ALL LEISURE, NO RESPITE

Local hotels have recreational travelers to thank for a welcome rebound. But it's come with onerous costs.

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PICTURED: JW Marriott Washington, D.C. started offering an immersive dinner this month with a 3D character, Le Petit Chef, projected onto the table.

Fun was the last thing on Tushaar Agrawal's mind during those bleak early days of the pandemic.

Levity could hardly be a concern when the hotel general manager's livelihood was at stake. When his normally 80% to 90% room occupancy levels at the JW Marriott Washington, D.C. suddenly plunged to 5%. When his finances were turned very literally upside down, illuminating a dark, existential threat to hotel owners and operators across Greater Washington.

Since then, industry conditions have improved significantly, as the pace of vaccinations increased, public health restrictions eased, Covid fatigue rose and wanderlust spread. Domestic tourism rebounded from 13 million visitors in 2020 to 18.8 million last year. And this past spring, after two years of mostly digital components, organizers said the National Cherry Blossom Festival – typically a harbinger of the spring tourist season – drew more than 1 million people.

But life is far from the same as before. Years later, the region's hospitality industry is only now catching its breath after the pandemic's painful body blow as it contends with a mercurial demand that's driving up room prices and a volatile staffing supply that's requiring a far steadier hand than ever before.

"D.C. has always proven to be recession proof," said Mark Driscoll, managing director of the Hamilton Hotel in downtown D.C. "It couldn't prove to be Covid proof."

Even now, far fewer guests are traveling from overseas, where tougher public health restrictions still loom – a mere 270,000 last year, a multiple of six lower than 2019's 1.8 million international travelers. And these days, more people are checking in with their spouses and kids, instead of just their briefcases and laptops, as business meetings remain largely in the realm of Webex or Zoom and business travel isn't expected to repeat its pre-pandemic activity until 2026, per the Global Business Travel Association – if at all.

That's led many local hoteliers to lean into the leisure-led recovery with cautious optimism, tempered by factors that threaten to stall or reverse those gains, from inflation to another major spike in coronavirus cases. Many, in the meantime, are changing their business models to focus, and invest, more on the entertainment factor.

At his 777-room hotel in downtown D.C., Agrawal has

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embraced the change with new offerings like a frozé garden, complimentary tastings from the Aslin Beer Co., and Kicking it in the Courtyard, featuring live music, outdoor games for kids and adults, and a selection of beer, wine and cocktails on Saturday evenings.

“One of the things we’ve had to do is focus more on leisure. I think, sometimes, hotels didn’t focus on that as much before,” said Agrawal, who joined the JW Marriott in 2018 from the Gaylord National Resort & Convention Center. “We’re not just a business hotel, we’re also a leisure hotel, and we are a great place to have fun.”

From Fido to the food

The shifts are translating to a changing set of demands from guests. Hotels are, for example, having to enable a guest’s smartphone to check in, choose rooms, open doors and order meals.

"These were trends before, but they’ve been exaggerated by consumer behavior actually wanting to get more and more of this, in this new world,” said Danny Hughes, president of the Americas for Hilton Worldwide Holdings Inc.. That’s across hotel geographies and types, he said, on up to Hilton’s freshly rebranded Waldorf Astoria in downtown D.C. “It's generally helping us be more efficient and be able to put staff members in front of guests rather than doing some of the more behind-the-scenes, mundane tasks that they had to do before.”

Among the creature comforts, quite literally, being sought out by guests is their ability to bring pets along for the journey. Hilton in June expanded its nine-month partnership with Mars Petcare to extend the latter’s services to 4,600 Hilton properties, or nearly 85% of its portfolio, to make them more dog-friendly, including the lavish Waldorf Astoria.

“That’s one example of where we’re changing predominantly leisure to make it much more attractive and easier for people to travel, not only with their grandparents and their kids, but to travel with their furry friends as well,” Hughes said. “It’s been phenomenally popular.”

Occupancy at the Hamilton Hotel, located in an historic building across from the newly refurbished Franklin Park, has ticked back up to top 70% as of late July, up from around 57% in January. “It’s been a total ramp-

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PICTURED: Tushaar Agrawal, general manager of the JW Marriott, is seeing a big turnaround in leisure travel check-ins.

PICTURED: Tru by Hilton Ashburn One Loudoun carved out a breakfast gathering area and 24/7 market in its lobby.

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ELLIOTT FERGUSON, president and CEO, Destination D.C.

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up," Driscoll said.

Like the others, the rising demand has come from leisure travelers. The Hamilton's busiest days of the week used to be Mondays through Wednesdays. These days, it's by far the weekends.

And for the past year, its events side has been taking off.

It didn't start out that way. The hotel's owner, EOS Investments, launched an awkwardly timed renovation soon after acquiring the property in 2017 that resulted in a brand new event space, The Schuyler, debuting about a year into the pandemic. But after events began rapidly returning to scale in the District, that space has put the hotel on a trajectory to earn its highest revenue ever after playing host to such high-profile events as the May inaugural gala for the John & Lillian Miles Lewis Foundation, which saw actress Alfre Woodard emcee, House Speaker Nancy Pelosi speak and rap artist Common perform.

"It's almost like people woke up one day and said 'OK, now is the time to meet,'" Driscoll said. "We built The Schuyler a little too soon, about a year too soon, when the proverbial pandemic hit the fan. But we came out of it nicely."

A handful of other hotels are reporting similar upticks from groups resuming in-person meetings after the pandemic pause. The 10th annual International Conference on Nutrition in Medicine, for one, was held in mid-August at its former stomping grounds, in the Grand Hyatt Washington in downtown D.C.

It was the first in-person gathering since the pandemic for the organizers, Physicians Committee for Responsible Medicine and the George Washington University School of Medicine and Health Sciences. More than 1,000 people registered, though event planners capped attendance at 500 due to safety measures that also included a mask mandate.

Holding the event in person meant it could include a walk to the White House for a group photo of attendees in white lab coats and participation in a free meals program for local schools, hospitals, prisons and others that serve large populations.

"We were looking to make more connections," said Anna Herby, nutrition education program manager for the Physicians Committee, "and give people the opportunity to network face to face again, with plenty of safety measures."

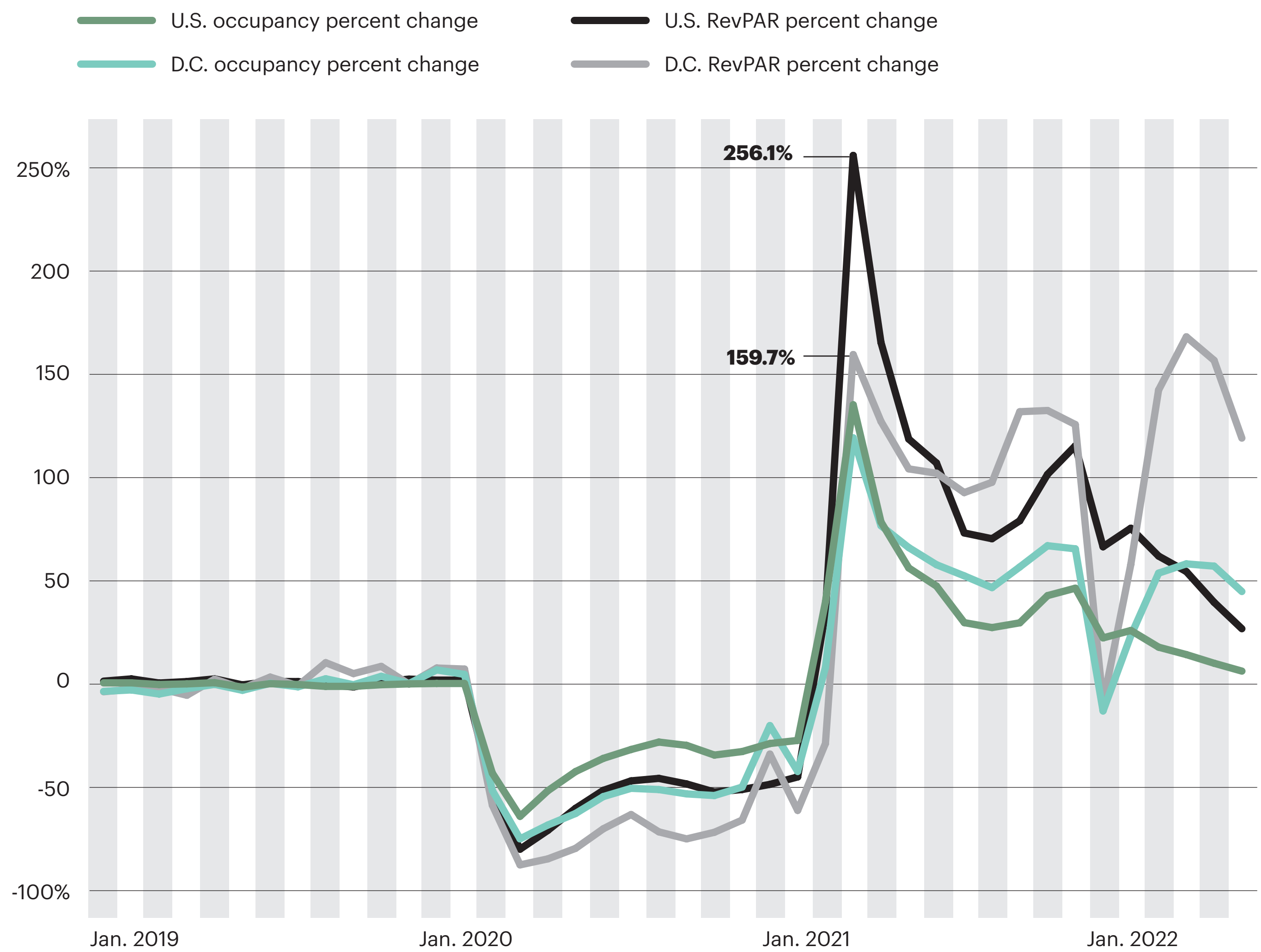
Still, a slow burn

Those, however, are the lucky ones. While the number of citywide gatherings, generating more than 2,000 room nights, has returned to much of its pre-pandemic strength, a lingering unknown remains on whether folks will opt more for virtual log-ins than in-person registrations as hybrid events gain in following.

"There were organizations, prior to the pandemic, that would never offer a virtual option for their meetings. I think that has changed permanently," said Elliott Ferguson, president and CEO of tourism marketing group Destination D.C. "Now there will be a virtual option, even though we're anticipating the number of people participating virtually will continue to decrease."

FINANCIAL LOWS AND HIGHS

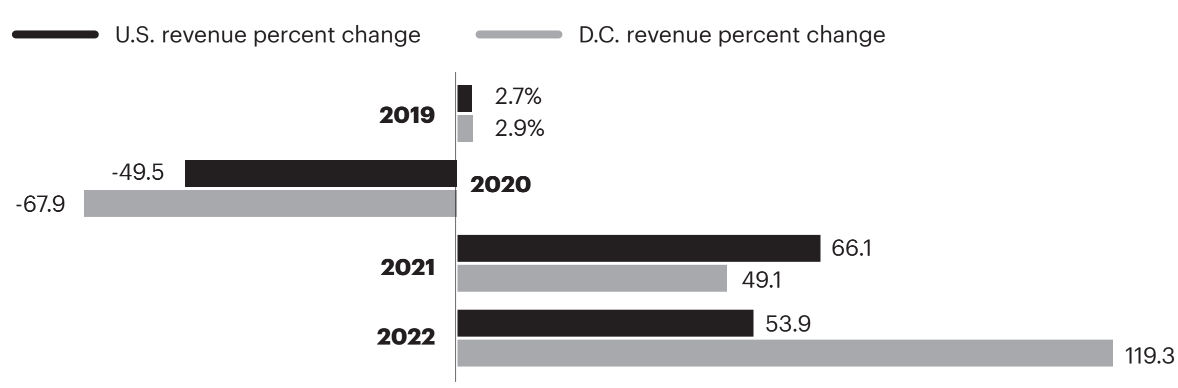
When the pandemic hit, the D.C.-area market suffered deeper year-over-year drops than the national average when it came to hotel occupancy and revenue per available room, or RevPAR, a common industry metric. But its rebound has outpaced the national trend line since the start of this year.



Source: STR

REVENUE PICTURE

Here again, when it comes to overall hotel revenue, the D.C.-area market saw a steeper fall than peers nationally, with a slower bounce-back last year. But this year has seen a stronger surge for the region's players.



Source: STR

It's led to a difficult question to answer at this stage: Can one of Greater Washington's biggest economic drivers recover without a solid return of business travel? About 40% of frequent business travelers prior to the pandemic said they expect never to travel for business again, as per a new study by Morning Consult – particularly painful for a market so reliant on meetings in the nation's capital and the outsized economic impact from foreign visitor spending and stays. In 2019, visitors from abroad made up only 7% of the inflow, but 27% of the dollars spent here.

It's no wonder the D.C. region was the third-worst-performing market nationwide last year, with a 49% drop in revenue per available room, or RevPAR, compared with 2019, according to industry tracking firm STR. It's only from January to June this year that regional hotel occupancy improved from 37.5% to about 75%, STR reported.

"D.C. had a disproportionate impact from the pandemic," said Romy Bhojwani, director of hospitality analytics at STR's parent, D.C.-based CoStar Group Inc. "The closures went on for quite some time. The market reopened later than some of its other peer cities, and it really suffered. But we're definitely seeing some improvement in the market, particularly over the past 60 days."

Through June, per Bhojwani, D.C.'s RevPAR had improved to 81% of 2019's levels during the same period. May and June were particularly strong, with average daily room rates hitting 101% and 102% of their respective months in 2019. But business and government travel remain stubbornly low as workers continue to report from home.

Destination D.C., in watching the trends, has switched much of its marketing efforts and recent "Experience D.C." ad campaign toward leisure travel as well, targeting travelers within driving distance like Baltimore, Philadelphia and New York, while it waits for a larger uptick in international tourism. It also looks to tap into so-called protest tourism – groups coming to the nation's capital to lobby around social justice, abortion and other hot-button issues.

Bhojwani isn't optimistic those factors will show marked improvement in the coming weeks, though the meetings and convention business, he acknowledges, is offering some hope. So far this year, the ratio of transient room bookings to group bookings, defined as a block of 10 rooms or greater, has veered from 95% transient and 5% group, to a 70%-to-30% breakdown as of June. That's inching closer to the city's pre-pandemic group bookings rate of 35%.

"What was originally a leisure-driven recovery is now looking more like a leisure- and group-driven recovery," Bhojwani said. "Unfortunately, the business traveler is not fully back due to hybrid and remote work. It's becoming very difficult to get people back into the office more than two, three days a week, and what we've found is office-to-hotel occupancy has a very strong correlation."

The down side of the uptick

The about-turn toward leisure travel doesn't come without costs, however. It's led to an uneven recovery for some hotels, versus others that cater more toward the downtown meeting circuit.

At Concord Hospitality Enterprises, its Cambria Washington, D.C. Convention Center has struggled to rebound to pre-pandemic figures as the city's convention business slowly reemerges. The hospitality group faced the challenging task of opening its newest, the AC Hotel Washington D.C. Capitol Hill, amid the pandemic this past February. But that turned out to be a blessing given the District's biggest annual tourism event clocked in just months later, said Chris Tyner, regional vice president for Concord Hospitality Enterprises.

"It's the luck of the draw for us, at the time, opening right before the cherry blossoms,"

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Tyner said. "We have had a phenomenal ramp-up there."

Still, none of Concord's hotels have surpassed pre-pandemic metrics except for one: its Canopy By Hilton Washington D.C. The Wharf hotel, its strongest performer. There, food and beverage sales at Whiskey Charlie, the hotel's cocktail lounge, have surpassed those of 2019, he said.

That kind of success has also compounded an already weighty challenge for hospitality companies – its labor shortage. Leisure occupancy is harder to predict, suddenly surging by 20 or 30 rooms from last-minute bookings when five or six might have been the norm before.

At the Hamilton Hotel, Driscoll said he's toyed with deploying robotic vacuums to clean vacant rooms to relieve some employees, while encouraging staffers to take time off to prevent burnout. The Hamilton, which had shrunk to about a dozen people during the worst of the pandemic, is back up to 145 employees. That doesn't yet match its pre-pandemic 210 employees, but includes a handful of constant, unfilled openings.

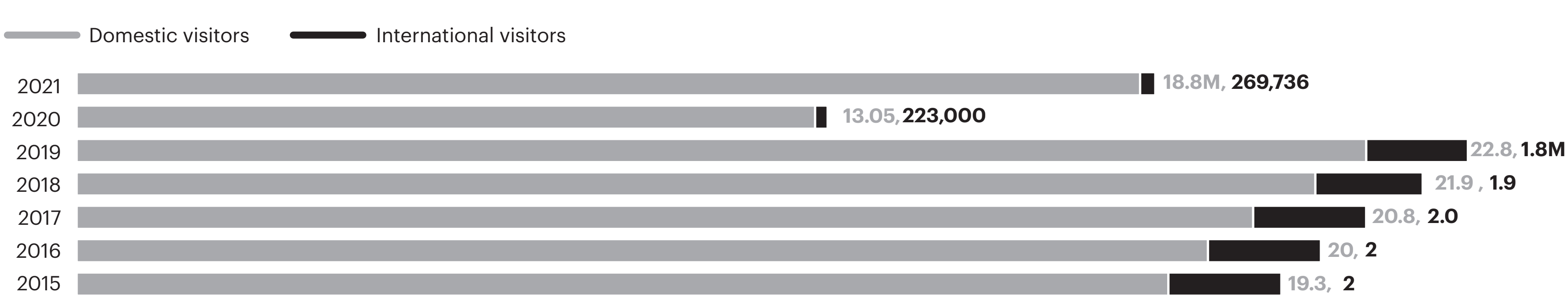
Concord, meanwhile, finds it must often overstaff, scheduling more people than bookings demand and adjusting day to day depending on who actually arrives for work.

"The leisure brings us more headaches with the lack of staffing that we have right now," Tyner said. "Every one of my properties has a staffing issue that has not let up. It's not a problem hiring people, but the people we hire just do not show up for work. One of the things I'm stressing to our teams is that we're hiring more than what we think are our norms because there is burnout happening."

PICTURED: Concord Hospitality Enterprises' Chris Tyner said staffing has become much more complicated in this era.

CONVENTIONAL THOUGHT

After falling from 22 citywide events in 2019 to only four in each of 2020 and 2021, the District's convention business revived its activity this year, with more coming in 2023 and 2024. But international tourism remains low, keeping overall visitation well below pre-pandemic levels.



Source: Destination D.C., HIS Markit, MMGY Travel Intelligence, Travel Market Insights, National Travel & Tourism Office, U.S. Department of Commerce

Total projected room nights from conventions | No. of citywides

2022: **394,000** | 19

2023: **390,418** | 20

2024: **440,528** | 19

Source: Destination D.C.

NEED HOTEL STAFF? NEW TECH TOOLS ARE ONE KEY REMEDY

Hospitality employers across Greater Washington are scrambling to fill shifts and positions. In some cases, they are forced to do the unthinkable at a time when they're scraping for every cent of revenue: turn away diners or hotel guests because they do not have the staff to meet demand.

Among those is Vinay Patel, president of Chantilly-based Fairbrook Hotels LLC and a past president of the Asian American Hotel Owners Association. Fairbrook manages hotels across the region bearing flags for Marriott International Inc., Hilton Worldwide Holdings Inc. and IHG Hotels, including the 125-room Tru by Hilton Ashburn One Loudoun that opened in January.

Hilton launched the select-service Tru brand in 2016 to appeal to millennials and the tech-savvy, with a lower price point, smaller rooms and greater common areas. The increased emphasis on technology, including keyless check-ins, has helped reduce demand for front-line workers by enabling the guest to skip the front desk and head straight up to their rooms. But even with advancements like that across the board, rising leisure demand is straining an already stretched workforce.

"There are days that, simply, we don't have enough bodies to clean the rooms, so we'll block them off and lose revenue," Patel said. "We literally have to leave those rooms dirty."

As economic gaps invariably do, this one has created opportunities for tech-driven employment services like Qwick Inc., an app similar to shared car services like Lyft and Uber that lets professional hospitality workers fill shifts on demand. The Phoenix company was founded before the pandemic, in 2017, but has seen a surge in the past couple years as the hospitality market began to regain steam in metro areas like D.C., said Greg Harrison, its vice president of growth.

"There are a lot of hospitality professionals finding an interest in working this way. We offer a lot more freedom and flexibility," he said. "It's a marketplace. So, on one side of the business, we're attracting and vetting high-quality hospitality professionals, and on the other side of the business, we're filling a need."

An estimated 7,000 hospitality professionals in the D.C. area have signed up through Qwick, which has cultivated a pool of about 80 employers locally, from food services giant Aramark to the District's Entertainment & Sports Arena at St. Elizabeths. Harrison scoffs at calling its professionals gig workers, preferring the term "freelancer" and describing them as previously trained in the industry.

It's found an audience in local hotel owners and operators who are juggling an unexpected demand from leisure travelers, sometimes booking with short notice or merely arriving on site. While the trend allows hotels to charge a higher price point, it complicates planning, making temporary workers or college students seeking an extra shift here and there more attractive, potentially as candidates for longer-term positions, said Danny Hughes, president of the Americas for Hilton Worldwide.

"Before, most of our team staff members were full time or part time, but consistent," Hughes said. "We are now experimenting much more with the kind of gig-type economy where people can choose when they want to work, what jobs they want to work, and that's opened up a whole new kind of labor market to us."

– Daniel J. Sernovitz

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