Building assets with an eye on the future

By Gary McKillips

t you may have seen the television commercial in which a group of small children is asked, “What’s better, bigger or smaller?” They all exclain without hesitation — “Bigger!”

Obviously these kids are not destined to be developers … nor hotel managers. When it comes to deciding on whether more hotel rooms are better, the answer is much more complicated.

The 28-county Atlanta Metropolitan Statistical Area (MSA) had 783 hotels with 93,277 rooms as of February according to statistics furnished by Smith Travel Research Inc., a group that tracks supply-and-demand data for the hotel industry. That number has increased just slightly (2,586) since February 2007. From the more-is-better standpoint, 93,000 hotel rooms enable Atlanta to host events such as the recently concluded NCAA Final Four and other major sports events, conventions and tradeshows.

According to Debra Cannon, director of the Cecil B. Day School of Hospitality at Georgia State University, “We also must have that number of hotel rooms to vie with our ‘competitive’ set that includes cities such as Las Vegas, which have over 100,000 rooms,” Cannon said.

One way we can position Atlanta and Georgia for strong future growth is by beefing up efforts to make our destination more attractive to international travelers. The international travel market is growing twice as fast as the domestic market.

The recognition that Atlanta is now a top tourism destination can in many ways be attributed to the vision, hard work and past civic leaders, including Ivan Allen, Maynard Jackson, Billy Payne and many more. If you stand in the center of Centennial Olympic Park, you can see the world’s largest aquarium, the bustling global headquarters of CNN, the world’s largest collection of Coca-Cola memorabilia and the construction sites of two more blockbuster attractions. This is the Atlanta of today.

We now have a critical mass of world-class attractions in this area and that feeds additional growth like the upcoming additions of the College Football Hall of Fame and the Center for Civil and Human Rights.

Midtown and West Midtown have become travel destinations in their own right, with world-renowned chefs opening farm-to-table restaurants, unique local shopping, a variety of hotel options and more. Atlanta’s “local” neighborhoods such as Virginia-Highland, Little Five Points, Cabbagetown and many more are teeming with events, festivals, arts and culture. The tracks are being laid for Atlanta’s new streetcar project connecting the Martin Luther King Jr. Historic Site to Centennial Olympic Park. Construction cranes are once again moving above Buckhead. Central Atlanta Progress and the Atlanta Convention & Visitors Bureau are working with community leaders to enhance the International Boulevard and Northside Drive corridors.

Tourism developers and investors have their eyes on Atlanta with the growing number of travelers who will come to or through our city.

Where do we look now? It is incumbent on us to take Atlanta to the next level and put building blocks in place for the future.

One way we can position Atlanta and Georgia for strong future growth is by beefing up efforts to make our destination more attractive to international travelers. The international travel market is growing twice as fast as the domestic market.

International travelers spend more and stay longer than domestic travelers. We are in the perfect position to capture an outsized share of this booming market with the new international terminal at Hartsfield-Jackson International Airport serving as a gateway to the U.S. for travelers from many countries. Those travelers are drawn to the iconic names that call Georgia home — “Gone With the Wind,” Coca-Cola, the Martin Luther King Jr. National Historic Site, CNN and more. We can encourage more of them to spend their euros, pounds, yen and yuan here in Georgia by welcoming them with signs and menus in their languages, staff members who speak their languages, amenities at our hotels that make them feel at home, and a world-class Southern hospitality.

Over the past few years, it has become much easier for us to sell Atlanta as a leisure destination to international and domestic travelers alike. We can now offer families a terrific vacation experience right here in the city — and encourage them to stay even longer, they branch out and take in the great destinations and attractions within an easy drive of the city.

Visitors to Senoia can walk on the set of the most-watched television series in basic cable history — “The Walking Dead.” Macon and Augusta offers insight to the history and culture of Georgia’s music industry. Head north to Marietta to uncover Civil War history and a picturesque small-town square or to Stone Mountain for some of the best views of the city.

Georgia’s accessibility and unique, world-class attractions set us apart from our competitors. As we continue to leverage our strengths and promote our tourism assets to visitors it is important to acknowledge the impact that the tourism industry has in Georgia. Last year, tourism generated $49 billion in economic impact and provided employment for more than 400,000 Georgians. Atlanta leads the US in both travel-generated employment and travel expenditures. But even with all this good news, there is still more we can do, and must do, to capture our share of the growing global tourism market.

Visionary leaders like William Pate of the Atlanta Convention & Visitors Bureau continue to position Atlanta and Georgia for tourism growth.

I would like to take this opportunity to congratulate the ACVB on its centennial anniversary and look forward to working in partnership with them to assure the success of the next century.

Langston is deputy commissioner for the tourism department at the Georgia Department of Economic Development.

Mark Vaughn, executive vice president and chief sales officer for the Atlanta Convention & Visitors Bureau, said Atlanta has a broad mix of hotels that offer different levels of service at different price points. Vaughn noted the ACVB facilitates more than 2,000 leads per year and uses a variety of types of ads so a “selling point is a tremendous advantage to us.”

Although certain areas are faring better, Atlanta’s hotel occupancy is currently 62 percent of the Atlanta MSA. It runs higher in such areas as downtown Buckhead, but even at or near 70 percent calls into question whether additional hotel rooms are needed.

Mark Woodworth, executive vice president of PKF Consulting USA LLC, a consulting and research firm in the hospitality, tourism and real estate industries, said the slow growth in economic recovery in our hotel market is due to a number of reasons.

He said business travel is still down and “unlike past recoveries in metro Atlanta, investors seem to be exercising a great amount of caution this time around. This is different than in the past when Atlanta was one of the cities that led the nation’s economic recovery. This has become very clear in this most recent [economic] episode,” Woodworth said, “is the demand for higher-priced hotels correlates to real personal income growth, corporate profits and the unemployment rate correlates to the demand for lower-priced hotels.”

Real personal income (at the metro-wide level) has recovered and corporate profits are growing, but the continued levels of high unemployment tell me the gap between having and have-nots is greater than it has ever been … and the recovery within that lower-priced tier is absolutely lagging that of the upper-priced properties,” he said. “Until we see an increase in employment levels — the demand on the part of developers to build lower-priced hotels will continue to lag.”

Raymond Davenport, director of the Economic Forecasting Center at Georgia State University, believes, however, growth in the hotel market is inevitable since “name-brand hotels need the city of Atlanta to complete their portfolios (i.e., having their brands appear in all major markets).” Lower labor rates also make it easier to build in Atlanta and allows hotels to operate profitably with lower occupancy rates, Davenport said.

The Atlanta hotel market has always been important to the city. It was initially driven by the construction of the broad streetcar tracks that gave Atlanta its original name — Terminus. Archives available at the Atlanta History Center, including editions of the annal Atlanta City Guide, show that in the year 1870 there were 14 sleeping cars — all located near the railway station on Broad Street. One hotel was the elegant Kimball House, which boasted 200 rooms, and such amenities as three steam-powered elevators.

The Biltmore Hotel opened in 1924 and today is on the National Register of Historic Places.

The Atlanta hotel market grew slowly in the 1960s but by the mid-1970s began to take off with the construction of the Georgia World Congress Center. Also affecting the market, Woodworth noted, was growth along I-75, I-85 and I-20 and more recently along Georgia 400. The addition of Ga. 400 gave rise to many hotels in Buckhead, the Perimeter area and beyond. No longer was downtown the only option.

Alicia Wylie, a recent transplant from Phoenix, and now manager of The Westin Buckhead, says hotels “need a bit of a bump from an occupancy perspective, but Atlanta’s 93,000 hotel rooms are necessary to help us compete with markets such as New York, Chicago and L.A.”