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MARKET REPORT

HVS Market Intelligence Report: Columbus, Ohio

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Hoteliers stand to reap the benefits of this capital city's revitalization, especially downtown.

Location, Location, Location

"Ohio: The Heart of it All." This popular motto has long represented the Midwestern state, and it seems fitting that its capital city of Columbus is centrally located and connected arterially to every metropolitan area in Ohio. While in the grip of trying financial times, several factors contribute to Columbus' relative prosperity compared to Ohio's other major cities.

As the state capital, Columbus enjoys the solid foundation of large and permanent government operations. The City of Columbus, Franklin County, the State of Ohio, and the U.S. government each rank among the top ten employers for the Greater Columbus area. The economy is further fortified by the headquarters of six Fortune 500 and nine Fortune 1000 companies representing a broad variety of economic sectors.

The Ohio State University (OSU) leverages a significant economic impact as well. For the 2007 fall semester, OSU boasted an enrollment of 52,568 students, the largest undergraduate enrollment in the country. OSU's dominant athletics program competes in the Division 1 Big Ten Conference with ten other major universities across the Great Lakes and Midwestern regions. The Ohio State Buckeyes took home the national title in the 2002 BCS National Championship and competed for it again in 2007 and 2008. Football game days are regularly celebrated as holidays in Columbus, and hotels throughout the city benefit from the popularity of OSU athletic events.

Columbus' location at the center of the state encourages commerce to and from the city, which, with an estimated 748,000 residents in 2007, is Ohio's largest and the 15th largest in the United States. The sheer size and diversity of the city presents us with too much territory to survey in a single article. Thus, our focus here will be on Ohio's heart of hearts: Downtown Columbus.

Downtown Columbus and the Arena District

Columbus city planners have made major headway in the revitalization of the downtown area over the past ten years. Major and minor league sporting events are a huge part of the energy and economic pulse of the city, and one of the most successful projects has been the development of the "Arena District," so-named for its centerpiece: Nationwide Arena, which opened in September of 2000. This $150-million facility is home to the National Hockey League's Columbus Blue Jackets and the Arena Football League's Columbus Destroyers. The 800,000-square-foot arena is also a popular concert venue with a seating capacity of 20,000.

In addition, a new AAA baseball stadium is under construction just west of Nationwide Arena. This 200,000-square-foot

park will have a seating capacity of 10,000. Naming rights for the stadium were purchased by Huntington Bancshares, Inc. for $12 million, representing the second-largest donation to a minor league ballpark. Huntington Park will host the Columbus Clippers, a “farm team” of the Washington Nationals. Cultural attractions such as the Columbus Museum of Art and the Center for Science and Industry help round out the downtown landscape by providing a draw for a wider demographic of visitors.

The Greater Columbus Convention Center is also located in the Arena District. The center has undergone a significant expansion and subsequent renovation since opening 1993, and the facility now offers 1.7 million square feet suitable to a variety of group functions. In 2007, convention and meeting groups accounted for $2 billion in direct spending and $180 million in city and tax revenue. Major events include the annual Arnold Classic and Sports Festival in March and the Ohio Florists’ Association Short Course in July. These events normally sell out hotels throughout the city.

Currently, the Convention Center’s ability to host 10,000 attendees is unrealized, with the limiting factor being the downtown market’s 3,200 hotel rooms, of which only 2,500 are full-service. Center officials announced plans in June of 2008 to increase the marketability of the convention center by adding a full-service hotel adjacent to the existing site. The introduction of full-service supply within proximity to the facility would allow the Convention Center to attract larger groups and compete with other second-tier convention markets like Pittsburgh, Indianapolis, and Louisville. The project, which would be a joint public and private investment, is still in the feasibility stage, and officials predict the hotel would not be completed until 2011.

Hotel Performance Downtown

Hotels in Downtown Columbus enjoyed a very successful 2007, but much like the rest of the nation, suffered a slight dip in occupancy in 2008. Decreased travel and a struggling national economy, combined with new supply in Downtown Columbus (the Residence Inn opened in February), are expected to result in an occupancy decline through the remainder of 2008. Average rates at Downtown Columbus hotels are expected to grow less aggressively than in past years, again mirroring national trends during the current economic slump.

Average rate has been very strong in recent years, though Downtown does not boast the highest rates in the city; this title belongs to hotels in the Easton/Airport area. Unlike suburban markets such as Easton and Polaris, Downtown Columbus offers very limited retail amenities. Since the opening of Easton Town Center nearly a decade ago, the Easton-Polaris area has become the retail nucleus of Columbus. Travelers flock to the center’s dozens of shopping and dining venues, and these amenities allow hotels in this market to command a premium. Despite a thriving nightlife and entertainment scene, Downtown Columbus does not yet compete with Easton in the retail arena. City Center Mall, once a hallmark of Downtown, has been in decline since 1999 and is now practically deserted. The City of Columbus recently reclaimed control of City Center, though no plans for its redevelopment have been announced. City officials have also initiated a push for retail along High Street downtown, offering possible tax incentives for businesses that relocate to the Central Business District. Through these measures and the addition of downtown attractions (such as those in the Arena District mentioned above), city officials aim to attract more retail offerings to the downtown area.

Government-related travel provides a consistent demand base for city hotels, especially the downtown market, where the Ohio Statehouse also attracts tourists by the busload. In addition to the government, major employers in Downtown Columbus include Nationwide Insurance, JP Morgan Chase, National City Corporation, and American Electric Power. The Columbus Chamber of Commerce estimates that over 100,000 are employed across the downtown area. This bedrock of commercial demand has allowed the downtown lodging market to maintain a market-wide occupancy level of over 60%. Like most downtown markets, demand in Downtown Columbus is slow on weekends and stronger throughout the week.

Hotels located in Downtown Columbus:

- Hyatt Regency* 631 rooms
- The Renaissance 408 rooms
- Hyatt on Capitol Square 400 rooms

- Crowne Plaza Downtown* 377 rooms
- Holiday Inn City Center 240 rooms
- DoubleTree Downtown 194 rooms
- Westin 186 rooms
- Drury Inn & Suites Convention Center* 180 rooms
- Hampton Inn & Suites Downtown 179 rooms
- Courtyard Downtown 149 rooms
- Red Roof Inn 149 rooms
- Residence Inn Downtown 126 rooms
- The Lofts 44 rooms

* located adjacent to the Greater Columbus Convention Center

Conclusion

Columbus is the only major city in Ohio to maintain economic and population growth over the last twenty years, and its employment levels remain above the national and state averages. Major conferences, sporting events, and multi-billion-dollar businesses downtown work in concert to create stability and stimulate growth. With above-board occupancy levels and average rates, area hotels have seen the benefit. Columbus does not bear the tinge of other Rust Belt cities that seem to be preparing for the worst in this economic climate, but ably reflects the light of future growth and development.