

\$237 million, 350-room Grand Hyatt prepares for landing at SFO

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Jun 15, 2017, 2:07pm PDT

It already has the yoga lounges and spas, but come next week, the San Francisco International Airport will dig into long-awaited plans for a \$237 million hotel to add to its list of competitive amenities.

Through a partnership with Hyatt Hotels Corp. (NYSE: H), SFO will break ground on the Grand Hyatt San Francisco International Airport on Tuesday.

The Bay Area airport sealed the management agreement in January 2016. The deal gave branding and managing rights to Hyatt, but allows SFO to retain ownership of the property.

The airport will finance the \$237 million for the hotel's construction.

Plans to develop a hotel on airport grounds stems back to 2014, however, when the airport decided the hotel would be a lucrative step in enhancing SFO amenities.

Once completed in July 2019, the 350-room property will be located on a 4.7-acre site near the terminal buildings and parking garages. The location will have direct access to the terminals via an Airtrain station.

The hotel's design-build team is Webcor Builders — which also is building San Francisco's Transbay Transit Center — and Hornberger + Worstell Architects.

David Tarr, Hyatt's senior vice president of real estate and development, said SFO has "made remarkable progress in positioning itself as a world-class airport," and the Grand Hyatt brand "fits in with where the airport is taking itself."

The Grand Hyatt will build upon the hotel brand's current Bay Area footprint, which also includes the newly renovated Hyatt Regency in Burlingame— a 789-room property adjacent to the airport that previously serviced travelers heading in and out of the Bay Area.

"Strategically, there was every reason for us to progressively pursue the opportunity here," Tarr said of Hyatt's decision to throw its name in the request for proposal process SFO kicked off in 2014. "The location is more than an airport location with its position between downtown San Francisco and Silicon Valley, and there are significant demand generators in that market that recognize the Grand Hyatt brand as high quality in terms of facilities and services. We don't see these kinds of opportunities often."



SAN FRANCISCO INTERNATIONAL AIRPORT

An increasing number of airports across the country are beginning to take a closer look at incorporating hotels on their properties, and Hyatt already has management agreements for the Hyatt Regency Orlando International Airport in Florida as well as the Grand Hyatt DFW Hotel in Dallas. Both properties are owned by airports.

Tarr said Hyatt is also pursuing a request for proposals that Chicago O'Hare International Airport recently released for a converted or new hotel development on airport grounds there.

There's a big market for luxury hotel properties near or at an airport, and SFO spokesman [Doug Yakel](#) said it has become an important factor in airports competing with one another to vie for travelers' business.

"We're competing with amenities at world-class airports, and airports are looking to round out what we can offer our guests," Yakel said of the hotel, that is slated to include everything from 17,500 square feet of flexible meeting space to a health club and spa. "We have been wanting to add a world-class hotel for some time now, and we wanted a brand that reflected our own focus on hospitality. What we're getting ready to kick off next week will be a very valuable amenity."

Hotel data firm STR recently reported that in 2016, occupancy averages at luxury airport hotels nearly hit 72 percent. So far this year, that has climbed to 74.6 percent occupancy rate. Revenue at those properties has climbed accordingly, with luxury airport hotels increasing from a total of \$105.4 million in 2012 to \$154.8 million last year.

"When you look at the top-ranked airports around the world, they allow travelers to customize how they spend their time and, in a way, become a destination airport," Yakel said. "No matter what type of traveler you are, you'll find your needs met at that facility, and we've embraced that concept in our [terminal renovation](#). Having that hotel within our airport footprint will help people choose SFO as the gateway to their final destination."

Katie Burke

Food/Hospitality/Retail Reporter
San Francisco Business Times

