

Demand, Development, and Branding of University Hotels

Mike Brophy | February, 2015

HVS

On- and off-campus hotels in a university market have to negotiate a collection of demand generators that are active at different times, and in different segments, throughout the year. We break down what developers and hoteliers should know.

Interest has risen in recent years in developing or reviving hotels in college and university markets across the U.S., and for good reason. Colleges and universities are among the most rooted institutions in their given communities, stabilizing forces sometimes going back hundreds of years. They also directly and indirectly generate economic activity through business surrounding academic and research programs, conventions and seminars, and student admissions and graduation. Through their collective departments and associations, colleges and universities also serve as a major source of hotel demand, often the biggest demand driver in the market.



The Nittany Lion Inn

The diversity of demand drivers associated with these institutions includes sporting events, graduations, admissions, campus visits, academic events, campus social organizations such as fraternities and sororities, and sponsored events throughout the year. Colleges and universities also serve as one of the largest employers in a market, attracting commercial and government demand from local, regional, and national businesses and institutions of government. The following article breaks down the basics of hotel types and demand dynamics in college and university lodging markets.

Types of Hotels Best Suited for Campus Markets

Smart hotel development depends first and foremost on assessing the kinds and amounts of demand generated in a market. This is certainly true in the college and university sphere. For smaller towns and campuses, a select-service hotel often makes the best fit, with visitation more sporadic and less en masse than at schools with scores of departments and tens of thousands of students.

Larger, full-service hotels are better suited to universities and even some smaller colleges in big cities like Philadelphia and Washington, D.C., given the level of demand generated and its relative consistency throughout the year; the meeting space and food and beverage offerings of full-service hotels also make them capable of hosting the kinds of conferences and events generated by departmental and interdisciplinary programs at a university. While it's true that most large university campuses have space to host meetings, conferences, and even events, many groups doing business on campus also look to hold meetings and break-out sessions off campus; in fact, HVS feasibility studies often show that hotel meeting space is almost a necessity in university markets. These studies reveal that dedicated meeting space at full-service hotels, combined with hotel and conference services capable of fulfilling the needs of



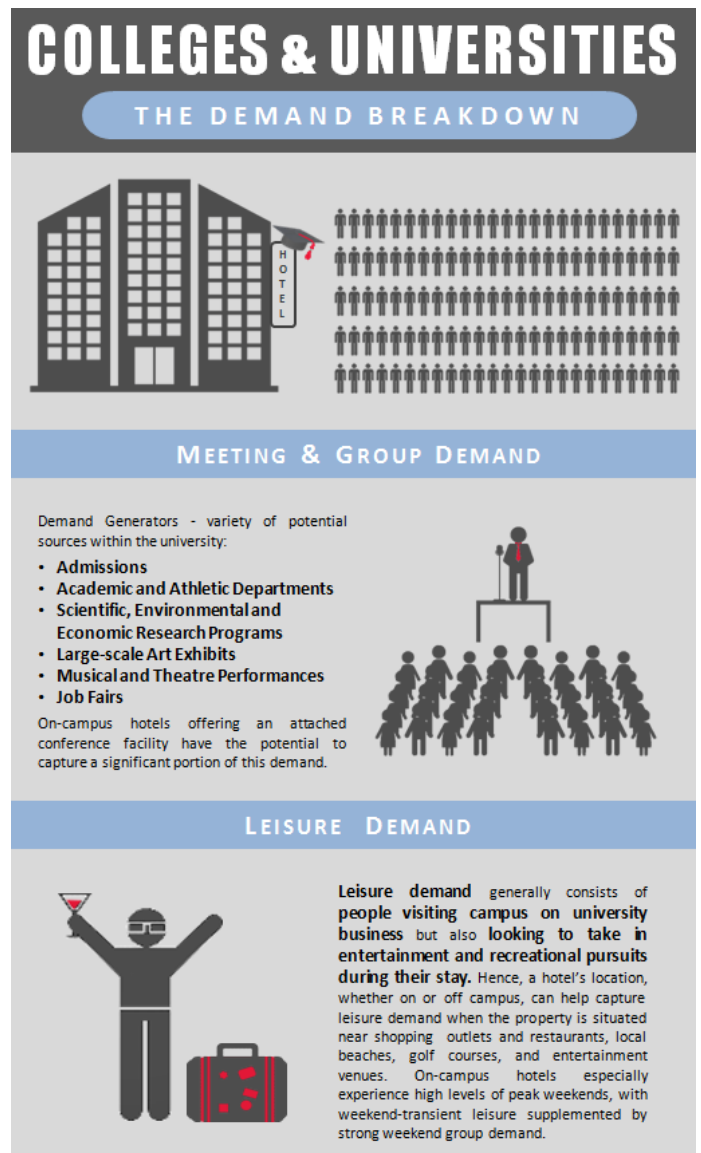
Statler Hotel at Cornell University

delegates on site, is often preferable to what a campus can provide. Meeting space also helps a hotel to capture demand from a college or university midweek.

On-campus properties, whether branded or operated independently, can be staffed and managed by the university (Cornell's student-run Statler Hotel is one example) or by an independent owner or entity; these hotels mirror "conference headquarters" hotels as the designated place to stay while conducting university business. Also akin to conference centers, which generate demand not only for the headquarters hotel but for others nearby, colleges and universities have the potential to drive demand to other hotels in the vicinity of campus. Both select-service and full-service hotels can benefit from this overflow demand.

Colleges and Universities: The Demand Breakdown

While it's difficult to forecast or gauge the amount and timing of demand generated by university programs, the peaks and valleys tend to follow a pattern. Levels are especially high in the early fall and late spring, corresponding to the beginning and end of the school year. Likewise, demand slows during exam and holiday periods. The following gives a breakdown of the diversity of demand generated by various wings of an institution.



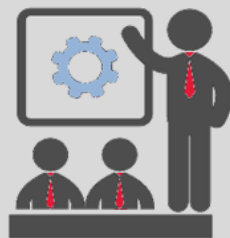
COLLEGES & UNIVERSITIES

THE DEMAND BREAKDOWN



COMMERCIAL DEMAND

Commercial demand is often generated through local corporations sponsoring events on campus, both in the academic or athletics arenas. It's worth noting that hotels tend to capture top rates from commercial versus government or academic guests; hence, universities with large business schools and prominent athletic programs often drive higher-rated business to local hotels.



SPORTING EVENTS



Sporting events, and football programs in particular, are one of the most reliable demand generators at a college or university during the year. Home football games can sell out the local hotel supply, often at the highest average rates. This demand for hotel accommodations comes in the form of visiting family of students, alumni from out of town, and visitors from rival universities who travel to cheer on their team.

VISITING ACADEMIA

Visiting academia constitutes a demand segment particular to colleges and universities, including:

- Professors
- Experts
- Scholars coming from outside the market area (often from other states or foreign countries) on sabbatical, to conduct research, or to guest lecture.

These visitors can stay anywhere from a few days to several months or even a year, and may opt to rent a home in the market or use on-campus housing depending on the terms of their visit. Still, local hotels, and particularly the on-campus properties, stand to cater to (and should actively market to) this segment.



In addition to these various demand generators, on-campus hotels can also benefit from potential demand from the local market. In many university markets, the on-campus hotel enjoys the status of a "marquee" property, and the loyalty programs offered by branded on-campus hotels prove especially popular with corporate travelers. In university markets that

double as tourism destinations, these hotels can attract summertime vacation demand in the form of families and potential future students for campus visits.

Public/Private Partnerships in Developing On-Campus Hotels

Hotel projects on campus are often realized through public/private partnerships. These can take many forms, including the university offering land for development, assisting in the development and construction of the hotel through current university contracts, or offering hotel management through a less-expensive labor pool in the form of internships and work programs offered through the institution. Often, colleges and universities are considered government entities; most states have universities that operate under the ultimate jurisdiction of state government. Florida and California are perhaps most notable in this regard, with vast state university systems that attract large numbers of students; Florida features four universities that rank within the top-ten highest enrollments nationwide. The state connection allows developers to obtain funding through a joint partnership with less risk.

Branding of On-Campus Hotels

Currently, college and university hotel projects tend to rely on an associate with a major hotel brand to get development off the ground. Hotels that have stood on campus for decades often run independent of a brand; however, developers of newer on-campus hotel projects are seeking the brand affiliation



Inn at USC Wyndham Garden Hotel

not only to offer brand standards, but also to benefit from national reservation programs. In some cases for high-profile universities and projects, the brands may come on as partners in development through key money.

Conclusion

There are many factors to take into account when considering the development of a hotel, on campus or off, in a college or university market. The preceding overview concerns the basics, and only a specific feasibility study conducted by experts in the market can reveal conclusions about where, when, and what type of hotel to build. In each case, when operating in a university market, hoteliers need to factor in the time, effort, and cost of marketing to all of the departments that drive demand, as well as community, government, and commercial demand drivers doing business with the school. Answers to questions about the nature, amount, and timing of demand generated by a college or university help inform decisions about the scope and direction of a hotel project in the market, and can only help developers, investors, and hoteliers succeed in attracting demand.

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