

# ROOM TO GROW

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Special Correspondent

**H**otel operators in the Richmond region have responded to record-setting occupancy rates with . . . what else? More hotels.

As many as 26 hotels are proposed or under construction in the area, despite a slowing economy here and elsewhere.

If all are built as planned, the number of hotels here would rise in the next couple of years by nearly 20 percent.

The historically strong local economy is driving some of the growth. Last year, while much of the country saw little or no growth in hotel occupancy, the Richmond region posted nearly a 5 percent gain.

Local hotels were 62.2 percent full in 2007, according to Smith Travel Research. In 2006, the rate was 57.6 percent.

The overall rate in itself is not impressive. What sets Richmond apart is that its hotels are fully booked a year in advance on some weekends.

Finding a room when NASCAR is in town can be difficult, for example. That rules out finding a room for the weekends of May 2 and Sept. 5, when the races will be here.

"As a rule, most operators aim for something in the high 60s at least, with a reasonable average room rate, to achieve profitability," said Richard Coughlan, associate dean for graduate and executive programs at the University of Richmond's Robins School of Business. "No hotel can afford to operate below 60 percent for too many years in a row."

Strong daily room rates and high occupancy rates on busy weekends here yield an enviable revenue per available room, or RevPAR, a key gauge of a hotel's performance.

Total sales from hotel rooms in the Richmond area rose from nearly \$187 million in 2003 to

## Hotel boom in the Richmond area

As many as 26 hotels are planned for the area. Some are proposed. Hotels under construction include:



- A. Wingate Hotel
- B. Hotel Sierra
- C. aloft Hotel
- D. Westin Hotel
- E. Comfort Suites
- F. Candlewood Suites
- G. Comfort Suites
- H. Courtyard by Marriott
- I. Hilton Garden Inn
- J. Hyatt Place
- K. Hilton Garden Inn
- L. Holiday Inn
- M. Candlewood Suites

\$252 million in 2006, generating tax revenue respectively of nearly \$15 million and \$20.2 million.

Also contributing to the hotel building boom are 32 months of consecutive growth at Richmond International Airport — bringing more people to Richmond in need of overnight accommodations — and strong growth at the Greater Richmond Convention Center, said Jack Berry, president of the Richmond Metropolitan Convention & Visitors Bureau.

Corporations relocating to the Richmond area help as well, he added, as do sports weekend events such as this month's Colonial Athletic Association bas-

ketball tournament and soccer tournaments.

A total of 25,000 hotel room nights will be booked this month in the Richmond region for community sports events, said Mike McCormick, communications director for Sports Backers.

That kind of activity attracts attention from hotel operators.

Most of the region's 26 new hotels would be located in the suburbs, with 18 popping up in Henrico County. The county benefits from the western section's concentration of businesses and offices and the eastern section's demand for hotels near the airport.

Hanover County would see

four new hotels, and Chesterfield County would add two, as would the city of Richmond.

Currently, the Richmond region has 131 hotels and motels, with a total of 15,206 rooms.

The proposed new hotels would add more than 2,000 rooms. They include full-service lodgings and hotels that cater to business travelers. Variables include the amount of meeting space, the breadth of food options and the mix of suites versus rooms, experts say.

We talked with some experts to see what is driving this surge of hotels — Berry at the convention center; UR's Coughlan, who spent nearly five years in the hospitality industry; and

P.C. Amin, president of Shamin Hotels, which operates 20 hotels in the Richmond region and will open seven more by August:



Coughlan



Amin

**Q: What is driving the current hotel/motel building boom in the Richmond region?**

**Berry:** It's strictly mathematics. You hit a certain RevPAR [revenue per available room] and you're building hotels.

**Amin:** The main reason that people are building is money is available — or it was until last year. It's reaching the point where somebody is building because everybody is building.

**Q: How will these new hotels affect occupancy rates at existing hotels?**

**Berry:** Supply has been fixed for five years, so it will take a few years for demand to catch up with supply. Occupancy will be affected, but you'll have more people than ever before.

**Coughlan:** You typically don't see significant expansion in places that have occupancy rates in the low 60s. I expect that a few existing hotels will close or change hands over the next 18 months, as occupancy rates dip when new hotels open.

**Q: NASCAR events attract hundreds of thousands of spectators to the Richmond area and fill up hotels. Will all of these new hotels help Rich-**

TIMES DISPATCH

# Richmond area sees a boom in new hotel development



P. KEVIN MORLEY/TIMES-DISPATCH

The WestIn Hotel is under construction near the intersection of West Broad Street and Glenside Drive.

mond-area residents who want to have wedding receptions or another big event on weekends when NASCAR is in town?

**Berry:** If it were my daughter, I wouldn't book a wedding over a NASCAR weekend. The race has the same economic impact as a Super Bowl, but in Richmond, it comes twice a year. And the region's hotels fill up for the entire weekend. That won't change.

**Q:** What impact will the hotel boom have on the local economy?

**Berry:** A positive one. The slower economy plays into our hands as a tourist destination — people who want to get away won't be able to go to New York because it's too expensive. We're a good alternative.

**Coughlan:** Developers assume corporate travel will continue to exist at or above its current pace. If corporate travel stays up and the region becomes a more popular travel destination, the local economy will benefit greatly because of these new



Construction continues at the former Miller & Rhoads building in downtown Richmond, future site of a Hilton Garden Inn.

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## The hotel scene

Hotels proposed or under construction include the following along with their status and planned openings:

### CHESTERFIELD COUNTY

**Candlewood Suites:** under construction  
**Residence Inn by Marriott:** 2009

### HANOVER COUNTY

**Country Inn:** site plan approved  
**Country Inn and Suites:** site plan approved  
**Comfort Suites:** under construction  
**Days Inn:** site plan approved

### HENRICO COUNTY

**aloft Hotel:** 2009  
**Candlewood Suites,** airport area: 2009  
**Candlewood Suites,** Virginia Center Commons area: June  
**Comfort Suites:** under construction  
**Courtyard by Marriott:** summer 2008  
**Hampton Inn:** summer 2008

### Hilton Conference Center and Spa: 2009

**Hilton Garden Inn,** airport area: spring 2008  
**Hilton Garden Inn:** fall 2008, Virginia Center Commons area  
**Holiday Inn:** spring 2008, airport area  
**Holiday Inn:** 2009, Short Pump area  
**Holiday Inn:** fall 2008, Virginia Center Commons area  
**Hotel Sierra:** spring 2009, Short Pump Town Center  
**Hyatt Place:** 2009

**Springhill Suites by Marriott:** under construction

**Westin Hotel:** fall 2008  
**Wingate Hotel:** fall 2008

**11-story hotel:** proposed, at I-64 and West Broad Street

### CITY OF RICHMOND

**Hampton Inn:** 2009  
**Hilton Garden Inn:** winter 2009

## Average hotel room rates

**Petersburg-Chester:** \$67.86  
**Richmond, downtown/airport:** \$101.82  
**Richmond, north/Glen Allen:** \$79.19  
**Richmond, west/Midlothian:** \$67.46

## Rate comparisons

**Virginia:** \$99.88  
**Northern Virginia:** \$149.10  
**U.S.:** \$103.64

SOURCE: Greater Richmond Convention & Visitors Bureau

## Hotels

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hotels. If companies trim travel expenses, local hotels will suffer.

**Amin:** Hotels bring a lot of money for taxes. Most of our customers stay an average of two to three nights, and they eat out and shop. Hotels have a very positive impact on the local economy because the investment is made by the hotelier and we don't require much service from the state or local government.

**Q: How will the current credit crunch affect this hotel boom?**

**Coughlan:** There is less money available for deals today as investors seek safer options. Often, potential investors are simultaneously considering other possible commercial developments, some of which have more predictable returns, although at lower levels. Highly leveraged deals require that the hotel be profitable almost immediately, unless the investor has agreed to tie the payback terms to the hotel's cash flows.

**Amin:** Money is drying up. When I built my first hotel, you got a 20- or 30-year mortgage. Now it's a three- to five-year mortgage. It takes 15 to 20 years to make it a worthwhile investment, but your liability is three to five years. At the end of five years, you have to find another banker to pick up that loan. If you don't, you go into default. In the next 12 to 24 months, many hotels will go into default nationwide.

**Q: How long do you think the boom will last?**

**Berry:** If RevPAR keeps rising, you'll see continuing demand for the expansion of hotels. It's simple math.

**"When the economy slows down, corporations cut travel budgets. They switch from three nights to one, or they don't come at all."**

P.C. AMIN  
President of Shamin Hotels Inc.

**Coughlan:** Aside from projects already under way, I don't think there are too many folks looking to build a hotel in the short term. I suspect this is a wave, and it will be another five or six years before we see another one. These kinds of booms tend to happen, and then there's a settling period while key questions get resolved. Is there enough corporate travel to sustain the growth? Are there enough events at the convention center?

With that many hotels coming in at once, there's a whole bunch of settling that needs to go on before the next wave gets going.

**Amin:** Hotels and the economy go side by side. If the economy goes down, hotels go down. Overall, 50 percent of rooms are rented by businesses. My hotels are 80 percent dependent on businesses. When the economy slows down, corporations cut travel budgets. They switch from three nights to one, or they don't come at all.

We always watch out for the future — six to 12 months in advance. We're concerned right now and will wait and see for the next 12 months before making any major investments. But we're in this business for the long haul, and we'll adjust to the prevailing circumstances.

## Snapshot of airfares

Here is a sampling of airfares from Richmond International Airport as of Friday. The fares reflect the most direct routes to each city and may be nonstop or involve a connecting flight in another city. Fares are subject to change. They are generally non-refundable and may require advance purchase as well as a Saturday night stay at the destination. Data provided by Media General Travel. For Skybus fares to Columbus, Ohio, see [www.skybus.com](http://www.skybus.com).

Richmond to:	Fares	Airlines
Atlanta	\$168	DL, UA, CO, NW, FL
Boston	188	B6,UA,US,NW,CO,AA
Charlotte, N.C.	404	US
Chicago	218	B6,US,CO,NW,DL,UA,AA,FL
Cincinnati	288	NW,DL,CO,AA
Cleveland	292	AA,US,UA,DL,NW,CO,FL
Dallas	288	DL,AA,US,CO,UA,NW,FL
Denver	268	AA,DL,NW,US,UA,CO,FL
Detroit	252	DL,US,UA,NW,CO,AA
Houston	328	NW,US,UA,DL,CO,AA,FL
Indianapolis	194	UA,NW,US,DL,CO,AA,FL
Kansas City, Mo.	282	US,NW,CO,FL
Los Angeles	198	NW,UA,US,DL,CO,AA,FL
Memphis, Tenn.	272	DL,US,NW,UA,CO,AA,FL
Miami	208	AA,DL,US,CO,UA,NW,FL
Milwaukee, Wis.	198	US,DL,CO,UA,NW,AA,FL
Minneapolis, Minn.	319	CO,UA,US,NW,AA,DL,FL
Nashville, Tenn.	278	NW,US,CO,UA,AA,DL
Newark, N.J.	218	UA,US,NW,CO
New Orleans	208	US,DL,UA,CO,NW,AA,FL
New York/JFK	189	B6,DL,US,UA,NW
New York/LGA	189	US,NW,DL,UA,AA
Orlando, Fla.	148	DL,US,UA,CO,FL
Philadelphia	516	US,UA,CO
Phoenix	230	B6,NW,CO,UA,US,DL,AA
Pittsburgh	245	US,NW,CO,FL
St. Louis	306	NW,AA,UA,US,CO,DL
San Francisco	308	DL,NW,US,CO,UA,AA
Seattle	288	NW,DL,UA,US,CO,AA,B6
Tampa, Fla.	194	CO,NW,UA,US,DL,FL
Toronto	424	US,CO,NW,AA



Airline codes: AA American Airlines; CO Continental Airlines; DL Delta Air Lines; FL AirTran; B6 JetBlue Airways; NW Northwest Air Lines; UA United Airlines; US US Airways

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