

New Orleans hotel mindset shifts post-Katrina

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A decade has passed since one of the nation's most devastating natural disasters, but for hoteliers New Orleans is now back and better than ever.



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REPORT FROM THE U.S.—Hoteliers say the New Orleans hotel market is well past the point of recovery since suffering vast damage during Hurricane Katrina in 2005.

Ten years later, the city is clearly different, yet in some ways, the same. Tourists and meetings groups continue to flock to the area—particularly the French Quarter—but now the city's hotels are perhaps even better equipped than before to accommodate them.

"Katrina was a terrible disaster. It was just horrible. Nothing could describe the things people had to go through in the city. The damage, the recovery was so hard," said Gerry Chase, president and COO of New Castle Hotels & Resorts, which owns the Baronne Inn & Suites (previously the Comfort Inn & Suites) downtown. "In some respects, it gave the city—as well as the citizens, industry and business—a chance to look at itself and say, 'What could we be that we may not have been able to be before?'"

For hoteliers, that meant repairing damage and, in some cases, conducting top-to-bottom renovations.

It also meant changing the way sales teams do business: When bookings at the New Orleans Convention Center plummeted after the disaster, many hoteliers worked to boost their own internal group bookings, relying less on city-wide conventions. The result, according to sources, has been a continued stream of steady group demand—and on hoteliers' terms.

"Instead of the industry depending on citywides, hotels (became) more internal and started doing more in-house business," explained Bill Langkopp, executive VP of the Louisiana Hotel & Lodging Association. "They increased their sales staff, their sales efforts and took more control of that component of the market."

"It's a point of pride for us to be able to say, 'Here we are 10 years later.'"

-Cathy Mackenzie, VP and general counsel for Island View Casino Resort

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Transient leisure demand has made a strong rebound as well, specifically with the usual throngs of visitors once again returning for famous annual events such as Mardi Gras, the Jazz & Heritage Festival and the Oyster Festival, in addition to a consistent overall tourism pipeline. Many NOLA hotels already are thriving on this mix of group and leisure business alone.

There's also hope for transient business demand, too. After seizing the land through eminent domain, the State of New Orleans is building a 78-acre Medical Center of Louisiana New Orleans, now the largest health care construction site in the nation. When complete, the site

will hold University Medical Center, a 1.6 million-square-foot complex with 496 inpatient beds, diagnostic and treatment facilities; a clinic building accommodating 212 exam rooms and supporting parking; as well as a new 1.7 million-square-foot VA medical center.

"We can already see the growth potential in research and things like that, which we hope will generate more of that commercial travel," Langkopp said. "We see national pharmaceutical companies and medical-type companies looking at that as a potential for continued growth, and we're hoping that's going to be an added component to support more business travel and build that market."

Performance on the rise

New Orleans' year-to-date occupancy as of July was 73.5%, a 3.2% increase year over year, according to data from [STR](#), parent company of Hotel News Now.

STR reports that year-to-date average daily rate as of July was \$153.60, a 3.4% jump year over year. Revenue per available room year to date was \$112.94, which is 6.8% higher than the same period last year.

By comparison, New Orleans finished 2005 with occupancy of 66.9% (+5.4%), ADR of \$115.37 (+4%) and RevPAR of \$77.19 (+9.6%).

"RevPAR has grown dramatically, and in the last few years it's been more on the rate side than the occupancy side," said Al Groos, president and GM of the Royal Sonesta Hotel New Orleans. "We've had substantial rate growth in the last four years. We finished last year at almost 81% occupancy. I don't see it growing that much more, because we still have off-seasons. It could grow a couple more points, but I think the growth will continue to be in rate."

No bite of supply

Boosting these fundamentals has been a moderate increase in new supply, which has been growing just upward of 1% this year. Langkopp, for one, expects supply growth to stay there for the next three to four years.

At the center of these new developments is the Four Seasons hotel and condos planned for the former New Orleans World Trade Center, a \$364-million project slated to open in the fourth quarter of 2017. The finished property will offer 350 rooms and 76 hotel-serviced condos. Meanwhile hoteliers in the market remain nonplussed by the prospect of new inventory coming online.

"New competition can always affect the marketplace: When people have more choices, it could negatively impact existing hotels. But I think the growth is such that we're going to be fine," Groos said. "There's not a huge amount of rooms coming into the city. I think we can support another few thousand rooms pretty easily."

Buyers and builders are once again looking to invest in New Orleans. Real estate prices remain favorable; the city is boasting renewed infrastructure; and possibly the city's most important asset—its visitors—have returned, included increasing numbers of guests from overseas. Chase said it's what prompted [New Castle](#) to enter the market when it purchased the Baronne in February, part of a flurry of deals this year as NOLA assets changed hands.

"How many other cities can recover to the extent that New Orleans has in this 10-year period?" Chase asked. "It's one of those cities that has so much history, and we're thrilled about being here."

"If Katrina can't kill it, nothing can."

