

Richmond, Virginia's RevPAR Rebound and Diverse Lodging Demand

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Richmond's economy is diverse compared to the greater region. The city has long been a hub for a number of industries, including financial, medical, biotechnology, manufacturing, and transportation. Moreover, the presence of federal and state agencies is a stabilizing factor for the area's economy. The city's economic base is supported by major colleges and universities, **Dominion Energy**, a **Federal Reserve Bank**, **Virginia Commonwealth University Health System**, and the **VA Bio+Tech Park** businesses, just to name a few. Local hotels benefit from

the strength of these employers.



The Richmond region's lodging metrics have been bouncing back following the pandemic given the significant tourism and leisure demand. A big part of the increase in tourism can be attributed to sports tourism. This past year, **sports tourism represented 68% of the region's bookings**, according to an analysis by **Richmond Region Tourism**. Three hotels are under construction in the city of Richmond, with expected openings in 2024 and 2025, and more than ten projects are in the development pipeline throughout the Greater Richmond area.

City of Richmond, Virginia—Latest Statistics as of Mid-Year 2023



Summary

In the past three years, the city of Richmond has seen significant growth in RevPAR, outpacing the regional area and the state of Virginia in the post-pandemic recovery period. This article provides an overview of Richmond's hotel performance and demand sources.

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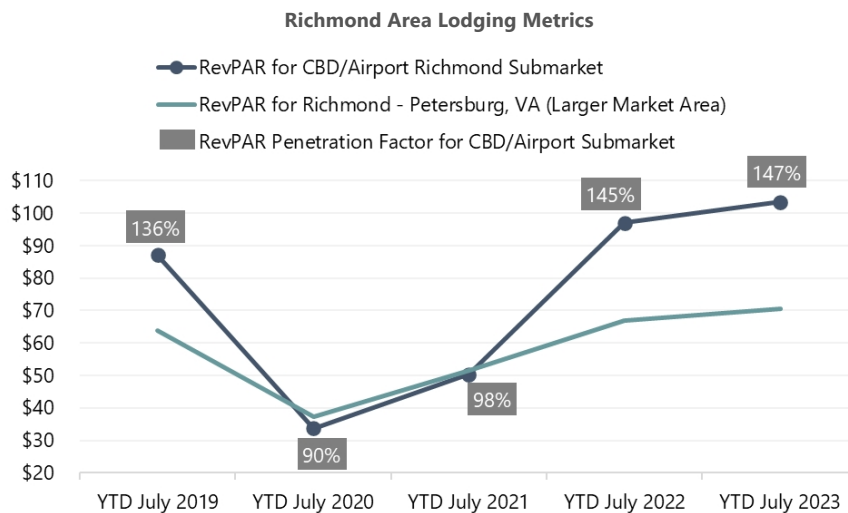
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The Greater Richmond region has become the first in Virginia **to establish a Tourism Improvement District (TID)** that will allow regional tourism organizations to collect funds via a new tax on hotel stays. This change took effect July 1, 2023, and hotels with greater than 40 rooms added a 2% fee to their nightly rates. According to Richmond Region Tourism, the fee has the potential to generate up to \$8.2 million each year, which will be used to promote visitation and hotel occupancy.

As illustrated in the chart below, the Central Business District/Airport submarket of Richmond outperforms the greater regional market in terms of RevPAR, which can be expected given its concentration of demand drivers and offering of more upscale-to-luxury hotel products. However, this advantage largely comes from ADR strength, as occupancies remain lower within the urban area given the focus on maintaining higher rates.

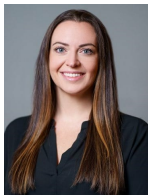


Source: **STR**

Richmond is expected to continue to benefit from low corporate taxes, government business incentives, and a highly educated workforce. Given the presence of several Fortune 500 and 1000 companies, growing corporate and business demand, and the collaboration of the region's localities to strengthen the area's tourism drivers, the outlook for this market is positive.

*Our team constantly monitors markets throughout Virginia, and our many consulting engagements across the state keep us abreast of the latest trends and shifts. For more information, **contact Chelsey Leffet**, who oversees HVS operations in the Northeast Region of the United States.*

About Chelsey Leffet



Chelsey Leffet is Managing Director and head of the Northeast region of the U.S. for the Consulting & Valuation division. Chelsey has consulted on hundreds of hotels throughout the Mid-Atlantic, including major Beltway markets. Prior to joining HVS, Chelsey worked in guest services, operations, and restaurant roles at ARAMARK Higher Education; Lighthouse Resort Services in Corolla, North Carolina; the Columbus Inn in Wilmington, Delaware; and the Bellmoor Inn and Spa in Rehoboth Beach, Delaware. Chelsey earned her BS in Hospitality Management and her MBA from East Carolina University. Chelsey resides in Washington, D.C and is a certified general appraiser. Contact Chelsey at (202) 434-8793, or [\[email protected\]](#).