

HEI's Development Projects Collectively Surpass Half-Billion Dollar Mark

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Selective Investment in Development is Key Strategy for Leading Owner/Operator

HEI Hotels & Resorts, a rapidly growing hotel ownership and operating company, today announced that with its recent acquisition of a one-acre land parcel in Bellevue, Wash., the company's development projects now collectively exceed \$500 million. With readily available capital through its discretionary funds and large lines of credit, HEI is perfectly positioned to continue as a major player in the hotel acquisition and development business, even in the face of the "credit crunch" and economic downturn.

"Development will play an increasingly important role in our growth," said Steve Mendell, HEI's executive vice president -- acquisitions and development. "In addition to the Marriott Bellevue, which is currently in its pre-construction phase, we also have another hotel currently under construction, the W in Hollywood, California, and an historic adaptive re-use Le Meridien project in Philadelphia that is in its final design phase. Last July, we opened the immensely successful Westin Minneapolis, another historic adaptive re-use project. Going forward, we expect newly built hotels to account for approximately 15 percent of our portfolio."

The proposed Marriott Bellevue hotel will be the first full-service Marriott in the City of Bellevue, one of the last major, urban markets nationally without full-service brand representation from Marriott International, Inc. HEI expects to break ground on the 378-room, full-service Marriott Hotel in mid-2008, pending final governmental design approvals.

"As is evidenced by the recent influx of numerous international corporations, Bellevue is experiencing an economic boom unlike any other market we have studied, and with it, a growing demand for high-quality lodging," Mendell said. "Following its targeted completion date in 2010, we are confident that the Marriott Bellevue will become the first-class, full-service hotel of choice for business and leisure travelers to the greater Seattle Eastside area."

The W Hollywood Hotel & Residences is being developed by a joint venture between HEI and Gatehouse Capital of Dallas. The hotel currently is under construction at the legendary intersection of Hollywood and Vine, a short walk from the onsite transit station, and includes 305 hotel rooms, 143 condominiums and approximately 15,000 square feet of retail space. Upon the project's anticipated completion in 2009, it immediately will become the most visible symbol of the ongoing and dramatic resurrection of "Tinseltown."

Le Meridien Philadelphia, an historic adaptive re-use, 202-room hotel, will offer five floors of four-star accommodations, a 90-seat restaurant with a 30-seat bar and lounge at the lobby level, a state-of-the-art business center, 5,300 square feet of technology-enhanced meeting space, and a grand ballroom located on the third floor that features dramatic views of Philadelphia's architecturally striking City Hall, just three blocks away. The hotel also will feature a central-atrium courtyard on the fifth floor that boasts a skylight at the crown of its 75-foot ceiling.

The Westin Minneapolis, which opened in April 2007 in the converted Farmers & Mechanics Bank Building, features a 34-foot vaulted ceiling and restored marble staircase in its dramatic lobby entryway. Wood emblems in the lobby, which represent the leading industries of the World War II era, invite guests to explore the rich history of the bank, which was built in 1941. The hotel's 214 guestrooms include a penthouse suite with an outdoor patio, a top-floor Bankers Boardroom with floor to ceiling windows and exposed vault-door meeting room and wine cellar.

Mendell said that hotel development, whether new-build or historic adaptive re-uses, will diversify the company's portfolio and provide significant growth potential. "Our extensive development and construction supervision expertise, both for new builds and deep repositioning projects, as well as the four development projects totaling over \$500 million of invested capital we have under our belt, positions HEI as one of the nation's leading hotel development firms."

"As we continue to pursue development opportunities, we will continue to partner with well respected franchisors in markets with high barriers to entry," said Russell Urban, HEI's senior vice president - development. "We have an active new-development pipeline, but remain extremely particular about the opportunities we accept."

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