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# Hotel occupancy swells to 82% as city policies create more demand

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The lobby of the Moxy NYC Times Square on West 36th Street.

The hotel industry's post-Covid revenue rebound has been a marker of success in the city's pandemic recovery.

It also may be misleading.

The notable improvement in the hotel sector's fortunes over the past year seems to have more to do with government interventions than any major market turnaround, say some hotel executives, developers and brokers.

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Indeed, efforts to grapple with issues including the migrant surge and illegal short-term rentals, such as units listed on Airbnb and other platforms that violate housing codes, have removed tens of thousands of rooms from the market, essentially propping up the lodgings that remain, many of which have raised their rates to take advantage.

But even with those market-manipulating actions and a rebound in tourism, they say, hotel occupancy rates are still hovering below pre-Covid levels.

“A confluence of circumstances has pulled the sector out of the doldrums,” said Ronald Cohen, a broker with the firm Besen Partners who handles hotel deals. “But the reason for this Cinderella story has a lot to do with artificial supply constraints.”

#### **Air grievances**

Though the city's crackdown on improper short-term rentals seems potentially transformative for hotels, essentially kicking a competitor out of the market, critics paint a more nuanced picture, saying it's no sure thing traditional hotels can pick up the slack.



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Besen Partners' Anudeep Gosal (left), Ron Cohen and Niko Berdzeni in front of the former Giorgio Hotel.

In September the city began requiring hosts using Airbnb and other platforms to register their properties in an effort intended to weed out those who violate housing codes by offering their apartments for less than 30 days without a host being present, which has been prohibited for 14 years, or by renting out certain prohibited building types like rent-stabilized properties.

And the regulation, called Local Law 18, seemed to have an immediate impact. In August there were 22,247 listings in New York on Airbnb and similar services, according to third-party data provider AirDNA. Once the registry kicked in a few weeks later, that number had plummeted to 8,039, a 64% drop.

Later, even more hosts seem to be scared away or didn't pass muster with the oversight arm Office of Special Enforcement. In March, the most recent month available, the number of listings in the entire city was just 3,705, AirDNA said.

Some of those hosts **may have gone legit**: The number of alternative 30-day-plus listings jumped from 25,808 to 38,285 from August to September. But the 48% bump suggests that not all hosts changed their approach, meaning thousands of accommodations seemingly vanished overnight. And even the long-term listings are declining: There were 37,302 in March, according to AirDNA.

It all adds up to the fact that the hotel industry, which pushed for Local Law 18 alongside pro-housing groups, could enjoy a hefty \$380 million windfall resulting from the smaller supply of rooms available through other options, according to a JLL report from February: “Travelers will still require accommodations, and short-term supply is expected to decline significantly.”

Yet some critics think the kind of budget-minded travelers who used Airbnbs can’t afford a lot of the current offerings, which skew toward **luxury properties**, and head to much-lower-cost lodgings in New Jersey or on Long Island instead.

And there is evidence to support that. As soon as Local Law 18 kicked into gear in September, short-term rentals in close-to-Manhattan enclaves in New Jersey such as Weehawken, Union City and Jersey City saw huge increases in bookings.

In August 2023, Jersey City experienced a 19% boost year over year. But a month later, its business soared 56%, AirDNA said. And most months since have continued to post double-digit gains over year-ago figures.

In any event, some hotel owners say it remains an open question if the Airbnb crowd is now wheeling their luggage into hotels now instead.

“Low-budget tourists used to stay in hostels, and then they stayed in Airbnbs, but where will they go now?” asked Vijay Dandapani, the president and CEO of the Hotel Association of New York City. “They may go elsewhere or not come here at all.”

### **Migrant impact**

It’s not just the crackdown on Airbnbs that has removed options from the market, driving up room rates. The other major factor sapping supply is the use of lodgings for **migrant housing**. Of the city’s 121,000 hotel rooms, about 16,000 of them, spread among 140 hotels, are currently housing migrants or the homeless and not available to travelers, according to November research from the data service CoStar.



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Arrivals crowd the lobby of the New York Marriott Marquis in Times Square.

That 13% of rooms that are now off limits include those at large and small properties, luxury and budget versions, and addresses in all five boroughs, CoStar said. They range from the Watson Hotel, a 600-room property at 440 W. 57th St. in Manhattan, to a Holiday Inn Express with 115 rooms at 625 Union St. in Gowanus, to an Essence hotel with 35 beds at 481 Hyland Boulevard on Staten Island.

Some 33 properties, about a quarter of the total, are expected to stay permanently closed to travelers. The majority are expected to reopen once their contracts with the city expire, which in some cases could happen within weeks.

And those reopenings, which would likely happen only after renovations, could flood the market with thousands of units. Midtown's [Roosevelt Hotel](#), at 45 E. 45th St., for instance, has more than 1,000 rooms.

Developer Yellowstone Real Estate Investments, which owns or holds a stake in several hotels turned shelters — Yellowstone controls the Watson, for instance — already has plans to reintroduce some properties.

First up could be a 265-room offering at 220 W. 42nd St., a Times Square office building that has been housing more than 1,000 migrants. It is [in the process of being converted into a hotel](#), according to Yellowstone CEO Isaac Hera.



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The vacant office building at 220 W. 42nd St., which was housing migrants, is being converted into a hotel.

Another property the firm is working to revive, Hera added, is Midtown's 700-room former Maxwell Hotel at 541 Lexington Ave., which has been dark since the start of the pandemic.

As it is, migrant-serving hotels might soon see less demand anyway. Though the city had as of February received about 180,000 migrants in two years, the flow across the Southern border, the entry point for many of them, seems to have abated in recent weeks.

In March Mayor Eric Adams [reached an agreement](#) limiting most adult migrants to a single 30-day stay in shelters, a deal reached with homeless rights advocates [after months of negotiations](#).

## Signs pointing up

The city had 51 million domestic visitors in 2023, a nearly 8% increase over 2022, according to the city's official tourism arm. Global travelers, who had been slow to return to New York, paid almost 11 million visits last year, a 15% bump.

"We're on track for 64 million visits in 2024, and we expect that total to grow even greater next year," said William Fowler, a spokesman for the mayor, in an email. "

Hotel occupancy rates have climbed in tandem. After notching an anemic 47% in the pandemic year of 2020, according to the hotel alliance, the rate hit 82% in 2023.

Room rates have been up as well. Manhattan's revenue per available room, a widely used metric, grew to \$245 in 2023, well above 2020's \$71 rate, the alliance said, though inflation is swelling the numbers.

And developers seem eager to pay top dollar for attractive sites. At the end of last year, prolific hotel developer Sam Chang, for one, [unloaded three Midtown Manhattan properties at a considerable profit](#). The sites, at 16 E. 39th St., 292 Fifth Ave. and 25 W. 51st St., traded for a total of \$207 million, nabbing Chang a more than \$40 million gain, records show.

Similarly, Apollo Global Management and Newbond Holdings in the fall [acquired the Renaissance New York Times Square Hotel](#) from its developer, Sherwood Equities, for the blockbuster sum of \$165 million, or more than a half-million dollars for each of its 317 rooms.

But the buying boom has also extended to much smaller properties, including some with rocky pasts, such as a modest 10-story inn at 38-60 13th St. in the Dutch Kills section of Long Island City called the Giorgio.

Soon after the Giorgio's developers opened the site in 2018, they began shopping it for \$17 million. But the property, which catered to international students, emptied out with the onset of the pandemic, which depressed its value to \$13 million, according to Besen's Cohen, who marketed the site with partners Anudeep Gosal and Niko Berdzeni. A foreclosure threat from a lender followed.

Around the same time, landlords James Juhn and George Baharestani, like owners of other suddenly vacant hotels, opened their doors to migrants, a lucrative move. The city pays up to \$340 a night for some properties, nearly double the typical shelter rate, Comptroller Brad Lander has said.

Although migrants can be controversial, they may be great for business. The 100% occupancy at strong prices can boost a property's value; the Giorgio sold last year for its prepandemic valuation of \$17 million, according to the city register.

“It’s a good time for hotel owners in New York,” said Mitchell Hochberg, president of the firm Lightstone, the developer behind five city properties representing about 1,800 rooms in the Moxy chain, whose first branch, on West 36th Street, opened in 2017.

But challenges remain. International travel is 10% below pre-Covid levels, much of that attributable to a dearth of visitors from China, he said. And corporate travel is down a similar amount from 2019.

Still, Hochberg’s hotels seem to be popular with a new kind of visitor, one who comes for business but tacks on a few extra days for leisure.

In any case, his portfolio’s rooms now have an average occupancy rate in the low 90% range, up 8 percentage points in a year, said Hochberg. “I’m not sure if the market is being artificially boosted,” he said, “but I do think the table is being reset.”

*This story has been updated to reflect that Lightstone developed about 1,800 hotel rooms, which are in five of the six Moxy hotels in New York, and not 2,000 Moxy rooms.*

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