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HOTEL FURNISHINGS • HOUSEKEEPING • NEWFOUNDLAND & LABRADOR PROVINCIAL REPORT



Recovery Through Renovation

Hoteliers focus on renovations in an improving economy.

Over the past few years, performance in the lodging industry has risen steadily but this has not necessarily translated into a flood of renovation or new build projects, at least not yet. Rather, much like the overall economy, it seems those industry professionals that depend on such activity are going to have to settle for slow and steady increases.

According to PKF Consulting, in 2012, both national demand levels and average rates in Canada grew by two per cent while supply increased by less than one per cent. This resulted in a one point increase in occupancy to 62 per cent and a \$2 improvement in ADR to \$129, which in turn led to a national RevPAR of \$80. The sector's RevPAR performance in 2012 was three per cent above 2011 results. A further 2.5 per cent increase in demand is expected in 2013, set against moderate GDP growth rates of two per cent for the Canadian economy. Occupancy is projected to improve by one point to 63 per cent, reflecting an estimated 1.1 per cent increase in supply. Average Daily Rates are forecast to increase by 2.5 per cent in 2013, to reach \$133. Nationally, RevPAR is projected to grow by close to four per cent to \$83, as the sector slowly inches its way back to its previous RevPAR high of \$83 realized in 2008.

With this steady recovery, renovation projects are likely to pick up speed in the coming year. Hotel owners placed planned upgrades on the backburner as bookings dwindled and room revenue dried up a few years ago, but now that travellers are back in the market with a full suite of options to

choose from, hoteliers are sprucing up their properties to remain competitive.

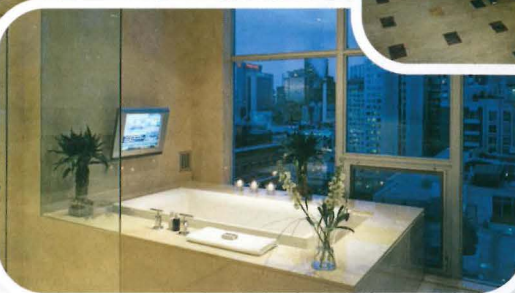
According to PFK Consulting, many people are purchasing, rather than building, because of the lack of construction financing, and these purchases are often done with the intention to reposition the property, which requires renovation. However, the difficulties getting new build projects off the ground works in favour of overall renovation activity as hotel companies are compelled to focus on upgrading their existing assets. Another issue that could spur additional renovation activity in the near future is the industry's continued struggle to raise rates. Some hoteliers, who do have available capital, may see a renovation or upgrade as an opportunity to charge more for their rooms as well as increase guest satisfaction. In addition, in an increasingly competitive battle for market share, newly renovated rooms and public spaces can be a difference maker for many hotels.

There has been much speculation throughout the industry about many of the major brands more strictly enforcing their standards and mandating more property improvement plans or PIPs. Such actions also generally result in additional conversions, which remain the top vehicle of growth for companies these days. The big brands also continue to introduce next generation design prototypes, which will result in additional renovation projects. While most give a grace period for compliance, the franchisee will ultimately have to accom-



Soho Metropolitan Hotel had renovations done by BLT Construction Services Inc. and Urban Innovations Group.

modate the new design and adjust their hotels accordingly. New brand introductions will also net additional conversion opportunities and significant repositioning projects. Other ongoing issues that are likely to lead to at least small-scale renovations include the continued evolution of technology, as well as the momentum of the sustainability movement.



Another trend over the past decade in the hospitality industry — like the rest of the commercial real estate industry — has been incorporating the use of environmentally friendly, green materials into the design and renovation of existing spaces. The breakthroughs in green construction have been remarkable. Some international hotels, for example, have been able to



reduce energy costs by constructing sod roofs consisting of mud and other organic materials. Other hotels have found ways to minimize waste runoff through innovative engineering techniques, while still others

have increased energy efficiency through use of natural and ambient lighting. For hoteliers planning a renovation or construction project that is environmentally friendly, it's important to find a team of architects, designers and contractors with experience in green construction. Importantly, your team should have relationships in place with suppliers and subcontractors

who are knowledgeable about the LEED point system and can help you develop a comprehensive strategy.

No matter what kind of renovations a hotel or motel is looking to do, it's important to have a good team in place for whatever changes or upgrades are planned. According to Robert Downy, senior project manager with BLT Construction Services Inc. "It is important to clarify that hotels undergo essentially two types of renovations: décor and infrastructure. Décor renovations update the finishes of the hotel and can be done with relative ease, while an infrastructure renovation involves upgrading the major mechanical and electrical services of a space and is much more complex process." Downy also noted, "One of the major pitfalls that hoteliers typically experience is hiring a contractor that lacks experience of working in a facility that operates 24/7. The inexperienced contractors will not appreciate the fact that they need to work seamlessly with the hotel's schedule in the spaces, very much behind the scenes so as to create as little disturbance to the staff and guests as possible." BLT Construction Services typically works on major renovations and their diverse

expertise and experience in the hospitality industry make them a preferred contractor for most hoteliers. Downy also emphasized that hotels need to be socially relevant spaces, which should be fresh and welcoming. "However, by their nature, hotels endure a lot of pedestrian traffic and as a result, they undertake a lot of wear and tear. So when undertaking a renovation, a hotelier should insist on working with an experienced hospitality contractor who understands the durability of materials and construction methods required to ensure the renovated spaces can endure and still look great years after the work is completed."

Hotels should look for contractors with proven track records in the industry who know how to work around the necessity for the business to remain fully operational during construction. Stahle Construction, for example, has over 25 years experience in complete site development of hotels and resorts. They have grown by emphasizing the fundamentals of customer service and by providing a total solution for clients with proven methods for critical planning, budgeting and scheduling. Finding a contractor that combines expertise in each distinct phase of development, including

design, will make any renovation a lot simpler for the owner.

Whether you're a property that has been around a while or one just looking to stay up to date with renovations and upgrades, it's important to continually invest in your properties to maintain their relevance with today's consumer. Customers' expectations around design is higher than it's ever been, and there should be something about the experience in a hotel that feels better than home. ●



Presidential Suite at Trump International Hotel Toronto underwent renovations with the help of BLT Construction Services Inc. and II BY IV DESIGN.