

HOTEL MARKET FEASIBILITY STUDY



VILLAGE OF ARLINGTON HEIGHTS
DEPARTMENT OF PLANNING
&
COMMUNITY DEVELOPMENT
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HOTEL MARKET FEASIBILITY ANALYSIS

OVERVIEW

The Chicago Metropolitan Area currently contains approximately 108,600 hotel/motel rooms according to the Chicago Convention & Visitors Bureau. The number of hotel rooms has risen dramatically in the last several years.

The **Village of Arlington Heights Market** contains 10 national chain hotels and 1,685 rooms. The two largest hotel properties include the Sheraton Chicago Northwest and the Doubletree Hotel. The Sheraton Chicago Northwest closed down the last week in December 2009. Most of the hotels are principally concentrated on the south side of the Village in the Southtown District near Arlington Heights Road and Algonquin Road. The balance of the hotels are located on the north side of town in the Uptown District near Dundee Road and IL Route 53. There are approximately 1,300 rooms in the Southtown District and 395 rooms in the Uptown District. With the closure of the Sheraton Hotel there are 1,259 rooms currently available in the Village.

The principal hotel concentrations influencing the demand for overnight lodging accommodation in Arlington Heights include the hotel properties situated in Schaumburg, Palatine, Des Plaines, Elk Grove Village, Rosemont and Wheeling.

The **Schaumburg hotel market** is primarily concentrated in proximity to Woodfield Mall. Some of Schaumburg major hotels include the Renaissance Schaumburg Hotel & Convention Center (474 rooms), Hyatt Regency Woodfield (470 rooms), Marriott Schaumburg (398 rooms), Embassy Suites Hotel (209 suites), Radisson Schaumburg (201 rooms), Doubletree Schaumburg (187 rooms), and the Hilton Garden Inn Schaumburg (166 rooms). Schaumburg contains approximately 25 properties encompassing over 4,300 hotel/motel rooms.

The **Elk Grove Village hotel market** is primarily concentrated along the Northwest Tollway and in proximity to O'Hare International Airport. Some of the Elk Grove Village hotels include the Sheraton Suites (255 rooms), Ramada O'Hare (165 rooms), Quality Inn & Suites O'Hare North (115 rooms), Days Inn Elk Grove (113 rooms), Baymont Inn & Suites (107 rooms), and Country Inn & Suites (104 rooms). The Elk Grove Village hotel market contains approximately 10 properties and contains approximately 1,000 hotel/motel rooms.

The **Rosemont hotel market** is primarily concentrated on River Road in proximity to the O'Hare International Airport, the Donald Stevens Convention Center and the Allstate Arena. Some of the major hotels in Rosemont include the Hyatt Regency O'Hare (1,100 rooms), the Intercontinental (553 rooms), The Westin Chicago O'Hare (525 rooms), The Crown Plaza (503 rooms), the Doubletree (369 rooms), Holiday Inn & Suites (300

rooms), Rosemont Hotel at O’Hare (300 rooms), Sheraton Gateway Suites (297 rooms), Embassy Suites (293 rooms), Marriott Suites (256 rooms) and the Aloft Hotel (251 rooms). The Wyndham O’Hare hotel with 467 was closed in January 2010. The Rosemont hotel market contains approximately 6,000 hotel rooms.

In **Palatine**, there is the Hotel Indigo with 192 rooms located at Northwest Highway & IL Route 53. There are also some other Palatine hotels located at Dundee & IL Route 53 including the Holiday Inn Express, Motel 6, and the Comfort Inn.

PRIMARY MARKET AREA

The Primary Market Area is part of the Northwest Suburban Hotel Market and includes Arlington Heights, Schaumburg, Elk Grove Village, Des Plaines, Palatine, Rolling Meadows, Wheeling, and Rosemont. The communities in the Primary Market Area and the number of rooms is provided below:

Arlington Heights	1,685 rooms
Schaumburg	4,300 rooms
Elk Grove Village	1,000 rooms
Des Plaines	872 rooms
Palatine	192 rooms
Rolling Meadows	512 rooms
Rosemont	6,000 rooms
Wheeling	697 rooms
TOTAL	15,258 rooms

The Primary Market Area contains approximately 15,258 rooms. The Sheraton Hotel’s closing reduces the number of available rooms to approximately 14,832 rooms. The analysis has considered national-chain type hotel properties only.

ARLINGTON HEIGHTS LOCATION

The Village of Arlington Heights offers a strategic location with excellent transportation infrastructure. The Village is located 8 miles from Chicago’s O’Hare International Airport along Interstate 90 (the Northwest Tollway). Direct access to Interstate 90 (Northwest Tollway) is provided by a full interchange at Arlington Heights Road. Route 53 provides links to Interstate 90, Interstate 290, Interstate 355, and Interstate 55. Route 53 offers six interchanges in Arlington Heights. Interstate 294 (the Tri-State Tollway) is located 8 miles southeast of Arlington Heights via Interstate 90. Metra commuter rail offers service is available to Chicago in 33 minutes with two stations in the Village. The average daily ridership is approximately 4,500 riders per day. Pace Bus Service is also available.

Arlington Heights is one of the largest suburbs in the Chicago Metropolitan Area with a population of over 76,000 persons. The Village is home to Arlington International Racecourse. The Downtown Area boasts of a diverse mix of restaurants, unique shops, quaint boutiques, theaters, and a performing arts center. Downtown Arlington Heights was voted “One of the Most Desirable Downtowns” in a Daily Herald Newspaper survey. Downtown Arlington Heights offers 40 restaurants ranging from fine dining to fast food.

Arlington Heights proximity to Interstate 90 (the Northwest Tollway) and O’Hare International Airport has created strong hotel room demand. The Village’s Southtown District along Interstate 90 is home to Mitsuwa Marketplace, an authentic Japanese market, as well as the Federal Government’s Occupational Safety and Health Administration (OSHA). Some of the other major employers in the Southtown District include the Daily Herald Newspaper, Weber Marking Systems, Northwest Community Hospital, the Wellington Banquet Facility and several major office complexes.

DRIVING TIME

A detailed driving time analysis was conducted from Downtown Arlington Heights in all directions. The objective was to simulate the distances hotel patrons could travel during given time allocations. The driving time analysis was conducted during non-peak traffic periods. Basically, within 15 minutes, one can reach IL Route 83 on the north, Irving Park Road on the South, River Road to the east and Roselle Road to the west.

HOTEL SUPPLY

The supply of hotel rooms nationwide was expanding at a historic pace of approximately 140,000 rooms per year, according to PKF Hospitality Research Group. Development was spurred by rapidly increasing asset prices during the late 1990’s. The 9-11 events slowed hotel development significantly. The hotel development rate was at approximately 70,000 rooms per year following 9-11. In the mid 2000’s there were an unprecedented number of new hotels being developed nationwide. Large additions to supply are usually followed by declining revenues and asset prices. The recent recession has drastically reduced hotel occupancy rates nationwide and thus stifled the hotel development rate.

The Chicago Metropolitan Area contains approximately 108,571 rooms. The metro area added approximately 3,400 hotel rooms in 2009 including the Chicago and suburban market. In downtown Chicago, more than 1,000 rooms were added in four new properties for a total of nearly 33,300 rooms. The 108,571 hotel/motel rooms translates to approximately 39,628,415 available room nights. Assuming an occupancy rate of 50 percent there are approximately 19,814,207 occupied room nights.

According to Smith Travel Research (STR), in 2009 there was a supply of approximately 24,457,280 room nights in the Chicago Metropolitan Area up from 23,577,223 room nights in 2008. The supply of available room nights increased by 3.7 percent. Smith Travel Research does not track all of the hotel properties in the metro area. The STR data

accounts for 548 hotel properties with 67,549 rooms. The Chicago Metropolitan Area contains approximately 108, 571 rooms.

Table 1 at the end of this Section depicts the Competitive Hotel Inventory. We have included all of the major and many of the minor hotels to provide a comprehensive inventory.

The majority of new hotels added within the past five years have been Suites, Extended Stay, Select Service and Budget type facilities. Interestingly, Full Service Convention Hotels have also been built in the Northwest Suburban Market in recent years. Some of the larger suburban Full Service Convention Hotels developed in recent years included the Westin Hotel & Convention Center in Wheeling and the Intercontinental Hotel in Rosemont, and the Renaissance Schaumburg Hotel & Convention Center. All three of these hotels are located within the Primary Market Area and are direct competition with the Sheraton Hotel.

The largest concentration of Full Service Convention Hotels, outside of downtown Chicago, is located just east of O'Hare International Airport in Rosemont. Full Service Conventional Hotels amount to nine with a total of approximately 4,843 hotel rooms offering 1,767,695 available room nights. There are also three Semi-Full Service Meeting Hotels each containing over 200 rooms with some meeting space and restaurants providing an additional 887 rooms and 323,755 available room nights. Thus, total Full Service Convention Hotels and Semi-Full Service Meeting Hotels have 5,730 rooms and 2,091,450 available room nights. Semi-Full Service Hotels offer less of the meeting and banquet services and amenities of Full Service Hotels.

The second largest concentration of Full Service Convention Hotels and Semi-Full Service Meeting Hotels in suburban Chicagoland, is located in the Schaumburg area. There are six Full Service Convention Hotels with 2,541 hotel rooms and 927,465 available room nights. Semi-Full Service Meeting Hotels added three additional hotels with 916 rooms and 334,340 available room nights. Full Service Convention Hotels and Semi-Full Service Meeting Hotels amounted to nine hotels with 3,457 hotel rooms and 1,261,805 available room nights.

In **Rosemont**, both the Intercontinental Hotel and the Aloft Hotel opened in 2009 and added over 1,000 rooms to the hotel supply. In **Lake Zurich**, the Holiday Inn Express opened in March 2009. In **Deer Park** the Hampton Inn & Suites opened in July 2009.

HOTEL DEMAND

Hotel occupancy in the Chicago Metropolitan Area dropped to approximately 68.6 percent in 2009. This is in contrast to an overall occupancy rate of over 73 percent in 2008 according to TR Mandigo & Associates. In contrast, Smith Travel Research indicates hotel room demand is much weaker with the 2009 occupancy rate at 51.4 percent down from 59.7 percent in 2008 and 64.0 percent in 2007. The overall

occupancy rate in the Chicago Metropolitan Area declined by 7.0 percent in 2008 and by over 14.2 percent in 2009.

As part of its new monthly forecast program, Smith Travel Research is projecting a 17.1-percent decrease in revenue per available room for the U.S. hotel industry in 2009. The company also revised its forecasts for the summer travel season, year-end 2009 and 2010. STR's forecast projects 2009 occupancy to be down 8.4 percent to 55.4 percent and 2009 ADR to decline 9.7 percent to US\$96.37. It projects RevPAR to end 2009 at US\$53.41. In year-over-year comparisons, occupancy is expected to be down 8.4 percent from June through August. ADR is predicted to decrease 10.4 percent, and RevPAR is projected to decline 18.7-percent.

The outlook for 2010 looks slightly better than 2009, but still the industry is still expected to end 2010 with decreases in all three key metrics. Occupancy is projected to end 2010 with a 0.3-percent decrease, ADR is forecasted to end 2010 with a 3.4 percent decrease, and RevPAR is expected to end 2010 with a 3.7-percent decline. According to Smith Travel Research, group business is needed to get back for the industry's fundamentals to start improving. The hotel industry also needs to generate transient demand and then there will be some pricing power. On an inflation-adjusted basis, it's probably going to be longer than six years before the rates get back to 2007 levels.

In the Chicago Metropolitan Area, RevPAR in 2008 amounted to \$56.26. In 2009, RevPar declined to \$42.85 a decrease of 23.8 percent. This is in contrast to a RevPar of \$60.08 in 2007. Thus, the Chicago Metropolitan Area's revenue per available room night has declined significantly. The economic recession has taken its toll on the overall health of hotels particularly given the decline in occupancy and RevPar.

HOTEL CLOSINGS

In late 2009 and early 2010 several hotels in the Chicago Metropolitan Area closed their doors and others were forced into foreclosure or bankruptcy. Hotel closings included the Sheraton Chicago Northwest and CoCo Key Water Park in Arlington Heights and the Wyndham Garden Hotel in Rosemont. Some of the properties that have declared bankruptcy include the Key Lime Cove in Gurnee, and the Intercontinental Hotel Chicago Rosemont in Rosemont. Numerous other hotels may be in default and may be forced into foreclosure by their lenders including the Westin Chicago North Shore in Wheeling, the Westin Hotel in Rosemont, the Ambassador East in Chicago, and many others. The Hyatt Regency Woodfield was recently taken back by the lender.

AVERAGE DAILY ROOM RATES

Our staff obtained average daily room rates for hotels located in the Northwest Suburban Market. Based upon this analysis, we have observed a decrease in average daily room rates over the last twelve months. We also evaluated national trends in average daily room rates in the lodging industry. Nationally, 2009 Average Daily Room Rates (ADR) declined by 9.7 percent to \$96.37 according to Smith Travel Research.

In the Chicago Metropolitan Area, Average Daily Room Rates (ADR) amounted to \$60.08 in 2007 but declined to \$56.26 in 2008 according to Smith Travel Research. The Average Daily Room Rates decreased to \$42.85 in 2009. As hotel occupancy declined in 2008 and 2009, many hotels facilities reduced their room rates to be more competitive. The reduction in average daily room rates (ADR)

Average daily room rates in the Northwest Suburban Market ranged from approximately \$40.00 per night to over \$299 per night. Some of the convention and conference facilities offer packages which include the patron's meals during their stay. Some of the rates for these facilities were nearly \$300 per night in the boom years. However, more recently, the average room rates in the area have been ranging between approximately \$60 and \$70 per night. The room rates have been declining with the decrease in occupancy. Room rates are subject to change at any time and the decline in occupancy is putting downward pressure on room rates.

PLANNED AND PROPOSED HOTELS

Our staff investigated planned and proposed hotels in the Northwest Suburban Market. According to the Greater Woodfield Chicago Northwest Convention Bureau there are a couple of hotels planned. They include the following:

In **Mount Prospect**, Randhurst Village is in the midst of a mixed-use redevelopment which features an unnamed hotel. Randhurst Village is located a Rand Road and IL Route 83 and is anchored by Carson Pirie Scott and Carson's Furniture Gallery. Some of the stores on the pad of the mall include Costco, Home Depot, Jewel-Osco, and Borders.

In **Des Plaines**, Midwest Gaming & Entertainment is planning a casino complex at River Road and Devon Avenue and Interstate 294. The initial development plan calls for 45,000 square feet of gaming space within a single-level casino, seven restaurants and bars, and roughly 2,100 parking spaces. The total project cost is \$1 billion, which includes construction of two hotels and retail space in later phases of development. Also in Des Plaines there was a proposal to build two select service hotels at the Northeast quadrant of Mannheim Road and Interstate 90.

In **Elgin**, the Candlewood Suites Northwest Chicago is expected to open in August 2010.

In **Schaumburg**, there was a proposal to develop an Aloft Hotel adjacent to the Renaissance Hotel. No definitive plans have been announced to date.

In **Libertyville/Mundelein**, a new Doubletree Hotel opened in early 2010 on Route 83 just south of Town Line Road.

The national economy and the current economic recession have not boded well for new hotel development. Recent national forecasts indicate that hotel development will decline to approximately 70,000 annually down from over 140,000 annually. Nevertheless, as the economy recovers, projects with good locations and strong demand will become

easier to finance. Currently hotel financing is scarce and many projects are unable to secure financing.

EMPLOYMENT GROWTH

Employment growth is another indicator of potential hotel room demand. This report provides an assessment of employment growth, tourism, and major employment concentrations which are significant factors driving hotel development. Unfortunately, the significant reduction in employment in the last two years has negatively impacted hotel room demand, occupancy, and RevPar. According to Hale Advisors, there were approximately 4,384,891 total jobs in the Chicago Metropolitan Area in 2008. The Chicago Metropolitan Area unemployment rate reached over 10 percent in 2009 and is forecast to peak at over 11.5 percent in the middle of this year.

In 2010, the Chicago Metropolitan Area is expected to lose another 167,202 jobs according to Hale Advisors. The forecast job losses will be concentrated in manufacturing (42,017 jobs), business services (37,982 jobs), trade transportation, and utilities (29,442 jobs) construction (27,290 jobs), and hospitality (10,208 jobs). The balance of the forecast job losses is concentrated in other services, government, self-employed farm jobs, and information jobs.

Over the last 30 years, there has been migration of major corporations out of Chicago to suburban locations in Schaumburg, Hoffman Estates, Deerfield, Lake Forest, Vernon Hills, Bannockburn, Libertyville, Lincolnshire, and Waukegan. Many of these major employers create demand for hotel rooms in proximity to their facilities.

EMPLOYMENT CONCENTRATIONS

One of the largest employment concentrations outside Downtown Chicago is located in Arlington Heights/Schaumburg/Elk Grove Corridor. The region is home to Arlington Park Racecourse, Woodfield Mall and many major fortune 500 companies. **Table 1.0** presents a list of the major employers in Northwest Suburban Cook County.

Table 2**Largest Employers – NW Suburban Cook County
2009**

<u>Name</u>	<u>Product or Service</u>	<u>Location</u>	<u>Employees</u>
Motorola	Telecommunications	Schaumburg	7,000
Sears Holdings	Retail Trade	Hoffman Estates	5,700
Arlington Park Racecourse	Horse Racing	Arlington Heights	4,500
AT&T	Telecommunications	Hoffman Estates	4,000
Northwest Community Healthcare	Healthcare	Arlington Heights	4,000
Woodfield Mall	Retail Trade	Schaumburg	3,800
School District 54	Education	Schaumburg	2,274
Universal Oil Products	Oil Products	Des Plaines	2,000
Zurich Insurance	Insurance	Schaumburg	1,900
St. Alexius Medical Center	Healthcare	Hoffman Estates	1,831
Alexian Brothers Medical Center	Healthcare	Elk Grove Village	1,800
Arlington Heights School District 214	Education	Arlington Heights	1,750
Career Education Corp.	Education	Hoffman Estates	1,700
Tec Inc.	Technology	Palatine	1,600
Palatine School District 211	Education	Palatine	1,600
Palatine School District 15	Education	Palatine	1,600
Experian	Credit Services	Schaumburg	1,400
Allstate Insurance Company	Insurance	Buffalo Grove	1,323
Cingular	Telecommunications	Schaumburg	1,200
IBM	Computer Technology	Schaumburg	1,150
Seimens Building Technology	Technology	Buffalo Grove	1,080
Holy Family Hospital	Healthcare	Des Plaines	1,036
National Pizza Products	Food Service	Schaumburg	1,000
United Parcel Service	Shipping	Palatine	1,000
Weber Stephens	Grill Manufacturer	Palatine	1,000
Oakton Community College	Education	Des Plaines	990
Courtesy Corporation	Plastic Molds	Buffalo Grove	939
Symons by Dayton Superior	Concrete Forms	Des Plaines	860
GE Capital Services	Financial Services	Hoffman Estates	800
GE	Technology	Schaumburg	800
Automated Data Processing	Payroll Services	Elk Grove Village	800
Caremark	Pharmaceutical Dist.	Mount Prospect	800
Automated Data Processing	Payroll Services	Hoffman Estates	760
Des Plaines School District 62	Education	Des Plaines	720
Juno Lighting	Lighting Systems	Des Plaines	705
Sysco Food Service	Food Service	Des Plaines	700
Hart Schaffner & Marx	Apparel Manufacturing	Des Plaines	700
Seimens Medical Systems	Technology	Hoffman Estates	650
GE	Technology	Schaumburg	600
Comcast	Telecommunications	Schaumburg	600
AC Neilsen	Information Technology	Schaumburg	600
Macy's	Retail Trade	Schaumburg	600
Verizon Wireless	Telecommunications	Schaumburg	600
Bosch Tool Co.	Power Tools	Mount Prospect	576
Wheels, Inc.	Auto Leasing	Des Plaines	550
Paddock Publications	Printing	Arlington Heights	500

Source: State of Illinois Department of Commerce & Economic Opportunity

Lake County is on the northern boundary of the Village of Arlington Heights. We have included statistics on the Lake County portion of the Primary Market Area only to facilitate a comprehensive evaluation. **Lake County** currently offers approximately 8,500 hotel/motel rooms according to the Lake County Convention & Visitors Bureau. This is up from approximately 6,000 hotel rooms in 2004. The 8,500 hotel/motel rooms translate to approximately 3,102,500 available room nights. Assuming an occupancy rate of 50 percent there are approximately 1,551,250 occupied room nights.

Some of the major employers in Lake County and their respective number of employees are presented in **Table 3** on the following page. Interestingly, many of these companies did not have a presence in Lake County until the suburbanization of the Chicago area in the late 1960's and early 1970's. Companies continue to migrate out closer to their executive's suburban residences in Lake County. A company's ultimate location is determined, in large part, by where the chief executive officer lives or wants to live. Thus, several companies have chosen to locate in suburban business parks in Lake Forest, Vernon Hills, Libertyville, Lincolnshire, Long Grove, Bannockburn, and Waukegan, among others. Some of the companies include WW Grainger, CDW, Trustmark, Tenneco Automotive, Pactiv Corporation, Brunswick, and Zebra Technologies, among others. **Table 3** presents the major employers in Lake County and the number of employees.

Table 3

**Largest Employers - Lake County
2009**

<u>Name</u>	<u>Product or Service</u>	<u>Location</u>	<u>Employees</u>
Department of the Navy	Naval Base	Great Lakes	25,000
Abbott Laboratories	Pharmaceuticals	Abbot Park	15,700
Hewitt Associates, Inc.	Employee Benefits Consultants	Lincolnshire	6,000
Motorola, Inc.	Telecommunications	Libertyville	4,000
Discover Financial Services	Consumer Financial Services	Riverwoods	3,500
HSBC	Consumer Financial Services	Mettawa	3,100
Baxter Healthcare	Hospital, Healthcare Equipment	Deerfield	3,470
Lake County	County Government	Waukegan	2,800
CDW Inc.	Computer Sales	Vernon Hills	2,500
Condell Health Network	Hospital, Health Network	Libertyville	2,500
Walgreen Co.	Drug Store Retailer	Deerfield	2,500
Medline Industries Inc.	Medical & Surgical Supplies	Mundelein	2,000
College of DuPage County	Community College	Grayslake	2,000
Takeda Pharmaceuticals	Pharmaceuticals & Hospital	Deerfield	1,900
International Profit Associates	Management Consulting	Buffalo Grove	1,800
WW Grainger Inc.	Industrial Supply Distributor	Lake Forest	1,700
Lake Forest Hospital	Hospital	Lake Forest	1,600
Cardinal Health	Hospital	Waukegan	1,500
Veterans Health Administration	Hospital	North Chicago	1,500
Hospira, Inc.	Pharmaceuticals & Medical Equip	Lake Forest	1,400
Vista Health	Hospital	Waukegan	1,350
Quill, Inc.	Mail Order Supplies	Lincolnshire	1,200
Trustmark Insurance Co.	Life and Health Insurance	Lake Forest	1,200
Uline, Inc.	Packaging and Shipping Supplies	Waukegan	1,200
Seimens Building Technologies	Alarms and Safety Equipment	Buffalo Grove	1,200
Highland Park Hospital	Hospital	Highland Park	1,000
Astellas Pharma, Inc.	Pharmaceuticals	Deerfield	1,000
Coleman Cable Inc.	Electronic Wire and Cable	Waukegan	1,000
CCH, Inc.	Legal, Accounting, Software	Riverwoods	950
Capital Building Service Group	Building Maintenance Services	Buffalo Grove	900
La Costa Facilities Support Services	Building Maintenance Services	Wauconda	900
Zebra Technologies	Bar Code Technologies	Vernon Hills	900
Ltd Commodities	Catalogue Retailer	Bannockburn	800
Pactiv Corp.	Food and Medical Packaging	Lake Forest	800
United Stationers, Inc.	Office & Janitorial Products	Deerfield	800
Rosalind Franklin University of Medicine	College/University	North Chicago	775
Illinois Department of Human Services	State Agency – Health & Welfare	Waukegan	725
Bel-Rae, Inc.	Building Maintenances Services	Wauconda	700
Cancer Treatment Center of America	Specialty Hospital	Zion	700

Source: Lake County Partners

The major employers are a major source of hotel room demand. Many industrial and business parks attract hotels as a follow-on use. The hotels can serve the industrial and business park's overnight visitors as well as lodging needs of visitors to surrounding businesses. Both Interstate 90 (the Northwest Tollway) and Illinois Route 53 both generate significant traffic and are a source of hotel demand. Demand for overnight accommodations is generated by business travelers, salespersons, truckers, and tourists

utilizing both of these major arterials. The proximity to Arlington International Racecourse will provide some seasonal demand for hotel business. Finally, the Renaissance Hotel and Convention Center in Schaumburg generates conventions, trade show, and major meetings throughout the year.

TOURISM

The Illinois Bureau of Tourism tracks tourism statistics for the State of Illinois as well as the Chicago Metropolitan Area. Some of the salient statistics are as follows:

- The convention and tourism industry is one of Illinois' prime economic growth engines.
- The industry produces thousands of jobs and enhances the image of Chicago and Illinois throughout the world. The State of Illinois generated approximately 88 million visitors in 2008.
- Statewide \$30.8 billion was spent by visitors in 2008, yielding \$2.1 billion in state and local taxes and generating 303,500 jobs.
- The Chicago Metropolitan Area captured approximately 50 percent of the visits with 45.6 million visitors in 2008 generating \$11.8 billion in spending.
- Domestic leisure travel visitors amounted to 32.41 million in 2008 down from 32.84 million in 2007.
- Domestic leisure travel declined by less than a 1.0 percent since 2007.
- Domestic business travel declined from 12.87 million visitors in 2007 to 11.7 million visitors in 2009.
- Business travel was down by 2.4 percent
- Leisure travel was down by .5 percent
- The 2009 tourism statistics are not yet available but are anticipated to reflect further reductions in both business and leisure travel.
- According to the Travel Industry Association of America, the international and domestic travel visitors generated an estimated \$11.8 billion in total direct spending in the Chicago Metropolitan Area.
- Nearly 132,000 jobs were generated in the City of Chicago in 2008 as a result of the tourism industry, according to the Washington, D.C. - based U. S. Travel Association.
- In 2008, Chicago welcomed more than 1.3 million overseas visitors - a 19 percent increase over 2007 and the largest volume of overseas visitors the city has ever hosted.
- Chicago is the 9th most popular city for overseas visitors to the U.S., and overseas visitation from the United Kingdom was up 14 percent, while only up one percent to the U.S.
- Illinois maintained its ranking as the 6th most popular state for overseas visitors to the U.S.
- In 2008, the state hosted 1.4 million overseas visitors - an increase of 21 percent over the prior year, according to the U.S. Department of Commerce, Office of Tourism Industries.

MAJOR ATTRACTIONS

In Arlington Heights, there is **Arlington Park Racecourse** which has been around for nearly 80 years and is described as "the most beautiful track in America." Arlington Park began thoroughbred racing on October 13, 1927, The track survived the Great Depression and World War II, and later flourished during the Golden Era of Racing. In 1981, Arlington hosted the world's first million dollar race. Unfortunately, in the early morning hours of July 31, 1985, a small fire eventually raged out of control and spread through the Grandstand, completely destroying the facility. The future of Arlington was in doubt and the meet was shifted to Hawthorne. However, it was announced that the Arlington Million would take place at Arlington on August 25, using tents and temporary bleachers.

Construction of the new six-story Grandstand began in September 1987 and was completed in a record 19 months. Arlington re-opened on June 28, 1989, with a new name and a new concept in thoroughbred racing. On a perfect summer day, more than 34,000 people jammed Arlington to see the reigning Horse of the Year blaze his way into the record books. Arlington Park merged with Churchill Downs Incorporated in 2000 and continues to be a leader in thoroughbred horse racing. Arlington Park hosted a sold out crowd of 46,118 for the 2002 Breeders' Cup World Thoroughbred Championships, which came to the Midwest for the first time in its history. In 2007, Arlington Park became the first Midwest track to install a synthetic racing surface. The facility is a major tourist generator and is open from May through September. Most of the other Churchill Downs facilities offer full service gambling facilities along with thoroughbred racing in order to reduce the seasonal nature of the operations.

Woofield Mall in Schaumburg is one of the top tourist attractions in the state of Illinois with over 27 million visitors annually. The 1.7 million square foot facility is anchored by Nordstrom, Lord & Taylor, Macy's, JC Penney, Sears, and over 300 stores and restaurants. The mall is a major attraction for both leisure and business travelers visiting the region. Both international and domestic tourists traveling more than 50 miles increased by triple- and double-digit percentages, respectively, over 2006, and the mall welcomed nearly 900 motorcoach tour groups.

In the Northwest Suburban Hotel Market, the new **Renaissance Hotel & Convention Center** in Schaumburg is a generator of tourism, conventions, trade shows, and corporate meetings.

The **Sears Centre Arena in Hoffman Estates** is an 11,800-seat multi-purpose family entertainment, cultural and sports center built in 2006. Seating capacity for the arena ranges from 3,000-6,000 for theater shows; 9,400 for hockey, lacrosse and soccer games; 10,000 for basketball games and 11,800 for concerts.

This suburban arena features concerts and theater performances and serve as the home for Chicago Hounds hockey, Chicago Shamrox lacrosse, Chicago Storm soccer and the new Chicago indoor football team. The horseshoe-shaped stadium also houses everything from family events like "Clifford the Big Red Dog" to boxing matches on occasional Wednesdays. The facility was taken over in December 2009 by the Village of Hoffman

Estates after months of speculation. The facility failed to meet its revenue targets and the developer the Ryan Cos. walked away from their investment.

The Metropolis Performing Arts Centre in Arlington Heights is a \$22 million state-of-the-art facility which opened in 2000 with 309 seats, a bar, and two restaurants. The facility is ranked 10th among the list of the largest professional theatres in the Chicago area, according to The League of Chicago Theatres. The list included the Ford Center for the Performing Arts, Cadillac Palace Theatre, Auditorium Theatre, Chicago Shakespeare Theater, Steppenwolf Theatre Company, Goodman Theatre, The Second City Theatre, Shubert Theater and Paramount Theater. In the 2007/2008 season the Theater attracted over 84,000 patrons attending one of nearly 400 performances of over 40 individual productions. The facility is located in the heart of downtown across from Harmony Park and one and a half blocks from the Arlington Heights Metra Station. During the 2008/09 season, Metropolis saw over 76,000 patrons come through the doors. These patrons, in turn, spent an additional \$1.6 million in the downtown Arlington Heights area, after paying for their Metropolis tickets. The facility is a major attraction in Downtown Arlington Heights and provides an urban fabric to the nightlife in downtown.

Downtown Arlington Heights offers great shopping experiences with national chain, specialty retailers and upscale boutiques, fine dining and casual restaurants, performing arts centre, movie theaters, entertainment activities, night clubs, and special events. The renaissance in Arlington Heights transformed Downtown into a dynamic destination with an urban fabric and synergy. The attractive and upscale design invites visitors to stroll the boutiques, art galleries, specialty stores, unique restaurants and quaint coffee shops. There is also beautiful Harmony Park situated in the downtown area offering views of the tree-lined streets, upscale architecture, and unique sculptures. Visitors can enjoy a spa treatment or participate in a wine tasting at an eclectic wine shop. The Village features several other retail districts with major national chain retailers and specialty shops providing opportunities to find unique items that add to the distinctive shopping experience.

There are nearly 40 restaurants and night spots in Downtown Arlington Heights including national chain restaurants, unique fine dining establishments, pizzerias, espresso café's, restaurant pubs and wine shops. There is a broad variety of choices from Italian-themed bistros, Tapas, Thai, American, Mexican, Chinese, and Irish-inspired establishments, among others. Downtown Arlington Heights was voted one of the most desirable downtowns in a recent Daily Herald Newspaper survey of its readership. Downtown Arlington Heights offers a complete dining, shopping and entertainment experience with a variety of entertainment venues, Village attractions, recreational facilities, arts, and cultural facilities. There is ample free parking in Downtown Arlington Heights with several Village-owned parking garages as well as on-street parking with 2-hour free parking. The renaissance in the Downtown area has created a thriving downtown atmosphere.

MARKET OPPORTUNITY

Our analysis indicates that Downtown Arlington Heights represent an opportunity for a boutique hotel as a follow-on use as part of a master-planned, mixed-use development. The proximity to Arlington Park Racetrack, IL Route 53, Interstate 90 (The Northwest Tollway), the Metra Commuter Rail Line, the Metropolis Performing Arts Centre, and the growing downtown restaurant/entertainment concentration are positive factors influencing the future demand for hotel rooms in Arlington Heights.

We have examined the various types of hotels including full-service, mid-priced, select service, extended stay, suites, and budget. The market will not currently support a full-service convention hotel or resort facility. However, in approximately three years there will be a market for a select service type hotel or mid-priced hotel in Downtown Arlington Heights. The catalyst for the hotel will be the growth in major employers, additional activities at Arlington Park Racecourse and expanded restaurant and entertainment offerings. The Metropolis Performing Arts Centre, for example, generates demand for overnight accommodations. We envision the hotel as a follow-on use to the mixed-use development.

TABLE 1

**COMPETITIVE HOTEL INVENTORY
2010**

Map Key	Name/Location	Number of Rooms	Number of Suites	Room Rates	Meeting Space Square Feet	Largest Meeting Room (F2)	Amenities
ARLINGTON HEIGHTS HOTELS							
1	Courtyard By Marriott Arlington Heights North 3700 N. Wilke Road Arlington Heights 847 394-9999	152	12	\$88	1,200	1,200	Complimentary Breakfast Free Internet Access Fitness Center Indoor Pool
2	Courtyard By Marriott Arlington Heights South 100 W. Algonquin Road Arlington Heights (847) 395-3606	147	3	\$109	1,534	634	Complimentary Breakfast Free Internet Access Fitness Center Indoor Pool Restaurant/Lounge
3	Doubletree Hotel Chicago Arlington Heights 75 W. Algonquin Road Arlington Heights 847 364-7600	228	13	\$90	4,900	4,900	Free Internet Access Fitness Center Indoor Pool Restaurant/Lounge
4	Holiday Inn Express Arlington Heights 2120 S. Arlington Heights Road Arlington Heights 847 593-9400	125	5	\$96	1,325	950	Complimentary Breakfast Free Internet Access Fitness Center
5	Jameson Suites Arlington Heights 2111 S. Arlington Heights Road Arlington Heights 847 956-1400	144	144	\$60	720	720	Complimentary Breakfast Free Internet Access Fitness Center
6	La Quinta Inn 1415 W. Dundee Road Arlington Heights (847) 253-8777	121	0	\$55	400	400	Complimentary Breakfast Free Internet Access Fitness Center

Source: Greater Woodfield Chicago Northwest Convention Bureau, Lake County Convention & Visitors Bureau, American Automobile Association (AAA) and Melaniphy & Associates, Inc.

TABLE 1

**COMPETITIVE HOTEL INVENTORY
2010**

Map Key	Name/Location	Number of Rooms	Number of Suites	Room Rates	Meeting Space Square Feet	Largest Meeting Room (F2)	Amenities
7	Motel 6 441 W. Algonquin Road Arlington Heights 847 806-1230	143	0	\$42	0	0	Free Internet Access
8	Red Roof Inn Arlington Heights 22 W. Algonquin Road Arlington Heights 847 228-6650	136	0	\$52	0	0	Free Internet Access
9	Sheraton Chicago Northwest (CLOSED) 3400 W. Euclid Arlington Heights 847 394-2000	426	22	\$105	9,432	9,432	Complimentary Breakfast Free Internet Access Fitness Center Indoor Pool Restaurant/Lounge
10	Wingate Inn Arlington 2112 S. Arlington Heights Road Arlington Heights 847 434-0300	80	0	\$107	850	700	Complimentary Breakfast Free Internet Access Fitness Center Outdoor Pool
SCHAUMBURG HOTELS							
11	Candlewood Suites Schaumburg 1200 E. Bank Drive Schaumburg 847 517-7644	122	122	\$70	0	0	Complimentary Breakfast Free Internet Access Fitness Center
12	Comfort Suites - Schaumburg 1100 E. Higgins Road Schaumburg 847 330-0133	96	96	\$85	800	800	Complimentary Breakfast Free Internet Access Fitness Center Indoor Pool Restaurant/Lounge

TABLE 1

**COMPETITIVE HOTEL INVENTORY
2010**

Map Key	Name/Location	Number of Rooms	Number of Suites	Room Rates	Meeting Space Square Feet	Largest Meeting Room (F2)	Amenities
13	Country Inn & Suites by Carlson Schaumburg 1401 N. Roselle Road Schaumburg 847 839-1010	73	30		500	500	Complimentary Breakfast Free Internet Access Fitness Center Indoor Pool
14	Courtyard By Marriott Schaumburg 1311 American Lane Schaumburg 847 619-8100	162	6	\$130	3,172	950	Complimentary Breakfast Free Internet Access Fitness Center Indoor Pool
15	Doubletree Hotel Schaumburg 800 National Parkway Schaumburg 847 605-9222	187	1	\$104	8,453	2,624	Free Internet Access Fitness Center Indoor Pool Restaurant/Lounge
16	Embassy Suites 1939 N. Meecham Road Schaumburg 847 397-1313	209	209	\$139	10,074	5,040	Complimentary Breakfast Free Internet Access Fitness Center Indoor Pool Restaurant/Lounge
17	Extended Stay America - Woodfield 1200 American Lane Schaumburg 847 517 7255	125	125	\$70	0	0	Free Internet Access
18	Hampton Inn - Schaumburg 1300 E. Higgins Road Schaumburg 847 619-1000	128	0		750	375	Complimentary Breakfast Free Internet Access Fitness Center Restaurant/Lounge
19	Hilton Garden Inn Schaumburg 1191 Woodfield Road Schaumburg 847 524-0455	166	5	\$129	5,618	2,400	Complimentary Breakfast Free Internet Access Fitness Center Indoor Pool Outdoor Pool

Source: Greater Woodfield Chicago Northwest Convention Bureau, Lake County Convention & Visitors Bureau, American Automobile Association (AAA) and Melaniphy & Associates, Inc.

TABLE 1

**COMPETITIVE HOTEL INVENTORY
2010**

Map Key	Name/Location	Number of Rooms	Number of Suites	Room Rates	Meeting Space Square Feet	Largest Meeting Room (F2)	Amenities
20	Holiday Inn Express Schaumburg 1550 N. Roselle Road Schaumburg 847 310-0500	143	2	\$99	576	576	Complimentary Breakfast Free Internet Access Fitness Center Outdoor Pool Restaurant/Lounge
21	Homestead Studio Suites Hotel 51 E. State Parkway Schaumburg 847 882-6900	136	136	\$75	0	0	Free Internet Access Restaurant/Lounge
22	Homewood Suites by Hilton 815 E. American Lane Schaumburg 847 605-0400	222	4		400	400	Complimentary Breakfast Free Internet Access Fitness Center Outdoor Pool Restaurant/Lounge
23	Hyatt Place Schaumburg 1851 McConnor Parkway Schaumburg 847 330-1060	127	0	\$114	2,988	2,052	Complimentary Breakfast Free Internet Access Fitness Center Outdoor Pool Restaurant/Lounge
24	Hyatt Regency Woodfield 1800 E. Golf Road Schaumburg 847 605-1234	470	16		8,884	8,884	Complimentary Breakfast Free Internet Access Fitness Center Indoor Pool Outdoor Pool Restaurant/Lounge
25	Hyatt Summerfield Suites 1251 E. American Lane Schaumburg 847 706-9007	134	134		900	900	Complimentary Breakfast Free Internet Access Fitness Center Indoor Pool Outdoor Pool

Source: Greater Woodfield Chicago Northwest Convention Bureau, Lake County Convention & Visitors Bureau, American Automobile Association (AAA) and Melaniphy & Associates, Inc.

TABLE 1

**COMPETITIVE HOTEL INVENTORY
2010**

Map Key	Name/Location	Number of Rooms	Number of Suites	Room Rates	Meeting Space Square Feet	Largest Meeting Room (F2)	Amenities
26	Marriott Schaumburg 50 N. Martingale Road Schaumburg 847 240-0100	398	4	\$168	13,621	8,540	Complimentary Breakfast Free Internet Access Fitness Center Indoor Pool Outdoor Pool Restaurant/Lounge
27	Quality Inn Schaumburg 600 N. Martingale Road Schaumburg 847 517-7737	124	0	\$79	1,410	630	Complimentary Breakfast Free Internet Access Fitness Center Indoor Pool
28	Radisson Schaumburg 1725 E. Algonquin Road Schaumburg 847 397-1500	201	6	\$98	9,094	4,675	Free Internet Access Fitness Center Indoor Pool Restaurant/Lounge
29	Renaissance Schaumburg Hotel & Convention Center 1551 Thoreau Drive Schaumburg 847 303 4100	474	26	\$169	97,200	6,300	Free Internet Access Fitness Center Indoor Pool Restaurant/Lounge
30	Residence Inn by Marriott Chicago/Schaumburg 1610 McConnor Parkway Schaumburg 847 517-9200	125	125	\$164	625	625	Complimentary Breakfast Free Internet Access Fitness Center Indoor Pool Restaurant/Lounge
31	Spring Hill Suites by Marriott Chicago/Schaumburg 1550 McConnor Parkway Schaumburg 847 995-1500	132	132	\$140	654	360	Complimentary Breakfast Free Internet Access Fitness Center Indoor Pool Restaurant/Lounge

Source: Greater Woodfield Chicago Northwest Convention Bureau, Lake County Convention & Visitors Bureau, American Automobile Association (AAA) and Melaniphy & Associates, Inc.

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**COMPETITIVE HOTEL INVENTORY
2010**

Map Key	Name/Location	Number of Rooms	Number of Suites	Room Rates	Meeting Space Square Feet	Largest Meeting Room (F2)	Amenities
32	Staybridge Suites Schaumburg 901 E. Woodfield Office Court Schaumburg 847 619-6677	112	112	\$117	2,176	1,152	Complimentary Breakfast Free Internet Access Fitness Center Outdoor Pool
33	Wingate by Wyndham Schaumburg 50 E. Remington Road Schaumburg 847 882-5000	81	7	\$69	1,000	750	Complimentary Breakfast Free Internet Access Fitness Center Restaurant/Lounge
ELK GROVE VILLAGE HOTELS							
34	Baymont Inn & Suites O'Hare Elk Grove Village 2881 Touhy Avenue Elk Grove Village 847 803-9400	107	8	\$59	400	400	Complimentary Breakfast Free Internet Access Fitness Center
35	Country Inn & Suites by Carlson Elk Grove Village 1160 W. Devon Avenue Elk Grove Village 847 985-0101	104	46	\$99	0	0	Complimentary Breakfast Free Internet Access Fitness Center Indoor Pool
36	Days Inn Elk Grove 1000 W. Devon Avenue Elk Grove Village 847 895-2085	113	2	\$46	0	0	Complimentary Breakfast Free Internet Access Fitness Center
37	Holiday Inn Elk Grove Village 1000 Busse Road Elk Grove Village 847 437-6010	159	1	\$91	11,940	4,559	Complimentary Breakfast Free Internet Access Fitness Center Indoor Pool Outdoor Pool
38	Howard Johnson Inn & Suites Elk Grove 1925 E. Higgins Road Elk Grove Village	47	0	\$51	400	400	Complimentary Breakfast Free Internet Access Fitness Center

Source: Greater Woodfield Chicago Northwest Convention Bureau, Lake County Convention & Visitors Bureau, American Automobile Association (AAA) and Melaniphy & Associates, Inc.

TABLE 1

COMPETITIVE HOTEL INVENTORY
2010

Map Key	Name/Location	Number of Rooms	Number of Suites	Room Rates	Meeting Space Square Feet	Largest Meeting Room (F2)	Amenities
39	Quality Inn & Suites O'Hare North 100 Busse Road Elk Grove Village 847 593-8600	111	0	\$69	500	500	Complimentary Breakfast Free Internet Access Fitness Center
40	Ramada O'Hare 1600 Oakton Street Elk Grove Village 847 981-0010	165	6	\$55	9,027	3,290	Complimentary Breakfast Free Internet Access Fitness Center Outdoor Pool
41	Sheraton Suites 121 Northwest Point Boulevard Elk Grove Village 847 290-1600	255	255	\$119	2,624	2,624	Free Internet Access Fitness Center Indoor Pool Outdoor Pool Restaurant/Lounge
<u>MOUNT PROSPECT HOTELS</u>							
42	Country Inn & Suites by Carlson Elk Grove Village 2200 S. Elmhurst Road Mount Prospect 847 985-0101	104	104	\$55	500	500	Complimentary Breakfast Free Internet Access Indoor Pool
<u>PALATINE HOTELS</u>							
43	Hotel Indigo Chicago Northwest 920 E. Northwest Highway Palatine 847 359-6900	192	3	\$70	9,500	2,800	Free Internet Access Fitness Center Indoor Pool Restaurant/Lounge
44	Holiday Inn Express Palatine 1150 E. Dundee Road Palatine 847 934-4900	181	0	\$47	10,067	3,400	Free Internet Access

TABLE 1**COMPETITIVE HOTEL INVENTORY
2010**

Map Key	Name/Location	Number of Rooms	Number of Suites	Room Rates	Meeting Space Square Feet	Largest Meeting Room (F2)	Amenities
45	Comfort Inn 1200 N. Frontage Road Palatine	60	0	\$59	4,488	4,488	Complimentary Breakfast Free Internet Access Indoor Pool
46	Westin Chicago North Shore 601 N. Milwaukee Avenue Wheeling	412	0	\$189	40,000	16,000	Free Internet Access Fitness Center Indoor Pool Restaurant/Lounge
	Total	7,560					

