

# Hotel pipeline bulges as tourism grows

With 1,400 rooms under construction, S.F. will finally see new supply after little expansion

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Architect Michael Stanton is being modest when he says his role in the rising wave of San Francisco hotel developments is insignificant.

Stanton Architecture has been a go-to name for developers of projects as small as 77 rooms up to 230 rooms, and often works on plans for sites within a few hundred feet of one another.

Stanton Architecture has benefitted as a healthy pipeline of hotel projects have popped up in San Francisco since the recession.

There are now 4,685 rooms in the pipeline citywide, with 1,400 of those under construction – a significant jump from the 253 rooms the Bay Area Lodging Outlook reported opened last year. As room prices and hotel occupancy have climbed, developers have taken the plunge on new inventory. The San Francisco Travel Association reported that

the city posted an average rate of more than \$252 per night, with occupancy at a healthy 85.5 percent throughout 2016 – both of which were bolstered by the 2.8 percent jump in the total number of visitors last year.

After years with little or no supply being added, developers have the chance to catch up.

“San Francisco has been a difficult hotel market for decades,” Stanton said. “The opacity of land, the complex and lengthy approval process, the high cost of construction ... it all dissuades people from building. Now that the housing market is so uncertain, the hotel market is finally catching up with demand.”

Five properties are slated to make their debut this year, with an additional 20 hotel proposals ranging in size, price, scope and location currently jumping through the city’s procedural hoops.

Stanton said the hospitality market will remain strong for the next few years, a sentiment Kevin Carroll, the Hotel Council of San Francisco’s executive director, echoed.

“There are quite a few hotels about to open and more in the pipeline than we’ve had in a while,” Carroll said, adding that the flurry



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**JUSTIN PALMER,**  
Synapse  
Development



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of upcoming activity will stem from incoming brands such as the Yotel, Virgin Hotel and Hotel Via. “San Francisco is a center for innovation, and hotel developers are bringing in that innovation to make it more exciting and cater to the city’s travelers. The new brands and concepts will be incredible for the city, and what’s nice is that the range between the Yotel and the future Waldorf Astoria will create a spectrum of options.”

It took a while for Yotel’s plans to anchor one end of that spectrum, but after closing on the building at 1095 Market St. back in early 2014, Synapse Development CEO Justin Palmer said it’s an opportunity the hotel developer couldn’t miss out on.

With the existing building already entitled for a hostel use, Palmer said the framework for the Yotel redevelopment was already in place, making it even easier for the New York-based developer to get the project’s ball rolling.

“It all helped us speed to market,” Palmer said, adding that San Francisco’s construction climate is much more tumultuous for other hospitality developers. “San Francisco is one of the strongest hospitality markets in the country because there hasn’t been much new construction. That, combined with the fact that we’re delivering something that’s totally unique and with an affordable price point, we feel great about opening later this year.”

When Yotel debuts its 203 small-format rooms, it will be delivered when a number of other hotels begin popping up along and south of the Market Street corridor.

Stanton Architecture alone is working on proposals at 1555 Union St.,

1025 Howard Street, 433 Mason St., 300 and 399 Fifth St., among a handful of others, and while both Stanton and Palmer believe few of those will actually get built, the architect said there is a healthy number of proposals on the table to backfill some of the demand for additional hotel space.

“Hospitality and tourism is a high priority for the city, and the vibrant tech business will continue to bring more activity,” Stanton said.

What he’s most excited about, however, is that new hotel proposals he has a hand in are taking advantage of sites’ infill opportunities in areas of the city

that would welcome a boost of new energy. His work at 425 Mason St., for example, will transform the long-vacant Spring Valley Water Co. Building into a 77-room AC by Marriott hotel, plans for which will break ground in 2018.

“Hotels are good infill opportunities for the broken teeth throughout the city,” Stanton said, referring to the small, often dormant properties sandwiched between taller buildings. “There are a lot of those projects beginning to take off, and there’s more than enough demand to fill them.”