The Americas: United States

The business climate in the U.S. remains well documented globally, but recent reports such as one from *Standard and Poor* showing the U.S. to be doing worse than most major economies will continue to cause great caution when it comes to major investments. We are, however, definitely seeing a pickup in interest, although very little of it is for work in the continental U.S., which confirms that many U.S.-based architects and consultants are looking outside the country for work. Private homeowners seem much more willing to spend than commercial investors, again suggesting that pockets of the economy are doing well with home spas becoming somewhat of a trend in high-end homes.

The news here is still dominated by high unemployment figures, of which areas, like Las Vegas, are higher at 14% than the national average of 9-10%.

The residential and commercial real estate markets still seem to be the driving force in the U.S. economy, and both are still struggling. Home foreclosures still seem to be on the rise and the unsold inventory of existing homes will prevent any new home construction from revitalizing the economy. Again, Las Vegas leads the nation in foreclosures, while home values have dropped 40-50% from their peaks a few years ago. It could be 10-20 years before prices return to the levels at which they were.

Consumer confidence is up based on press reports, as well as manufactured goods in the U.S., although companies are still reluctant to hire while they are having fewer workers do more. The reluctance of the government to address the deficit will harm inward investment as well as restrict the ability of commercial entities to raise project finance.

One of the pockets that seems to be bucking the trend is South Florida, where new hotel projects are still under construction, occupancy at existing hotels is high and rates are frequently beating pre-crash levels. Many of the condominium projects that remained empty are closing, frequently to bulk buyers of multiple units, although they then rent out the units, which cause concerns to individual owners in the same buildings. The past three months have seen sales close at a much higher pace than at any time in the past two and a half years. Funding for these purchases is from consortia with cash to invest, many of whom are from the booming South American countries.

One positive note we have seen during the recessionary years is that U.S.-based, global hotel operators are using the slowdown to reassess their positions in the marketplace. These vary from operators who had traditionally subcontracted the operation of their spa facilities seeking to bring them in house. This is driven by two factors: brand protection and a desire for consistency is one, the other being a desire to maximize profits from properties.

We are seeing more and more operators seeking to establish 'standards' or 'benchmarks' in their offerings and slowly but surely, operators are beginning to look more to the European spa model, where aqua thermal, 'do it yourself' therapies play a bigger part in the spa offerings. As the high capital cost of these facilities is being understood in relation to guest satisfaction and levels of usage, particularly in relation to keeping guests coming in to use what is seen as the free or low cost options, they may then start to consider secondary spending on treatments and products. This logic has long been understood in Europe, where the 'wellness' concept of a spa is better understood, as well as the removal of the association between spas being perceived as expensive places to visit, so somewhere to be avoided if budgets are being watched by the guest. The high capital cost of wellness facilities is also being better understood with regard to the relatively low revenue costs, particularly in areas where labor costs are high, but property costs (compared to Europe) are still relatively cheap.

Much is being discussed globally about whether a spa should be a spa or a wellness center, and many operators are seeking to use the 'wellness' word as a way to differentiate their facility from the often ambiguous 'day spa' which could offer little more than a nail bar and beauty station. Sometimes the two words are being combined to Spa and Wellness Center, thus begging the question from guests yet to understand the concept and opening the door for interaction at the spa reception, where the differences can be clearly explained and therefore a one-to-one selling opportunity created.

Operators are working hard to get the message across to designers and architects who still seem to be resisting change to embrace the new thinking which requires more research and a far deeper understanding of 'wellness' and all that it entails. As the recession fades and projects once more come to life, it will be interesting to see how the 'new thinking' reverts to mainland U.S. projects which will inevitably begin to gain momentum in 2012 and beyond.

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