

# BUSINESS

## At East Market, a hotel in the plans

Five floors of a 23-story apartment-and-retail building going up at 12th and Market will be for extended-stay guests.

By Jacob Adelman  
STAFF WRITER

National Real Estate Development's sprawling project in Center City's Market East area has apartments, offices, restaurants, a fitness club, and food markets.

Now add to the project, known as East Market, upscale hotel rooms for guests to stay a month at a time or longer.

National, of Washington, is leasing five floors of the 23-story apartment-and-retail tower now rising at 12th and Market Streets to Philadelphia-based Method Co., operator of the extended-stay hotel brand Roost.

The deal means that 60 of the 240 apartment units planned at the 1199 Ludlow St. tower will be furnished suites for short-term guests instead, National managing director Daniel Killinger and Method chief executive Randall Cook said last week ahead of a formal announcement planned for Monday.

Method currently operates two Roost hotels, both in Philadelphia and each with 27 guest suites: the Roost Rittenhouse, near 19th and Chestnut Streets, and the Roost Midtown, which shares the Charles S.W. Packard Building on the southeast corner of 15th and Chestnut Streets with condos.

The East Market hotel will be Roost's largest operation yet and its first foray into Center City's eastern half. The architect on the 1199 Ludlow tower, set to open to apartment tenants and hotel guests in August 2018, is Morris Adjmi, who designs Roost's interiors.

"For some time, we've been looking for inventory on this side of Broad Street," said Cook, who cofounded Method about five years ago with Philadelphia property investor David Grasso. "We've always felt some demand from over here that we

haven't been able to serve at our other two locations."

The company's growth follows a nationwide increase in extended-stay hotel rooms, typically furnished suites with kitchens and other apartment-style accoutrements that are reserved for longer durations than a typical hotel room, according to data from corporate-housing consultancy the Highland Group.

Since mid-2014, about 80,000 extended-stay rooms have opened nationally, but occupancy rates have remained at around 76 percent, close to their highest levels recorded in data going back to 2002, Mark Skinner, a Highland partner, said in a post on the website Hotel News Now in September.

Center City has an existing extended-stay inventory of fewer than 1,000 rooms, mostly at Korman Communities' AKA Rittenhouse Square and AKA University City, the Home2 Suites by Hilton near the Convention Center, the Marriott Residence Inn across from City Hall, and the Windsor Suites Hotel on the Benjamin Franklin Parkway, said Tony Bidle, regional leader for CBRE Hotels, a division of

**It will be Roost's largest operation yet and its first foray into Center City's east.**



**The 23-story tower** under construction at 1199 Ludlow St., a project called East Market, will feature 60 extended-stay hotel suites along with 180 apartment units. The building is scheduled to open in August.

CHARLES MOSTOLLER



**Randall Cook is chief executive** at the Philadelphia-based Method Co., operator of the extended-stay hotel brand Roost.

real estate firm CBRE Group.

That's just a fraction of the roughly 11,200 hotel rooms tallied by the firm across central Philadelphia through 2016, although supply is set to surge next winter when the 460-room Element hotel is expected to open alongside the W Philadelphia on the northeast corner of 15th and Chestnut.

"You don't have a lot of extended-stay product, and they all have historically done well," Biddle said.

Michael Silverman, a senior vice president with commercial real estate firm Newmark Knight Frank in Phila-

delphia, said he attributes some of the sector's success to the city's employment growth, with people moving here for new jobs needing temporary places to stay. Philadelphia has added 40,000 jobs in the last 11 years, its longest period of expansion since at least 1969, according to Federal Bureau of Labor Statistics data cited in a report this year by the Center City District.

Extended-stay brands that cultivate a "homey" vibe, such as AKA and Roost, are also attractive to guests who have grown appreciative of such an atmosphere by staying in private homes through

services such as Airbnb.

Cook, a former Korman executive, said those have been factors in the success of Roost's existing locations, as has demand from visitors to the city on short-term work assignments. He said he anticipates similar demand at the new location, with a large contingent of guests connected to nearby Thomas Jefferson University, such as visiting physicians and professors, and patients in town for medical procedures.

The commercial activity at the East Market development — including a currently operating Mom's Organic Market and a yet-to-open City Fitness health club, and an Iron Hill Brewery & Restaurant — will be another draw for extended-stay guests, Cook said.

Meanwhile, Cook and Killinger said the Roost deal won't impact National's hope of making the historic Stephen Girard Building on 12th Street, just south of 1199 Ludlow, into a hotel for more conventional stays of a few nights at a time.

"We're a niche that doesn't really compete with traditional hotel or apartments," Cook said. "We prefer to be in these types of communities where all types of things are happening."

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