

Now Is Time To Buy New Orleans Hotel

The recent tragic hurricane that devastated New Orleans and the Gulf states raises the issue of hotel disasters and poses questions concerning the prognosis for a rapid and complete recovery. Since travel is largely discretionary, any type of disaster that adversely affects a traveler's perception of safety or comfort will impact the selection of a particular hotel or visitation to an affected country or region. This column focuses on noted hotel disasters, identifying solutions to minimize the long-term consequences, as well as identifying investment opportunities for those who understand the potential windfall that often accrues to hotels that quickly repair or rebuild.

The Florida hurricanes of 2004, the Asian tsunami and hurricane Katrina are examples of external, area-specific disasters. The immediate impact of these events is a brief (usually one to two week) suspension of travel to the area while authorities rescue survivors, begin relief efforts and start repairing the infrastructure. What follows is a recovery and building boom of massive proportions with government agencies, insurance adjusters, contractors, construction workers flooding into the area. All these individuals require temporary accommodations for up to three years and hotels are the logical beneficiaries.

While recovering from an external disaster is usually beyond hoteliers' control, history shows that recovery occurs rapidly once a solution to the disaster is implemented or becomes apparent. Tourist travel to Florida resumed fully once the cleanup was completed and hurricane season passed. Many of the tourist areas affected by the Asian tsunami are now back to normal because countries have installed early warning systems and the rebuilt hotels now provide quick and easy access to either higher ground or water-tight shelters. Hong Kong quickly recovered from SARS once the disease was contained and eradicated. The attack on the World Trade Center adversely impacted New York City hotels for only three months.

Internal, property-specific disasters include hotel fires, structural defects and poisonings. In the 1980's, the MGM Grand in Las Vegas suffered a devastating fire that killed more than 80 people and injured an additional 650. Banner headlines alerted travelers to the potential danger of hotel fires, which sensitized guests to reject hotels without sprinklers, investigate fire exit routes and request rooms on lower floors. After the fire, the MGM Grand repaired the damage and installed a state-of-the-art fire detection and sprinkler

system, thus becoming the industry standard for fire safety. Because this hotel faced this problem, implemented an identifiable solution and publicized the safety benefits of this solution, the market rapidly returned and the MGM Grand quickly regained its prominence in the Las Vegas market.

However, not all hotel disasters have an identifiable total solution. For example, the Belleview Stratford hotel in Philadelphia was found to harbor the infamous Legionnaires Disease, a deadly bacteria living in the hotel's air-conditioning system. A renovation of all guestrooms and air handling systems failed to convince travelers the reconstruction and sanitizing had completely removed all objectionable organisms. Several operators, including Fairmont and Western International, were unable to overcome the negative stigma because an identifiable, total solution to the problem never could be proven. While this type of uncorrectable stigma also attaches to hotels with severe mold infestations, incidences of food poisonings rarely involve a long-term stigma.

The structural failure and collapse of a sky bridge at the Hyatt in Kansas City, Missouri, which killed a number of people, is another example of a disaster without an identifiable total solution. Naturally, the integrity of the property's other structural components were questioned following this incident. These uncertainties pertaining to important safety issues significantly prolonged the recovery period for this hotel.

Travelers are a resilient lot. Fortunately they quickly forget tragedies and readily accept identifiable solutions. Based on the history of hotel disasters, I have no doubt that tourists and conventioners will rapidly return to New Orleans and the Gulf states once the area hotels and tourist infrastructure is cleaned up and reopened. Add to this billions of dollars of recovery money the federal, state and local municipalities will pump into the area. I predict a boom time for local New Orleans hotels for the foreseeable future. ♦



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