

Four Seasons digs in as competition grows

Company seeks to assert dominance over rivals in upscale hotel market

By SHIRLEY WON

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The world's largest luxury hotel chain plans to protect its turf in its head office city.

Four Seasons Hotels Inc. today will take the wraps off a posh, \$325-million hotel project in Toronto's tony Yorkville district that will go head to head against new rivals as the battle heats up for well-heeled customers.

The chain will run the 265-room hotel slated for opening in 2009. It will be owned by Saudi Arabia's Prince al-Waleed bin Talal, ranked by Forbes as the world's fifth richest man.

Prince al-Waleed holds a 22-per-cent stake in the Four Seasons Hotels chain and also recently purchased the existing 380-room Four Seasons Hotel in the same area, for which he has major renovation plans, from its previous U.S.-based owners Maritz Wolff & Co.

"We have many spectacular hotels around the world, but this [second one] will be our flagship," enthused Isadore Sharp, founder and chief executive officer of Toronto-based Four Seasons. "You want to maintain your [top] position."

The new Four Seasons hotel is one of at least four upscale projects, including condominiums, that will be sprouting up over the next few years. Both the 53-storey Ritz-Carlton Hotel & Residences and the 72-storey Trump International Hotel & Tower aim to open in 2009. Both are located either near or in the financial district. And there is a smaller Hazelton Hotel and Private Residences set to open in 2007 in Yorkville.

Hospitality consultants suggest it could take a while for the market to digest the new luxury beds, but added that these new hotels could also help pull up lagging room rates in an industry that is still suffering from deep discounting after the SARS scare in 2003.

"When you have upper-end hotels coming in, they push rates upward in the whole city," said Monique Rosszell, associate vice-president with HVS International Canada.

Her firm's survey of 11 major downtown Toronto hotels indicates that the occupancy rate rebounded to 71 per cent in 2004, but the average room rate of \$157 was still off from the \$169 rate in 2002.

Mr. Sharp's strategy is to make sure that both Four Seasons hotels will be top of mind among upscale consumers. That's why it chose the same trendy Yorkville location, with its high-end retail shops, restaurants and nightlife for its next-generation five-star hotel at the corner of Bay and Yorkville streets, only a few blocks away from its current one.

It was Prince al-Waleed's purchase of the existing Four Seasons hotel -- through his company Kingdom Hotels International -- that paved the way for a new one. The chain had been restricted from running another hotel with the same brand name because of a clause in the former management contract, Mr. Sharp said.

"I think it would have been seven or eight years before we'd have that right."

But Mr. Sharp is not concerned about the new Four Seasons hotel taking away business from the old one, saying that the chain already operates two hotels in many cities such as London, Chicago, Los Angeles, Singapore, Tokyo and Cairo.

Charles Henry, president of New York-based Hotel Capital Advisers Inc. and an overseer of the prince's hotels in North America, said that having two Four Seasons in a city is an advantage because "they tend to really dominate the city at the high end."

Mr. Henry is unruffled by the potential competitors. "Let's see if they all get built," he said. "It's hard to say what will happen when you are talking about such a long time frame."

Unlike the existing hotel, which Four Seasons renovated after buying it in 1978 from another hotel chain, the new one will be built from scratch, starting next year, to the company's current standards. It will have upscale retail shops, an interior courtyard that opens to the sky and amenities like a world-class spa with treatment rooms and four-piece bathrooms.

The new 55-storey hotel, which will become Yorkville's tallest building, is also a long way from Mr. Sharp's beginnings when he opened the Four Seasons motor hotel on Toronto's Jarvis Street in 1961, an area he describes as a "hookers' paradise" at the time.

The Four Seasons project, which will file applications for rezoning this week, includes plans for 125 luxury condo units on the upper floors during the first phase. There will also be a second-phase condo tower to be built later, which will be connected to the hotel.

Alan Menkes, president of Menkes Developments Ltd. and co-developer of the new Four Seasons project, acknowledges that there has been a flood of new condo units in the local market, but said the

project is banking on the "cachet" of the hotel brand to attract upper-crust buyers. High-end condos are now selling for \$700 to \$1,000 per square foot and "we think they would be at the top end of that range," Mr. Menkes said.

David Larone, director of PKF Consulting in Toronto, said that it is very expensive to build high-end hotels today, and it is the condominium sales that help defray the costs. "When these projects hit the streets, you'd be looking at a room rate in the range of \$400 [a night]," Mr. Larone predicted.

Michael Smith, an analyst at National Bank Financial Inc., said he is not surprised that Four Seasons is unveiling a new hotel project for Toronto given that the Ritz-Carlton chain -- which is owned by Marriott International Inc. -- is its closest major competitor.

"They will be less likely to lose any potential customers to Ritz-Carlton with this new property," Mr. Smith said.

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