

Augusta sees influx of hotels as occupancy rate plummets

Web posted Saturday, September 11, 2004

By James Gallagher | *Staff Writer*

The old Guest Inn off Washington Road had become a run-down place where crime was as much a part of the landscape as tourists.

So Jugal Purohit, the hotel's owner, tore most of it down.

"It's always better to take out the bad cancer right away and give a new look to the location," he said.

Mr. Purohit is replacing most of the old hotel with two new ones. His AmeriHost Inn is set to open this month, and he'll soon break ground on a four-story, 62-room hotel next door, complete with an indoor swimming pool.

"I think Washington Road needs some new hotels," he said.

During the past five years, several hotels have opened in the Augusta area, primarily along Belair Road near the Interstate 20 interchange. At the same time, occupancy rates in the city have dropped from 58 percent to 53 percent, well below the 60 percent to 70 percent that many hotels shoot for, leading some to question whether Augusta has too many hotels.

"Hopefully, the hotel developers, investors and banks are watching the supply and demand and making sure supply doesn't exceed our demand," said Barry White, the executive director of the Augusta Metropolitan Convention & Visitors Bureau. "But with the occupancy down, it leads me to believe we are approaching saturation."

Since 1997, three to four hotels have opened each year in the metro area, most of them near the Belair Road interchange. In the five years before that, no hotels were constructed.

Mr. Purohit, who owns or has owned several hotels around Augusta, including ones on Belair Road and Gordon Highway, said occupancy rates at Belair Road hotels exceed 60 percent while hotels on Washington Road fall below 50 percent.

Mr. White, whose organization relies on Smith Travel Research for marketwide occupancy rates, said his organization doesn't break down occupancy to specific hotels or areas. Hotel/motel tax collections, however, lend some credence to Mr. Purohit's assertion.

In 2003, tax collections in Columbia County, which account for hotels on Belair Road, were up 26 percent over 2002. Tax collections in Richmond County were flat.

Rick Robbins, the executive director of the Georgia Hotel and Lodging Association, said that although there is no magic occupancy number, many hotels shoot for 60 to 70 percent.

"It all depends on the property," he said. "Some hotels can break even in the 50s, but as you add more services, it takes more."

Mr. Purohit figures that by building a hotel among the many older ones on Washington Road, he'll be able to boost his business.

"I believe once you bring new business (to Washington Road), people will move back," he said.

The disparity among hotels in and around Washington Road, many of which are more than a decade old, and those on Belair Road has as much to do with their age as their style, however.

Nationally, travelers are looking for hotels with interior corridors, Mr. White said. Many hotels on Washington Road still feature exterior entrances that allow travelers to drive up to their front door.

"Basically, on Washington Road, all the developments are old," said Navnit Amin, the owner of the Super 8 Motel on Park West Drive, just off Belair Road. "That's the nature of the industry. ... As neighborhoods age, new developments come."

Mr. Amin and Mr. Purohit argue that new hotels will draw customers more quickly than old ones, and the occupancy rates of the newer hotels on Belair Road seem to support that.

Industry insiders, though, say the age of a hotel has little to do with its success so long as the hotel is properly kept up.

"You've got to maintain the facility and have a good staff," said David Jones, the general manager of The Partridge Inn. "Being the newest hotel in town doesn't make you the best."

The Partridge Inn is nearly 100 years old, yet Augusta Magazine named it the area's "Best Hotel" the past four years.

The Partridge Inn has an advantage in that it is a historic hotel, which industry analysts say makes it a destination unto itself. Mr. Jones, however, credits his attention to maintaining the hotel's quality through the years as the key to retaining customers.

Still, the quality of a hotel doesn't matter much if there aren't enough travelers to go around, some area hotel owners say.

Matthew Ricker, the general manager of the Augusta Suites Inn on Washington Road, said he's lost most of his Fort Gordon business to Belair Road hotels since the opening of the Jimmie Dyess Parkway, which links to Belair Road, despite maintaining a quality establishment.

"Government contractors, Signal Symposium attendees, soldiers have to go by 10 hotels to get to me, and that's what concerns me," Mr. Ricker said. "I think there's plenty of hotels in Augusta ... I'm not excited to see more."

Much of the area's hotel growth has come in limited-service hotels - those without restaurants - that cost only a few million dollars to build and can break even at lower occupancy rates.

Such hotels are fairly easy to maintain, and there isn't the added overhead of running a full-service kitchen.

Mr. Purohit, for example, is spending about \$8 million total to build his two new hotels and renovate the remaining portion of his Guest Inn.

By comparison, the much larger Augusta Towers Inn and Convention Center, formerly the Sheraton Augusta Hotel, on Perimeter Parkway, is expected to be sold for about \$9 million.

Some hotel operators say many of these midprice hotels are being thrown up just to capitalize on the crowds in town for the Masters Tournament. Mr. Purohit and Mr. Jones, for example, said more than 10 percent of their annual revenue is generated just during Master's Week.