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Hotel squeeze



Newly built hotels in Prague are among those hit the hardest by the strong crown. They're facing a triple whammy - lower revenues when converted into crowns, rising labor and real-estate costs, and a general decline in the attractiveness of Prague as a tourist destination. Overpriced real estate will increasingly get blamed for the Czech malaise. It seeps into all areas of the economy and is one of the costs hardest to cut in the short term. Hoteliers who made their commitment a few years can be forgiven for not foreseeing the effect of the real-estate bubble and the strong crown, but they should have seen the fading of Prague's status as a tourist mecca coming. Prague is great for first-timers, but it failed during the golden days to implement a strategy for winning repeat business. Perhaps the current crisis will change this, but it'll be too late for some of the new hotels already facing a sunk-cost dilemma.



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