

Nobody Asked Me, But.... No. 37

Remember the Savoy Plaza Hotel?; Is Economic Disaster Imminent; Cuba at the Crossroads; My Speaking Schedule; Quote of the Month

By Stanley Turkel, MHS, ISHC

1. Remember the Savoy Plaza Hotel?- A recent newsstory in the N.Y. Times (February 14, 2008), reported that the owner of the General Motors Building has put the 50-story marble tower up for sale. The sales book distributed to prospective buyers suggests that a new owner could generate new revenues by licensing the naming rights.

This story rang a bell in my hotelman's memory. Back in 1926, the owner of the Plaza Hotel, Harry S. Black bought the Savoy Hotel and other adjacent buildings to erect a new 29-story, 1000 room apartment hotel, the Savoy Plaza, designed by McKim, Mead & White. This magnificent structure was demolished in 1964 to make way for the General Motors Building designed by Edward Durrell Stone.

The long-forgotten Savoy Plaza Hotel lined up with the Sherry-Netherland Hotel across 59th Street to the north to form a fine east boundary for the Grand Army Plaza. The three hotels (Savoy Plaza, Sherry-Netherland and the Plaza), the Pulitzer Fountain, the beautiful "Abundance" statue by Karl Bitters and the Grand Army Plaza, designed by Carrere & Hastings, created one of the most beautiful urban settings in the world.

2. Is Economic Disaster Imminent? The reports from the recent Americas Lodging Investment Summit (ALIS) in Los Angeles said that the mood of the hotel real estate crowd was generally positive with a little caution thrown in. The general opinion was that while the economy will slow down, it should recover fairly soon. I am more pessimistic than most hoteliers. The 700,000 new guestrooms reported by Lodging Econometrics to be in the hotel construction pipeline will flood the market just when occupancies are dropping substantially.

In addition, U.S. Department of Commerce data reveals that the United States continues to suffer from a decline in overseas arrivals despite a worldwide boom in international travel and an extraordinarily favorable exchange rate.

Finally, there is the recent report by Pricewaterhouse Coopers that there were 324 hotel brands in the U.S. as of December 2007 representing the largest number of new brand launches since 1989. The combination of new guestrooms, sluggish overseas arrivals, high gasoline prices, an oncoming recession and new brand proliferation is a deadly mix for the hotel business in 2008. Protect yourself.

3. Cuba at the Crossroads- With the impending retirement of Fidel Castro, the United States has said that it has no intention of reversing its trade embargo. The Bush administration has made it much harder for academics, artists and business people to travel to Cuba and much more difficult for Cubans to travel to the U.S. The embargo appears vindictive and petty in comparison to our extensive trade with communist China. Since no similar trade embargo was imposed, American hotel companies are developing thousands of hotels all over China. It appears that commerce is more likely than isolation to produce positive changes.

Meanwhile, a hotel building boom by European, Canadian and Mexican companies has produced 70,000 new hotel rooms in Cuba which drew 2.1 million visitors last year. As the New York Times wrote (Editorial 2/20/08):

For millions of Cubans, the wait for Mr. Castro to go has been interminable. Now that he is finally stepping down, Washington needs to do all it can to help encourage a peaceful transition to democracy. It needs to shake off its own ghosts and start talking directly with Cuban politicians and the Cuban people.

It appears that long-term interests of the United States would be best served by ending the embargo.

4. My Speaking Schedule

- March 5: “Great American Hoteliers” Part 2 at the Harvard Club of New York
- March 23: “Hotel Franchising: A Format in Transition” at the AAHOA Convention in San Antonio, Texas.
- April 7: “Fair Franchising is Not an Oxymoron” at the CHOC Owners Summit in Dallas, Texas
- April 16: “Great American Hoteliers” at the New York University Osher Institute

5. Quote of the Month

“A lie gets halfway around the world before the truth has a chance to get its pants on”.

Sir Winston Churchill

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