

ATLANTA HOSPITALITY MARKET

In March 2008, tornadoes ripped through downtown Atlanta, tearing holes in the Georgia Dome and the Georgia World Congress Center, damaging signature hotels — such as the Westin and the Omni — and blazing a path of destruction through downtown and other parts of the city. The disaster interrupted the Southeastern Conference basketball tournament and several other events, throwing the city into a short-term hospitality tailspin. Months later, the nation's economy tumbled, brought on by the collapse of major financial institutions. Combined with a new wave of hotels set to hit the Atlanta market in 2009, Atlanta's hospitality industry was faced with a seemingly perfect economic storm.

PKF Hospitality Research reports that Atlanta's decline in hotel revenue per available room was worse than other national markets in 2007 and 2008, but the research firm predicts that Atlanta will return to positive revenue trends by 2010. This and additional recent industry data indicates that Atlanta's hospitality market may be quicker to recover than other major cities. Rubicon, a leading provider of forward-looking booking trends for the hospitality industry, reports in the March issue of the

North American Hospitality Review that Atlanta's occupancy on the books for the remainder of 2009 compared to the same time last year is down by 15.6 percent. This is nearly 7 percentage points better than the national average, which is down by 22.6 percent. Furthermore, average daily rate for the balance of 2009 is currently tracking at -3.2 percent in Atlanta, compared to -6.3 percent nationally, based on reservations currently on the books compared to the same time last year.

Atlanta's strength in the convention and business markets may play a key role in its recovery. The most recent slowdown in the group segment is evidenced by very poor recent activity in Honolulu and San Diego; group bookings in those cities during the past 30 days are down 90 and 70 percent, respectively, over the last year, according to Rubicon. While also suffering, Atlanta is only down 30 percent. Therefore, certain resort markets are getting slammed, while the effect is muted in the more business-oriented markets.

Anxiously awaiting the turnaround is a host of new hotels in several submarkets of Atlanta. On the Southside, Grove Street Partners is currently developing two new hotels — Mar-



The \$250 million Gateway Center development near the Hartsfield-Jackson Atlanta International Airport will house a Marriott and a Springhill Suites.

riott and Springhill Suites — as a part of its new \$250 million mixed-use Gateway Center development. Located adjacent to the world's busiest airport, the hotels' prime location next to the Georgia International Convention Center and its mixed-use setting will create an ideal location for conventions and business travelers. Starwood has opened three W Hotels in Atlanta in the past few months. In Buckhead, the St. Regis and The Mansion on Peachtree are introducing a new combination of luxury hotel space and high-end condominiums. In Midtown, a new Loews Hotel will be the focal point of a \$500 million mixed-use development, set to capture a unique audience with its contemporary urban

appeal. Loews, as well as Kimpton's new Palomar hotel, will benefit from that sub-market's strong business and entertainment district.

"Everyone is affected by the downturn, and hotels are no different," says Beau King, president of Kim King Associates, developer of Midtown's Palomar. "But the original premise for why we built the hotel is still valid: the Midtown market is still underserved compared to other submarkets in Atlanta and should be one of the first to recover. In the long run, we are all happy to be doing business in Atlanta."

— Jim Stormont is a principal at Atlanta-based Grove Street Partners.