

Hotel Sector Tackles Today's Challenges

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While the hotel sector is performing well, it's hardly a time to rest easy and rake in profits, according to hotel experts speaking at the National Association of Real Estate Editors annual real estate journalism conference in Las Vegas. They offered a list of issues to watch.

Jun142018

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Hotel and Casino Trends: (left to right) Manny Dominguez, Daniel Lesser and Richard Bosworth

It's a year of record everything for the hotel sector, according to Daniel Lesser, president & CEO of LW Hospitality Advisors, but it's hardly a time to rest easy and rake in profits.



Lesser spoke yesterday at the National Association of Real Estate Editors annual real estate journalism conference in Las Vegas, as part of a panel evaluating hotel and casino trends that also included Manny Dominquez, principal of the hospitality studio at Cooper Carry, and Richard Bosworth, general partner & CEO of newly formed casino hotel owner JC Hospitality, which is converting Las Vegas' Hard Rock Hotel & Casino into the Virgin Las Vegas, was bullish on the sector.

"Not only does everyone want to visit here, everyone wants to invest here," Lesser observed. New supply has remained fairly well in check, which has helped to push occupancies down, while RevPAR and even profits have been rising. The performance has attracted an abundant amount of both debt and equity capital from around the world, despite the fact that prices continue to rise—an acquisition price of \$1 million per room is not uncommon now.

What to Watch

At the same time, the sector faces a sizable list of challenges:

- The pace of growth has slowed—favorable compared to the negative direction of performance in the early 1990s but still something to watch.
- Airbnbs remain an attractive alternative, and may become more so as policymakers and apartment owners figure out their complications. That said, Lesser sees the competitive threat as reduced as guests respond to the experiences hotels can offer. "Airbnb will

never replicate the hotel lobby,” he declared.

- Like retail, hotels must focus increasingly on offering their guests an experience—whether it be partnering with notable restaurateurs for food and beverage, socially focused lobbies, or high-end retail. Casinos are introducing more interactive gaming, including updates to historical Jersey Shore-style games, according to Bosworth, but they have yet to prove a successful strategy.
- The U.S. travel ban has continued to negatively impact lodging, with fewer international travelers visiting the U.S.
- The sector is overbranded, with brand owners continuing to roll out new flags. Rather than intriguing guests with new options, Lesser affirmed, the plethora of choices is confusing them.
- Hotels continue to struggle against the discounted rates offered by booking services like Priceline and Expedia. To compete, they are providing incentives to book direct by denying amenities such as included breakfast or keyless room entry to discount-site bookings.
- Casino-hotel properties are no longer bringing in the same percentage of revenue from their casinos, which is now down to about a third of gross revenue. Food and beverage represent a much higher source of revenue.

National Association of Real Estate Editors