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Hotel conversion wave cuts deeply into hotel jobs despite strong tourism growth

New report links conversions to luxury condos to steep loss in some of the “best jobs” for working New Yorkers

New York – Despite record tourism and business travel levels, the wave of conversions of high-end hotel rooms to luxury condominiums is costing the city dearly in terms of hotel jobs. Over 3,200 Manhattan hotel rooms will be lost in 2004 and 2005 and another 3,000 hotel rooms are in jeopardy of conversion. As a result of conversions, hotel employment in New York City has fallen by 2,200 or five percent since September 2004. Normally, such a steep job decline only occurs during a severe recession.

These recent developments in the tourism and hotel industries are analyzed in a new report, [Taking Away the Ladder of Opportunity: Hotel Conversions and the Threat Posed to New York City’s Tourism Jobs and Economic Diversity](#), released today by the Fiscal Policy Institute (FPI). FPI is an independent think tank that works on economic and fiscal issues in New York.

Because it is a large employer and has been growing overall, tourism is often touted as the leading job generator for resident city workers, particularly less-educated New Yorkers and recent immigrants. The heavily unionized hotel industry provides some of the best jobs within the tourism sector, paying good wages and providing family-supporting health and other benefits.

“At the moment when good-paying hotel jobs are critical to the city’s economic future, the luxury condo conversion boom is taking away the ladder of opportunity and hotel jobs are being lost at an alarming rate,” said James Parrott, the Deputy Director and Chief Economist of the Fiscal Policy Institute and the report’s lead author.

The tourism sector has helped lead New York City’s economy back from the bleak days of September 11. The total number of visitors to the city was nearly 40 million in 2004 and hotel occupancy rates increased last year more than in any other year in at least 20 years. The hotel and other tourism-related industries together employ 220,000 workers and support an additional 80,000 city jobs through ripple effects. Tourism’s 220,000 jobs

make it the largest employer among the city's top 10 export-oriented sectors that bring spending into the region and power the local economy.

The supply of hotel rooms actually dropped in New York City in 2004 and is projected to decline further in 2005. For the seven years prior to the acceleration of the hotel-to-condo conversion boom in 2004, the net hotel stock grew each year by an average of 1,600 rooms. But while the current state of hotel demand is surpassing the levels of the late 1990s, the supply response is the opposite of what should be occurring. The out-of-control luxury condo market has created a situation where the hotel real estate market has failed to function properly.

FPI's Parrott noted: "New York faces a major challenge in dealing effectively with the growing polarization in wages, family incomes and opportunities that has characterized the city over the last few decades. The hotel-to-luxury condo conversion trend intensifies that polarization and accommodates the spending desires of the very rich at the direct expense of good jobs and livelihoods for average New Yorkers."

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The Fiscal Policy Institute (FPI) regularly monitors economic and labor market conditions and their effect on working people and their families in New York City and New York State. This report on the hotel industry is the latest in a series of in-depth reports FPI has prepared on key sectors of the New York City economy, including the securities, non-profit social services, construction, apparel manufacturing, building service, and laundry industries. FPI has offices in New York City and Latham. Additional information on FPI and copies of its publications are available on its website at www.fiscalpolicy.org