



Development

Pittsburgh's supply boom not a long-term concern for hotels

by *Alicia Hoisington* | May 23, 2017 2:59pm



Millcraft Hospitality opened the 197-room Hilton Garden Inn Pittsburgh Downtown in March 2016.



Downtown Pittsburgh has seen a boom of hotel development over the past few years, but while some concerns about oversupply in the short term loom, sources said the market has always been stable even when weathering a recession.

Marcus Piatt, president of [Millcraft Hospitality](#), said oversupply in Pittsburgh is a reality, but the market has the ability to absorb what's already been built. Millcraft, with bases in Pittsburgh and Washington, Penn., has a Hilton Garden Inn in downtown Pittsburgh as well as several other hotels in surrounding suburbs. The company also has five hotels under development, two of which will be in the downtown Pittsburgh market—a 174-room Moxy Hotel to open in 2019 and another in the early stages of development.

"I think Pittsburgh will continue to absorb what's been built as long as it doesn't get into any very large developments with 500 to 600 rooms," Piatt said. "Those types of hotels can annihilate markets like Pittsburgh. That's a lot of rooms to fill."

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Although Pittsburgh's central business district has seen supply increase 4.9 percent as of year-to-date April, according to [STR](#) data, demand growth has outpaced it at 6.9 percent. Meanwhile, occupancy has seen an increase of 2 percent to 58 percent. Revenue per available room has grown 1.7 percent to \$80.91, while average daily rate saw a slight decrease (-0.2 percent to \$139.61).

Craig Davis, CEO of the city's convention and visitors bureau [VisitPittsburgh](#), said any time a market sees a large increase in supply in a short amount of time, the natural balance will be upset. However, he isn't concerned about the long-term hotel market due to the fact that Pittsburgh has seen demand grow every year for the past five years.

"I'm concerned in the short term about the oversupply situation and what it will perhaps do to rate," Davis said. "But I am still bullish about the future." He said that he's confident all new supply for the market will be absorbed by 2020.

Data compiled by the [Pittsburgh Downtown Partnership](#) and VisitPittsburgh in the "[2017 State of Downtown Pittsburgh](#)" report shows that the market has about 6,000 existing hotel rooms with another 1,183 rooms in the pipeline.

STR's data shows 15 hotels with 2,003 rooms are in the pipeline for Pittsburgh's CBD. Of those, the city is seeing the most rooms come from the upscale segment (five hotels with 628 rooms) and the independent segment (four hotels with 620 rooms). The upper-midscale segment is close behind with four hotels and 476 rooms in the pipeline.

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Some of the hotels on tap for Pittsburgh, according to the CVB, include but are not limited to:

- the 111-room Hotel Indigo at Pittsburgh Technology Center to open in early 2018;
- a 126-room Home2Suites along East Carson Street in Pittsburgh's South Side neighborhood will open this August;
- the former Salvation Army headquarters in downtown Pittsburgh will be converted into a 186-room Distrikt Hotel set to open this July;
- **Concord Hospitality** will debut Pittsburgh's first AC Hotel in 2018 (133 rooms) as well as a 167-room Autograph Collection hotel from **Marriott** on the property of the Pittsburgh Athletic Association, located at the University of Pittsburgh; and
- Core Realty plans to redevelop the fifth and sixth floors of the former Macy's building in downtown Pittsburgh into a 155-room Even hotel to open in 2018.



The Drury Plaza Hotel Pittsburgh Downtown opened in February 2017.

Piatt said that it's important to note that financing is becoming more difficult to come by for hotels in Pittsburgh.

"A lot of local lenders and players in Pittsburgh are maxed out in their portfolios because of the boom in hospitality in Pittsburgh," he said. "It's making it a little difficult to develop."

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A Steady City

Despite the development boom, sources said Pittsburgh has held steady and weathered storms other markets could not during the recession due to the market's stable economy and diverse demand drivers.

"We always have focused our efforts on Pittsburgh," Piatt said. "Everyone else was in trouble with hotels [during the recession], and we were building hotels."

Brian Kurtz, director of economic development for the Pittsburgh Downtown Partnership, said demand drivers for Pittsburgh are plentiful, with education being a big one. The city is home to several colleges and universities, including Carnegie Mellon University, University of Pittsburgh, Duquesne University and Point Park University.

Sports teams are another driver for hotel demand, Kurtz said.

“We’ve tried to draw some causation between occupancy rates last May and June related to the Pittsburgh Penguins Stanley Cup Championship season. In the month of June last year, our occupancy rates were higher than the year prior ... and average daily rate was higher than when the Penguins were not in the playoffs,” he said.

Kurtz said that the Rivers Casino, which opened in 2009, draws 4.6 million visitors a year (the market as a whole attracts 13.4 million visitors, according to the Pittsburgh Downtown Partnership report). A \$35-million hotel is being planned by Rivers Casino, according to VisitPittsburgh. The seven-story, 214-room hotel will be built along the North Shore, next to the Carnegie Science Center and is expected to open in the summer of 2018.

Additionally, the arts are great demand drivers to the city, including a large theater scene and several museums, Kurtz said.

Davis said business travel and conventions and meetings business in Pittsburgh are still solid. However, the city does not have a true convention-center hotel. While Davis said attracting a convention hotel is an eventual goal, the time is not right now due to the supply surge the city has already seen. The focus right now is on absorbing new supply.

“But our hotels are telling me that they are seeing pretty strong weekends, which tells you visitation is strong,” Davis added.

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