

The New Look of Washington, D.C.'s Lodging Market

📅 January 30, 2009 / 👤 By Caitlin A. McKenna

The D.C. culture isn't just about politics. An enormous variety of institutions, organizations, and cultural events draw an increasingly diverse demographic and contribute a vibrancy to a city that is characteristically austere. The population has nearly doubled over the past 20 years, and districts throughout "The District" continue to evolve around the capital architecture and institutions for which the city has always been known.

Transformations

The needs and wants of travelers have also evolved, which has helped morph D.C.'s hotel industry into its present state. The focus on traditional limited-service and full-service hotels—and their more conservative clientele—is broadening to encompass the luxurious, the modern, the plush, and the chic in response to the needs of new visitors. Today, seasoned professionals, vacationers, and international travelers have begun to seek out higher levels of service and new styles of accommodation. Students and professionals in their 20s and 30s, a set that has begun to travel more frequently to D.C., factor heavily into the shift interest toward a more novel array of institutions, including hotels.

Kerry McBroom, a 25-year-old law student at American University, said that when her working friends visit from countries like Ireland, Portugal, Spain, and the Netherlands, "[they] only want to check out the hippest places here. They don't want to see another run-of-the-mill spot. I like to take my friends to typically American places that are anything but typical. It's important to show my European friends that Washington, D.C. can match other world capitals culturally, socially, and artistically."

Integral to this foray into the cutting-edge, the past several years have seen the emergence of properties such as the boutique Hotel Monaco and the Hotel Palomar; luxury properties such as the Mandarin Oriental and the Ritz-Carlton Georgetown; the proposed aloft at Washington's National Harbor; and the proposed element hotels in Herndon, Virginia, as well as near the Dulles International Airport and the Tysons Corner shopping complex. The aloft and element hotel brands represent Starwood Hotels & Resorts' re-envisioning of upscale hotels geared toward the savvy yet budget-conscious guest, a loosely defined but important demographic on the rise in D.C.

Another example of this transformative trend is the historic Hotel Washington, located on the corner of Pennsylvania Avenue and 15th street, directly across from the White House. Originally built as a retail store and apartment building in 1888, the eleven-story property converted to a hotel in 1917. Since its inception, the Hotel Washington has served as the premier and staple hotel for political and business travelers, as well as wealthier tourists able to afford its luxury. Soon, this iconic building will undergo another transformation aimed at joining its legacy with the ultra-modern. Under Starwood Hotels & Resorts' exclusive W hotel brand, the former Hotel Washington will serve the chic, modish guest seeking "style, innovation and stately indulgence."¹

Growth Trends

Relative to the rest of the nation, recent growth trends for the Washington, D.C. metro area have been strong. By virtue of the stability of the federal government and the vast array of private enterprises it directly or indirectly feeds, D.C. is more isolated from subtle (and substantial) negative economic swings

Summary

Classic hotels and new entrants to the upscale and luxury markets appeal to a widening demographic in the nation's capital.

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that more strongly affect other U.S. metropolitan markets. Demand for hotel rooms in D.C. rarely truncates and often surges in sync with major events such as conventions, festivals, and, of course, presidential inaugurations. ADR should skyrocket in response to the hundreds of thousands planning to visit the city for the swearing-in of President-elect Barack Obama. More widely, the construction of higher-end hotels and renovations of existing upscale properties has given momentum to rate growth, helping it outpace the limited growth in the national economy.

Excluding independent properties, the majority of the Washington, D.C.-Metro area's hotel supply comprises midscale properties without food and beverage. Many of these properties are located just outside of D.C. proper, namely in markets such as Fairfax/Tysons Corner or along the Dulles Toll Road, where a significant amount of development has been occurring over the past several years. In terms of the total number of guestrooms, the largest segment is upper-upscale, especially Downtown, and the luxury segment's representation is on the rise. While luxury properties represent only a fraction of total hotel properties in the D.C.-Metro area, the rooms supply across luxury hotels has increased by a sizeable measure in the past five years.

Conclusion

So how has the performance of the luxury hotel market fared amid the shifting lines of supply and the influx of more selective patrons? A look at the performance of 20 of the area's highest-end hotels, including the Hay-Adams, the Mandarin Oriental, and more modern hotels like the Hotel Monaco, shows demand for luxury accommodations has remained robust in D.C. even as other markets feel it withering away². While occupancy has fluctuated year-over-year, average daily rate has continuously grown by fairly large measures over the past five years.

This suggests that there's enough wealth, commerce, and interest to sustain D.C.'s upper-upscale and luxury markets through these trying economic times, with ample room for expansion in the years thereafter.

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¹ http://www.starwoodhotels.com/whotels/property/overview/index.html?propertyID=3279&EM=VTY_WH_3279_WASHINGTONDC_PROP_OVERVIEW

² Martha Lomanno, "NYC Luxury Chains Finally Feel Recession." www.hotelnewsnow.com. November 25, 2008.