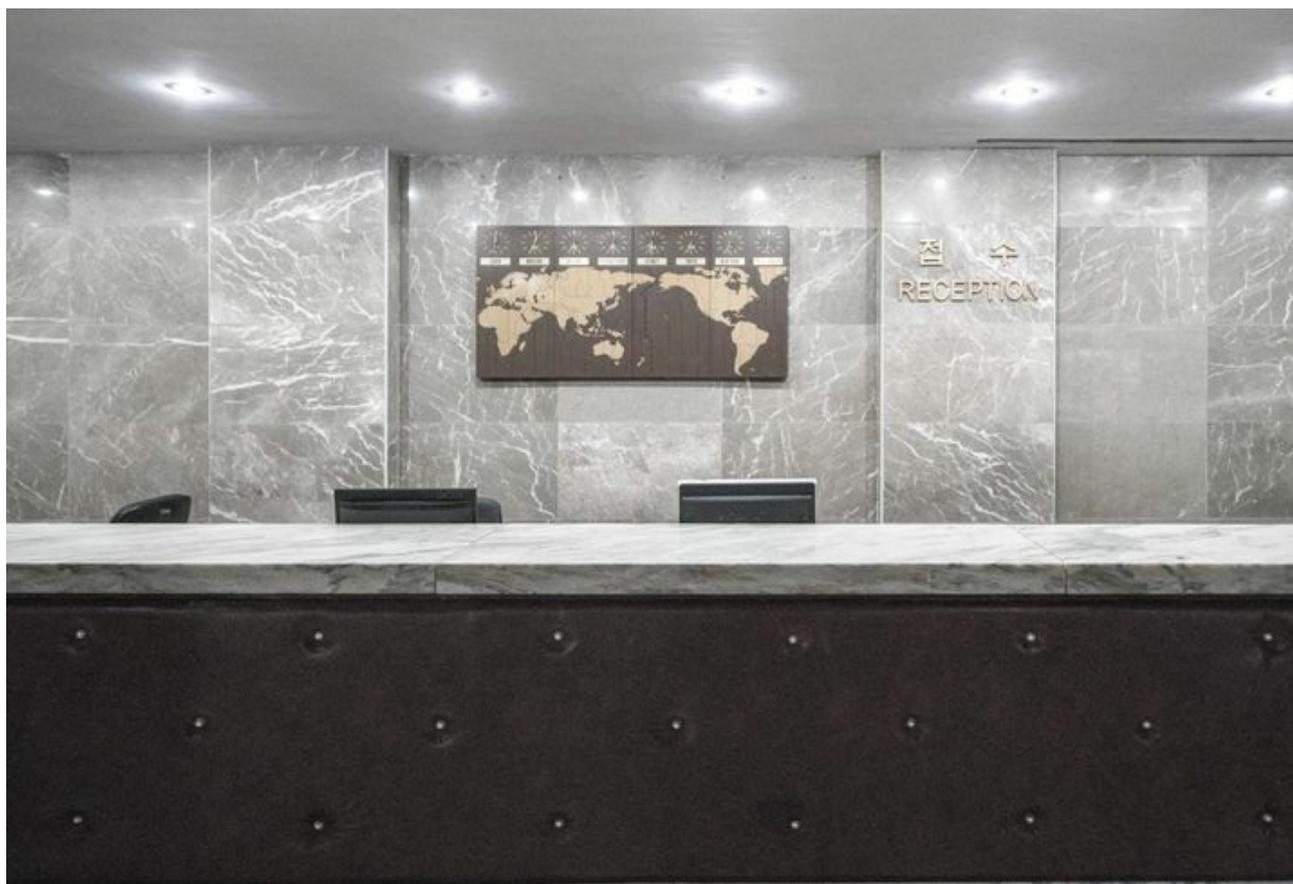


# Temporary Furloughs Become Permanent Layoffs As NYC Hotel Pain Deepens

**B** [bisnow.com/new-york/news/hotel/temporary-furloughs-become-permanent-layoff-as-pandemic-continues-to-wreak-havoc-on-nyc-hotel-industry-105664](https://www.bisnow.com/new-york/news/hotel/temporary-furloughs-become-permanent-layoff-as-pandemic-continues-to-wreak-havoc-on-nyc-hotel-industry-105664)

Immediate shocks to New York City's hotel industry are morphing into long-term pain as hotel operators confront the reality that a real recovery isn't coming this year.



Some operators were hopeful for something of a return for the industry this summer. But some furloughs have been extended indefinitely, according to public layoff notices, and some have been converted into permanent job losses. The industry is bracing for a years-long recovery, sources said, and for far more rooms to be wiped out than in previous cycles.

“The market is getting crushed. Actually, it isn’t getting crushed — it is crushed,” LW Hospitality Advisors CEO Daniel Lesser said. “This is the black swan. Everyone was anticipating a black swan, but no one knew what it was going to be.”

Each day, more hotels are filing official notices with the state department of labor under the Worker Adjustment and Retraining Notification Act. The Residence Inn Times Square is extending its 99 furloughs for an undetermined number of months, per a notice made public Wednesday morning. More than half of the 63 employees furloughed at The Leading Hotels of the World on Lexington Avenue will be laid off, and the rest will remain furloughed for an undetermined amount of time, per a Department of Labor notice also made public this week.

Multiple Marriott locations have amended their WARN notices. The Courtyard by Marriott Times Square is keeping its 63 furloughed staff out of work for an undetermined number of months. At the Courtyard and Residence Inn by Marriott Central Park, all 142 furloughs are now continuing for an unspecified number of months. Similarly, at The Courtyard by Marriott Long Island City, 22 temporary layoffs are now “expected to last for several months.” A total of 47 temporary layoffs at The Courtyard by Marriott JFK will continue for several months as well.

Representatives for Marriott didn't respond to requests for comment.

At the Public Hotel, 51 people will be “permanently separated” from next month, and 54 are expected to be temporarily laid off for more than six months. A representative from the company declined to comment.



“It’s a lot worse than we thought. Some hotels have gone permanently. I’ll survive, I’ll come through — but it is going [to take] longer than I thought,” said John Fitzpatrick, who owns and runs the Fitzpatrick Manhattan and The Fitzpatrick Grand Central. The latter remained fully open through the pandemic, but business was worse than he predicted.

After Labor Day, he will assess the reopening plan for the Fitzpatrick Manhattan but said with low international tourism and quarantine requirements on visitors from more than 30 states, it is a tough market.

“I have employees who’ve been with me for 30 years, I want to get them back to work,” he said. “I feel that if I get to the other side, there will be a lot less hotels.”

That is already starting to play out. The Marriott-owned W Hotel in lower Manhattan won’t open its doors again, *Bisnow* reported last month.

The Bryant Park Hotel is reportedly being turned into office space. Vornado has said publicly there have been internal discussions about permanently closing the Hotel Pennsylvania, where more than 400 people have been furloughed.

Maefield Development was previously said to be closing the Times Square Edition Hotel but last month reportedly figured out a deal with its lender to reopen as long as there isn’t another outbreak of the coronavirus. Still, furloughs that began in March there may go beyond six months. A total of 10 employees will be permanently separated in the second half of September, per a WARN notice that was amended this week.

Others have managed to reopen. GFI Capital opened the James Nomad and The Beekman this month, and there are plans afoot to open the ACE NY Hotel next month, according to a representative from the firm.



But the steps forward are tentative for the industry.

“I don’t see any uplift till next March,” Fitzpatrick said. “We thought September ... but now it’s more like next year. And some hoteliers are telling me I’m too optimistic.”

CBRE Hotels Advisory Managing Director Mark VanStekelenburg told *Bisnow* the brokerage’s current forecast is that New York City revenue per available room will not recover to its pre-pandemic levels until 2025. Nationally, that metric is expected to return by 2024, but the city has more hotels temporarily closed than anywhere else.

“We are tracking about 9,000 hotel rooms where we have heard something either about a redevelopment or a just not reopening,” he said. “We’ve got some challenging times ahead.”

Hospitality data firm STR pegged occupancy at 38% last week, a 58% drop from the same point in 2019. Revenue per available room, the industry's leading performance metric, is down 78% to \$50. However, those rates are only for hotels that are actually functioning and reporting numbers. Hotel Association of New York City CEO Vijay Dandapani said that data doesn’t paint a full picture of the crisis.

Right now, the association estimates some 200 of a total of 700 hotels remain closed, and it is not yet clear which are shut for good. Dandapani believes the occupancy is closer to 10% when considering all the hotels in the city.

“I would not be surprised if something north of 20,000 rooms are closed right now,” he said. “Some owners have said they will close for two years.”

The only people staying in hotels right now, he said, are front-line workers or government employees. Plus, there are 14-day quarantine requirements on visitors from more than 30 states, and this week, Mayor Bill de Blasio announced hotels now must require visitors to fill out forms before they can even access a room.

“So, on top of having no staff, you have to cope with these burdens,” Dandapani said.

While some hoteliers are hoping for a pickup in the fall, there are few draws to bring leisure and business travel to the city this year. Many office workers are staying remote. The U.N. will not hold its annual meeting this September for the first time in 75 years. The U.S. Open is going ahead without any spectators at the end of the month.

Broadway, which originally closed for 31 days, is now officially shut until next year.

“We are waiting it out,” said Pod Head of Acquisitions & Development Rani Gharbie, who told Bisnow in May that the company was “cautiously optimistic” there will be enough occupancy in July and August to reopen and bring back furloughed staff at some level.

Now the firm is hoping that the fourth quarter will allow for some return to normalcy.

“As soon as the gates open up, we will go back up to an optimal profitable level. ... There’s no reason not to go back there when the demand picks back up,” he said. “It’s all about how you weather through till you get there.”