



Waldorf Hotel Analysis

CHARLES COUNTY, MARYLAND



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ACKNOWLEDGEMENTS

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PURPOSE

This analysis aims to provide both the citizens of Charles County and the Charles County Economic Development Department (EDD) with an understanding of the market forces at play within the Waldorf hospitality cluster. In addition to providing insights gained over this past year and providing a directional trend in the health of the hotel market, it will also serve to inform public and private sector redevelopment decisions, aid in planning for tourism, and dictate strategies for the next three (3) years.

INTRODUCTION

The Waldorf hospitality submarket was chosen as the subject of analysis due to its distinct position in the Charles County marketplace and its relatively significant inventory of nine national brand or “flag” properties. These 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.

As Waldorf sits upon one of the busiest highways along the Atlantic seaboard it boasts a robust hotel market reflective of its location at this critical juncture. As many are aware, the Town of La Plata (2) & the Town of Indian Head (1) each house their own hotel markets, however, due to their proximity outside of the Waldorf lodging cluster, these flagships have their own unique profiles and market characteristics and are therefore not included in this analysis.

METHODOLOGY

For this analysis, EDD compiled the data through a variety of research methods. The intention was to capture as much quantitative & qualitative data as possible to provide the most in-depth analysis of the current state of the Waldorf hotel market. The quantitative data was compiled by Smith Travel Research (STR), a third-party research vendor that specializes in collecting and reporting 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 yearly, monthly, and daily trends dating back to 2016.

The qualitative data was collected by interviewing representatives of several of the hotel properties within the Waldorf lodging cluster, and through historical data gained from previous interviews. The purpose of these interviews was to complement the STR data by including nuanced insights that would not be possible simply through data. While certain portions of those interviews are confidential, the key stakeholders’ input provides an important local context for analyzing factors that have been impacting the hotel market since 2016.



In this analysis we will examine the following characteristics of the Waldorf lodging market to best examine the health and future potential for the region:

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

LODGING MARKET OVERVIEW

Lodging submarkets can be unique, and the 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:** Properties typically focused on attracting guests for extended periods. These properties quote weekly rates. The typical length of stay average for guests is four to seven nights.
- **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 near an airport that primarily serves demand from airport traffic.
- **Interstate:** Property near a 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.
- **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

The hotel market in the Waldorf trade area comprises the **commercial** and **leisure traveler** demand segments, which are subject to day-of-week and seasonal occupancy trends. For business travelers, Waldorf is accessible to both Washington, D.C., & Northern Virginia 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 offers 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 will be developed in the future thus we have not included it in this analysis.

Table 1
Competitive Hotel Supply
Waldorf, Maryland 2024

Establishment	Class	Open Date	Rooms
Hilton Garden Inn Waldorf	Upscale Class	Apr 2010	130
Residence Inn Waldorf	Upscale Class	Jun 2009	98
Courtyard by Marriott Waldorf	Upscale Class	Dec 2008	91
Hampton Inn Waldorf	Upper Midscale Class	Sep 2000	100
Holiday Inn Express Waldorf	Upper Midscale Class	Feb 1987	91
La Quinta Inns & Suites Waldorf	Upper Midscale Class	Jun 1985	86
Wingate by Wyndham Waldorf/Washington DC Area	Midscale Class	Jun 2006	70
Quality Suites Waldorf	Midscale Class	Aug 2000	69
Super 8 Waldorf	Economy Class	Jul 1986	59

Source: Smith Travel Research 2024



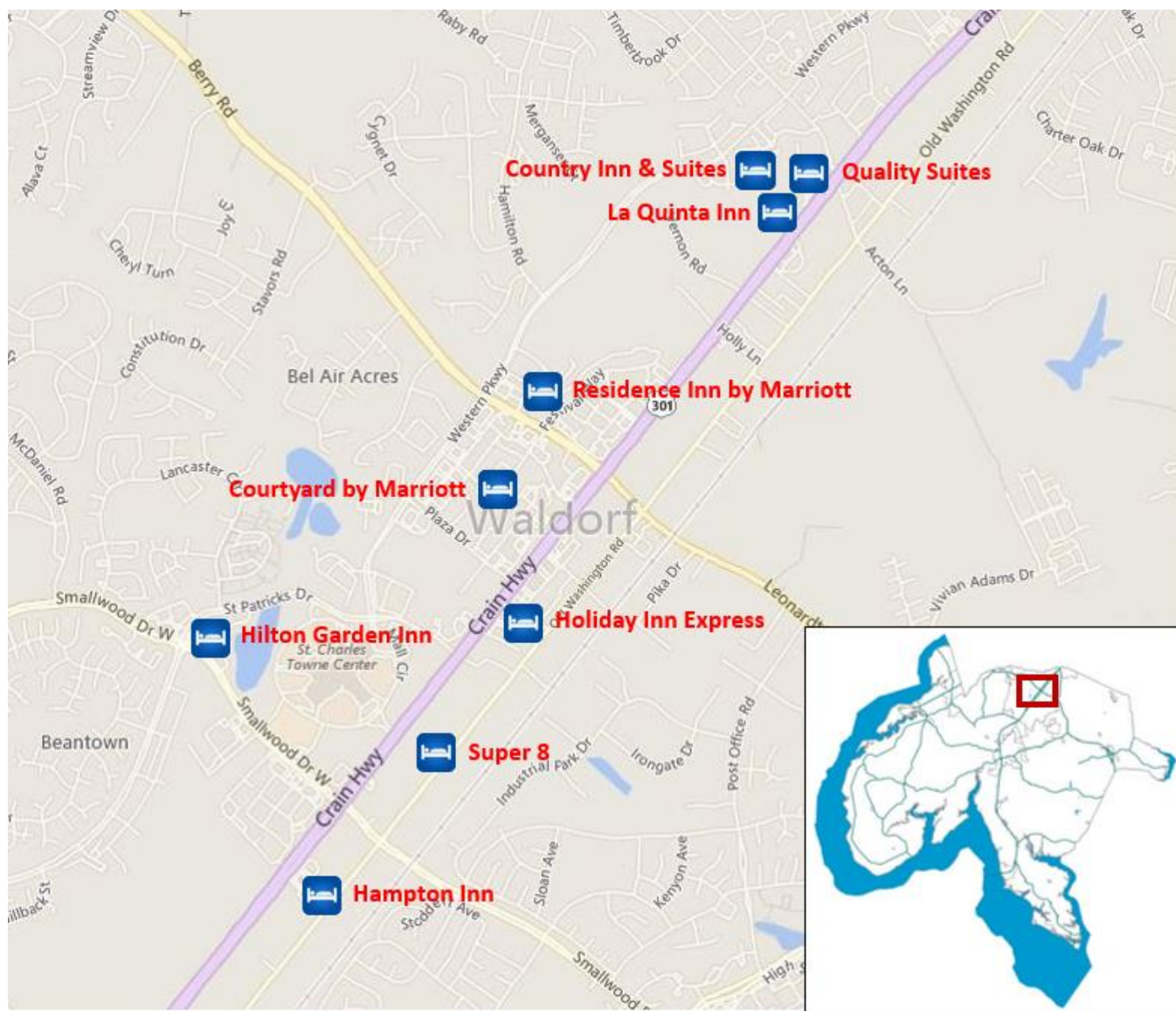
As a part of their yearly updates, SRT reclassifies hotel classes and updates any changes in room volume. Year-over-year, the Waldorf trade area has seen only one reclassification and/or room expansion, resulting in statistics looking very similar to the previous iteration of this report. Waldorf currently houses three *upscale* hotels comprising 319 guest rooms, three *upper midscale* hotels comprising 277 guest rooms, two *midscale* hotels comprising 139 rooms, and one *economy* hotel comprising 59 rooms as illustrated in Table 1.

Four of the seven *upper midscale/upscale* hotels were built after the turn of the century and have a more contemporary design than older stock. Despite being much older than their newer counterparts, the older hotels have, for the most part, held an air of quality to them, with 66% of the hotels maintaining a classification of Upper Midscale for at least the last 5 years. The continued presence of higher-quality inventory is indicative of the strategic importance of the Waldorf trade area to the local and regional economies. Figure 1 shows how the subject properties are distributed in the trade area. In 2023, only one hotel saw a change in classification, the Quality Suites Waldorf, which was downgraded from an Upper Mid-Scale Classification to a Midscale classification.

Within the hospitality industry, the location and visibility of a hotel are two of the most important features of a successful business. As can be seen below in Figure 1, all of Waldorf's flagship hotels are either along or on a primary access road adjacent 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 attract guests. One of the major selling points of the hotels in Waldorf is their proximity to a collection of full-service restaurants and shopping centers.



Figure 1





HOTEL OCCUPANCY TRENDS

In terms of key performance indicators, Hotel Occupancy is the primary metric used to gauge the health and continued viability of a hotel. Hotel Occupancy can be defined as the percentage of room nights that are sold during a specified timeframe. The hotel supply is expressed as room nights, or the number of available rooms multiplied by the days of the year (365). This data point may fluctuate pending any: existing hotel renovations, the opening of a new hotel, or the closure of hotels/motels that are no longer profitable. The Waldorf trade area has not undergone any additions to the inventory since 2010, so the quantitative total for lodging inventory has been consistent throughout the seven-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 A brief overview of the Hotel Market of Waldorf would showcase a major dip in hotel occupancy in 2020. The driving factor was the COVID-19 Pandemic which caused a major shutdown across the United States and the globe. With just an overview perspective, this would be where our story ends, a shutdown that caused a major dip and the recovery after the world reopened. This however fails to consider the whole picture, from 2016 through 2020 not a single calendar year saw an increase in hotel occupancy.

In 2016 Charles County saw a record-setting 73.9% Occupancy rate, and in 7 years that have succeeded it, the market has never come within three percentage points of that record-breaking year. As cited by stakeholders interviewed in previous iterations of the Hotel Analysis, the cause of this record-breaking year was the construction of the Competitive Power Ventures (CPV) St. Charles Energy Center, a gas turbine power generating plant. While this does explain the dip in hotel occupancy from 2016 to 2017, it does not fully account for the subsequent dip from 2017 to 2019.

Regarding the dip in hotel occupancy (2017 – 2019), there is no consensus on what exactly might have caused the market to fall at such a consistent rate. In the various qualitative interviews the Economic Development Department held throughout the years, various stakeholders attributed it to a multitude of different reasons including but not limited to: the further impact of the completion of the power plant, the launch of new hotels in the Waldorf area causing more self-competition which the Waldorf Market may not have the structure to fully handle - this has led to an increase in competition and resulted in the hotels needing to offer discounts, coupons, and vouchers to maintain their market share. This price reduction has proved to be detrimental to some hotels that feel that they lack the competitive advantage and the amenities to attract their usual clientele profile, who in this case would rather choose to take advantage of the lower cost. All of this leads to a major problem in the market, that even before COVID-19, the demand for hotels in Waldorf was shrinking noticeably even before the shutdown.

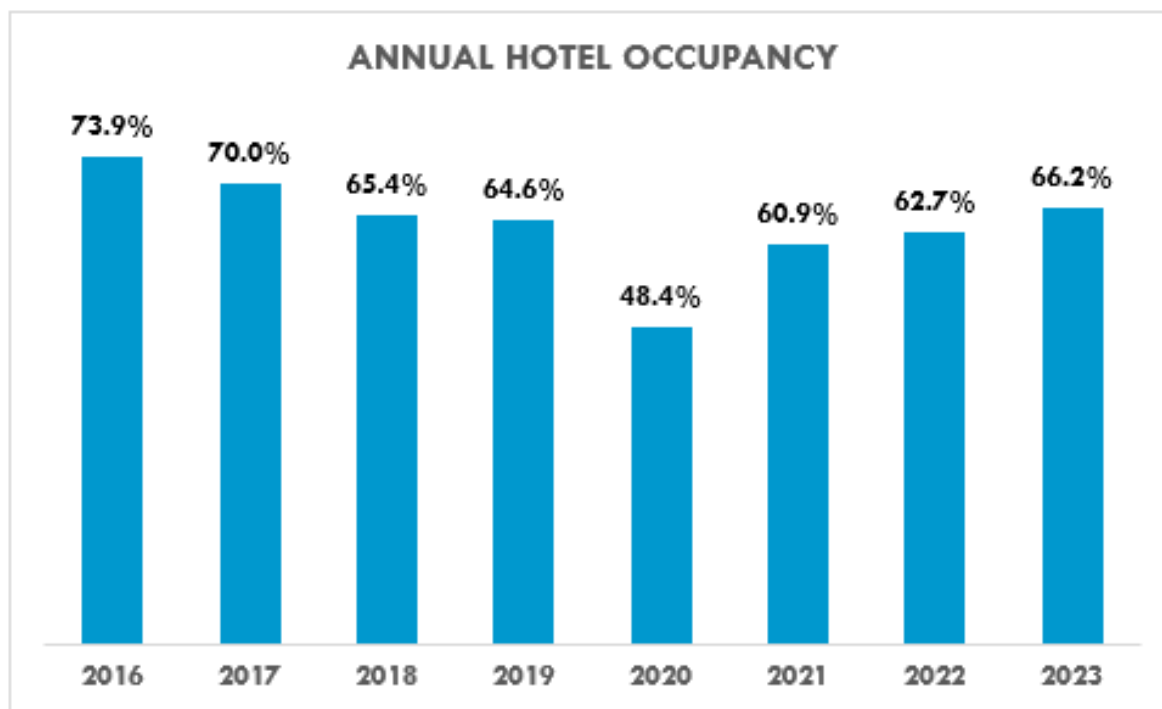


In 2020, the demand for hotels across the US bottomed out, and Waldorf was no exception. Hotel occupancy dropped below 50% for the only time in STR's recorded history, and YoY hotels in the Waldorf Market lost an estimated 25% of their business. However, despite the immediate drop in hotel occupancy, upon exiting 2020 the Hotel market in Waldorf began to see the beginnings of an upward trend that would continue through 2023.

Starting in 2021, we see the beginnings of a yearly trend that pushed the hotel market in Waldorf back to pre-pandemic levels of occupancy. In this first year post-lockdown, hotels in Waldorf saw business increase by >25%. Whether this can solely be attributed to COVID cases beginning to fall or a renewed vigor in travel by a populace that had that taken from them is difficult to tell. The upward trend, continued in 2022, with a slight improvement, but started to break new boundaries in 2023. For the first time, Hotels in Waldorf exceeded the occupancy levels that we saw in 2018 & 2019. While still below the 70% threshold that was achieved in 2016 & 2017, 2023 shows promise towards the shifting market.

One item that should be noted is that the 2023 occupancy rate is above the 65% threshold that hotel operators use before looking to bring new products to a market. Like in 2018 and 2019 respectively, the market is now above the threshold where there is the potential to support additional hotel rooms. However, investors may find it prudent to evaluate future performance for assurances that the lodging market is projected to stabilize (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.

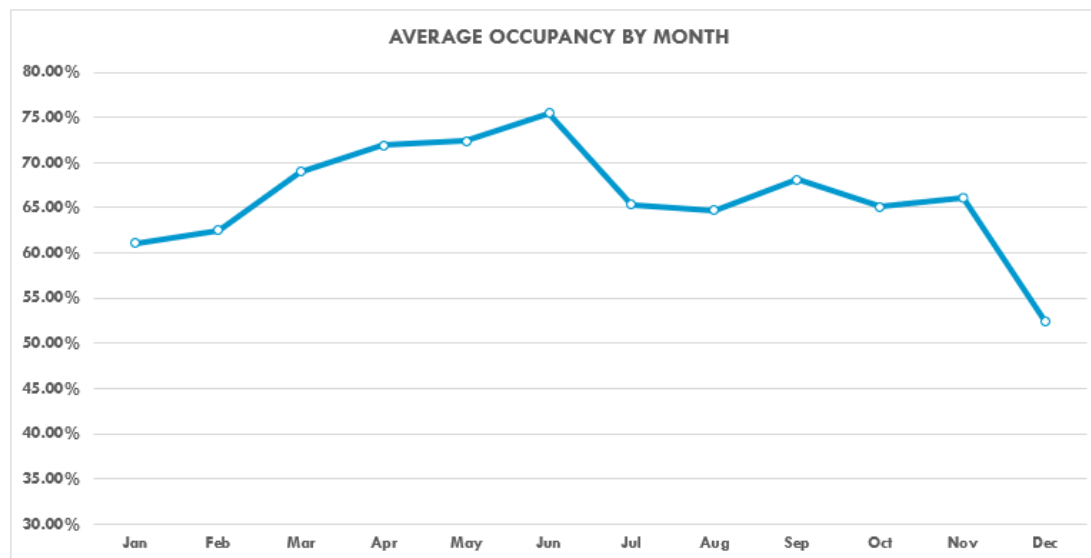
Figure 2



Source: Smith Travel Research, 2024



Figure 3



Source: Smith Travel Research, 2024

Another factor to consider is that as the direct effects of the COVID pandemic wane, new problems such as the labor shortage and inflation could potentially impact investors from expanding hotels in the Waldorf area. As of our most recent conversations, most stakeholders have confirmed that are still under pre-pandemic staffing levels. Across the six-year average model STR uses to calculate hotel monthly occupancy data, the selected properties in the Waldorf trade area showcase marketplace which is significantly impacted by seasonal trends. In 2023 the model is showing a trend where the Waldorf Hotel Market seems to overachieve in the beginning half of the year, before dropping off in July through the end of the year. From March to June, the occupancy averages around 70% occupancy a full 5 percentage points higher than the average of the succeeding 5 months.

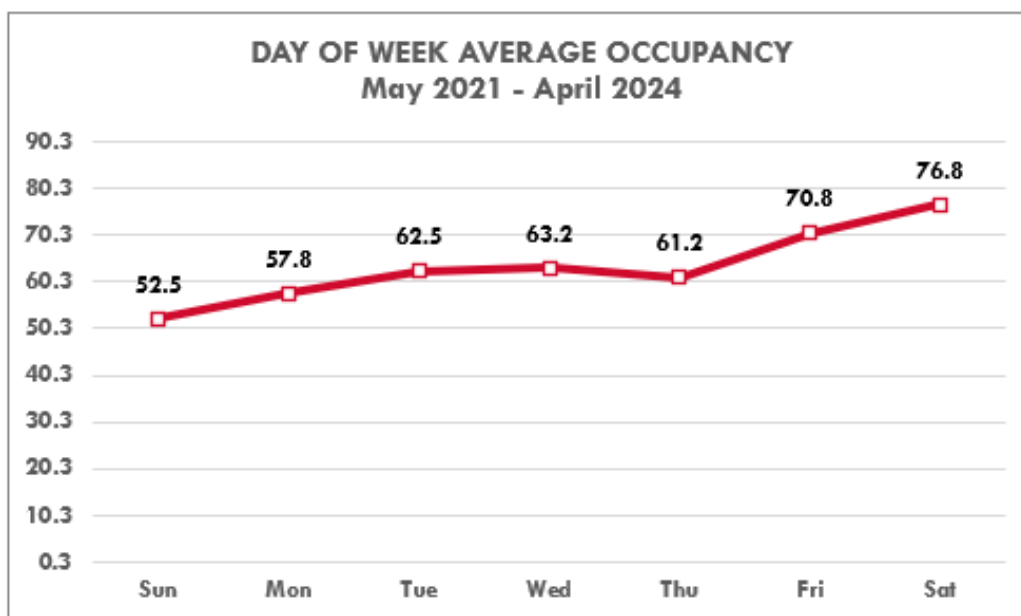
The spring peak suggests that Charles County attracts many leisure travelers. Stakeholder interviews identified family reunions, weddings, bass fishing tournaments, and other warm season events as the main reasons for the peak during June. In previous conversations, stakeholders addressed the need to generate higher occupancy from September to December. A means to do that would be to capitalize on business conferences that are taking place in the D.C. Northern Virginia and Waldorf markets, something that hotel owners want to see more of to continue to boost yearly occupancy.

Daily occupancy When analyzing the local hotel market, the daily occupancy can be paramount in understanding the trends each hotel can use to forecast its weekly performance. For example, midweek remains the peak travel time for business/corporate travelers which holds consistent to the year prior.



Additionally, we have seen an approximate a two-percentage-point increase year over year, which is a trend in the positive direction after the effects of COVID-19. Saturday remained the peak day for leisure travelers, with an occupancy rate of 77%, an increase of about 7% from last year. Friday also yielded significant gains YoY, with an occupancy rate of 71% which would nearly equal Saturday's output from 2023 and resulted in the 3rd highest output for any day of the week regardless of the year dating back to 2018. Note that STR uses three-year averages for calculating day-of-week occupancy (Figure 4).

Figure 4



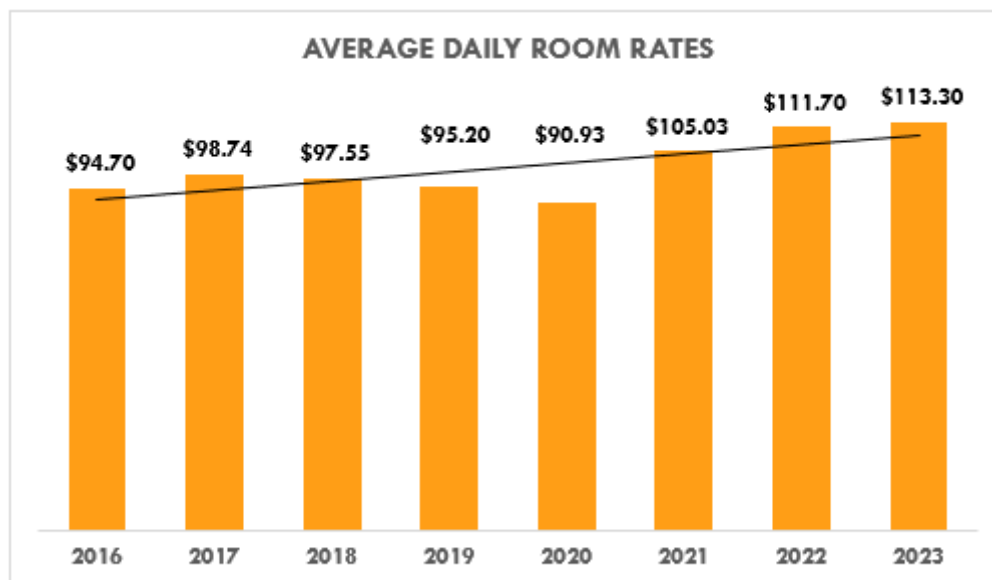
Source: Smith Travel Research, 2024

The **average daily room rate** (ADR) is defined as the total room revenue divided by the number of rooms sold. If the ADR performance is trending upwards, this is indicative of a stronger market, while downward trends indicate a weakening or over-supplied market. As Figure 5 illustrates, ADR saw limited movement from 2016 – 2019, with the ADR ranging between \$94.70 & \$98.74 for each of these four years. As expected, there was a major dip in ADR during the 2020 pandemic. Stemmed by the reduction in rooms booked during the shutdown and proceeding months, the ADR dropped off ~6% compared to the previous 4-year average (\$96.55). However, in 2021 the ADR saw a noticeable bounce back. In the first year following the Pandemic, ADR saw an increase of 16% YoY, reaching the highest rate that hotels had seen in any of the 5 preceding years.

As of 2023, the ADR has seen 3 consecutive years of growth, each year recording a new 8-year high. Whether this is an after-effect of the pandemic, or a new trend is yet to be discerned, but it is something that both STR and the EDD will be monitoring over the course of the next couple of years.



Figure 5



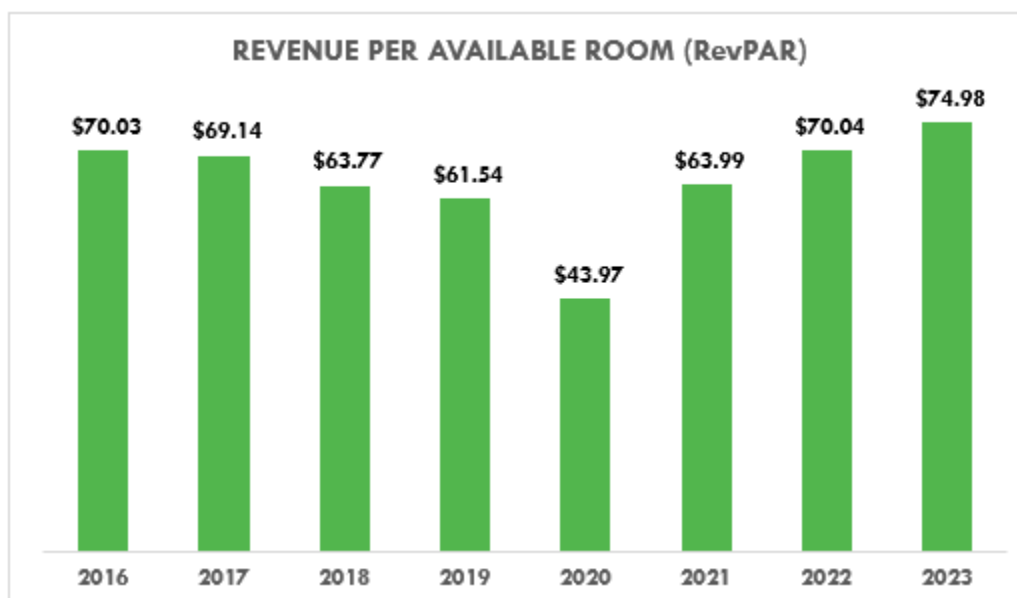
Source: Smith Travel Research, 2024

Revenue per available room, or RevPAR, is another core metric that the hotel industry uses to measure the efficiency of each room relative to the hotel. 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. Because the average room rate only measures the average return of a room, it fails to account for the effects that seasonality may play on the rate of that room, conversely, RevPAR is used to specifically measure the efficiency of renting hotel rooms during low occupancy periods. As such, it is not uncommon for hotels with high room rates to 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.

Like the trend seen by hotel occupancy, the overarching trends surrounding RevPAR also peaked in 2016 at a rate of \$70.03 and followed a similar trendline of falling for 3 consecutive years before the pandemic before settling at a valley of \$43.97. In the year directly following the pandemic, RevPAR jumped back up to pre-pandemic levels and has been climbing ever since. There is however a very noticeable difference from Hotel Occupancy, and that begins in the year 2022. Starting in 2022, RevPAR eclipsed the previous high of \$70.03, a trend that continued into 2023, which generated a RevPAR 7% higher than the previous high. This is another trend we will be paying close attention to on future iterations of the report, as it could play a significant role in potential hotel expansion.



Figure 6



Source: Smith Travel Research, 2024

Below can be found the annual operating characteristics for the Waldorf hotel market. Included are the basic metrics comprising the total operation for the local cluster. The industry standard defines an annual average occupancy rate of 67% as being healthy, and when coupled with sustained occupancy >65%, and a rising RevPAR, this can be defined as the benchmark for investor expansion. During 2016 & 2017 Charles County saw major construction projects drive an increase in occupancy and thus a high RevPAR. In the two succeeding years (2018 and 2019) the occupancy rate fell to around 65% for both years which remains in line with the expansion benchmark, but simultaneously there was also a noticeable dip in the RevPAR. In 2020 the industry saw the occupancy rate and RevPAR drop dramatically, because of the Pandemic.

As a result, this likely put a hold on any expansion talks for the immediate future. Starting in 2021 we began to see the hotel sector return to more normalized rates with the RevPAR climbing to attain a new three-year high each successive year. While RevPAR has recovered, the occupancy rate has yet to fully recover, having yet to reach the 65% Benchmark in any of the post-pandemic years. As of 2024, this metric remains the biggest hurdle to any potential hotel expansion in the near future.



Table 2
Waldorf Hotel Market Annual Operating Characteristics

	2016	2017	2018	2019	2020	2021	2022	2023
Properties	9	9	9	9	9	9	9	9
Rooms	790	790	790	790	790	790	794	794
Occupancy	74.3%	70.4%	65.7%	65.0%	48.4%	61.2%	62.6%	64.0%
Avg. Room	\$94.70	\$98.74	\$97.55	\$95.28	\$90.93	\$105.00	\$111.78	\$113.30
RevPAR	\$70.39	\$69.49	\$64.09	\$61.90	\$43.97	\$64.32	\$69.98	\$74.98

Source: Smith Travel Research 2024

FUTURE DEMAND DRIVERS

As of the writing of this report, we have started to see the migration away from the effects of the COVID-19 pandemic on-demand drivers. Through our stakeholder's most recent meetings, owners no longer consider the pandemic a factor as guests no longer mention it. Moving forward market forces will affect demand drivers more. The room night demand is the single most 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 the demand for lodging. As this demand increases and eventually surpasses pre-COVID levels the Waldorf market may begin to see expansion.

The Army Reserves Training Facility in White Plains, which became operational in 2019, will continue to play an integral role in local hotel demand. The Army Corps of Engineers estimates that the facility will be in use 37 weekends per year. During these on-call weekends, approximately 200 reservists are provided training across each two-day session, however, Army Reserve regulations require that each trainee procure separate local accommodation 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.

Over the next decade, the modernization plan of the Naval Support Facility Indian Head will require the import of a significant number of workers to modernize the facilities. While it is not a certainty that these workers would choose the Waldorf Trade Market instead of the much closer Indian Head Hotel, it is certainly worth exploring in future iterations of the report as the project comes to fruition.

It is important to note, that when meeting with the hotel stakeholders, they expressed their optimism when talking about future of the industry however acknowledged challenges moving forward. One positive as mentioned previously is that guests no longer factor the COVID-19 pandemic as a factor for going to hotels, it is rarely mentioned. However, there are still areas of improvement that stakeholders would like to see addressed. These needs include access to advertising and marketing to expand their foothold specifically towards government personnel given Waldorf's proximity to Washington D.C., Northern Virginia and the National Harbor. Stakeholders also believe a more collaborative environment between the hotels in



Waldorf would allow information and resources to be shared would increase hotel performance across the board.

IMPLICATIONS

Given the findings of this analysis and the trends moving away from those leading into the COVID-19 pandemic, market forces affecting the hospitality industry must be observed closely by the EDD. 2023 marks the first year in the process where expansion can re-enter the discussion, and thus collaboration between the hotels, EDD, and Tourism will be instrumental in the continued gains and potential expansion of the Waldorf Trade Area.

TOURISM / HOTEL PARTNERSHIP INITIATIVES FOR FY2025

The objective of the tourism division within the Charles County Department of Recreation, Parks, and Tourism (DRPT) is to create interest among diverse groups to visit the county. In FY2025, staff will continue to execute strategic initiatives and marketing campaigns to support hospitality businesses and increase tourism spending within the county.

Marketing Materials Distribution: The Official Charles County Travel Magazine is reproduced every two years. In FY24, the magazine was reprinted and displayed in high-travel areas and tourism centers in Philadelphia, Western Pennsylvania, Virginia, and in Maryland at three travel plazas on I-95 (Delaware Welcome Center, Maryland House and Chesapeake House). The magazine highlights both the new and most-visited attractions in the county and is utilized as a primary marketing tool to attract visitors.

Advertising Partnerships: Throughout the year, the office establishes various national branding campaigns in key markets. Find descriptions below outlining two innovative, staff – led marketing campaigns focused on increasing and supporting overnight hotel visitation to Charles County.

Last year, a cooperative advertising partnership was established between the Department of Recreation, Parks and Tourism, BruMate (an insulated cup and cooler brand) and Ace Hardware Stores. Staff inquiry to partner with a national, wholesale retailer was met with interest and excitement as Charles County's outdoor recreational opportunities align with BruMate's outdoor enthusiast clientele. Co-branded marketing materials (that linked to the tourism website) were featured in 54 Ace Hardware locations throughout the region. The campaign introduced Charles County as a travel destination and was effective in creating brand awareness for hospitality business partners. The advertisements invited customers to enter to win a trip to the county and receive a prize package from BruMate. This campaign successfully attracted an additional **33,000 visitors** to the website and increased newsletter subscribers by **3,000 subscribers**.

Staff also advertised with Waze to *drive* travelers to the tourism website during peak travel times. The tourism website objective is to promote all hospitality businesses to generate local revenues. The advertisements were viewed by **10 million** Waze users.



Group Travel: Staff continues attend the American Bus Association, a group travel the tradeshow, to distribute materials provided by hoteliers. Participation at this industry tradeshow is a collaborative Tri-County partnership with Visit St. Mary's and Calvert County Tourism Office. In FY2024, staff partnered with Major League Fishing to host seven fishing tournaments at Smallwood State Park. In total the tournaments brought 2,088 anglers (plus their friends and family) to the county. Staff will continue to expand marketing efforts to cultivate a variety of motorcoach, special interest, and group tours to the region.

Event Expansion: As the division continues to establish signature events, collaboration with the industry to promote hotel packages and advertising campaigns for multiday events will increase. In FY2024, DRPT hosted the second annual Charles County Classic Carb Show and Classic Car show with DMV Rods and Classics and the Shops of Waldorf. The event featured food trucks, vendors, and music, nearly 200 cars and yielded 4,500 attendees. This event will continue to grow as will the events produced by the department.

Industry Communication: Once a quarter of an industry newsletter for tourism communication is distributed to (registered) hospitality partners. Businesses can sign up to receive the communications on the Explore Charles County website. Tourism will continue to commit to creating partnerships and networking opportunities for industry partners.

Technology Enhancements: A new and improved event calendar launched that utilizes geofence technology to capture events occurring in Charles County. Stakeholders, community organizations, businesses, non-profits, and event planners are still granted access to submit events directly to the website (www.ExploreCharlesCounty.com). In FY2025, staff will expand the usage of this technology to display custom itineraries for travelers on the website. Both resources are beneficial tools for residents, visitors, and the business community alike.