't think you can walk right in and expect a profit," he said. "We'll be fine. We haven't seen rate-cutting, and I doubt we will." Radisson Hotel-Southfield director of sales Pat McKay said building more hotels is unnecessary. "If another one comes to the area, it might hurt the hotels here."

The hotel industry is already responding to the lower demand with less building, McKay said. "We'll see

an oversupply for a year or two, but the demand market will catch up."

McKay also said that while lower occupancy rates are a reason for concern, hotels will continue to make profits. Full-service hotels offer more than just rooms and can supplement an already efficient operation with restaurants, room service and other amenities. Budget motels, she added, don't have as

many expenses.

EMBASSY SUITES Southfield general manager John Farmer said it will take two to three years for the market to regain its previous vigor.

"No one is getting more market share unless they steal from someone else," Farmer said. "The whole country is overbuilt right now — we basically have too many hotel rooms and not enough bodies to fill them."

The upscale hotels — the Embassy Suites, the Radisson and the Marriott — will probably retain most of their business, Farmer continued, but the threat of economy hotels continues to loom.

If any hotels are built, they will probably be economy facilities. "I can see an economy glut in the next couple years, but I think people will come back to full-service hotels,"

Farmer said.

Gone are the days when there was relatively little competition between economy and full-service hotels, he said. As the market gets tighter, full-service hotels will begin educating customers more about what they offer. Holiday Inn-Auburn Hills general manager James Weadbrock said that in some cases, hotels get a jump on an area.

### Luxury, Elegance, Prestige

An exclusive private community nestled among mature trees, winding streams and a spring fed lake. Glen Oaks offers the ultimate in elegant living, including: • 2300 sq. ft. 2 bedrooms, 2 baths, den and glass enclosed sunroom • State of the art 24-hour manned security gate • Health club facilities including indoor pool, sauna, whirlpool and exercise room • Social room • Garage with storage locker • Full size washer and dryer • Helicopter landing pad.

**Glen Oaks**  
LUXURY APARTMENTS

Unfurnished  
\$1,100  
to  
\$1,400

Handicap facilities

Adjacent to 12 Oaks Mall

Furnished Corporate Suites Available

For more information, Call 348-7550 or by appointment