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The COVID-19 Reality: How the hotel industry may fare when the pandemic passes - by Harry Wheeler

April 17, 2020 - Front Section

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Well, the past few weeks have been interesting to say the least. COVID-19 has wreaked havoc on the world – impacted the health and wellness of thousands of people; tested the limits of our healthcare system; shut down schools and businesses; restricted travel; forced millions of people to stay home; and changed the way we interact with each other. And, all of this happened virtually overnight.

From what we've observed in New England, companies are doing their best to protect their employees, customers, and communities. As we all stay home and quarantine, work continues for some and stalls for others. For the hotel industry, we're attempting to make sense of what this may look like when the world goes back to 'normal' – or more realistically, the 'new normal' – as many aspects of life will never be the same.

Hotel Market Reactions

As a result of travel bans, shelter-in-place orders, and social distancing guidelines across the globe, the hotel industry is experiencing the lowest occupancy rates since September 11. Major hotel chains in Boston and across the country are closing their doors, furloughing workers, and conserving their cash as best they can. Marriott International has shared its recent plan to weather the storm. In addition to closing hotels and furloughing workers, the company has made aggressive actions to reduce marketing spending, delay renovations, suspend brand standard audits, and reduce/suspend executive salaries. After furloughing workers, Hilton has been active assisting employees to find short-term work in jobs created by the pandemic. Major hospitality real estate investment trusts are postponing non-essential capital investments, reducing or eliminating dividends, and drawing down on credit lines to mitigate the impact on their business.

Innovative Operational Responses

Despite challenges, we're seeing an amazing outpouring of support, resilience, optimism – and even innovation. Intense discussions with our clients (done virtually, of course) indicate this is a storm that

can be weathered. The common theme we're hearing is that although this crisis is like nothing we've ever experienced, this is not one driven by financial instability like we experienced in 2008.

Although construction has halted in major cities like Boston and others, we are still very active with most of our projects. We are also seeing companies take this time to get ahead on paperwork, shop drawings, and focus on reopening. For hotels that have closed, they are mostly embarking on smaller projects like restaurant upgrades, ADA scopes, and deferred maintenance. In ambitious cases, some hotels that have closed are using this opportunity to complete a full renovation. When they reopen with a brand-new product, the goal is to recoup occupancy and charge higher room rates.

One of the more adaptable approaches we've seen is hotels offering a day rate for businesspeople looking for a clean, safe place to work. With mandatory work-from-home instituted by companies across the country, people are looking for access to technology, high-speed internet, and the space/privacy they may not have in their homes. We've also heard of some in-house operations using employees in unique ways like asking cleaning staff to do work for their communities in need of assistance so they can remain employed during this time.

The Future of Hotels – Bleak or Bright?

What does the future look like for the hotel industry? No one knows. One thing is for sure, it will be different. We expect to see many changes in cleaning and ventilation standards. Building codes will no doubt be impacted in the years to come. The way we think about food and beverage preparation and services could be forever altered as we explore giving guests 'touchless' experiences.

Regarding cleanliness and sanitation, I had an interesting conversation this week regarding fitness room sanitation. One idea shared was to remove all TVs from personal cardio equipment so people have less touch points on the machine. We also expect to see increased keyless options with more guests opting in to use their smartphones in lieu of traditional keys. And, we'll likely see continued advances in environmentally friendly energy solutions like motion-activated lighting, faucets, and toilets, as these have unintended benefits of being 'touchless.' We could see less cleaning and service staff interactions with guests and potentially more limited guest interactions with each other. This could change the way we think about guestroom layouts and common space designs.

Lastly, we could see hotels gain back lost market share from Airbnb and other online lodging brokers. As travelers of tomorrow think differently about cleanliness and safety standards, many people I've spoken with feel strongly that hotels offer a much cleaner, safer, and secure option for guests. Conversations like these are happening now to prepare for the future.

The New Normal

When something like a global pandemic impacts the world like COVID-19 has, change is inevitable. Eventually, we will all go back to work. We will start traveling again. Things will be different but, hopefully, they will be better. The hotel industry is very resilient. We will find ways to ensure our

guests are taken care of. This too shall pass. We as a hotel industry, and more importantly as human beings, will be stronger and more resilient because of it.

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