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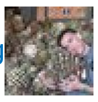
News

Hotels Face a Dire Winter Without More Aid From Congress

Disney lays off 28,000 employees as AHLA and U.S. Travel partner with nearly 150 organizations to launch the Covid Relief Now Coalition.

 by Elise Schoening  by Michael J. Shapiro

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Nearly 2,700 hotel rooms in Manhattan are expected to be shuttered permanently. The Times Square Edition (above) closed for good in August. Photo Credit:Edition Hotels

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Seven months after the Covid-19 pandemic struck the United States, the hospitality industry is still reeling and the need for federal relief is growing dire. New research from the American Hotel and Lodging Association shows 68 percent of hotels have less than half of their normal staff working full time. In addition, more than two-thirds of hotels said they would not be able to last six more months at the current projected revenue and occupancy levels, and half of the hospitality owners polled said they are in danger of foreclosure. Without government assistance, 74 percent of hotels said they would be forced to lay off more employees.

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Another study released by the AHLA last month found that unemployment within the hospitality and leisure sector is at 38 percent, nearly four times that of the national average (10.2 percent). In an effort to the save industry, the organization is pleading with lawmakers to swiftly pass another round of Covid-19 relief. To that end, AHLA and the U.S. Travel Association have partnered to launch the Covid Relief Now Coalition — which nearly 150 industry organizations have signed on to join over the past 24 hours.

"It's time for Congress to put politics aside and prioritize the many businesses and employees in the hardest-hit industries. Hotels are cornerstones of the communities they serve, building strong local economies and supporting millions of jobs," said Chip Rogers, president and CEO of the AHLA. "Every member of Congress needs to hear from us about the urgent need for additional support, so that we can keep our doors open and bring back our employees."

The coalition, which represents a cross section of public and private sectors and hundreds of thousands of employers, is gathering around a single message, according to Rogers. "There should be no recess without relief," he said. The group is sending a letter to Congress today calling for immediate travel-industry relief.

"This is not a partisan activity," Rogers stressed. "Both sides can take credit when there's a deal. Both sides should take blame if there's not a deal." Particularly frustrating, added Rogers, is that the money has already been earmarked. Congress simply needs to agree on a bill.

"The second round of the Paycheck Protection Program, which hopefully will come soon, could simply tap into the additional resources that were left over from the last round of PPP," Rogers said. "Keep in mind, there's already about $150 billion that has been appropriated by Congress. This is not new money. It was unused because the restrictions on how much you could borrow in the first round of PPP were so limited that you really couldn't get access to much money. It only seems reasonable to direct that now to the businesses that have been hurt the most; clearly, hotels fall into that category, along with restaurants and anyone else in the tourism and travel world."

Although hotels experienced a slight rebound in leisure-travel bookings late this summer, they are now on the cusp of a traditionally slower season. Many, said Rogers, are absolutely dependent on more aid if they're going to survive the winter. "And so if

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you just took the money from PPP that was already appropriated and made it eligible for businesses that have been hurt the most, those businesses could possibly survive until next spring."

The states of California and Florida have been particularly hard hit — with hotel-related job losses as of September numbering more than 234,000 and nearly 173,000, respectively. Without additional aid from Congress, those numbers are predicted to climb to nearly 470,000 in California and more than 336,000 in Florida.

"We urge D.C. to please throw us another lifeline," pleaded Bijal Patel, vice president of Coast Redwood Hospitality and chair of the California Hotel & Lodging Association. "We feel that if we are able to get through the winter and we are able to make it through the spring, that we will be able to turn a corner. But without any further assistance from D.C., we feel like it's going to be a very difficult winter for us here in California."

Similar calls for help are coming from Chicago, where so much of the hospitality economy depends on conventions. "More than half of our total revenue for many of our hotels is reliant on meetings and events or what we call group travel," explained Michael Jacobson, president and CEO of the Illinois Hotel & Lodging Association. "So until those gathering restrictions are eased, we're going to be in a world of pain."

That pain is being felt by hundreds of thousands of hospitality and tourism employees as major companies are forced to downsize. Disney just announced it will lay off 28,000 people in the U.S. Around 67 percent of the employees who will be impacted are part-time. The company reopened its Walt Disney World theme park in Orlando in July; Disneyland in Anaheim, Calif. remains closed, while the park waits for reopening guidelines from the state.

"We initially hoped that this situation would be short-lived, and that we would recover quickly and return to normal. Seven months later, we find that has not been the case. And, as a result, today we are now forced to reduce the size of our team across executive, salaried and hourly roles," said Josh D'Amaro, chairman of Disney parks, experiences and products, in a letter sent to employees on Sept. 29. "As heartbreaking as it is to take this action, this is the only feasible option we have in light of the prolonged impact of Covid-19 on our business, including limited capacity due to physical distancing requirements and the continued uncertainty regarding the duration of the pandemic."

Congress should evaluate its priorities, said the AHLA's Rogers. "Perhaps the last and almost most difficult one to handle is that our elected officials in Congress, if you were to ask what the most important thing happening in their lives, if they were honest, many would tell you that it's their own reelection campaigns," noted Rogers. "And I'm not sure we can express our frustration enough that our elected officials, who are defined as public servants, in many cases seem to care more about going home to protect their own jobs than they care about the very jobs of the people they're supposed to represent. And so we're calling on Congress to please not leave Washington, D.C. until the job is done. Thousands of hotels, and ultimately millions of jobs, are depending on it."

Closures on the Horizon

Only 20 percent of hotels have received any debt relief from commercial mortgage-backed security lenders on Wall Street, according to AHLA. Without aid from Congress, the industry association expects massive foreclosures. At the beginning of the year, there were about 57,000 hotels across the U.S. Without congressional aid, up to 38,000 of those could close in the next few weeks.

More than half (58 percent) of Manhattan hotels remain closed, according to the latest Manhattan Lodging Index from PricewaterhouseCoopers. Findings from the report show approximately 61,450 hotel rooms in Manhattan had not reopened as of early September. Of these, nearly 2,700 are expected to be shuttered permanently.

"You won't see meaningful increases in operating metrics for Manhattan hotels until we see a return of the business traveler, and that likely comes after a widely distributable vaccine and therapeutics become available," said Warren Marr, managing director of U.S. hospitality and leisure for PwC.

Some properties are already closing their doors. Among the hotels lost to Covid-19 are the Omni Berkshire Place, Times Square Edition, Hilton Westchester, W New York Downtown and the Hilton Hotel Times Square, all of which are in New York state. A report from *The Wall Street Journal* suggests 20 percent of the state's total hotel supply (about 250,000 rooms) could close permanently.

As an additional indicator of industry health, U.S. hotel transactions were down 74 percent year-over-year from March through May, according to the latest Hotel Transaction Almanac, produced by STR's Consulting and Analytics office and CoStar Group. May represented the largest decline in the total volume of hotel deals, falling 94 percent compared with last year. According to STR, only 68 assets representing a combined total of $112 million were sold in the month of May, compared with 329 hotels worth $1.8 billion in May 2019. The number of transactions will likely begin to rebound as investors look for distressed inventory, according to the report.

Economic Impact of COVID-19

Since mid-February, U.S. properties have lost more than $46 billion in room revenue, according to the AHLA. Hotels across the country are on track to lose more than $400 million in room revenue per day due to COVID-19, which equates to losses of $2.8 billion weekly.

As a result, many hotels — 87 percent, according to the AHLA — were forced to furlough or lay off staff members. More than 7.7 million hospitality and leisure jobs were lost at the peak of the pandemic and 4.3 million remain out of work. Even as properties have reopened and occupancy picks up, layoffs continue. In many cases, furloughed employees are now losing their jobs permanently.

In the latest news, Marriott International plans to let go of 17 percent of its corporate workforce. According to *The New York Times*, the company confirmed that it will lay off 673 people in late October. Marriott had initially furloughed two-thirds of its corporate staff in March. In June, the furloughs were extended until early October. The hotel giant said it does not expect to return to prior levels of business until beyond 2021. Effective Sept. 20, Marriott will no longer be listed on the Chicago Stock Exchange, a move the company said would reduce administrative costs and requirements.

Hotel and casino giant MGM Resorts was expected expected to lay off 18,000 of its furloughed staff, starting Aug. 31. The company had furloughed 62,000 employees in March, according to *Reuters*.

InterContinental Hotels Group eliminated 10 percent of its corporate staff in July, as part of a $150 million cost-cutting plan that is expected to continue in 2021. Oyo Rooms, which operates more than 43,000 hotels with more than 1 million rooms around the world, announced in mid-July that more than 90 percent of its U.S. workforce would be let go.

Las Vegas-based Boyd Gaming, which owns and operates 29 casino properties across 10 states, many with hotels, announced July 13 that it had let go more than 25 percent of its workers. The cut essentially turns a large number of furloughs into permanent layoffs. According to a company spokesperson, the number of layoffs is "at the lower end" of 25 to 60 percent of the total workforce — the range that the company had warned in May could be affected.

In June, Hilton let go of 22 percent of its corporate workforce. Rosen Hotels & Resorts, which owns and operates nine properties in Orlando, has also announced layoffs. The company implemented a "substantial reduction of workforce across multiple locations" on July 31.

"It is with deep personal regret that I announce a significant downsizing of staff at Rosen Hotels & Resorts. Never in the 46-year history of my company would I have envisioned such a drastic decision," said Harris Rosen, president and COO of Rosen Hotels & Resorts. "Since the onset of COVID-19 earlier this year, we have maintained as many staff as possible, with the hope of business returning to usual in June of this year. Regrettably, this did not come to pass... This is especially painful for me, as I consider these valued associates as extended members of the Rosen family, without whose contributions our company would never have achieved the success it has through the years."

Doug Dreher, president and CEO of The Hotel Group, called the effect of the coronavirus pandemic on the hospitality industry "devastating" and expected his company to lay off at least a third of its workforce.

"It is for us the Great Depression, utterly devastating," said Dreher. "We've tried to get ahead of it. We're working with lenders, but we need help. We need help in every imaginable way. The human toll breaks your heart."

Reopening Hotel Properties

Many hotels have reopened their doors and are welcoming guests back with new cleaning protocols in place. Omni Hotels & Resorts, for example, has reopened most of its properties which had shut down during the pandemic. At the height of the pandemic, the hotelier had temporarily closed more than 40 of its properties. Only nine have yet to reopen, according to Omni's travel advisory page.

Gaylord Hotels was forced to temporarily close its five properties in the U.S. Four have since reopened: the Gaylord Texan Resort & Convention Center, Gaylord Opryland Resort & Convention Center, Gaylord Palms Resort & Convention Center and Gaylord Rockies Resort & Convention Center. A reopening date for the Gaylord National Resort & Convention Center has not yet been set.

Gaming resorts, which were among the first to suspend operations en masse, are also reopening their doors. A Covid-19 Casino Tracker from the American Gaming Association reports that all 989 casinos in the U.S. were forced to close due to the pandemic. Of these, 901 have since reopened.

MGM Resorts and Wynn Resorts, for example, suspended operations at their Las Vegas properties on March 16. The companies, along with other Nevada gaming powerhouses such as Caesars Entertainment and Las Vegas Sands, reopened select casinos on June 4 in accordance with the state's reopening plan. The companies are reopening more Nevada properties as demand rises. On Sept. 30, Park MGM and the NoMad Las Vegas will be the last MGM properties to begin welcoming guests again. Both will be smoke-free.

"Opening Park MGM and NoMad represent significant milestones, as they are the last of our properties to welcome back employees and guests alike," said Bill Hornbuckle, CEO and president of MGM Resorts. "The last six months have presented extraordinary challenges and I could not be prouder of the MGM Resorts team for the tireless effort required to get us here. There is much work ahead as we remain focused on the health and safety of our employees and guests, but this is an important moment for us."

Meanwhile, other hotels might be closed for good. This includes four Station Casino properties in Las Vegas that might never reopen, according to Frank Fertitta III, CEO of Station Casinos's parent company Red Rock Resorts. Texas Station, Fiesta Henderson, Fiesta Rancho and Palms Casino Resort have all been closed for months and might never welcome guests back. "We don't know if — or when — we're going to reopen any of the closed properties. We think it's too early to make that decision at this time," said Fertitta during the company's Q2 earnings call on Aug. 4.

In Connecticut, two tribal casinos reopened on June 1. The Mohegan Sun and Foxwoods Resort Casino released detailed reopening plans with new safety protocols to keep guests and staff members safe. Atlantic City casinos reopened on July 2, and Massachusetts casinos also welcomed guests back in July. Plainridge Park was the first to reopen on July 8, followed by the Encore Boston Harbor on July 12 and MGM Springfield on July 13. Meanwhile, New York's Resorts World Casino and Jake's 58 Casino Hotel reopened on Sept. 9 and the Empire City Casino is scheduled to reopen on Sept. 21.

Despite a surge in new coronavirus cases in the state of Florida, Orlando's Walt Disney World began a phased reopening of its theme parks and resort hotels on July 11. Disneyland, in Anaheim, Calif., had announced a July 17 opening but has postponed that as the state has yet to release reopening guidelines for theme parks. A new date has not been set.

A COVID-19 hotel-status directory from EproDirect, a hospitality industry marketing agency, indicates whether more than 4,000 hotels are currently open, and if they are accepting individual reservations and group bookings. While most of the properties listed are in the United States, hotel reps from any destination worldwide can list their hotel's status for free.

New Openings and Renovations Delayed

The pandemic is also affecting properties in the pipeline. The Langham, Boston was due to unveil a multimillion-dollar renovation this fall. However, the completion date has been pushed back to early 2021 due to a local halt on construction.

The grand opening of Universal's Endless Summer Resort – Dockside Inn and Suites has also been postponed. The resort was scheduled to open in mid-March; a new date has not yet been announced.

Marriott is expecting to open and sign fewer hotel deals in 2020 than anticipated. In addition, the company has temporarily deferred most brand standards to help owners and franchisees, including delaying renovations due in 2020 by one year, according to Marriott president and CEO Arne Sorenson.

"The coronavirus is fast becoming the most significant event to ever impact our business; that includes the 12-month period after 9/11 and the financial crisis of 2009," said Sorenson during an investor update on March 19. But he noted that the development pipeline has not ground to a complete halt. "We've been signing deals and we have development committees that are meeting monthly. The volume is lighter and the numbers will be lower than we anticipated but they won't be zero."

Insight from Abroad

Looking to Asia, where the outbreak began, could provide further insight into the potential economic damage and timeline for recovery — although comparisons are challenging, as the United States has tallied far more COVID-19 cases and continues to do so even as stateside hotels open their doors.

By mid-February, Hilton had closed all 150 hotels in China, totaling 33,000 rooms. At the time, the company said it expected a $25 million to $50 million hit on full-year adjusted EBIDTA, assuming the outbreak lasted three to six months with an equal recovery period. It wasn't until May 8, however, that the company resumed operations of all hotels in mainland China. The company is now looking to expand its presence in the country, and announced plans on June 23 to add 1,000 Home2 Suites properties to the market.

"Asia pacific, led by China, is ahead in recovery because they went into the crisis earlier and have sort of gotten through not all of it, but most of the epicenter of the health crisis," said Hilton president and CEO Chris Nassetta during a session at Cvent's annual Connect conference in late August. "We hit a low point of 10 percent global occupancy in April. We have now sort of clawed our way back. We're now running close to 50 percent occupancy around the world."

Meanwhile, Marriott has reopened 91 percent of its global hotels, including all 350 China properties. The hotelier's worldwide occupancy rates reached 34 percent in August, but occupancy rates in China are nearly double (60 percent). This marks a significant jump from earlier in the year. According to Sorenson, some of Marriott's China hotels were running at 7 percent occupancy in January, when the pandemic peaked there.

"China has been interesting to watch. We went into the crisis with about 350 operating hotels in China and about 90 to 100 closed and business disappeared in the beginning," said Sorenson during Cvent connect. "In the later part of January and into February, revenue was down about 90 percent across our hotels in China and occupancy was at 10 percent. We're now running about 60 percent occupancy as we speak and we think there is a real possibility that we will get back to 2019 levels of revenue as early as 2021. That bodes well and it does tell you something about the resiliency of people."

Occupancy levels for Hyatt hotels in Greater China reached 65 percent in July. According to president and CEO Mark Hoplamazian, the numbers show encouraging results that the hospitality industry can begin recovery now.

"China serves as a great example that travel recovery is possible even without pharmaceutical treatments or a vaccine as long as proper, well-coordinated actions are taken to significantly reduce the spread of the virus," said Hoplamazian during an investor call on August 4.

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