



The Hotel Industry in New York City

Highlights

- New York City has the third-largest hotel market in the nation after Las Vegas and Orlando.
- Two-thirds of the City's 696 hotels are located in Manhattan, but the number of hotels in Brooklyn has tripled since 2006 and the number in Queens has doubled.
- A record 89.4 percent of the City's hotel rooms were rented in 2014, which was among the highest rates in the nation.
- A record 33.7 million hotel rooms were rented in 2015, but the percentage of rooms rented declined as inventory rose.
- Room rates declined slightly in 2015, the first decline since the last recession.
- The number of jobs in the hotel industry in New York City increased by 29 percent from 2006 to 2015, nearly double the citywide rate of job growth.
- More than one-third of the hotel work force is Hispanic or Latino, while Asians, blacks and whites each account for about a fifth.
- The average salary (\$61,150) ranked in the middle (27th) among the City's 50 largest industries.
- Visitors spent an estimated \$11.6 billion on lodging in the City in 2014.
- The industry contributed \$1.8 billion in tax revenue to the City in fiscal year 2015, more than twice the 2006 amount.

New York State's hotel industry has experienced a decade of strong growth, driven by an increase in tourism. A record number of visitors (227.5 million) came to New York State in 2014, and a new record was likely set in 2015.

To accommodate the increased demand, more than 45,000 hotel rooms were added across the State between 2006 and 2015. Most of the rooms were added in New York City. In 2015, New York City had more than 107,000 hotel rooms, 48 percent more than in 2006. The industry plans to add another 26,500 rooms by the end of 2019.

As the number of hotels and rooms have increased, so has the number of industry jobs. Employment in New York City's hotel industry reached a record level of 50,100 jobs in 2015.

The industry is a growing source of middle-class jobs, with most of the work force residing in New York City. In addition, the work force is diverse, with immigrants making up nearly two-thirds of the workers.

The industry, however, is vulnerable to changes in domestic and international economic conditions. Weakness in the global economy and a strong dollar have already begun to dampen visitor spending. The industry faces other challenges as well, including the emergence of nontraditional competitors such as Airbnb.

These factors could constrain growth in the hotel industry in the near term. Nonetheless, New York City will likely remain among the top destinations in the world for tourists, helping to ensure that the industry's long-term prospects remain favorable.

A Decade of Strong Growth

The number of hotels¹ in New York State increased by 17 percent between 2006 and 2015.² The growth was driven by a boom in hotel construction in New York City, where the number of hotels increased by 60 percent.

The growth in the hotel industry has been driven by a surge in tourism. According to the Empire State Development Corporation, nearly 227.5 million visitors came to New York State in 2014, which was 16 percent more than in 2010.

NYC & Company, the official tourism and marketing organization of New York City, estimates that a record 58.3 million visitors came to the City in 2015. This represents an increase of 33 percent since 2006. (Visitors are defined as business and leisure travelers who stay overnight or travel 50 miles or more for a day trip.)

The number of international visitors grew by 69 percent during this period, more than double the growth in domestic travelers. International visitors represented one-fifth of all visitors, but accounted for nearly half of visitor spending.³

To keep up with rising demand, more than 45,000 new hotel rooms were added across the State since 2006, according to STR, a data analytic firm which provides information and research to the hotel industry. Most (83 percent) were added in New York City.

With more than 210,000 hotel rooms, New York is the fourth-largest hotel market of any state in the nation, following California, Texas and Florida.⁴

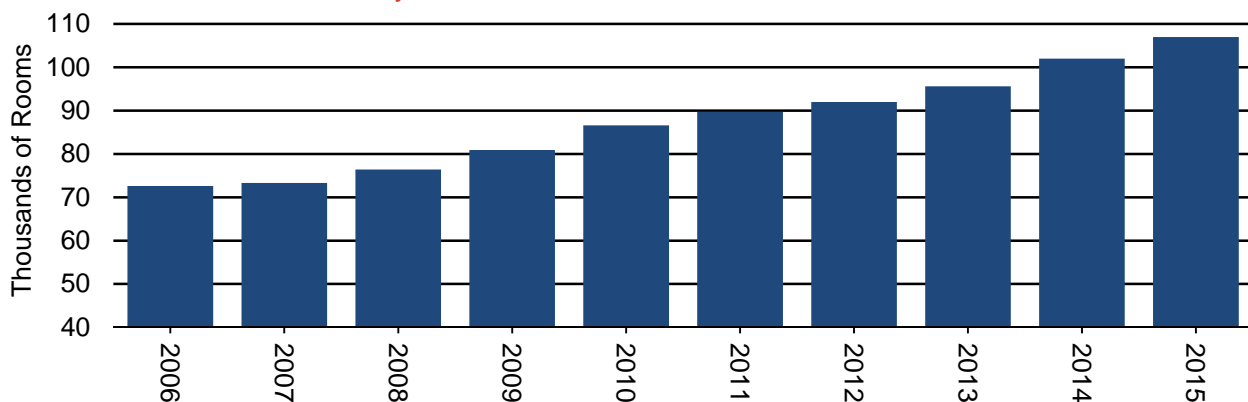
Among cities, New York City is the nation's third-largest hotel market, after Las Vegas and Orlando.⁵ NYC & Company reports that New York City had more than 107,000 hotel rooms in 2015 (see Figure 1), an increase of 48 percent since 2006.

There were 696 hotels in New York City in 2015.⁶ Of these, two-thirds (460) were located in Manhattan. While Manhattan remains the primary destination for most overnight visitors, tourism has been on the rise in other boroughs, particularly Brooklyn and Queens.

Since 2006, the number of hotels in Brooklyn has tripled and the number in Queens has doubled. In 2015, one-third of the City's hotels (236) were located in boroughs outside of Manhattan, compared with 27 percent in 2006.

New hotels have been added in neighborhoods such as Downtown Brooklyn and Sunset Park in Brooklyn and Jamaica and Sunnyside in Queens. In 2015, there were 128 hotels in Queens, 74 in Brooklyn, 25 in the Bronx and 9 in Staten Island.

FIGURE 1
Hotel Rooms in New York City



Source: NYC & Company

Strong Demand

As shown in Figure 2, demand for hotel rooms in New York City has been strong during the past decade except during the recent recession.⁷

By 2012 the occupancy rate (i.e., the percentage of available rooms that are rented) exceeded the prerecession level, and set new records in 2013 and 2014. The occupancy rate was 89.4 percent in 2014, much higher than the national average (64.4 percent), and among the highest in the nation.

Despite impressive gains, the average room rate (i.e., the average cost of renting a hotel room) has not yet reached its prerecession level. The average room rate was nearly \$301 in 2014, which was 26 percent higher than in 2009, but still slightly lower than the level in 2008 (\$309), even before adjusting for inflation.

In 2015, a record 33.7 million hotel rooms were rented in New York City, an increase of 4 percent from the previous year.⁸ Despite higher bookings, occupancy and room rates both eased as the supply of rooms increased and tourist spending slowed. The occupancy rate declined to 88.5 percent, slightly less than the record set in

2014. Average room rates also declined, from \$301 to \$294.

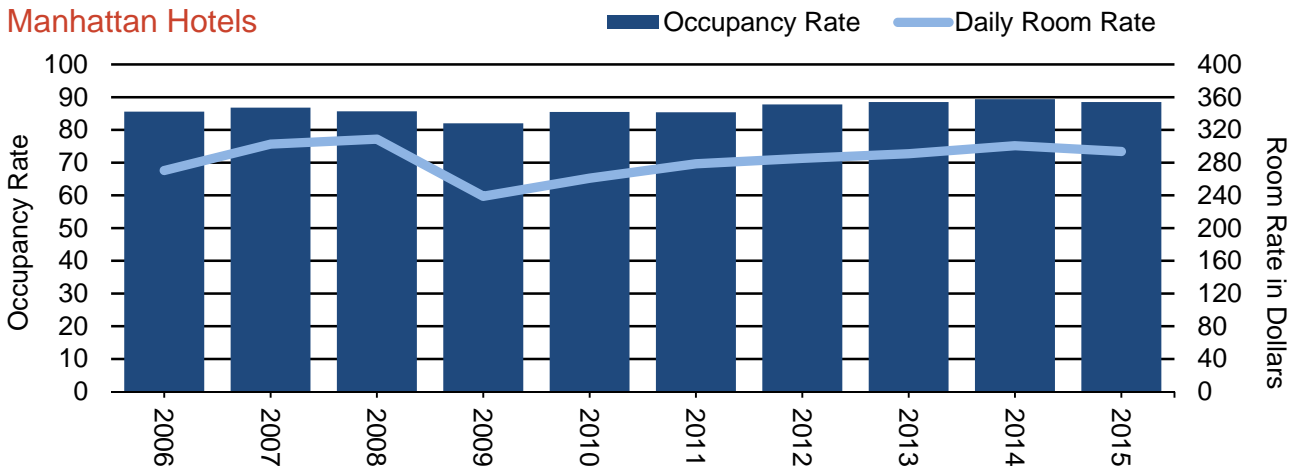
The City's most expensive hotels experienced the largest declines in occupancy rates in 2015, down almost four percentage points. Room rates for this segment fell by less than 1 percent.

Budget hotels (those charging \$245 and under) experienced the largest decline in room rates (4.4 percent). Occupancy rates for these hotels declined by nearly two percentage points.

A number of factors could affect the future demand for hotel rooms. For example, uncertainties in the global economy and a stronger dollar could dampen tourism. The four countries with the most visitors to New York City (the United Kingdom, Canada, Brazil and China) experienced economic slowdowns in 2015.

NYC & Company estimates that the number of hotel rooms in New York City will increase by 26,500 by the end of 2019. The addition of so many rooms over a short period of time could put downward pressure on room rates.

FIGURE 2
Manhattan Hotels



Source: CBRE Hotels

Strong Job Growth

There were 88,400 hotel industry jobs across New York State in 2015, 18 percent more than in 2006.⁹ The industry generates thousands of additional jobs in other industries that perform services (e.g., HVAC repairs) for the hotel industry.¹⁰

Nearly 60 percent of the State's hotel jobs were located in New York City. In 2015, industry employment in New York City reached a record 50,100 jobs (see Figure 3), an increase of 11,300 (29 percent) since 2006.

Employment dipped in 2009 during the recession, but job growth was strong through 2014 before slowing in 2015. Since 2009, the industry has added jobs at a much faster rate (24 percent) than the City overall (14 percent).

Employment in the hotel industry in New York City is concentrated in Manhattan (nearly 9 out of every 10 jobs are there), but job growth has been strong in Brooklyn and Queens.¹¹ During the 10-year period ending in 2015, industry employment grew by 160 percent in Brooklyn and 40 percent in Queens, outpacing the gain in Manhattan (26 percent).

Middle-Class Jobs

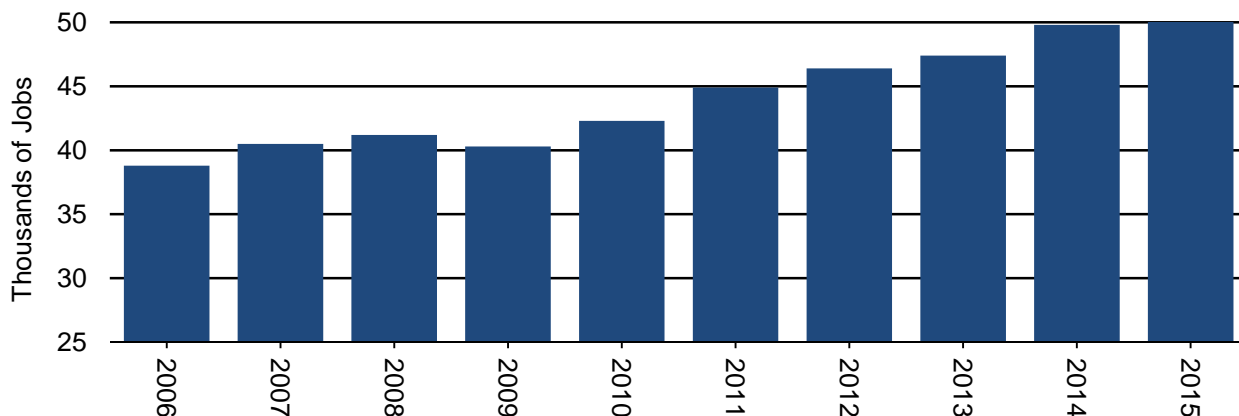
New York City's hotel industry has been a growing source of middle-class jobs, and most of the jobs benefit local residents. More than 80 percent of the workers live in the City.¹² Employment prospects in the industry in New York City through 2020 are predicted to remain very favorable.¹³

Most hotel workers hold full-time jobs.¹⁴ Less than 9 percent of the jobs are part-time, compared to nearly 17 percent citywide. A study by the Graduate Center of the City University of New York found that the hotel industry has low job turnover and the competition for jobs is strong.¹⁵

The industry's work force is diverse.¹⁶ More than one-third of the workers are Hispanic or Latino, while Asians, blacks and whites each account for about one-fifth of hotel employees. Immigrants make up nearly two-thirds of the industry work force, compared to less than half (43 percent) of the workers citywide.

The average salary for hotel jobs located in New York City was \$61,150 in 2015 (according to data from the U.S. Bureau of Labor Statistics). While the average salary was lower than the citywide average, the average in the industry ranked in the middle (27th) of the 50 largest industries in the City.

FIGURE 3
Hotel Industry Jobs in New York City



Sources: NYS Department of Labor; OSC analysis

Many entry-level jobs in the hotel industry nationwide do not have minimum education requirements, which makes the industry a good career path for individuals looking to better their economic prospects.¹⁷ In New York City, nearly half (47 percent) of the workers had no college experience.¹⁸

Figure 4 shows the top 10 occupations in the hotel industry in New York City, representing almost 70 percent of the work force in 2014 (the most recent annual occupational data). Room attendants made up the largest share (27 percent), followed by lodging managers and then bell persons and concierges.

As expected, the industry contains a wide range of salaries, depending on the position. Some occupations, such as marketing and sales managers, lodging managers, servers, and chefs and head cooks, had high average salaries (more than \$70,000 annually). These positions accounted for about 20 percent of the hotel work force in New York City.

The New York Hotel and Motel Trades Council is the labor union that represents nonmanagerial hotel workers. According to the Council, it

represents 75 percent of the hotel industry in New York City. Members receive wages as well as benefits, including family health and dental care, a pension plan, and job and career training.

In 2012, the Council reached a seven-year agreement with most of the City's largest hotels. The contract includes annual raises that will increase wages by 29 percent over the term of the contract. In 2013, the Council reached a similar agreement with a number of additional hotels in the City.

In 2015, both contracts were extended for another seven years, providing cost certainty for a prolonged period of time. The extension includes annual wage increases of \$1.00 an hour for non-tipped employees and \$0.50 an hour for tipped employees.

The Council reports that full-time salaries for room attendants will exceed \$72,500 by the end of the contract.¹⁹ The average salary for all room attendants (both union and nonunion workers) was less than half that amount in 2014.

FIGURE 4
Top 10 Hotel Occupations in New York City in 2014

Rank	Occupation	Number of Workers	Industry Share	Average Salary for Full-Time Workers
1	Room Attendants	14,576	27%	\$35,326
2	Lodging Managers	4,440	8%	\$93,117
3	Bell Persons and Concierges	3,490	7%	\$35,334
4	Servers	2,884	5%	\$73,859
5	Building Cleaners	2,821	5%	\$34,323
6	Front Desk Clerks	2,403	5%	\$33,163
7	Marketing and Sales Managers	2,103	4%	\$104,364
8	Chefs and Head Cooks	1,599	3%	\$71,354
9	Cooks	1,342	3%	\$45,899
10	Food Preparation Workers	1,114	2%	\$39,042

Note: Includes union and nonunion workers, who can be City residents or commuters.
Sources: U.S. Census Bureau; OSC analysis

A Large Source of Tax Revenue

The Office of the New York State Comptroller (OSC) estimates that New York City collected a record \$1.8 billion in tax revenue from the hotel industry in fiscal year 2015 (see Figure 5).²⁰ Tax collections nearly doubled over the past decade, contracting only in fiscal year 2009 when the economy was hit hard by the Great Recession.

Property taxes accounted for the largest share (39 percent). Collections totaled nearly \$720 million in fiscal year 2015, more than twice the amount collected in fiscal year 2006. The increase was driven by the growth in property values and the construction of additional hotels.

The hotel room occupancy tax generated \$560 million in fiscal year 2015, an increase of 87 percent over a 10-year period. The tax consists of a flat fee ranging from \$0.50 to \$2.00 based on the daily room rate, and an additional tax of 5.875 percent of the room rate. (The State levies an additional surcharge of \$1.50 per room in New York City to pay debt service on bonds issued to fund improvements to the Jacob K. Javits Convention Center.)

Hotel room rentals and other hotel sales (e.g., room service charges) in the City are subject to a sales tax of 8.875 percent, of which 4.5 percent is

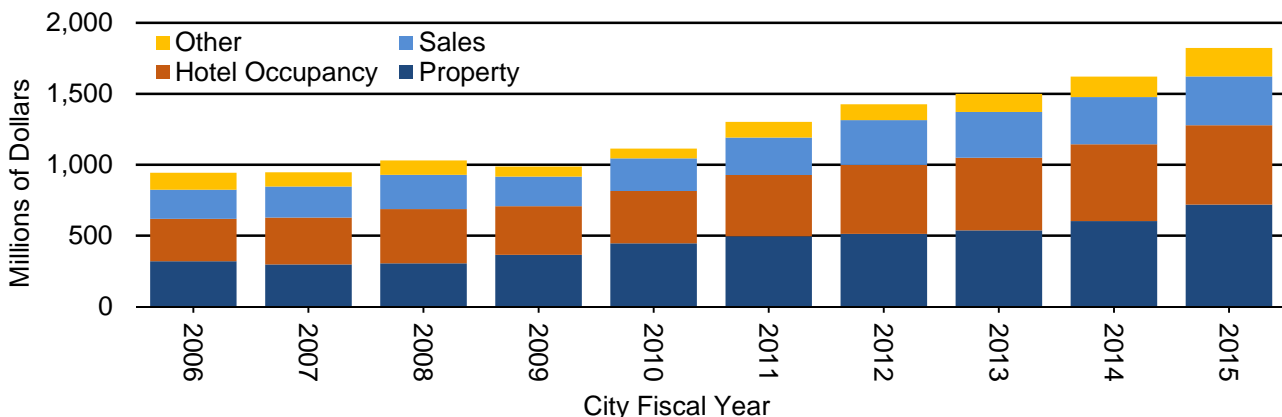
levied by the City (and 4.375 percent is levied by the State and the Metropolitan Transportation Authority). OSC estimates that the City collected nearly \$344 million in sales taxes in fiscal year 2015 from the hotel industry, two-thirds more than in fiscal year 2006.

In recent years, the strength of the hotel industry has attracted investors looking for the relative safety and security of U.S. markets. In 2015, hotel sales in New York City totaled \$4.2 billion, surpassing the prior record of \$2.8 billion in 2006. For example, the Waldorf Astoria was sold to a Chinese insurance company for a record \$1.92 billion in 2014.

Hotel sales are subject to a real property transfer tax (1.625 percent on sales of \$500,000 or more), and mortgages on these properties are subject to the mortgage recording tax. Tax collections from hotel transactions rose from less than \$6 million in fiscal year 2010 to nearly \$83 million in fiscal year 2015.

Other taxes collected from the industry include business taxes and personal income taxes on workers' pay. In the aggregate, collections from these taxes nearly doubled between fiscal years 2010 and 2015 to reach more than \$117 million.

FIGURE 5
Taxes Received by New York City from the Hotel Industry



Sources: NYC Comptroller; NYC Department of Finance; NYS Department of Taxation and Finance; U.S. Bureau of Labor Statistics; U.S. Census Bureau; OSC analysis

Economic Impact

The hotel industry is an integral part of the larger tourism industry. Tourism (i.e., the leisure and hospitality sector) accounted for 894,000 jobs in New York State in 2015.²¹ Tourism represented 11 percent of the State's private sector work force, making it the fourth-largest sector.²² The New York State Hospitality & Tourism Association reports that tourism generated \$7.8 billion in state and local taxes in 2014.²³

OSC estimates (utilizing the IMPLAN[®] model and inputs provided by OSC) that the tourism industry in New York State generated a record economic impact of nearly \$100 billion in 2014.²⁴ While tourism is big business throughout the State, the greatest economic impact was in New York City (\$56.7 billion) based on the IMPLAN[®] model.²⁵

The number of tourism jobs across the State grew by 31 percent between 2006 and 2015, much faster than the rest of the State's private sector work force (5 percent). Two-thirds of the growth occurred in New York City. By 2015, New York City accounted for nearly half of the State's tourism jobs. Other areas with strong tourism-related job growth included the Capital Region, Western New York, the Hudson Valley and Long Island.

Visitors to New York State spent \$62.5 billion in 2014, and the largest share (\$18.3 billion, or 29 percent) was spent on lodging.²⁶ In New York City, visitor spending totaled \$41.2 billion, of which \$11.6 billion was spent on lodging and related costs, such as room service.²⁷ The balance was spent on restaurants and bars, shopping, entertainment and transportation.

Hospitality management programs in New York City and across the State benefit from a growing hotel industry in New York City, and they offer a source of skilled workers. The City University of New York, St. John's University, New York University and Cornell have such programs. In addition, the industry benefits from the State's culinary schools, such as the Institute of Culinary

Education in New York City and the Culinary Institute of America in Hyde Park.

The Jacob K. Javits Convention Center is the busiest convention center in the nation.²⁸ However, it ranks 13th for prime exhibit space.²⁹ The State is moving forward with an expansion of the convention center at a cost of more than \$1 billion.³⁰ When completed, the project would generate an estimated 200,000 additional hotel room stays annually, an increase of 42 percent over the current estimate.

The growth of nontraditional competitors, such as Airbnb, that match people looking for lodging with owners or renters of private apartments, presents a challenge for the industry. These providers do not incur the same regulatory, investment and operating costs as traditional hotels, giving them a competitive advantage.

According to a report prepared for the Hotel Association of New York City, Airbnb cost the industry \$451 million in lost revenue during a 12-month period ending in August 2015.³¹ The report estimated the total cost to New York City at \$2.1 billion, including the impact on the construction industry and lost tax revenue.

State law prohibits the short-term rental of most apartments.³² A report by the New York State Attorney General found that 72 percent of the listings on Airbnb violated the law during a 53-month review period.³³ In addition, there are concerns that Airbnb has effectively removed apartments from the rental market, thereby decreasing the supply of affordable housing.

In November 2015, Mayor de Blasio allocated \$10 million over a three-year period to the Mayor's Office of Special Enforcement, enabling the City to be more proactive in issuing violations.³⁴ The City Council and the State Legislature are considering proposals that would increase fines for renters and landlords, while others would legalize short-term rentals but require registration and the payment of fees and taxes.

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- ¹ The term hotel includes hotels, motels, and bed-and-breakfast establishments. For purposes of this report, the Office of the State Comptroller used NAICS code 7211 (traveler accommodation) to measure the hotel industry.
 - ² U.S. Bureau of Labor Statistics (BLS), Quarterly Census of Employment and Wages.
 - ³ NYC & Company, *Economic Impact of Travel & Tourism, New York City in 2014*, revised November 2015.
 - ⁴ American Hotel & Lodging Association, *America's Lodging Industry 2015 by the Numbers*.
 - ⁵ Hotel News Now, *STR Monthly US Pipeline Report*, October 2015.
 - ⁶ BLS, Quarterly Census of Employment and Wages.
 - ⁷ Occupancy and room rate data are from CBRE Hotels, *Trends in the Hotel Industry*, year-end reports, 2006-2015.
 - ⁸ NYC & Company, "Mayor de Blasio and NYC & Company Announce New York City Welcomed Record 58.3 Million Visitors in 2015," press release, January 21, 2016.
 - ⁹ New York State Department of Labor, Current Employment Statistics, NAICS 7211.
 - ¹⁰ American Hotel & Lodging Association, *America's Lodging Industry 2015 by the Numbers*.
 - ¹¹ BLS, Quarterly Census of Employment and Wages.
 - ¹² U.S. Census Bureau, 2014 American Community Survey (1-Year Public Use Microdata Sample file).
 - ¹³ New York State Department of Labor, Long Term Occupational Employment Projections, 2012-2022.
 - ¹⁴ U.S. Census Bureau, 2014 American Community Survey (1-Year Public Use Microdata Sample file).
 - ¹⁵ New York City Labor Market Information Service and The Graduate Center at the City University of New York, *New York City's Traveler Accommodation Industry: A Guide for Education and Workforce Development Professionals*, March 2013.
 - ¹⁶ U.S. Census Bureau, 2014 American Community Survey (1-Year Public Use Microdata Sample file).
 - ¹⁷ American Hotel & Lodging Association, partnered with WageWatch Inc., *National Survey of Hotel Wages & Benefits*, September 2014.
 - ¹⁸ U.S. Census Bureau, 2014 American Community Survey (1-Year Public Use Microdata Sample file).
 - ¹⁹ New York Hotel and Motel Trades Council, "New Agreement Reached to Extend the Industry-Wide Contract," press release, April 27, 2015.
 - ²⁰ OSC also estimates that the hotel industry in New York City generated an estimated \$630 million in tax revenue for New York State in State fiscal year 2014-2015.
 - ²¹ New York State Department of Labor, Current Employment Statistics. The leisure and hospitality sector (NAICS 71 and 72) is traditionally used to measure the number of tourism jobs.
 - ²² The American Hotel & Lodging Association estimates that 8.2 percent of all jobs in New York State were directly or indirectly related to the lodging industry.
 - ²³ New York State Hospitality & Tourism Association President Jan Marie Chesterton, in testimony before the New York State Legislature Joint Legislative Budget Hearing on Economic Development, February 2, 2016.
 - ²⁴ Tourism Economics reached a similar conclusion. Its report *The Economic Impact of Tourism in New York: 2014 Calendar Year* found that visitor spending generated \$100.1 billion in total economic impact.
 - ²⁵ NYC & Company reached a similar conclusion. Its report *Economic Impact of Travel & Tourism: New York City in 2014* (revised November 2015) found that visitor spending generated \$60.9 billion in total economic impact.
 - ²⁶ Economic impact analysis prepared by Tourism Economics, *The Economic Impact of Tourism in New York: 2014 Calendar Year*.
 - ²⁷ Economic impact analysis prepared by Tourism Economics for NYC & Company, *Economic Impact of Travel & Tourism, New York City in 2014*, revised November 2015.
 - ²⁸ Javits Center, *Annual Report FY 2014-2015*.
 - ²⁹ Trade Show Executive, *350 Big Changes at Nation's Biggest Convention Centers*, September 2013.
 - ³⁰ New York State Governor Andrew M. Cuomo, "Javits Center Expansion," press release, April 12, 2016.
 - ³¹ HVS Consulting & Valuation, *Airbnb and Impacts on the New York City Lodging Market and Economy*, October 2015.
 - ³² New York State's Multiple Dwelling Law, as amended in 2010, prohibits the short-term rental (i.e., fewer than 30 days) of housing units within a residential building with three or more units unless a permanent resident is present.
 - ³³ New York State Attorney General Eric T. Schneiderman, *Airbnb in the City*, October 2014.
 - ³⁴ New York City Office of Management and Budget, *November 2015 Financial Plan*.

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