

LEADING THE WAY
Hospitality Industry Insights

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POST-IAN: WHAT'S AHEAD FOR FLORIDA'S HOSPITALITY AND TOURISM INDUSTRIES

Hurricane Ian rolled across Florida two weeks ago as a powerful Category 4 storm, becoming the fifth-strongest hurricane on record to make landfall in the state. The cyclone, which battered the southwestern Gulf Coast with devastating winds of over 150 miles per hour, has taken at least 100 lives according to the most recent confirmed reports. Recovering from major hurricanes is never easy, and for those who have lost their homes, livelihoods and loved ones, the personal impact of the storm cannot be measured or understood by the rest of us.

History tells us, though, that Floridians are a hardened, tenacious bunch when it comes to recovering from hurricanes. Having lived through several powerful storms that crisscrossed the state over the years, several words quickly come to mind to describe Florida's hotel and tourism professionals: seasoned, resilient, and resolute. We in the hospitality business who have resided in the Sunshine State for decades are proud of the determination the industry has shown in bouncing back quickly after devastating storms such as Andrew (1992), Charley (2004), Irma (2017), and Michael (2018).

At present, Florida is in very strong financial shape, with an annual budget surplus of \$21.8 billion for fiscal year 2022, the highest in state history, nearly one-half billion of which is allocated to the state's Emergency Preparedness and Response Fund. The state will play a very active role in rebuilding or strengthening infrastructure throughout the state, especially in areas most affected by Ian.

Now that Jim Cantore and his Weather Channel colleagues have left Florida after their 24/7 storm coverage, we can ponder what's ahead for the state's hotel owners and operators. Learning from Floridians' response to prior events such as hurricanes, COVID-19, red tide algae blooms, and the Zika virus, we can make several predictions for the coming year.



By **Lou Plasencia**
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RECORD-SETTING HOTEL PERFORMANCE

The two Florida counties hardest hit by Ian, Lee and Charlotte, had experienced record tourism numbers thus far in 2022. ADR was up almost 30% year over year for this year's peak season (January through May)! Understandably, it will take months, if not years, for communities such as Ft. Myers Beach, Sanibel, and Captiva to return to any sense of normalcy. The reality, however, is that virtually every other Florida destination survived Ian without permanent damage.

Hurricane season is now almost over as cooler weather sets in. The peninsula traditionally fills up quickly from November through Memorial Day, as visitors seek the warmer environs of the Sunshine State. Markets such as the Tampa Bay area, Fort Lauderdale, Miami, and Orlando are likely to benefit from compression caused by reconstruction efforts in Southwest Florida. We expect next year will be another period of record-breaking RevPAR for hotels across the state, especially as the state's tourism marketing agency, Visit Florida, local Destination Marketing Organizations (DMOs), and theme parks redouble their efforts to counter the recent media coverage.

TOURISM MARKETING

Visit Florida temporarily paused its national and international advertising as Hurricane Ian came onshore. As it has done following previous catastrophic events, Visit Florida is now quickly finalizing a campaign to offset viewers' negative impressions of washed-out communities and the destruction left by Ian. The fact is that the majority of the state's pristine beaches and attractions were virtually untouched by Ian. If visitors' reactions to Visit Florida's thoughtful post-event marketing efforts are anything like previous turnouts, we anticipate 2023 will be another strong year for hotels and attractions throughout the state, the prospect of a looming recession notwithstanding.

CONSTRUCTION AND RENOVATION CHALLENGES

Looking back at the aftermath of previous hurricanes, we expect the rebuilding process in Southwest Florida to draw a vast number of contractors. The rush of these builders and contractors, will create a dearth of workers in other parts of the state. Further, suppliers will urgently channel roofing supplies, windows, glass, drywall, mechanical systems, piping and other materials to those areas in need of complete rebuilding. The bottom line is that we expect construction costs and the timeline to complete hotel renovation projects in parts of Florida and the Southeast to be meaningfully impacted. This comes at a time when supply chain and labor issues were already presenting major challenges to hotel owners.

PROPERTY INSURANCE INCREASES

In the past, we have seen meaningful increases in Florida property insurance premiums in the period immediately following hurricanes. While premiums have declined to more reasonable levels within the 24 months following an event, previous surges in rates have ranged from 10% to 30% in the year immediately following storms. Over the past week, we have had conversations with senior executives from property and casualty insurance firms doing business in Florida. Their sobering statements point to significant claims based on initial surveying of Ian-impacted regions. Total damage estimates in Florida alone have ranged from \$60 billion to \$65 billion. The majority of the estimated losses come from wind damage, estimated at \$40 billion to \$50 billion. Storm surge, excluding National Flood Insurance Program losses, accounts for \$3 billion to \$5.5 billion, and inland flooding accounts for less than \$1 billion.

We are advising our asset management clients and hotel and resort operators to expect increases in 2023 of as much as 80% to 100% over 2022 insurance premiums, obviously depending on the location of the property. We also expect several insurance carriers will leave the state and altogether stop providing commercial policies in Florida. If hotels are able to get coverage going forward, we recommend budgeting for significantly higher insurance costs for at least the next two years.



YOU CAN HELP

We at The Plasencia Group continue to support those who were hardest hit by Hurricane Ian, especially residents of Southwest Florida, through contributions and donations to the Florida Disaster Fund. Our friends who wish to help those in need can do so by donating to the Fund which was created decades ago to provide immediate financial assistance to Florida's communities. This is a 501(c)(3) nonprofit organization and is the State of Florida's official private fund established to assist Florida communities as they respond and recover during times of emergency or disaster. One hundred percent of donations earmarked for Hurricane Ian relief will be distributed to those facing the direst circumstances. Donations to the Florida Disaster Fund are tax-deductible and may be made on their secure website: www.floridadisasterfund.org.

Florida Strong!

For Hurricane Recovery Resources ...

Click the link below for a comprehensive guide to state and federal recovery resources for those affected by Hurricane Ian.

[Hurricane Ian State and Federal Resources](#)

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About The Plasencia Group

In 1993, The Plasencia Group was formed to provide hotel and resort owners investment advisory services at a personal level. Twenty-nine years and hundreds of engagements later, we still have the privilege of making our clients successful with the passion, access, and certainty they've come to expect. Our firm offers investment sales, asset management, development and renovation management, debt and equity sourcing, and advisory services to hotel and resort owners throughout North America.

Contact us today if our experienced advisory team can assist you in evaluating your current portfolio and strategizing for the weeks and months ahead. We look forward to the opportunity to serve you.

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