

Sun sets on hotel boom

Economy lodges may be last inns built in one Brooklyn neighborhood, for now

By GABBY WARSHAWER

A few years ago, the prolific McSam Hotel Group opened a Days Inn in Sunset Park, the Brooklyn neighborhood south of Park Slope and north of Bay Ridge. At the time, it seemed like a new day was dawning for hotels in the area.

The hotel's location — on 39th Street between Fourth and Fifth avenues — is close to Sunset Park's long stretches of row-houses and commercial properties. The 43-room hotel is also a block and a half from the Gowanus Expressway, which runs over Third Avenue. The property is in the western section of Sunset Park, an area defined by roaring traffic, warehouses and industrial activity.

Now, five other hotels, most in the border zone between Sunset Park's industrial and residential sections, are planned or in some stage of development nearby. Like the Days Inn, most of the planned hotels will be economy lodgings.

However, the trend toward hotel development is unlikely to proceed past the properties that are already in development. For one, financing for hotel construction has been almost impossible to obtain as the credit crunch has worsened. In addition, the McSam Group fears Brooklyn will soon see a glut of hotels.

Although McSam, owned by develop-

And the newest hotel to open in Sunset Park is a Sleep Inn, which was scheduled to open late last year, according to its developer.

The 97-room hotel, on 49th Street between Second and Third avenues, is expected to have average rates of \$150 a night and a projected occupancy rate of 70 percent in its first year of business, said Raj Bhagia, a partner in SAI Development, which is developing the property.

"We're opening in a weak economy, but eventually, in two or three years, we expect business to be good," said Bhagia, who added that he believes Sunset Park, as a heavily residential neighborhood, is underserved in terms of hotel rooms.

"The location near the expressway is also attractive," said Bhagia, noting that the traffic artery could help to lure business travelers.

SAI also planned to start construction on another hotel in the neighborhood, this one on 33rd Street between Third and Fourth avenues, in December, and have it open for business by the end of 2009. Bhagia said that his firm has not yet secured an operator for the location.

The proliferation of hotels in Sunset Park is similar to the hotel growth in Gowanus, the mostly industrial neighborhood farther north up the Brooklyn-Queens Express-

\$200, while rates at the Sunset Park Days Inn ranged between \$125 to \$150 for the same period, according to Web sites for both hotels.

Aside from a possible glut, today's lending environment makes the acquisition and construction of hotels in Brooklyn "very tricky," said Cohen, whose firm is headquartered in Sunset Park.

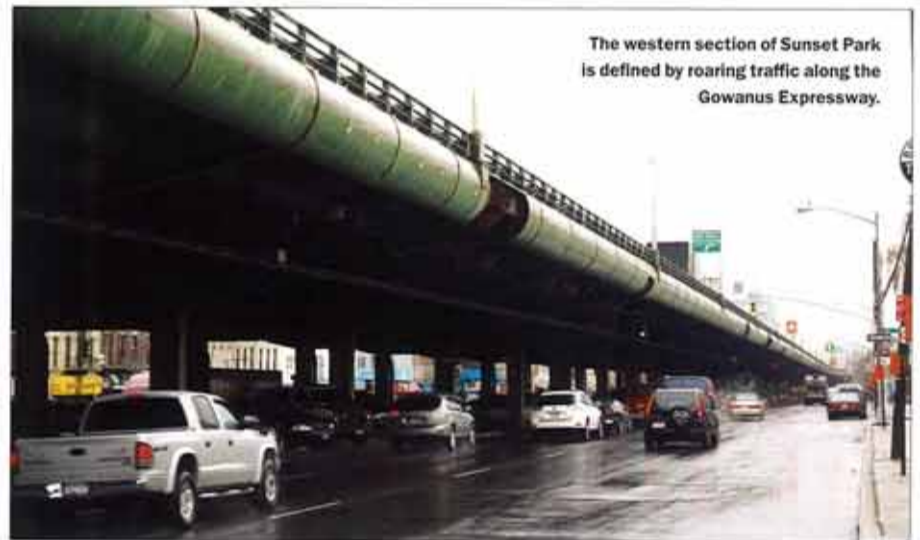
"There is zero financing available, especially for budget hotels," said Cohen, who helped broker the sale of the Days Inn site on

39th Street to McSam a few years ago. "The truth is that whatever is in the pipeline is all that's going to happen for now."

Cohen said he recently had a Sunset Park hotel development site in contract, but that the deal didn't close because its would-be developer "had a very solid business plan, but he went to every lender in the country and couldn't get financing."

That said, Cohen still believes there is room for hotel development in Sunset Park.

Continued on page 96



The western section of Sunset Park is defined by roaring traffic along the Gowanus Expressway.



The newest hotel to open in Sunset Park is a Sleep Inn.



The Days Inn on 39th Street between Fourth and Fifth avenues was developed by McSam.

"We were very bullish on Brooklyn — past tense. Our hotels have done well, but we are very concerned with the amount of product planned for the borough."

Gary Wisinski, McSam Hotel Group

er Sam Chang, blazed a trail with its first Sunset Park hotel. Gary Wisinski, the firm's chief operating officer, says it won't be building any more properties in Sunset Park, or any other section of Brooklyn, once it completes construction on the hotels it now has in the pipeline.

"We were very bullish on Brooklyn — past tense," said Wisinski. "Our hotels have done well, but we are very concerned with the amount of product planned for the borough."

The McSam Hotel Group is developing two Comfort Inns in the area. One is on 38th Street between Third and Fourth avenues, and the other on 59th Street overlooking the expressway.

The 38th Street Comfort Inn is under construction, while the Department of Buildings has yet to approve plans for the 59th Street Comfort Inn. Meanwhile, another developer has laid the foundation for an as-yet-unnamed 46-room property on 39th Street near Fifth Avenue.

way, where three hotels have opened and six more are planned.

Indeed, construction of the Gowanus and Sunset Park hotels could result in a sort of hotel corridor alongside — or very near — the BQE.

Commercial broker Ofer Cohen, managing director of the firm Terra CRG, said that Sunset Park, like Gowanus, was probably attractive to hotel developers because "if you had a dilapidated warehouse that wasn't good for anything else, you could sell it as a hotel development site." At the same time, Cohen noted that Sunset Park hotel developers were probably eyeing potential customers who wanted to pay lower rates than at hotels in Gowanus.

Cohen said a Holiday Inn Express that opened on Union Street in Gowanus in 2006 "does great business." He said, "People who couldn't get a room there, or who wanted to pay less, might come to Sunset Park."

Average nightly rates for the Gowanus Holiday Inn Express recently were above

Sunset Park *from page 64*

because the neighborhood is close to other heavily residential areas, like Bensonhurst and Bay Ridge, which are underserved by hotels.

And he notes that today's economic climate might be considered something of a boon for budget hotel operators because "they're kind of recession proof," with rates that are more affordable to guests who are struggling during an economic downturn.

While budget hotels may be growing in Brooklyn, the construction of several such properties in Gowanus led City Council Member Bill de Blasio to hold a press conference on their proliferation in May. De Blasio argued that such hotels threaten to become "hot sheet" destinations that are used for prostitution if they can't generate enough revenue from business or tourist guests.

The three new hotels now open in Gowanus are budget brands Comfort Inn and Holiday Inn Express, as well as the boutique Hotel Le Bleu. A Super 8 is scheduled to open soon, and construction is under way on a Fairfield Inn.

The four other hotels in the works for the neighborhood will likely include both budget and higher-end properties, according to statements from their developers.

While a similar budget hotel building boom appears under way in Sunset Park, business leaders don't think they



A Comfort Inn being developed by McSam on 38th Street between Third and Fourth avenues in Sunset Park.

would ever meet the fate that de Blasio fears.

"I don't see a Comfort Inn becoming a hot sheet," said Carl Hum, president and CEO of the Brooklyn Chamber

of Commerce. "National chains do their homework before opening somewhere."

Hum believes that the Sunset Park hotels will mainly serve family members visiting residents of the community.

"This is a family-oriented neighborhood, and, as in many parts of the city, people are living in small quarters, so visitors need somewhere to stay," Hum said.

Bhagia of SAI Development, meanwhile, said that because of the substantial investments involved in building hotels, lenders would be very wary of financing projects that could reflect poorly upon them.

"If you're giving out a loan of \$10 or \$12 million, you're not going to want to back something that could end up with a reputation like that," he said. "Nobody wants to get in trouble."

At least one business leader in the community, however, is undecided about how the hotel influx will affect Sunset Park. "It's interesting that they're building here, but I have no idea why they're doing it or what impact it'll end up having," said Renée Giordano, executive director of the Sunset Park Business Improvement District. "I never thought of the neighborhood as a tourist destination, but we've always advertised that it's convenient for getting to the airport." **TRO**