

Older hotels upgrade amid construction of new ones

By Tony Lombardo | Staff Writer

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It was fall 2004, and Augusta area hotel occupancy had dropped from 58 percent to less than 54 percent - an undesirable statistic for the typical hotel owner. Assessing the data, Barry White, the head of the city's visitors bureau, concluded the local hospitality market was reaching its saturation point.

Fast-forward to the present. Area hotel occupancy jumped to 62.9 percent from August 2004 to August 2005, according to Smith Travel Research. During the same period, the firm reported that hotel revenue jumped 22.8 percent, with average room rate increasing \$3.15 to \$63.70 per room.

Augusta's hotel "saturation" apparently hasn't happened yet.

"The demand is back," said Harenderjit Singh, an Augusta physician and hotel investor who will open his fourth hotel, a Holiday Inn franchise, in November.

Business travel's return toward pre-Sept. 11 conditions means increased revenue and occupancy rates, something that Dr. Singh and the market's other hoteliers are looking to tap into with new hotel projects.

The downside of the new construction boom is that it could force operators of older hotels to either renovate, in order to stay competitive, or shut down.

For example, at Dr. Singh's decades-old Augusta Inn & Conference Center on Stevens Creek Road, occupancy has dropped to the "very poor" level of 30 percent. Most hotel owners strive for at least 60 percent. Dr. Singh now plans to destroy the hotel, which was once a Holiday Inn, and build two new ones on the site to attract customers again.

New hotels are good news to local governments who stand to reap more in hotel/motel taxes. The six new hotels expected to open in Richmond County and one in Columbia County next year are expected to generate more than \$1 million in potential tax revenue for the two counties.

"Increased occupancy is a combination of more people staying or more people staying for longer," said Mr. White, the executive director of the Augusta Metropolitan Convention & Visitors Bureau. "The longer they stay, the more money they're spending and that's good for the economy."

Mr. White, whose organization recently launched the "I Played Augusta" marketing campaign to increase tourism, is pleasantly surprised his initial hypothesis is being proved wrong.

"The increase in demand was not anticipated at the time," he said. "What we had to go on last year was the trends of the past three years, following the declining economy, the war in Iraq and Sept. 11."

Unlike Dr. Singh's Holiday Inn, the majority of the hotels that will open in 2006 are limited-service hotels, meaning they do not have amenities such as bars or restaurants, Mr. White said.

Dr. Singh said he is still undecided whether the two hotels he will build on the site of the Augusta Inn & Conference Center will be full-service hotels. The property will be razed as early as spring.

Other area hotels that have lost franchise flags because their age and condition fell below the franchise company's quality standards include the Radisson, now the Augusta Suites; the Sheraton, now Augusta Towers Hotel; and the Holiday Inn Express, now the Medical Center Inn.

Augusta hotelier Jugal Purohit said next year he will build two hotels next to his existing Best Western Garden City and the Amerihost Inn, both off Washington Road.

"Augusta is not overcrowded with hotels," he said. "We are overcrowded by the number of hotel rooms. But the number of quality rooms is very small."

Hotel owners, such as G.B. Sharma, who is building a Candlewood Suites off of River Watch Parkway, said consumer preference for new rooms is what's driving the construction.

It is a "good time for older properties to be replaced," he said.

But tourism officials point out that overbuilding, if it occurs, could hurt the hospitality industry's profitability.

"If there's too much, then competition really heats up, it drives price down and the hotels lose profitability," Mr. White said.

Hotel construction tends to be cyclical. The projected 2006 construction boom follows similar expansions that occurred in 1999 and 2002.

In the meantime, older hotels hoping to continue to thrive in the market have made considerable upgrades.

Last year, about \$2.3 million was spent in renovations at Radisson Riverfront Hotel Augusta, said Darryl Leech, the vice president and general manager. Business has been good for the hotel, Mr. Leech said.

The Radisson and the adjacent Country Suites Augusta Riverwalk are both at more than 60 percent occupancy, a nice change from the low 50s during 2001 and 2002, he said.

"Business travel as a whole is back. Economic conditions have much improved in the last few years," he said.

The Hampton Inn Augusta, built in 1986, continually upgrades the facilities to remain appealing, said Kim Powell, the hotel's sales and marketing director. If older hotels want to compete with this onslaught of newbies, they need to be willing to make the upgrades, Ms. Powell said.

"The hotels that aren't going to put money in their product are going to continue to lose market share," she said. "It's going to be either put up or get out."

Some hotels can age and succeed, such as The Partridge Inn on Walton Way. This century-old hotel has become a "destination hotel" for guests looking for an authentically Southern getaway, Mr. White said. The inn was recently purchased by an Atlanta company that is planning a multimillion-dollar renovation. The hotel just had it's strongest summer ever, according to general manager David Jones.