

HVS Manhattan Lodging Overview Summary – Q4 2020

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The COVID-19 outbreak began affecting the New York City lodging market in late February 2020 and, in the months that followed, led to the virtual dissipation of traditional sources of lodging demand. As an international gateway city, the complete stoppage of inbound international flights and travelers is of particular note. Because of the reduction in travel across virtually all demand sources, this diversification has resulted in an even harder hit to New York than other smaller U.S. markets. Nonetheless, many reasons remain for optimism into 2021 as vaccine distribution ramps up and travel patterns begin to return to some normalcy.



Major factors contributing to our market outlook are summarized as follows:

- With New York City registering more coronavirus cases and deaths early in the pandemic than most other areas of the United States, the market drew on demand from essential workers and first responders through the early summer months of 2020; however, as the local spread of the disease in New York City was controlled, this business dwindled. The late summer and early fall months were marked by a return of limited leisure demand, largely from surrounding states. With many tourism attractions still closed, however, the outlook on significant leisure demand recovery remains bleak until widespread vaccination can be achieved. Corporate demand also remains depressed, with stop-travel and work-from-home policies for most businesses extended through at least the spring of 2021.
- In 2019, New York City accommodated a record-setting number of roughly 66.6 million visitors, marking the tenth consecutive year of growth. However, New York's tourism industry has been among the hardest hit by the COVID-19 pandemic. Manhattan, in particular, benefits from significant levels of international travel, which will likely be impacted for an extended duration as countries around the world ease travel restrictions at differing paces and to varying degrees; as such, even as domestic activity resumes, a prolonged recovery is anticipated for the international segment. **NYC & Company**, the official destination marketing organization (DMO) and convention and visitors' bureau (CVB) for the five boroughs of New York City, projects that domestic visitation will recover in 2023, followed by international (and thereby total) visitation in 2024.
- Given the extent of demand declines, numerous hotels have temporarily suspended operations. Based on our research, we have identified approximately 195 hotels comprising nearly 49,000 guestrooms that ceased operations between late March and April 2020. As of year-end 2020, nearly 37,500 of these guestrooms remained non-operational, representing approximately one-third of Manhattan's total room inventory. Over 50% of the inventory removed from operation represents luxury, upper-upscale, and upscale assets, which garner the highest average rates in the market. A higher proportion of inventory

Summary

The New York City borough of Manhattan has historically been among the strongest, most diverse, and most dynamic hotel markets in the world. Now almost one year into the COVID-19 pandemic, sustained business closures in New York City have resulted in little to no improvement in lodging performance since the pandemic began. When will New York begin to see meaningful recovery, and how long before the lodging performance returns to pre-pandemic levels?

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within the upper-midscale, midscale, and economy segments remains in operation; these properties garner the lowest average rates in the market and thus have disproportionately contributed to the extent of ADR declines registered.

- The supply pipeline in Manhattan remains dense, with 11,922 rooms anticipated to enter the market from 2021 through 2023. This is higher than the total increase in supply of 10,910 rooms recorded in the three-year period from 2017 through 2019. However, current market conditions are likely to hinder any further growth in new development beyond this window; moreover, the local government is currently exploring zoning legislation that would effectively eliminate hotel as an “as-of-right” use across all of New York City’s commercial districts. Additionally, a number of existing hotels are expected to be targeted for redevelopment into alternate uses, resulting in some reductions in guestroom supply. These changes are anticipated to help mitigate the negative impact of new inventory in the coming years.

While continued distress is expected in the near term, the market is well positioned for strong recovery and continued economic success over the longer term with a diverse base of employers, a robust tourism industry, and multiple large-scale mixed-use projects entering the market. Demand levels should return to historical norms as global travel resumes and New York City remains a premier gateway destination. We continue to watch the factors affecting New York City lodging, and our many consulting engagements throughout the metropolitan area allow us to keep our finger on the pulse of the market.

For a full copy of HVS’s Q4 2020 Manhattan Lodging Overview, including supply, demand, and RevPAR projections through 2025, please contact the New York office.

New York City’s COVID-19 Guideline Highlights (as of February 15, 2021)

- *Indoor on-premises restaurant and bar service resumed on September 30, 2020, with 25% maximum capacity but was suspended again on December 11, 2020. Indoor dining with the 25% capacity restriction resumed again February 14, 2021; outdoor dining has remained permissible throughout the winter.*
- *Bars, restaurants, and gyms/fitness centers, as well as any State Liquor Authority-licensed establishment, must close in-person service from 10 PM to 5 AM daily.*
- *Museums and other public attractions are limited to 25% capacity.*
- *Gathering/event venues, including but not limited to establishments that host concerts, conferences, or other in-person performances or presentations in front of an in-person audience, remain closed.*
- *A full list of restrictions can be found **here**.*

About **Anne R. Lloyd-Jones, MAI, CRE**



Anne R. Lloyd-Jones, MAI, CRE, is the Director of Consulting & Valuation Services, National Practice Leader at HVS, the premier global hospitality consulting firm. Since joining HVS in 1982, Anne has provided consulting and appraisal services for over 5,000 hotels. Anne's particular areas of expertise include market studies, feasibility analyses, and appraisals. She is also an expert in the valuation of management and franchise companies, as well as brands. Her experience includes a wide range of property types, including spas and conference centers. She has appeared as an expert witness on numerous occasions, providing testimony and litigation support on matters involving bankruptcy proceedings, civil litigation, and arbitration. For further information, please contact Anne at +1 (914) 772-1570 or [\[email protected\]](#)

About **Roland de Milleret, MAI**



Roland de Milleret, MAI, is a Senior Managing Director of HVS New York. Since joining HVS in 1999, Roland has provided hotel investment advice and conducted appraisals, feasibility studies, and other consultancy assignments for over 3,500 hotels and resorts in the U.S., Mexico, and the Caribbean. His industry expertise also includes the selection of management companies and the negotiation of management agreements. Roland is a leading expert on the Manhattan lodging market and has worked on assignments for most of the hotels in that market. Roland was an adjunct professor at NYU's School of Continuing and Professional Studies, where he taught a course on hotel development each spring semester from 2007 to 2009. For further information, please contact Roland at (516) 209-7305 or [\[email protected\]](#).