

Empty Hotels Becoming Apartments as Tourism Remains Sluggish

By: Maurie Backman, Millionacres

The coronavirus pandemic has done a number on the hospitality industry, and hotels are struggling immensely. And while there's a light at the end of the tunnel -- coronavirus vaccines -- some hotels may need to repurpose their empty space to survive. That's where residential conversions come in.

Real estate investors are already swooping in, buying hotels on the cheap and converting them to rental units. Not only is the price right to purchase hotels, but it's a great time to invest in affordable housing, given the number of Americans who can't keep up with their current homes or need to downsize as the result of the pandemic.



But converting hotels is no easy feat, and while it may seem like a good solution to an ongoing crisis, there are different considerations to take into account before going this route.

Hotels have been starved for guests since the pandemic began. As of Jan. 16, weekly U.S. hotel occupancy sat at just 40%. Meanwhile, the percentage of hotels with securitized mortgages that were delinquent on their loans was nearly 20% as of November, up from 1.52% a year prior, according to Trepp LLC. And hotels have been forced to lay off workers during the pandemic. Case in point: **Marriott** (NASDAQ: MAR) recently announced it would permanently shed 850 staff members from its once-thriving Times Square location.

Converting sluggish hotels to residential units could be a strategic move, given the cash crunch many of these properties are facing. But these conversions take time and also, money. Often, there are zoning laws to abide by and hoops to jump through in turning hotels into apartments. And since hotel rooms are, by nature, small spaces, it takes money to adapt them so they're able to qualify as full-fledged housing units.

Continued on Page 2

Member of the Month

By: Cody Stout, Monarch Investment & Management Group

This month's Member of the Month is Marissa Rhodes with Seventeenth Management. Marissa has been in the industry for six years, but is relatively new to her current position at Seventeenth Management. In her role as Property Manager, she currently oversees 287 apartments, duplexes, quadplexes and single-family homes.

She says her favorite AAGW event is the Star of Excellence. "Dressing up and getting the chance to attend an awards ceremony is always exciting, and winning an award is even that much better!" (Marissa was the Property Manager at River Vista previously which received the Best New Community Award in 2020).

Marissa believes that "Everything happens for a reason" and says she is truly blessed to be apart of an active association. Thank You, Marissa for your dedication to our industry and the AAGW!

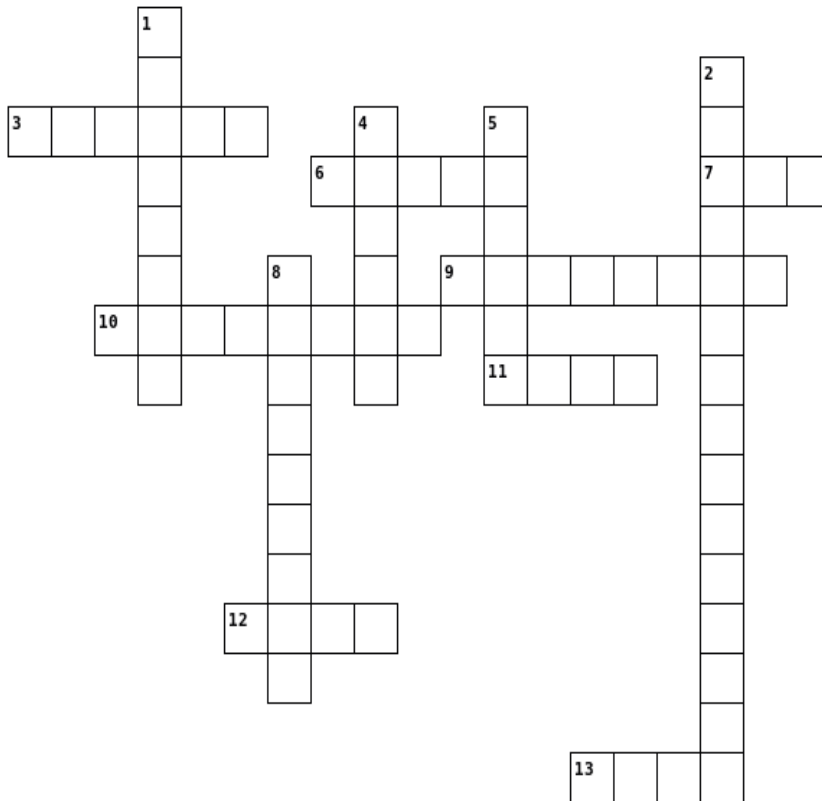


Marissa Rhodes
Seventeenth Mgmt

Of course, extended-stay hotels are ideal for turning into apartments. These units often consist of suites with functional kitchens, and they may, in some areas, already conform to zoning standards for residential rental units. But extended-stay hotels have also been faring better during the pandemic than their higher-end counterparts. These hotels tend to have a lower price point that appeals to more guests, and they tend to serve a very specific need: housing for those in between rentals, as opposed to travelers looking for a place to unpack while vacationing. As such, converting these properties to apartments may not make a lot of sense, whereas converting traditional hotels that are desperate for revenue may be a more worthwhile endeavor, despite the costs and challenges involved.

Ultimately, the question really boils down to how likely the hotel industry is to thrive in a post-coronavirus world, how long it will take to get there, and whether struggling hotels can hang on in the interim. Converting hotels to apartments won't happen overnight, and if investors and operators sit tight, they may see revenue pick up as early as later this year. All told, turning empty hotels into apartments may be an investment worth making -- but ultimately, it's also a gamble.

Apartment Living



Across

3. The amount of time required in advance if either the landlord or tenant wishes to discontinue the rental agreement.
6. A legal document signed by both the tenant and the landlord that contains the terms of the agreement.
7. certified apartment manager, for short.
9. The company or individual who owns a rental unit.
10. A renter's consideration when choosing an apartment. In Wichita it's usually east or west.
11. The length of the rental agreement.
12. The payment, usually monthly, that the tenant pays to the landlord.
13. One individual apartment.

Down

1. The action of expelling someone, especially a tenant.
2. A sum of money, usually equal to one month's rent.
4. Supplier sponsor of AAGW's February meeting.
5. The person renting the apartment.
8. Services needed to make a rental unit functional such as electricity.



This month we will begin showcasing a New Member Spotlight section of the newsletter. This month's featured newcomer is ASKMachines.com. AskMachines.com joined the AAGW earlier this year and is a local commercial laundry sales, repairs and payment systems provider. They are also able to service vending/snack machines. They currently serve cities in Northern Oklahoma and South-Central Kansas and are available for all of your commercial laundry service needs. Welcome to the AAGW, ASKMachines.com, we are happy to have you as a part of our association!



VIRTUAL MONTHLY MEMBERSHIP
MEETING

“Hustle, Work Smarter and Other Top Habits of Successful Leasing Superstars”

*Meeting will also feature Kansas Housing Resources Corporation's Executive Director, Ryan Vincent with an update on the coming Kansas Emergency Rental Assistance Program.



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Presented By:

Amy K Dilisio

Educate. Motivate. Inspire.

**Thursday, February 18th,
11:30AM**

Join us as industry Educator, Amy Dilisio will share the latest insight on customer connection, need focus and the ideal techniques that will excel your leasing success immediately.

Ryan Vincent with the KHRC will also join to provide attendees a high level overview of their programs with particular emphasis on the upcoming Kansas Emergency Rental Assistance (KERA) Program.

Thank you to meeting sponsor and spotlight vendor, BELFOR Property Restoration!

UPCOMING
EVENTS

Thursday, February 11th, 11:30 am - 1:00 pm
J.P. Weigand & Sons Main Office
Board of Directors Meeting

Wednesday, February 17th, 12:00 pm - 1:00 pm
Farmers Insurance District Office
Suppliers Council Meeting

Thursday, February 18th, 11:30 am - 1:00 pm
Virtual Membership Meeting
Membership Meeting: Hustle, Work Smarter and Other Top Habits of Successful Leasing Superstars

Friday, February 19th
Management Company Registration Deadline for Reverse Trade Show

Monday, March 8th
NAA Virtual Advocate Conference

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