Ritz-Carlton to close 5-diamond Las Vegas hotel in May

February 09, 2010: 04:21 PM ET

* 348-room hotel hurt by weak demand, Vegas backlash

* Hotel owners to close luxury property on May 2

By Deepa Seetharaman

NEW YORK (Reuters) - The Ritz-Carlton Hotel Co will close its five-diamond property in Las Vegas this May, after the hotel struggled with a slide in demand and revenue.

"It's nothing the hotel did. It's a simple lack of business and a decline in the tourism industry," said Ritz-Carlton spokeswoman Vivian Deuschl.

The owners of the 348-room property, Village Hospitality LLC, an arm of Deutsche Bank, will stop funding the Ritz-Carlton Lake Las Vegas day-to-day operations on May 2.

"That was the owner's decision and we reluctantly agreed to go along with it," Deuschl said.

Luxury properties have been hit hard in the past year and a half. Corporate travel and business from associations accounts for the bulk revenue of these hotels, but companies and groups have cut back on travel spending in the past year.

Village Hospitality, a subsidiary of Deutsche Bank's German American Capital Corp, acquired the hotel in a nonjudicial foreclosure sale in February 2009.

"The unprecedented economic downturn has had a significant impact on the hotel's operations," said Deutsche Bank spokesman Scott Helfman. "As a result, Village Hospitality LLC concluded that continuing to fund operations was no longer economically viable and consequently decided to close the hotel effective May 2, 2010."

Ritz-Carlton is a division of Marriott International .

The hotel opened seven years ago and has played host to an array of celebrities including Elizabeth Taylor, Celine Dion and the late pop icon Michael Jackson.

The Ritz-Carlton Lake Las Vegas property employs some 350 people, Deuschl said, some of whom may be relocated to other Ritz-Carlton properties or other Las Vegas hotels.

THE "AIG" EFFECT

Located 17 miles from the Las Vegas Strip, the hotel boasts retail boutiques, a wedding chapel and gondola rides, according to the hotel's website.

It received a "five-diamond" rating from the American Automobile Association for 2010.

Last year, revenue for U.S. luxury hotels fell nearly 17 percent, outpacing the 14 percent drop in the overall industry, according to an analysis by PricewaterhouseCoopers LLC.

Revenue per available room (RevPAR), a fiscal measure of health in the industry, plummeted about 24 percent, compared with a 16.4 percent drop for the industry overall.

Luxury hotels have also suffered from the backlash from the so-called "AIG effect," referring to the uproar caused by American International Group's decision to fly top brokers and executives to a resort shortly after receiving a bailout check from the U.S. government.

"The whole demonization of luxury meetings and companies' pulling back on having their high-end meetings in luxury hotels -- this has had a tremendous impact on Las Vegas," Deuschl said. "I can't think of another destination that has had to defend itself more against comments from politicians."

Deuschl did not comment specifically on the hotel's occupancy level, but said it was lower than the company would have liked. (Reporting by Deepa Seetharaman, editing by Maureen Bavdek and Tim Dobbyn)

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