CANADIAN MONTHLY LODGING OUTLOOK – SEPTEMBER 2012

HOTEL PARKING – ARE YOU MAKING THE MOST OUT OF THIS REVENUE SOURCE?

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Hotel Parking – Are you making the most out of this revenue source?

The availability of parking is vital to the effective operation of a hotel. In today's fast-paced society, ease of access and convenience is desired by both the business traveller trying to accomplish as many things as possible and by the leisure traveller getting ready for yet another adventure-filled day. For an urban hotel, the minimum amount of parking constructed is typically governed by the zoning by-laws and can range from one stall per three guestrooms, to a one-to-one ratio, plus additional stall requirements for food and beverage outlets and meeting facilities. The high land scarcity often makes underground parking the only option and this in turn makes parking a potential source of revenue.

In addition to being a necessity, the parking facilities of a downtown hotel can become a significant source of stable income. With the substantial decrease in communication-related revenues, hotel operators are always looking for other sustainable income sources, one of which can be the parking operation. While parking does comprise a major part of the development cost for a hotel (averaging $30,000 per stall for underground parking depending on the depth of construction), it should be viewed as an income opportunity. This article will examine parking rates, revenue management strategies, and innovative solutions to managing parking, all with a goal of maximizing this income source.

The Canadian Context: Parking Rates in Major Canadian Cities

Parking rates play an important role in maximizing the income from the parking operation. To establish a context for understanding the current rate environment for hotel parking operations in Canada, we surveyed the daily rates for self parking and valet parking at over 110 downtown hotels in nine Canadian cities (Table-1). For ease of comparison, we averaged the parking rates for each city.

TABLE-1 AVERAGE DAILY PARKING RATES FOR DOWNTOWN HOTELS - SELF AND VALET PARKING

Downtown Market	Parking Rate (Avg.)	Parking Rate - Valet (Avg.)	Rate Variance Self vs. Valet Parking
Toronto	$33.60	$39.56	$5.96
Vancouver	29.25	37.41	8.16
Montreal	26.78	30.29	3.51
Calgary	26.73	34.43	7.70
Ottawa	22.56	27.00	4.44
Halifax	19.20	23.16	3.96
Edmonton	19.10	27.40	8.30
Winnipeg	11.99	18.90	6.91
Regina	8.50	15.00	6.50

There appears to be a direct correlation between land value and parking rates that each downtown market supports. Toronto and Vancouver boast the highest property values in Canada, and these two markets command the highest average rates for both self parking and valet parking among the nine cities surveyed. Regina is one of the most affordable cities in which to acquire and develop property, and it has the lowest average daily rates for both self and valet parking.

The difference in downtown parking rates from one city to another goes beyond just land price and availability. Other factors have an influence on parking rates, including the type of hotel (limited-service versus full-service, and mid-class versus luxury), the pertinent mode of transportation for travellers requiring hotel accommodation (car, air, or rail), and the type of hotel demand (leisure, business, or group). These operational factors also impact the parking rates that hotels can command, which in turn shapes the parking department's contribution to the hotel's bottom line.

The greatest variance between the average rate for self parking and valet parking is found in Edmonton, Vancouver, and Calgary, whereas Montreal, Ottawa, and Halifax present the lowest variance. Nevertheless, the premium for valet parking falls within a fairly narrow range of between $3 and $8.

How to Increase Parking Revenue

Parking is more often than not a second thought for hotel managers, but hotel parking should be seen as an important revenue generator and leveraged as such. Parking revenue can be maximized in two ways: yield management strategies and efficient parking technology.

Parking yields can be managed in a variety of ways, depending on the circumstances of the market and the property. Offering weekend and weekday parking rates allows a hotel to increase parking occupancy in periods of low demand and realize premiums in periods of high demand with the aim of better yield management. A yield management strategy could also involve increasing or decreasing the variance between self-parking and valet-parking rates based on the projected demand for each segment. Offering targeted parking rates, depending upon the availability of space, to people who are not patrons of the hotel is also a means to achieve the same ends. To adjust and adapt the yield management strategy to actual operating conditions, parking usage trends should be continuously tracked and evaluated. Parking privileges can also be packaged and offered in conjunction with hotel room nights (e.g., free parking when two consecutive nights are booked or free parking when a suite is booked), making the parking facility an amenity that assists in the sale of guestrooms.

Cutting-edge parking technology can provide hotel operators with dependable parking revenue and control systems and also increase the efficiency of parking department operations. New parking technology can ensure that guests are always charged for parking and allow operators to know the exact number of available parking stalls. Moreover, new technology can create efficiency through quick, on-the-go parking payment, fast car retrieval, and space optimization. Various new parking systems are available on the market. Some target hotel operations with a focus on self parking, and others are tailored to hotels that are oriented towards valet parking.

Systems for Valet Parking

ParkPlus Inc., a company headquartered in Oakland, NJ, produces a wide range of automated high-density vehicle storage parking systems. ParkPlus technology uses parking pallets, platforms, or robotic dollies to lift and vertically transport and stack cars. For example, the company's Palletless Comb Exchange System transports vehicles to their allocated stalls with the use of a robotic dolly, a comb-exchange/finger-grid mechanism, and a shuttle device. Each stall in the storage vault is equipped with a simple rack profile that directs the shuttle to the appropriate car.

With four different systems to choose from, ParkPlus technology offers a localized collection area, minimizes theft, reduces energy usage for lighting and HVAC, increases capacity and revenue potential, and lowers operating and maintenance costs. At the same time, the technology increases the speed of parking and retrieval, thereby ensuring that hotel guests can be in and out without backlog and an endless wait time. This technology could also reduce the number of times that hotel valet attendants accidentally damage cars, and it has the potential to lower the cost of valet parking, as the manpower required to perform the same task would be reduced. The cost for this type of parking systems ranges from $3,500 per stall for electric stackers to $12,500 per stall for the most sophisticated systems. Even at the high-end of $12,500 per stall this type of technology has the potential to either increase the revenue generated by increasing the capacity of the parking facilities, or decrease the development cost of parking facilities.

Source: Park Plus Inc.

Systems for Self Parking

Imperial Parking Corporation, better known as Impark, is one of the largest parking management companies in North America. Impark is known for employing a wide range of cutting-edge technological parking solutions, the most notable of which is the Impark Wireless Hotel. This online management system allows the hotel to manage the self-parking needs of guests from the front desk. Upon arrival, guests provide their vehicle information to the front desk agent, who enters the data into the parking management system. This paperless technology efficiently ensures that registered guests have in/out privileges and that the appropriate charge is directly invoiced to the guestroom account. At the same time, the management system reduces the possibility for human error to bleed away potential revenue through incorrectly charged accounts, and it improves guest satisfaction because the parking charges are both indisputable and clearly understandable to the guest.

Conclusion

For hotels in major urban centres, parking facilities can be relied upon as a stable and consistent revenue generator. Various yield management strategies and cutting-edge technologies can be employed to ensure the efficiency, convenience, and profitability of these facilities. The environment in which the hotel operates will often dictate the going parking rate and the potential parking occupancy levels. A diligent hotel operator will view the parking structure as a valuable profit-generating department as well as a much appreciated amenity by hotel guests.

References

Park Plus Inc -http://www.parkplusinc.com/automated-vehicle-storage.php
Imperial Parking Corporation –
http://www2.impark.com/about/services/Pages/en-imparkwirelesssuite.aspx?lang=e&region=vancouvermetro

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Canadian Lodging Outlook September 2012

STR and HVS are pleased to provide you with the month's issue of the Canadian Lodging Outlook. Each report includes occupancy (Occ), average daily rate (ADR), and revenue per available room (RevPAR) for three major markets and the Provinces.

If you would like a detailed hotel performance data for all of Canada, STR offers their Canadian Hotel Review. The Canadian Hotel Review is available by annual subscription which includes both monthly and weekly issues. Each monthly issue of the Canadian Hotel Review also includes an analysis provided by HVS. For further information, please contact: info@str.com or +1 (615) 824-8664 ext. 3504.

September 2012	Occupancy Rate (%)		Average Room Rates ($CAD)		REVPAR ($CAD)		Room Supply	Room Demand	Number of Rooms	
	2012	2011	2012	2011	2012	2011	% chg	% chg	Sample	Census
Montreal	72.2%	74.2%	$139.79	$136.35	$100.95	$101.15	0.4%	-2.3%	16,853	27,836
Toronto	77.3%	79.7%	$155.39	$153.64	$120.16	$122.40	0.4%	-2.5%	31,392	36,600
Vancouver	76.3%	77.8%	$148.61	$152.63	$113.45	$118.73	0.7%	-1.2%	19,802	26,445
Provinces										
Alberta	72.4%	69.8%	$145.92	$139.93	$105.61	$97.70	1.1%	4.8%	37,541	68,209
British Columbia	70.5%	71.2%	$138.17	$139.83	$97.38	$99.56	0.5%	-0.5%	37,677	83,583
Manitoba	69.7%	70.1%	$114.08	$113.50	$79.54	$79.61	2.8%	2.1%	5,501	13,853
New Brunswick	62.3%	63.5%	$111.79	$114.10	$69.63	$72.45	-1.0%	-2.9%	5,401	10,734
Newfoundland	87.8%	87.8%	$151.26	$145.30	$132.80	$127.59	0.7%	0.7%	1,789	5,689
Nova Scotia	75.1%	77.1%	$129.02	$128.40	$96.83	$98.99	-0.7%	-3.3%	6,395	12,445
Northwest Territories	INS	INS	INS	INS	INS	INS	INS	INS	124	1,373
Ontario	72.5%	73.4%	$133.11	$132.36	$96.55	$97.16	0.7%	-0.5%	84,455	135,837
Prince Edward Island	69.4%	69.3%	$121.58	$125.90	$84.33	$87.20	0.0%	0.1%	957	4,172
Quebec	71.5%	73.3%	$141.92	$138.23	$101.44	$101.33	0.1%	-2.4%	27,511	76,325
Saskatchewan	73.3%	72.4%	$130.62	$123.61	$95.74	$89.46	4.0%	5.3%	8,165	17,128
Yukon Territory	INS	INS	INS	INS	INS	INS	INS	INS	456	2,154
Canada	**71.9%**	**72.2%**	**$136.31**	**$134.52**	**$97.97**	**$97.18**	**0.7%**	**0.2%**	**215,972**	**431,916**

September 2012 Year-To-Date	Occupancy Rate (%)		Average Room Rates ($CAD)		REVPAR ($CAD)		Room Supply	Room Demand	Number of Rooms	
	2012	2011	2012	2011	2012	2011	% chg	% chg	Sample	Census
Montreal	65.4%	66.3%	$134.78	$135.75	$88.18	$90.06	0.0%	-1.4%	16,853	27,836
Toronto	68.9%	69.2%	$136.54	$134.81	$94.05	$93.27	1.0%	0.6%	31,392	36,600
Vancouver	69.6%	69.4%	$141.54	$144.64	$98.50	$100.33	0.7%	1.1%	19,802	26,445
Provinces										
Alberta	65.7%	62.3%	$141.15	$136.07	$92.72	$84.73	1.0%	6.5%	37,541	68,209
British Columbia	64.2%	63.8%	$136.67	$137.30	$87.79	$87.57	0.4%	1.1%	37,677	83,583
Manitoba	63.5%	65.4%	$114.21	$112.11	$72.56	$73.38	2.2%	-0.8%	5,501	13,853
New Brunswick	56.7%	57.9%	$111.25	$112.79	$63.07	$65.30	-0.7%	-2.8%	5,401	10,734
Newfoundland	75.6%	74.0%	$140.07	$135.22	$105.86	$100.11	-1.8%	0.3%	1,789	5,689
Nova Scotia	65.3%	64.3%	$121.58	$120.67	$79.35	$77.64	-1.1%	0.3%	6,395	12,445
Northwest Territories	INS	INS	INS	INS	INS	INS	INS	INS	124	1,373
Ontario	63.6%	63.1%	$125.09	$123.45	$79.50	$77.93	0.7%	1.3%	84,455	135,837
Prince Edward Island	55.0%	57.1%	$114.88	$116.16	$63.14	$66.35	1.7%	-2.2%	957	4,172
Quebec	64.1%	64.7%	$135.52	$135.19	$86.91	$87.43	-0.1%	-1.0%	27,511	76,325
Saskatchewan	68.1%	67.9%	$126.18	$121.37	$85.92	$82.40	1.9%	2.2%	8,165	17,128
Yukon Territory	INS	INS	INS	INS	INS	INS	INS	INS	456	2,154
Canada	**64.2%**	**63.5%**	**$130.79**	**$129.00**	**$84.01**	**$81.89**	**0.5%**	**1.7%**	**215,972**	**431,916**

*INS = Insufficient Data

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About STR

STR provides information and analysis to all major Canadian and U.S. hotel chains. Individual hotels, management companies, appraisers, consultants, investors, lenders and other lodging industry analysts also rely on STR data for the accuracy they require. With the most comprehensive database of hotel performance information ever compiled. STR has developed a variety of products and services to meet the needs of industry leaders.

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