



# Waldorf Hotel Analysis

CHARLES COUNTY, MARYLAND



**Charles County Government  
Economic Development Department**

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# ACKNOWLEDGEMENTS

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The Charles County Economic Development Department (EDD) would like to extend appreciation to all the hotel stakeholders who participated on this important project, and the Charles County Department of Recreation, Parks, and Tourism for their collaboration.

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Imani Ward, General Manager, La Quinta Inn by Wyndham  
Haren Mistry, General Manager, Super 8 by Wyndham  
Laura Hitchman, Sales Coordinator, Courtyard Marriott

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## PURPOSE

The purpose of this analysis is to provide the Charles County Economic Development Department (EDD) and the Charles County Department of Recreation, Parks, and Tourism an understanding of the market forces at play within the Waldorf lodging cluster. This analysis is an update of the 2018 Annual Hotel Report prepared by the EDD. Awareness of hotel market dynamics will inform public sector redevelopment and tourism/visitation planning and strategies for the next three (3) years.

## INTRODUCTION

The Waldorf lodging submarket was chosen as the subject of analysis by virtue of its distinct position in the Charles County marketplace and its relatively significant inventory of nine national brand or “flag” properties. Flag brands include well-known companies such as Marriott, Hilton, Holiday Inn, Starwood, and Carlson. Flag brands also feature lifestyle properties such as Residence Inn by Marriott, Hilton Garden Inn, and Holiday Inn Express.

Waldorf has a very active hotel market that reflects its location along one of the busiest U.S. highways on the Atlantic seaboard. Although the Town of La Plata has two flag hotels and the Town of Indian Head has one flag hotel, their distance from the Waldorf lodging cluster suggest that they have their own unique demand profiles and market characteristics and are therefore not included in this analysis.

## METHODOLOGY

To perform this analysis, EDD utilized a mixed methods research design that collected and integrated both quantitative and qualitative data to provide an in-depth analysis of the Waldorf hotel market. The quantitative data was collected by Smith Travel Research (STR), a private data vendor that collects and reports on hotel occupancy and room rate data from hotels and motels across the United States. The data was collected and presented as a series of monthly and daily trends dating back six years.

The qualitative data was collected by interviewing representatives of several of the hotel properties within the Waldorf lodging cluster. The purpose of these interviews was to complement the STR data by eliciting information and inquiring about future plans for local hotels. While certain details of those interviews are confidential, the key stakeholders’ input provide important local context for analyzing factors that impacted the hotel market in 2018.



The framework that guides the analysis examines the following lodging market characteristics of the Waldorf trade area:

- Competitive hotel supply;
- Hotel occupancy trends;
- Annual operating characteristics;
- Sources of demand; and
- Tourism initiatives.

The analysis concludes with a discussion of the implications of the findings.

## LODGING MARKET OVERVIEW

Lodging submarkets can be very unique, and product mix is driven by the demand and location segments they serve. Demand segments defined by STR include the following:

- **Commercial:** Primarily business travelers. Commercial demand is strongest Monday through Thursday nights and is relatively constant throughout the year;
- **Extended Stay:** Consist of individuals who require accommodations for more than five nights; typically, the length of stay ranges from ten to fourteen nights but can stretch to a month or more. The majority of extended-stay demand is business-related including hospital research, insurance companies use for insurance claims, large-scale construction projects, or corporate projects;
- **Meeting and Groups:** The meeting and group market includes meetings, seminars, conventions, trade association shows, and similar gatherings of ten or more people; and
- **Leisure:** Leisure demand consists of individuals and families spending time in an area or passing through en route to other destinations. Travel purposes include sightseeing, recreation, or visiting friends and relatives. Leisure demand is strongest Friday and Saturday nights and all week during holiday periods and the summer months. These peak periods represent the inverse of commercial visitation trends, underscoring the stabilizing effect of capturing weekend and summer tourist travel.

Location segments are property classifications driven by physical location and are defined by STR as such:

- **Urban:** Densely populated location in a large metropolitan area such as Washington, D.C. or Baltimore;
- **Suburban:** Suburbs of metropolitan markets such as Waldorf;
- **Airport:** Hotel in close proximity to an airport that primarily serves demand from airport traffic;



- **Interstate:** Property in close proximity to major highway or other major road with the primary source of business via passer-by travel;
- **Resort:** Property located in a resort area or market where a significant source of business is derived from leisure/destination travel such as Ocean City; and
- **Small Metro/Town:** Area with either a smaller population or remote locations with limited services such as the Town of Indian Head.

STR delineates market categories that are defined by actual or estimated average room rate:

- **Luxury:** Top 15% average room rates. Typically, full-service, offering a wide variety of onsite amenities, such as restaurants, meeting spaces, exercise rooms or spas;
- **Upscale:** Next 15% average room rates, and also full-service, offering a wide variety of onsite amenities;
- **Midscale:** Middle 30% average room rates. Limited facilities and amenities, typically without a full-service restaurant;
- **Economy:** Next 20% average room rates, limited service; and
- **Budget:** Lowest 20% average room rates.



## COMPETITIVE HOTEL SUPPLY

Hotels in the selected Waldorf trade area benefits from both the **commercial** and **leisure traveler** demand segments, as evidenced by day of week and seasonal occupancy trends. For the business traveler, Waldorf is easily accessible to Washington, D.C. and offers lodging within walking distance of desirable amenities such as restaurants and shopping. For the leisure traveler, Charles County has much to offer with hundreds of miles of shoreline boasting seventeen marinas, waterfront dining, parks, and historic points of interest.

These hotels generally fall within the **economy** to **upscale** range, which offer amenities such as a pool, exercise room, small business center, and complimentary breakfast. STR recognizes a more refined and nuanced *upper midscale* class as well, which falls between the midscale and upscale classes. *Economy* hotels represent lower average room rates and offer fewer amenities (Table 1). Although the trade area contains older motel stock that predates the 1970s, it is highly unlikely that this obsolete lodging type would be developed in the future since the demand profile is so narrow and is not accounted for in this analysis.

**Table 1**  
**Competitive Hotel Supply**  
**Waldorf, Maryland 2018**

<b>Establishment</b>	<b>Class</b>	<b>Open Date</b>	<b>Rooms</b>
Residence Inn Waldorf	Upscale	Jun 2009	98
Hilton Garden Inn Waldorf	Upscale	Apr 2010	130
Courtyard Waldorf	Upscale	Dec 2008	91
Holiday Inn Express Waldorf	Upper Midscale	Feb 1987	91
Hampton Inn Waldorf	Upper Midscale	Sep 2000	100
Comfort Suites Waldorf	Upper Midscale	Aug 2000	69
Country Inn & Suites Waldorf	Upper Midscale	Jun 2006	66
La Quinta Inns & Suites Waldorf	Upper Midscale	Jun 1985	86
Super 8 Waldorf	Economy	Jul 1986	59

Source: Smith Travel Research 2019

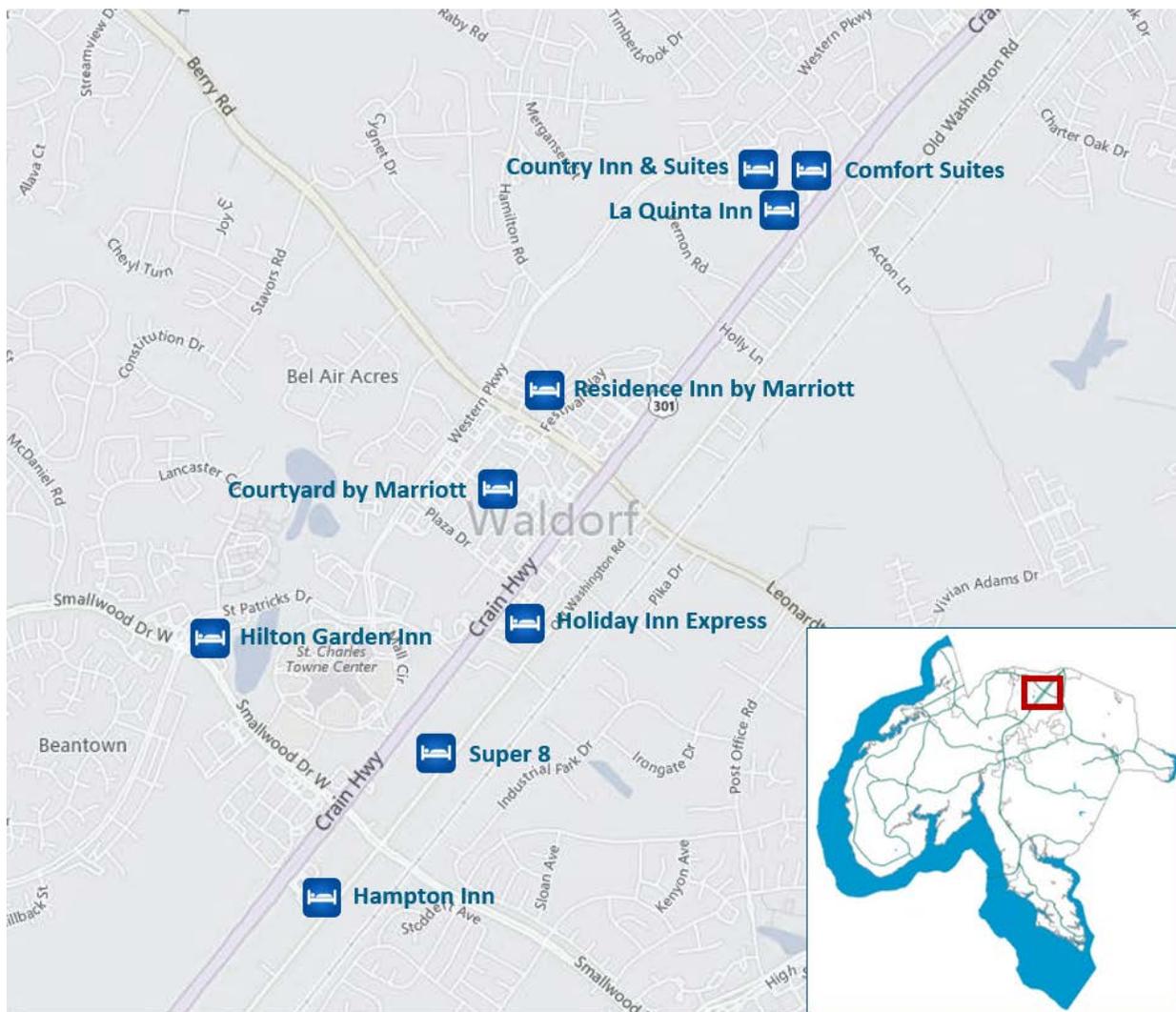
According to STR, the Waldorf trade area has three *upscale* hotels comprising 319 guest rooms, five *upper midscale* hotels comprising 412 guest rooms, and one *economy* hotel comprising of 59 rooms as illustrated in Table 1. In the past year, La Quinta Inns & Suites was reclassified from a midscale hotel into an upper midscale hotel due to the acquisition of the hotel chain by the Wyndham Hotel Group which sought to expand La Quinta's capacity by upgrading its classification.

Six of the eight *upper midscale/upscale* hotels were built since 2000 and are of better quality and more contemporary design than older stock. The remaining three hotels were built in the mid-to-late 80s, with some undergoing renovations over the years. The prevalence of higher quality inventory is indicative of the discerning nature of the Waldorf trade area's predominant demand segments. Figure 1 shows how the subject properties are distributed in the trade area.



Access and visibility are important to the success of lodging properties, as Figure 1 illustrates that Waldorf's flag hotels are all within close proximity to U.S. Route 301. Hotel owners and operators are also increasingly cognizant of the benefits of nearby complementary uses such as restaurants and retail stores to attracting guests. Several hotels in Waldorf are within walking distance of full-service restaurants and shopping centers which enhances their competitive position.

Figure 1





## HOTEL OCCUPANCY TRENDS

Hotel occupancy is the percentage of room nights that are sold during a specified period of time and is a key indicator of hotel performance within a specific market. Hotel supply is expressed as room nights, or the number of available rooms multiplied by the days of the year (365). This number fluctuates as hotels undergo renovation, new product comes on line, and older or underperforming hotels/motels are taken out of service. The Waldorf trade area has not undergone any additions to the inventory since 2010, so the data reflect market trends for a lodging inventory that is consistent throughout the six-year study period. It should be noted that not every hotel/motel operator reports their performance data to STR. As such, the analysis contained in this section only reflects those hotels/motels that have consistently reported their data to STR.

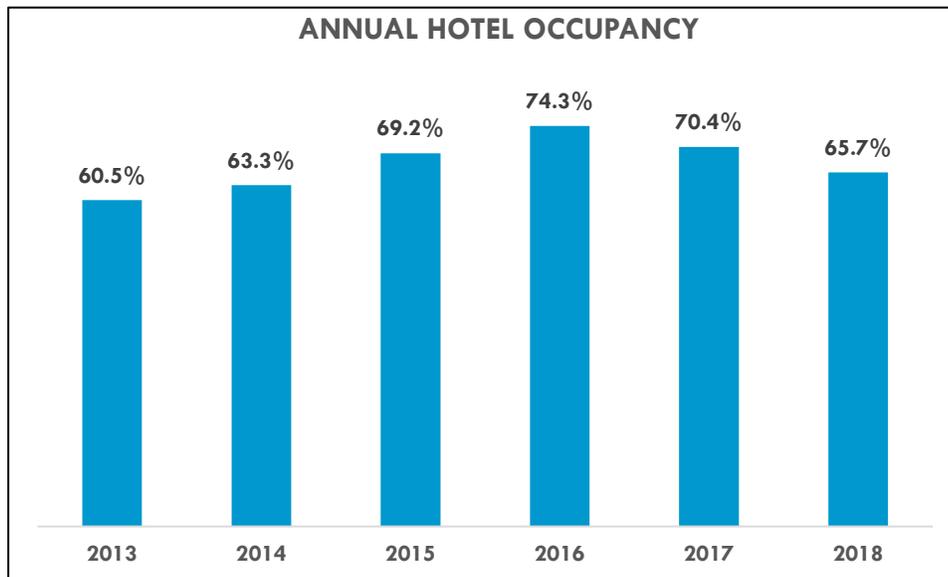
**Annual hotel occupancy** data shows a steadily improving market since 2013, when occupancy rates were at their six-year low of 60.5%, to 2016 with a robust average occupancy of 74.3%. However, the past two years has shown a decline trend in hotel occupancy by 3.9% in 2017 and further decline by 4.7% in 2018. Stakeholders interviewed for this analysis cited the completion of the construction of the Competitive Power Ventures (CPV) St. Charles Energy Center, a gas turbine power generating plant, as the primary reason for the decline in occupancy to 70.4% in 2017. This was due to the departure of the specialized construction contractors who temporarily resided in some Waldorf lodging establishments throughout the duration of the project.

Regarding the further occupancy decline in 2018, there is obscurity in what might be causing the market to fall at such rate. Some stakeholders attributed it to reasons including but not limited to the further impact of the completion of the power plant, and the oversaturation of hotels in recent years in and around neighboring communities - which has led to increase competition for demand and subsequent price diminution of rooms in terms of discounts, coupons, and vouchers. This price reduction has proved to be fairly detrimental to some hotels that feel that they lack the competitive advantage and the amenities to attract their usual clientele profile, which in this case would rather choose to take advantage of the lower cost.

It is worth noting that hotel investors will typically watch for occupancy rates rise to at least 65% before considering bringing new product to a market. At 65.7%, the market is approaching a threshold that still appears to be performing at a level that would support additional hotel rooms. However, investors may find it prudent to evaluate 2019 performance for assurances that the lodging market is projected to stabilize in the near future (Figure 2), in addition to considering additional factors such as future development outlook, availability and desirability of land, cost of land, access and visibility, predominant demand drivers, available amenities such as restaurants and retail, and more.

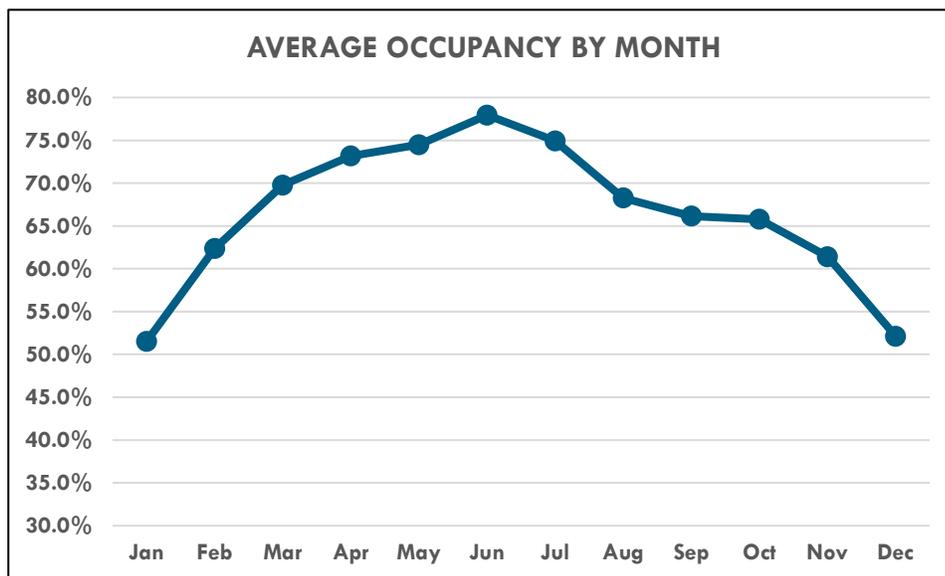


Figure 2



Source: Smith Travel Research 2019

Figure 3



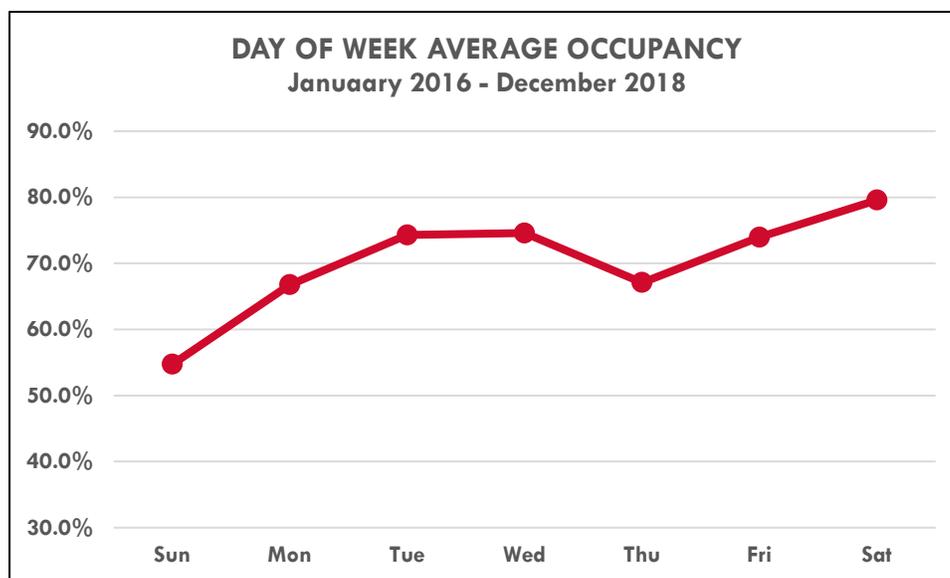
Source: Smith Travel Research 2019



Six-year average hotel **monthly occupancy** data for the selected properties in the Waldorf trade area show a seasonal marketplace with discernable peaks and valleys. Occupancy steadily increased from 51.5% in January to an annual peak of 77.9% in June, then dropped to 68.3% in August where it remained relatively steady through October, then declined in late fall. The summer peak suggests that Charles County attracts a significant amount of leisure travelers and is consistent with the description of this demand segment. The stakeholder interviews identified family reunions, weddings, bass fishing tournaments, and other warm season events are the main reasons for the peak during the month June. Also, events such as the bi-yearly world class drag race titled H-day (Honda Day) in Budds Creek relatively contribute to hotel demand during seasons of typically lower average occupancy.

**Daily occupancy** trends are useful for identifying how various demand segments impact the local hotel market. For example, the business/corporate traveler segment's peak days are midweek as demonstrated by occupancy rates of 74.3% and 74.6% on Tuesday and Wednesday respectively. The peak day for the leisure traveler segment is Saturday, when occupancy rate is at a weekly high of 79.6%. Sunday averages 54.7% occupancy, when lodging activity within most demand segments is lowest. Note that STR uses three-year averages for calculating day of week occupancy (Figure 4).

Figure 4



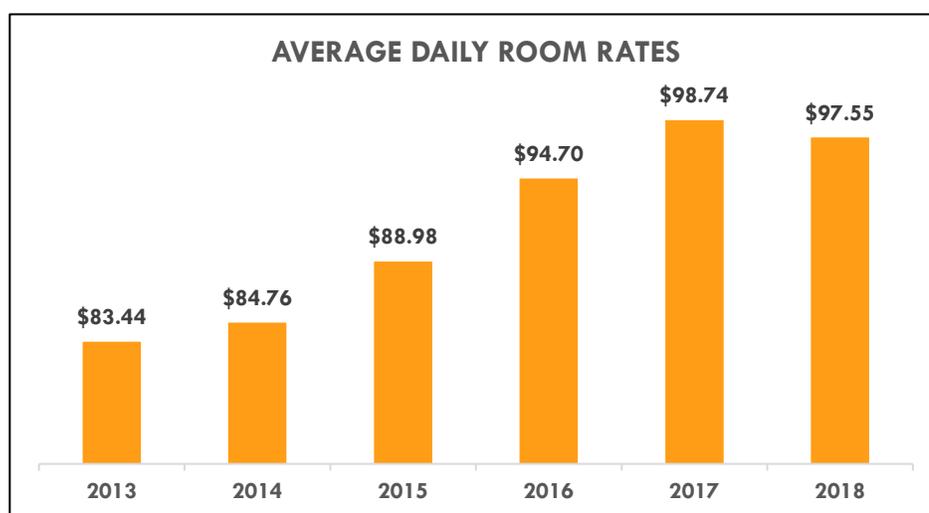
Source: Smith Travel Research 2019



## ANNUAL OPERATING CHARACTERISTICS

The **average daily room rate** (ADR) is the total room revenue divided by the number of rooms sold. Upward trends in the ADR indicate a strengthening market, while downward trends indicate a weakening or over-supplied market. As Figure 5 illustrates, ADR has steadily improved from \$83.44 in 2013 to \$98.74 in 2017, marking an average annual increase of 4.1% (Figure 5). However, this past year showed a decline of 1.2% in ADR which aligns with the issue of market saturation raised during the qualitative data collection phase.

Figure 5



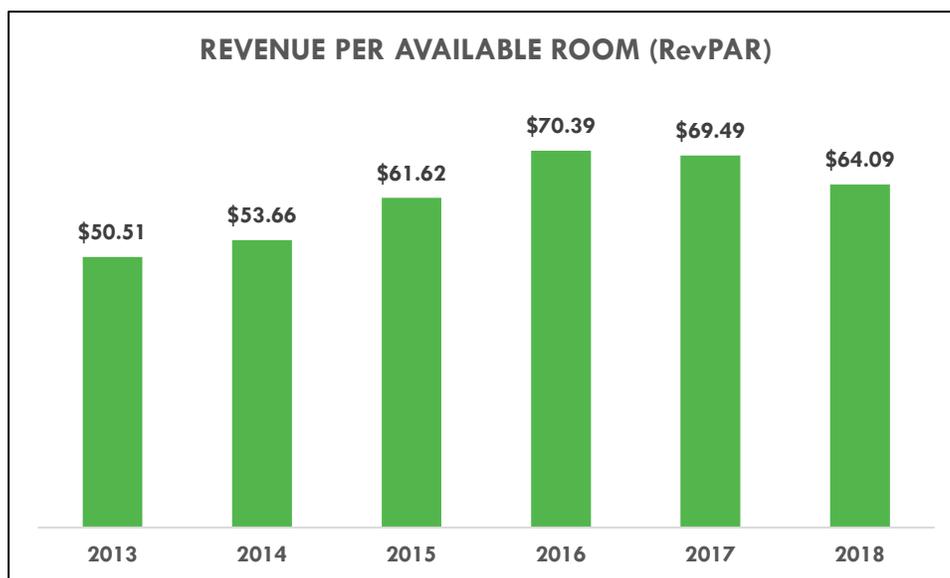
Source: Smith Travel Research 2019

**Revenue per available room**, or RevPAR, is one of the most important measurements in the hotel industry for measuring hotel efficiency. In contrast to average room rates, which reflect the average daily rate charged for occupied rooms, RevPAR is a measure of average revenues per available room-night throughout the entire year. While the average room rate only measures current market pricing, without regard to the effectiveness of that room rate, RevPAR measures the efficiency of renting hotel rooms during low occupancy periods. Therefore, hotels with high room rates may experience lower occupancy, resulting in lower RevPAR rates, while more aggressively priced competitors with higher occupancy rates will achieve a higher RevPAR and greater operating efficiency.

In 2013, RevPAR for the Waldorf trade area was lowest within the six-year timeframe at \$50.51, and steadily increased on an annual basis to \$70.39 in 2016 showing the lodging market segment gaining in strength at an average annual rate of 9.8%. In the next two years, RevPAR fell from \$69.49 to \$64.09, reflecting the decline in occupancy (Figure 6).



Figure 6



Source: Smith Travel Research 2019

Table 2 summarizes annual operating characteristics in the Waldorf hotel market from 2013 through 2018 for nine properties comprising 790 rooms. Since 2013, all key performance measures have improved up to 2016, including occupancy, room rates and RevPAR. An annual occupancy rate of 67% is healthy by industry standards, and a sustained occupancy that exceeds 65% coupled with a steadily rising RevPAR generally attracts investor interest and triggers the planning process for expansion of supply. Therefore, the subsequent two-year decrease in all key indicators (Table 2), is a cause for concern as it seems to suggest lower overall Waldorf lodging efficiency.

**Table 2**  
**Waldorf Hotel Market Annual Operating Characteristics**

	2013	2014	2015	2016	2017	2018
Properties	9	9	9	9	9	9
Rooms	790	790	790	790	790	790
Occupancy	60.5%	63.3%	69.2%	74.3%	70.4%	65.7%
Avg. Room Rate	\$83.44	\$84.76	\$88.98	\$94.70	\$98.74	\$97.55
RevPAR	\$50.51	\$53.66	\$61.62	\$70.39	\$69.49	\$64.09

Source: Smith Travel Research 2019



## FUTURE DEMAND DRIVERS

The potential for increased future room night demand is an important element in the hotel investment decision making process. Commerce, cultural and recreational assets, meeting and events facilities, and entertainment and destination attractions all contribute to demand for lodging. In Waldorf's case, there are several factors that could enhance the prospect of additional lodging inventory in the local marketplace. The future construction of the Governor Harry W. Nice Memorial Bridge replacement is a key factor that could drive significant hotel occupancy, similar to CPV St. Charles Energy Center. According to the Maryland Transportation Authority, the bridge is set to begin construction in 2020 and end in 2023 when it opens to the public. This should generate at least three years of hotel market demand for the region.

Another more permanent demand driver is the Army Reserves Training Facility in White Plains which is newly operational. The Army Corps of Engineers projects that the facility will be utilized 37 weekends per year, providing training for approximately 200 Army reservists per two-day session, requiring that trainees procure local accommodations for two nights. Assuming all visiting personnel require overnight lodging, the facility could generate a maximum of 14,800 room nights. To put this in perspective, a 100-room hotel operating 365 days a year at 65% occupancy sells 23,725 room nights annually.

## IMPLICATIONS

Given the findings of this analysis and the shifting nature of the demand drivers in the marketplace, it is imperative that market forces affecting the hospitality industry are observed closely by the EDD. This includes monitoring the impact of projects such as the Army Reserves Training Facility and the proposed Harry W. Nice Memorial Bridge that are likely to generate room night demand. Furthermore, a continuous trilateral collaboration between the hotels, EDD, and Tourism would be essential in enhancing the local lodging market as it would keep all parties informed on recent developments affecting the market and support the implementation of key tourism initiatives.



## TOURISM / HOTEL PARTNERSHIP INITIATIVES FOR FY2020

Heading into FY2020 the Tourism Division will focus on Outbound Marketing and Promotion, Special Event Attraction, Local Event Promotion, Seasonal Campaigns and Destination Development to support and enhance overnight stays for local hotel partners and increase attendance at Charles County attractions. The objective is to create interest within diverse groups who will visit the county for weekend stays, holiday events and local/regional tourism.

Tourism will continue to work closely with local hotels and attractions to continue to develop themed itineraries for individuals and groups to use as they explore the many assets Charles County has to offer. Step-on tour guides will be trained to support bus operators in bringing groups to the county for a guided tour experience. Routes, stops, time-tables will guide tourists, and visitor amenities will help make Charles County a traveler's pleasure. Staff will continue to expand marketing efforts to cultivate a variety of bus, special interest and youth group tours to Charles County.

The Division partnered with CycleLifeHq to integrate Charles County curated rides into the larger cycling platform. Work has been completed to create routes and identify stops and amenities and provide detailed information about each itinerary. The Tourism Division will continue to promote cycle tourism through targeted ad placement and outreach to the niche cycling demographic.

Full implementation of the Explore Charles County: Legends, Lore and Room brand will be executed through a complete redesign of [www.ExploreCharlesCounty.com](http://www.ExploreCharlesCounty.com). The new platform will facilitate information sharing and collaboration, as well as serving as a central location to deliver seasonal event information to the lodging industry.