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New York's Beleaguered Hotel Industry Braces for Even More Hotels

Property openings show no signs of slowing even as occupancy, room rates lag

By Kate King | January 24, 2022

New York City hotels are still suffering from the effects of the pandemic, but that hasn't slowed the flow of new properties expected to open this year and in the years to come.

Fifty-three hotels are scheduled to add an estimated 9,000 rooms to the New York City market in 2022, according to September figures from research firm Lodging Econometrics. That puts the city on track for the nation's second-highest growth rate, just behind Austin, Texas, for hotel rooms added among the 50 biggest markets.



Hotel operators and developers were drawn to the city's strong economy and growing tourism sector in the years before [Covid-19](#). In the decade leading up to the pandemic, New York City added more than 41,000 hotel rooms, increasing the city's room count by 47%.

Business travel and tourism cratered during the pandemic and many hotels are still struggling to sell rooms. But even lackluster demand hasn't derailed hotel construction. There were 130 hotels in the New York pipeline as of the third quarter, which would add more than 22,000 rooms in the coming years, Lodging Econometrics said.

Hotels scheduled to open this spring include a Ritz-Carlton location in Manhattan's NoMad neighborhood north of Madison Square Park, and [Aman New York](#), a luxury hotel and residences in the historic Crown Building on Fifth Avenue.

Some hoteliers say they are looking beyond the pandemic, confident that demand from tourists and business travelers will eventually recover.

"We're not deterred," said Brett Blass, chief operating officer for Triumph Hotels, which operates six Manhattan hotels and is open to adding more. "We believe in New York."

Yet hotel analysts caution that building more rooms could exacerbate the industry's woes by boosting supply at a time of depressed demand. International and business travel are two key pillars of hotel demand in New York, and the [disruptions caused by the Omicron variant](#) have further delayed the return of these customers.

New York hotel occupancy rates averaged about 59% last year compared with 86% in 2019, according to preliminary estimates from hotel-analytics firm STR. Annual revenue per available room, a key metric for hotels' bottom lines, reached only 57% of 2019 levels.

"Certainly the last thing New York really needs are new hotel rooms opening up during a crisis," said Patrick Scholes, a lodging analyst with Truist Securities Inc.

Atit Jariwala, chief executive of Bridgeton Holdings, said robust leisure travel had been powering his two Manhattan hotels toward a strong holiday season until Omicron emerged. Flight cancellations, customer fears over rising Covid-19 cases and infections among hotel staff roiled business in the final weeks of 2021.

His Walker Hotel Greenwich Village ended December with occupancy at 85%, he said, a strong showing compared with the citywide average, but still 10 percentage points behind what Mr. Jariwala had been expecting as of late November. Cancellations have continued into January, already a slow time for New York City hotels, he added.

Even so, Bridgeton is among the many owners expanding in New York. The company recently won a bid for a Brooklyn hotel that was in foreclosure.

Dozens of New York City hotels closed permanently during the pandemic, and many others closed for extended periods. But a fair number of properties have reopened in recent months, and there are now just 6.7% fewer hotel rooms in operation than there were in January 2020, according to STR data.

"It's been a slower recovery for New York," said Carter Wilson, senior-vice president at STR. "But it's on the right path."

One factor that could slow the pace of new hotel openings is industry regulation. Late last year, then-Mayor Bill de Blasio and the City Council implemented several new restrictions on hotels, including a requirement that hotel owners pay severance to laid-off employees if their properties remained closed past Nov. 1. Another law requires operators to receive special approval from the City Planning Commission before building or expanding hotels.

"I do think it will put a dent in the pipeline," Mr. Jariwala said.

Concerns over the glut in hotel rooms began before the pandemic, as competition from new developments and short-term rental websites like Airbnb Inc. put downward pressure on room rates and prompted several owners to default on their mortgages.

Jason Halpern of JMH Development became so worried about the number of new hotels opening in Manhattan that he scrapped plans in late 2019 to build two limited service hotels in Queens near LaGuardia Airport.

"We were shovel ready to build the hotels," Mr. Halpern said. His group had spent more than \$4 million on costs related to the hotels, he added, before deciding to change course.

But Mr. Halpern has no regrets. The developer ultimately built a 143-unit residential building, The Astor LIC, which is now fully leased.