

## Politics

# Trump Hotels' Ambitions Falter With President's Approval Ratings

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April 13, 2018, 4:00 AM EDT

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- Expansion plans languish amid concern over political risk
  - Only new U.S. hotels underway clustered in Mississippi Delta
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The Trump International Hotel & Tower displays the letters "TR" after workers began taking down the "Trump" sign in Toronto, Ontario. *Photographer: Cole Burstn/Bloomberg*

Donald Trump's hotel company looked set for a major expansion across the U.S. in the early months of his presidency. A top executive spoke of two dozen U.S. cities under consideration and 39 signed letters of intent.

These days, the business appears stalled. Trump's name has come off one of his luxury U.S. hotels, and the only four new Trump hotels being developed in the U.S. are clustered in three small towns in the Mississippi Delta.

Trump's name -- which in 2015 he considered the Trump Organization's most valuable asset -- has become something of a liability. Interviews with eight hospitality analysts and consultants suggest that property owners, land developers and lenders are wary of going into business with Trump Hotels, worried about the president's approval rating and the company's lack of experience.

"The office of the presidency is casting a shadow over the hotel company," said Bob Hunter, chief executive officer of brokerage Hunter Hotel Advisors.

Trump Hotels' market share has remained largely flat at many of its U.S. hotels, according to System2 LLC, a New York-based big-data startup that uses location pings from mobile phones to estimate hotel visits. The Trump Organization isn't required to publicly disclose its financial statements or its hotel occupancy rates.

There are a few bright spots. His Washington, D.C., hotel is out-charging the competition, winning business from Republican donors and foreign governments, and the company continues to expand in some parts of the world, with projects in India and Indonesia.

Yet struggles remain. Trump's hotel in Chicago, with 339 rooms in a 92-story tower along the Chicago River, has spent years struggling to land a single tenant for its more than 60,000 square feet of open retail space. The Trump name was removed from a lower Manhattan hotel last year, as well as from hotels in Toronto and Panama City.

## New Brands Languishing

And ambitious plans to launch two new U.S. brands, Scion and the three-star American Idea, are languishing. Eric Danziger, who runs the hotel business, said last June that Trump Hotels had 39 signed letters of intent for its four-star Scion brand. Danziger also talked last year about almost tripling the number of its U.S.-based hotels, including the possibility of new luxury hotels in Dallas, Denver, San Francisco and Seattle.

Scion and American Idea, however, have yet to open any of the four planned hotels it has announced under either flag. No other new deals have been announced.

"These Trump brands just have not gotten legs yet," said Drew Dimond, who runs Dimond Hotel Consulting Group. "I haven't heard one developer mention that's a brand they'd want."

Some of the challenges for Trump's hotel business include the company's lack of brand recognition and large central reservation system, as well as doubts about whether the U.S. hospitality industry can continue an eight-yearlong streak of revenue growth.

The company says its revenue remains strong.

## **'Significant Interest'**

Trump's new line of hotels, Scion and American Idea, are "seeing significant interest and we have a number of deals in the pipeline," Trump Hotels spokeswoman Christine Da Silva said in an emailed statement. "We are very pleased with the performance of our Trump Hotels portfolio, with most of our properties exceeding our projections to date. Occupancy, revenue and profitability are up across the majority of our hotels." She didn't provide any figures.

Before he took office, Trump's hotel in Chicago generated 30 percent more revenue per room in 2016 than the average comparable luxury hotel, according to securities filings. The hotel in Washington, a 15-minute walk from the White House, often is frequented by Trump himself and senior officials in his administration, making it a top draw in a town that prizes proximity to power and enabling the hotel to command higher nightly rates than its peers.

Republican campaigns and committees have spent more than \$500,000 at Trump's Washington hotel since the start of last year, Federal Election Commission filings show. Saudi Arabia's representatives in Washington spent hundreds of thousands of dollars there, too, according to Department of Justice filings.

Trump Hotels has publicly disclosed just four new hotels, all of them owned by a pair of Indian-American brothers from Mississippi with a track record of giving money to Republican campaigns. Dinesh and Suresh Chawla are converting three of their hotels in Cleveland, Clarksdale and Greenville, Mississippi, to American Idea properties, and a fourth that's under construction in Cleveland, Mississippi, will carry the Scion brand. Dinesh declined interview requests and Suresh didn't respond to messages.

## **More Flexibility**

Suresh Chawla told Asian Hospitality magazine last year that the brothers chose Trump in part because the company is more flexible than other hotel chains. It also could charge lower fees than bigger hotel chains, said Bjorn Hanson, a professor who teaches hospitality courses at New York University.

The Trump Organization was in a hurry to close the deal with the Chawlas: Similar agreements would normally take up to three years to close, but Dinesh Chawla told Asian Hospitality they wrapped up their deal with Trump in less than three months. Danziger told the publication that Asian-Americans -- Indian-Americans own about one of every two U.S. hotels, according to the Asian American Hotel Owners Association -- could end up being the largest group of owners of American Idea hotels.

But in picking Cleveland, a town of about 12,000 people in the Mississippi Delta, the Trump Organization is placing its bets on a county with a shrinking population that has a higher unemployment rate and lower median household income than the national average, said Michelle Matthews, director of the Center for Economic Education and Research at Delta State University in Cleveland, Mississippi. She worries that the town, and its new Grammy Museum, won't be able to support an influx of new hotels.

The town has close to 400 hotel rooms that are often booked, said Judson Thigpen, executive director of Cleveland's Chamber of Commerce. Tourism revenue is on the rise and the city's existing hotels are unable to house large tour groups, he added. But the Chawlas' two Trump hotels and a third by another group will increase that total by more than 50 percent, to nearly 650, Matthews said.

"You know what happens when you increase supply and you have the same demand," Matthews said. "Prices will fall."

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