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President
HSL Properties



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CFO
Diamond Ventures



New Hotel Opens Near UA Tech Park

Hampton Inn & Suites Tucson Tech

By Rodney Campbell

Before the partners even started construction on the Hampton Inn & Suites Tucson Tech project, both knew the hotel was being built on a solid foundation.

That’s because HSL Properties and Diamond Ventures had a couple of can’t-miss advantages: a proven partnership and a market that was begging for more hotel space. The hotel opened in late May, much to the excitement of an area that has a growing population and numerous business interests, most notably the University of Arizona Tech Park.

“We’re 50-50 partners,” Diamond Ventures CFO Bill Kelley said of the project. “It’s a very underserved trade area.”

This is the third project the partners have undertaken together. The first two were apartment homes, HSL’s Encantada brand on River Road in Tucson and in Oro Valley. In all three instances, Diamond Ventures owned the land and HSL saw the potential and bought in.

“Diamond Ventures was aware that we were in the market for hotel development parcels and they approached us about the possibility of teaming up on the Rita Ranch parcel they owned,” HSL Properties President Omar Mire-

les said. “It was a great opportunity to partner with a great organization and to develop an ideal site for a hotel in a sub-market that had significant demand.”

HSL has enjoyed a successful relationship with Hilton for more than five years, which began through its ownership of the Doubletree Williams Center and Hilton El Conquistador. The company has since acquired two existing Hampton Inn & Suites in the Tucson market and developed another in Marana in the past three years.

“To HSL and Diamond Ventures, as owners, Hampton delivers market-leading support – and Hilton’s commitment to the brand is made clear by its continued investment and product innovation,” Mireles said. “We knew Hampton Inn & Suites would be a tailor-made hotel brand for the UA Tech Park/Rita Ranch market.”

The Hampton Inn is the 11th hotel HSL owns.

“We have found relative value investing in and developing hotel properties in the Tucson market over the last five years,” Mireles said. “We continue to seek out hotel investment opportunities.”

The property is located off Interstate

10 at the Rita Road exit. It features 104 rooms and suites, free Wi-Fi, complimentary breakfast, a fitness room, pool and meeting space. It's conveniently located within walking distance of the UA Tech Park and its tenants – including IBM, Raytheon, Citi and OptumRX, the pharmacy benefit management arm of UnitedHealthcare. The Target fulfillment center, built on land once owned by Diamond Ventures, is a short walk away.

There's also a sprawling residential component. A recent Diamond Ventures demographics study showed there were more than 93,000 residents in the southeast Tucson region.

"We view this area of Tucson as a very dynamic market," Mireles said. "It has an immense business presence with 47 companies and approximately 6,000 employees at the expanding UA Tech Park – and Rita Ranch is a thriving and growing community. Additionally, the Pima County Fairgrounds are located within five miles of the Hampton. These combined economic generators have created very significant hospitality demand that has not been met in this immediate geographical area until now."

Kelley said Diamond Ventures owned the land for around 20 years. Diamond developed numerous projects in the area as the property waited for the right opportunity, including the La Costeña canning facility, Target fulfillment center, Pilot Gas/Subway and a Burger King.

Of course, there was one big stumbling block that brought development to a halt: The Great Recession.

"We did Target in November 2007, it opened in May 2009 and then the downturn occurred," Kelley said. "It changed the outcome we thought we would have. Now, we have momentum back."

While it's too early to judge how well the project will turn just a few months in, HSL and Diamond Ventures are excited about the potential. Mireles believes the hotel will match the success of HSL's Hampton Inn in Marana, which exceeded occupancy and rate expectations in its first five months.

"You have four large demand sectors – the tech park, the fairgrounds, the interstate and a residential population," Kelley said. "We're excited as we can be about it."

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