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Hilton to be built in the Rim retail center

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Houston-based XE Hospitality has purchased roughly 3.5 acres of land for its first San Antonio hotel as part of a plan to tap into the demand generated by a vibrant mixed-use development that includes retail, office and entertainment properties.

On the site, XE Hospitality plans to build a 130-room Hilton Garden Inn one of several brands owned by Virginia-based Hilton Hotels & Resorts. The project will be located along Interstate Highway 10 and Rim Pass within a sprawling retail/entertainment/office development known as The Rim.

Amirali Zindani, a principal in XE Hospitality, puts development costs for the project at about \$14 million.

Why target San Antonio for this kind of hefty investment in what is still a down economy? Zindani points out that despite some tough times for the hotel industry nationally, San Antonio remains a very stable, very good market.

And within that market is a project like The Rim, which helped to lure major retailer [Bass Pro Shops](#) to San Antonio.

These days, the mixed-use property is also well known for the corporate users it has been able to reel in including medical technology firm [Medtronic](#), and locally based [NuStar Energy LP](#), which has begun work on its new \$100 million headquarters facility.

Those corporate users make the Hilton Garden Inn a mid-priced line designed with the discerning business traveler in mind a good fit for The Rim, Zindani says.

This is the best site in San Antonio, adds Jerry A. J.J. Williams, a vice president in the San Antonio office of [Grubb & Ellis Co.](#) There are a lot of demand generators.

Long road

Work to bring XE Hospitality's Garden Inn to The Rim goes back about two years, says Williams, who, along with Grubb & Ellis Associate Vice President **Jason Brumm**, represented XE Hospitality in the land deal for the hotel.

The Houston developer made its first offer back in October 2008. By April 2009, the tract was under contract.

It would take until this past month, however, before the sale closed. It died many deaths, says Williams of the transaction.

Complicating the process: The financial woes of the seller, Atlanta-based Thomas Enterprises, which is also the developer of The Rim.

In November 2009, the owners behind the Rim four entities set up by Thomas Enterprises to control various portions of the project filed for Chapter 11 bankruptcy protection in the U.S. Bankruptcy Court for the Northern District of Georgia.

The case is still winding its way through the court.

Meanwhile, the original note for the land on which The Rim retail center is built a loan in the amount of \$115.7 million has been purchased by Austin-based [Endeavor Real Estate Group](#), in partnership with [Starwood Capital Group](#). The venture purchased the loan from a lending syndicate headed up by [Wells Fargo & Co.](#) which took over the note once Thomas Enterprises fell behind on repayment of the debt.

The financial woes of Thomas Enterprises, which sold the 3.5-acre land tract to XE Hospitality, definitely encumbered our site, says Williams.

Eddie Pierce represented Thomas Enterprises in the XE Hospitality deal. Pierce, a director with Thomas Enterprises, did not return calls by the Business Journals press time.

The financial woes of Thomas Enterprises aside, The Rim remains a money maker. According to an operating report filed in the Georgia bankruptcy court, total property income for the Rim project for the 12 months ended Oct. 31, 2010, came to \$3.3 million.

Silver lining

In hindsight, the delays in closing the XE Hospitality tract could turn out to be the silver lining for the hotel project, Williams says.

XE Hospitality is slated to turn dirt on the new Hilton Garden Inn during the third quarter of next year. The hotel is slated to open its doors during the third quarter of 2012.

By then, San Antonio's hotel market is expected to be in a much better position, according to recent industry analyses.

After several years of declining occupancies, the hotel industry in Texas slowly began to make a comeback over the course of 2010, and is expected to continue to perk up over this next year, according to the 2nd Quarter 2010 Hotel Horizons Report by Atlanta-based PKF Hospitality Research.

Come 2012: Happy days are here again! heralds the PKF report.

San Antonio itself is definitely seeing a little more happiness, according to the latest report by locally based [Source Strategies Inc.](#)

Total room revenue for San Antonio hotels came in at \$216 million for third-quarter 2010 up from revenues of \$187 million for the same quarter in 2009. Average revenue per room jumped from \$56.90 to \$60.97 over the same period. Room occupancy levels are also looking up, Source Strategies reports going from an average of 55 percent as of third-quarter 2009 to 57 percent a year later.

Of the Hilton Garden Inn product, **Doug Sutton**, executive vice president of Source Strategies notes that it has been a very successful line.

Zindani intends to build on that success.

By the time (our hotel is finished), we will have raised the bar for hotel development in San Antonio, he says.