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First of four hotels to get underway at the Domain

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AMERICAN-STATESMAN STAFF

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Construction is expected to start as soon as next month on Austin's first Westin hotel at Simon Property Group's Domain project in North Austin.

The eight-story hotel will have 340 rooms and more than 14,000 square feet of meeting room and banquet space, as well as a themed restaurant and bar, said Scott Travis, vice president of development for White Lodging Services Corp., which will jointly own the hotel with Simon.

White Lodging will develop the hotel at a cost of \$70 million to \$75 million and manage it, Travis said.

Despite a decline in the hotel market nationwide because of the economic downturn, "Austin continues to be a solid market," Travis said.

"We currently operate 17 hotels in the Austin market. And based on the growth on the north end of town, we feel strongly that demand to support this type of hotel and the quantity of rooms is sufficient," he said.

The hotel will be part of an expansion of the Simon project that also will include a Dillard's and a Dick's Sporting Goods. It will be south of the original project, which includes Neiman Marcus and other high-end retailers as well as apartments.

Just east of the Simon project, Endeavor Real Estate Group is working on a separate project, also called Domain, that will include three hotels, as well as retail, residential and office space.

Work on a six-story Aloft boutique hotel at the Endeavor project is expected to start in about a month. That hotel will be a joint venture of Open Hospitality Partners, a Dallas-based firm, and Lodgeworks of Wichita, Kan.

Developers have closed on the land and should break ground in about a month, said Mark Masinter, president of Open Hospitality.

Work should start next year on Twelve Domain, a 145-room hotel that will be part of a 28-story condominium tower. Atlanta-based Novare Group and its Austin partner, Andrews Urban, are co-developing that project.

The hotel market in Northwest Austin is strong, with a 7.3 percent increase in the average daily room rate in the first five months of the year, to \$116.73, according to PKF Consulting.

That's almost double the year-over-year growth rate of the Austin market overall, said Camille Kapoor, a PKF consultant in the firm's Houston office.

Occupancy rates in Northwest Austin were 74.3 percent, down slightly from 75 percent a year ago.

"Northwest Austin is doing well," Kapoor said, thanks largely to a strong base of major employers nearby.

The list includes IBM Corp., Apple Inc., National Instruments and Flextronics, plus the University of Texas' J.J. Pickle Research Campus.

In addition, more than 3.5 million square feet of first-class office space either opened recently or is under construction in Northwest and far Northwest Austin. Northwest Austin's office market, which had a vacancy rate of 13.7 percent for first-class space at the end of 2007, has been faring better than the market as a whole, which had a vacancy rate of 15.9 percent at year-end 2007.

"As long as the office space continues to be absorbed at the current rate and new buildings are filled, you'll continue to see demand for business-related hotel stays," Kapoor said.

Simon's Domain also has office space, and Endeavor has started work on the first office building at its project — a 175,000-square-foot building that eventually will be part of 3.5 million to 4 million square feet of office space at the project.

Randy McCaslin, a vice president with PKF Consulting, said Austin has four strong sources of demand for hotel rooms — business, leisure, group and government segments — that cushion the area more than some other markets against downturns in the economy.

Travis at White Lodging agreed.

Couple Austin's diverse economy "with the stability and growth of the city itself," he said, and that "tends to make the city more resilient than the majority of other markets."

Courtesy of JB Goodwin