

Hotels sprucing up after years of no improvements

By Roger Yu, USA TODAY Updated 16h 47m ago

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Hotels are spending more to spruce up rooms, lobbies and workout facilities after three years of holding the line.



By Tony Dejak, AP

A hotel in Beachwood, Ohio, gets a new facade.

Spending by U.S. hotels on improvements will increase 30% to \$3.5 billion this year, New York University's Tisch Center for Hospitality, Tourism, and Sports Management newly estimates.

It's the first increase since 2008 and is driven by a recovery in customer demand and a push from national chains, the research says.

Hotels spent aggressively in the years leading up to the 2008 recession. They installed amenities that have since become standard at even midprice chains: thicker beds, Wi-Fi Internet access, flat-screen TVs and redesigned lobbies.

The estimated \$5.5 billion spent on improvements in 2008 was an industry record, says Bjorn Hanson, NYU professor and author of the study.

But capital investment swooned quickly when the recession kept travelers at home. Capital spending on improvements fell 40% in 2009 and an additional 18% last year, Hanson says.

Many hotels are ripe for investment, Hanson says.

"They are getting to the point where travelers are starting to notice," he says. "Carpeting, wall covering,

upholstery — they're starting to show their wear. So now is a good time."

Greg Mount, president of Richfield Hospitality, says spending on improvements has increased at about half of the 30 hotels he operates. "You're seeing those dollars that should have been put in the last three or four years," he says. "There's a lot of deferred maintenance."

Investment also is coming in from new owners who have bought foreclosed hotels that need renovation.

Richfield Hospitality, for instance, bought a 565-room Sheraton in Bloomington, Ind., earlier this year and is spending about \$30,000 per room on upgrades. "(The previous owner) didn't have the cash to complete product improvement," Mount says.

National hotel chains have been tolerant with local owners of their brand-name properties but are starting to demand upgrades, some owners say.

Kirby Payne, president of HVS Hotel Management, which owns a group of hotels, says he's been able to defer some upgrades on some of his properties for two years.

Now, he says, he's installing flat-screen TV sets in five properties, including a [Holiday Inn Express](#), [Hampton Inn](#) and [Country Inn & Suites](#).

Despite the new spending, Hanson says, many hotels will remain cautious, as profit margins remain at 18-year lows on a per-room basis and occupancy is expected to remain at or below 60%.

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