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## Developers start 3-in-1 hotel project next to McCormick Place

With a big Marriott Marquis set to open next to McCormick Place this year, a development group has begun construction on another hotel nearby—or three, to be more precise.

A joint venture between Rosemont-based First Hospitality Group and James McHugh Construction has secured a construction loan for the 466-room project at 123 W. Cermak Road, said First Hospitality President and CEO Robert Habeeb.

Site work is already underway, and the developers plan a ceremonial groundbreaking tomorrow morning. A lender group led by Chicago-based PrivateBank provided the loan.

"We're off to the races," Habeeb said.

It will be the first tri-branded hotel development for Hilton Worldwide, with a Hilton Garden Inn, a Hampton Inn and a Home2, a new Hilton extended-stay chain, all under one roof, he said. The three hotels will share some amenities and functions—including a reception area and fitness center—but will offer different levels of service: full-service at the Hilton Garden Inn, limited-service at the Hampton and extended-stay at Home2.

It's an unusual model but not a new one to Chicago. About four years ago, Chicago developer Albert Friedman and partner White Lodging Services completed a **657-room hotel development** in River North that included Hyatt Place, Aloft and Fairfield Inn & Suites hotels.

The \$139 million, 22-story project next to McCormick Place is part of a broader development boom around the convention center that includes the 1,205-room Marquis and **Wintrust Arena**, a 10,000-seat sports and event venue that will be the new home of DePaul University's basketball teams. The city, which has rebranded the neighborhood **McCormick Square**, hopes the investments will help transform the area into an entertainment district, allowing it to attract more trade shows to the South Side convention center.

First Hospitality and Chicago-based McHugh are moving forward with their project at a time of optimism and uncertainty for Chicago hoteliers. Occupancies and room rates have eclipsed pre-recession levels, fueled by a rise in business travel, tourism and convention bookings.

But the downtown market **has softened** over the past year amid a weaker convention calendar and a development boom that added more than 1,800 rooms to the downtown market last year, according to STR, a suburban Nashville, Tenn.-based research firm.

This year, developers will **complete more 2,000 rooms** in the greater downtown, including the Marquis, the biggest new Chicago hotel since 1992, when the 1,214-room Sheraton Chicago Hotel & Towers opened along the Chicago River. The extra supply could make it harder for some hotels to fill rooms at high rates.

"There's no question that we're going to have to swallow hard to absorb the supply that's coming our way," Habeeb said.

Still, the **addition of the Marquis** could expand the hotel pie over the long run. Many meeting planners and trade groups prefer convention halls with hotels close by. One knock on McCormick Place is that it doesn't have enough rooms in the immediate vicinity, requiring trade show visitors to take cabs to and from hotels in the central business district.

But the new Marquis and Hilton projects could help solve that problem by allowing the city to attract more conventions to McCormick Place. More big meetings should generate more business for other hoteliers, according to city and convention bureau officials.

It's too early to know whether that will happen, but Habeeb is optimistic about his project. He doesn't view the Marquis and existing Hyatt Regency McCormick Place as direct competitors because they charge higher room rates than the three Hiltons will.

"We think we're going to occupy a perfect space," he said.

First Hospitality will run the Hilton property, which will generate 350 full-time jobs and 600 temporary construction jobs.