

# Need for New Lodging Accommodations in Virginia's Alleghany Highlands

## An Assessment



Prepared by

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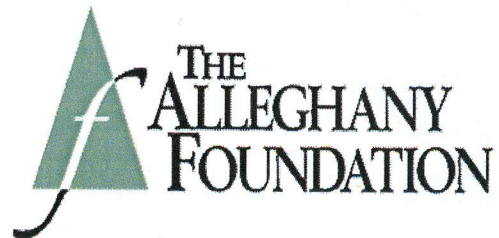
July 2017



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## PREFACE

This assessment was prepared by VT KnowledgeWorks for the economic development support organizations in the Alleghany Highlands region of Virginia and their supporters:



The Strategic Services Division of VT KnowledgeWorks (VTKW) provides one-on-one consulting to businesses, government agencies and their privately funded support organizations, and entrepreneurs throughout Virginia needing confidential strategic planning and business development assistance. Projects focus on market research, market opportunity assessment, competitive analysis, market strategy development, business plan development, and/or developing financial pro-forma statements. They have helped organizations and individuals quantify new market opportunities, acquire the market research data needed to make intelligent business decisions, and avoid costly investments that would have produced little return.

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# **Need for New Lodging Accommodations In Virginia's Alleghany Highlands An Assessment**

## **EXECUTIVE SUMMARY**

For many years, the Alleghany Highlands region of Virginia has been a destination for those wanting to enjoy and engage in recreational and outdoor activities ranging from sightseeing to hiking to mountain biking to water sports to fishing. Over the past decade, arts and cultural activities have been established and grown in the region; these provide a complement to the recreational and outdoor venues and facilities in the region.

Since 2012, travel expenditures in the region have stagnated, increasing less than 0.5% from 2012 to 2015. During that same period, travel expenditures in Virginia increased over 8%, and those in the United States increased by almost 11%. The region's economic development professionals have reviewed this situation; and, as a result, contracted with VT KnowledgeWorks to gain a better, quantitative understanding of the role the region's lodging accommodations play in economic development and travel/tourism.

After discussions with regional economic development professionals and local business personnel and owners, it was decided that the region's lodging accommodations market could be divided into five distinct/unique market segments. VT KnowledgeWorks investigated each of these segments through two approaches:

1. Direct discussions with the appropriate regional leaders to determine the needs of visitors; this approach was used to determine the lodging needs of
  - Business travelers to the region
  - Attendees and participants in regional arts and cultural events and programs
2. Comparison with other Mid-Atlantic regions and/or towns offering similar visitor attractions and programs; this approach was used to estimate the needs of
  - Those traveling through the region on Interstate 64
  - Those visiting the region to enjoy and engage in its recreational and outdoor attractions
  - Those visiting the region to attend and/or participate in its arts and cultural events and programs

The basis for each of these assumes that lodging accommodations in the region would have average annual occupancy rates equal to that typical for Virginia; i.e., in the range of 57% - 60% for hotels and about 45% for B&Bs.



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## Study Conclusions

The study found that the Alleghany Highlands region's activities could support over 400 hotel and B&B rooms:

### Lodging Accommodation Needs of Virginia's Alleghany Highlands

Market Segment	Number of Hotel Rooms Needed	Percent of Total
Interstate Traffic	150-160	38%
Regional Business Visitors	10-15 plus 24 CSX contracted rooms (+ 20 for contractors)	8%
Sports Activities/Events		
Outdoor/Recreational Activities	225-250	50%
Arts/Cultural Activities	10-15	3%
<b>Total</b>	<b>400<sup>+</sup></b>	<b>100%</b>

There are currently 421 hotel and B&B rooms in the region, including the 67-room Hampton Inn that opened in Summer 2017. Of the other 354 rooms:

- 102 rooms have received TripAdvisor ratings of between ABOVE AVERAGE and EXCELLENT.
- 254 rooms have received TripAdvisor ratings between AVERAGE and HORRIBLE.

Visitor comments support the conclusion that they expect/demand rooms at the ABOVE AVERAGE or better quality standard; they will not stay in rooms of lesser quality. Therefore, there is currently a need for an additional 230 rooms in the region.



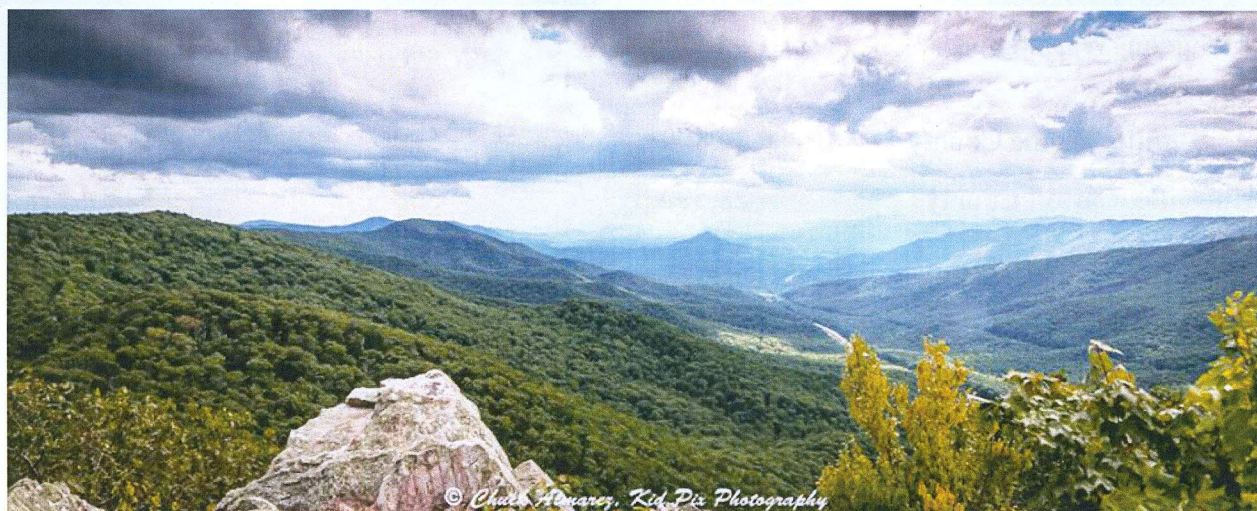
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## NEEDS ASSESSMENT FOR THE FIVE LODGING ACCOMMODATIONS MARKET SEGMENTS

### *1. Accommodation Needs of Those Travelling through the Region on Interstate 64*

There are no accommodations along the 50<sup>+</sup> mile stretch of Interstate 64 in the Alleghany Highlands region other than in the Covington – Clifton Forge area.

#### **Typical Views along Interstate 64 in the Alleghany Highlands Region**





Using data published by the Virginia Department of Transportation on Interstate highway traffic, a comparison was made between Interstate highway traffic and local accommodations for similar regions; i.e., regions that offer no other attraction for hotel visitors. Five such areas are shown in the table below. Based on these data, it was concluded that there are 14.5 – 15 hotel rooms in these regions per 1,000 average daily 4-tire vehicular traffic on the Interstate.

**Relationship Between Hotel Rooms and 4-Tire Vehicular Traffic on Interstates**

Areas in Virginia with an Interstate and Little Else within a 20-Mile Radius to Attract Visitors	Average Daily 4-Tire Vehicle Traffic Volume on Interstate	Number of Hotel Rooms in the Area	Rooms per 1,000 4-Tire Vehicles
Abingdon, Washington County	28,000	520	18.6
Wytheville, Wythe County	34,800	500	14.4
Hillsville, Carroll County	28,500	350	12.3
Marion, Smyth County	24,800	350	14.1
Between Winchester & Harrisonburg, Shenandoah County	34,000	520	15.3
<i>Average/Mean</i>			<i>14.9/14.4</i>

The 4-tire vehicular average daily traffic on Interstate 64 in the Alleghany Highlands region is 10,800. Therefore, it is estimated that Interstate 64 traffic in the Alleghany Highlands region would support 150 – 160 hotel rooms in the region. As was shown earlier, this represents almost 40% of the total accommodation need in the region.

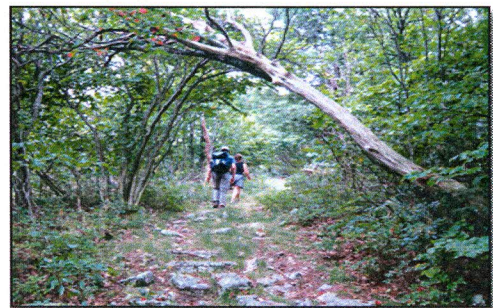
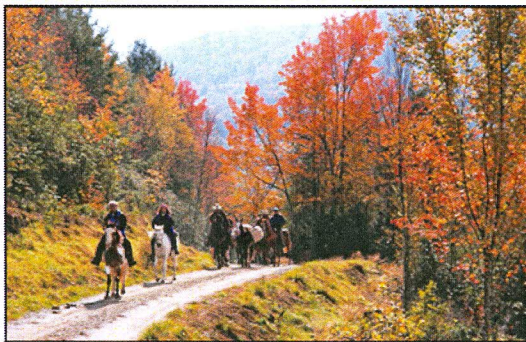
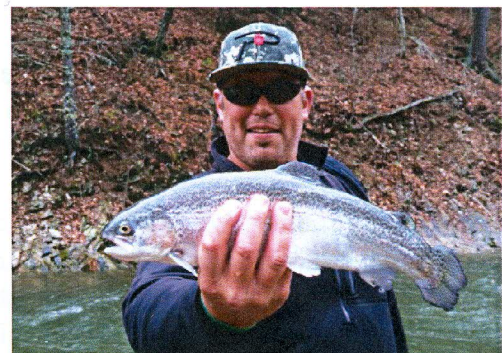
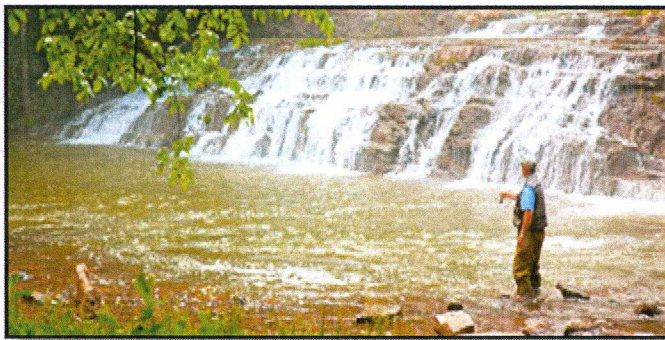


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## ***2. Accommodation Needs of Those Visiting the Region to Enjoy and Engage in its Recreational and Outdoor Venues, Facilities and Activities***

People, especially those living in the Mid-Atlantic states, have come to enjoy the recreational and outdoor venues, facilities and activities available in the Alleghany Highlands region. That includes:

- Douthat State Park, one of the nation's 10 best; has over 200,000 visitors annually
- Over 100 miles of trails in the region
- Lake Moomaw, covering 2,500 acres and known for its seclusion and trout fishing
- Jackson River Scenic Trail that is used by hikers, bikers and horseback riders
- George Washington & Jefferson National Forest, with over 1,100 miles of trails; and lakes, ponds, rivers and streams for boating, paddling, kayaking, canoeing and fishing

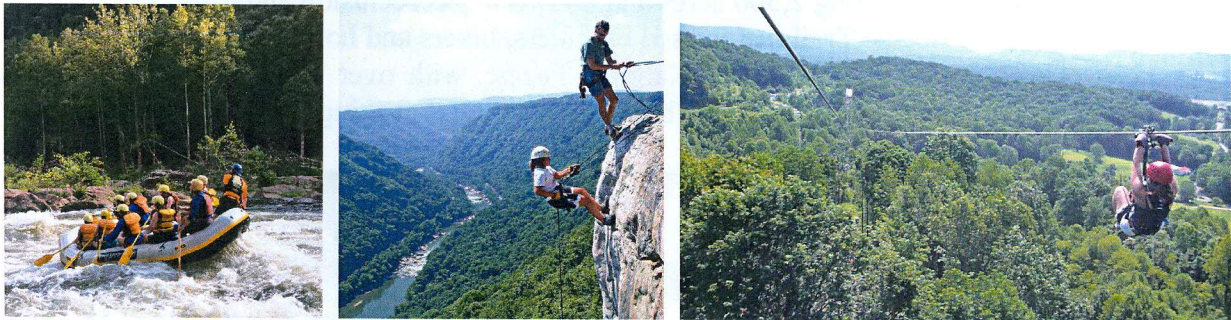




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A comparable recreational and outdoor enthusiast mecca is the New River Gorge in West Virginia. It:

- Encompasses over 70,000 acres along 50 miles of the New River
- Is home to some the country's best whitewater rafting
- Is one of the most popular rock climbing areas in the country with over 1,400 established rock climbs
- Has over 50 miles of hiking trails; and is one of the top five US biking destinations



Travel expenditures in the New River Gorge area in 2013 were \$78 million while those in the Alleghany Highlands region were \$40.5 million. There are over 480 hotel rooms in the New River Gorge area. Similar recreational areas in the Mid-Atlantic region have similar expenditure-to-hotel room ratios. Thus, it is estimated that the Alleghany Highlands region's recreational and outdoor venues, facilities and activities would support 200 – 225 hotel rooms. As was shown in the Summary, this represents 50% of the total accommodation need in the region.

With the addition of hotel rooms in the region that meet visitor quality requirements, more middle age and mature visitors can be expected. These groups have high disposable incomes – much higher than the under 35 age group; thus, the region's travel expenditures would be expected to significantly increase; and this would result in a need for more accommodations.

The region currently has a disadvantage in attracting recreational and outdoor visitors: appropriate support services – businesses that provide instruction, equipment and guided tours/trips. Significant improvements in these services are required if the region's hotel accommodations potential is to be achieved.



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### 3. *Business Travelers to the Region*

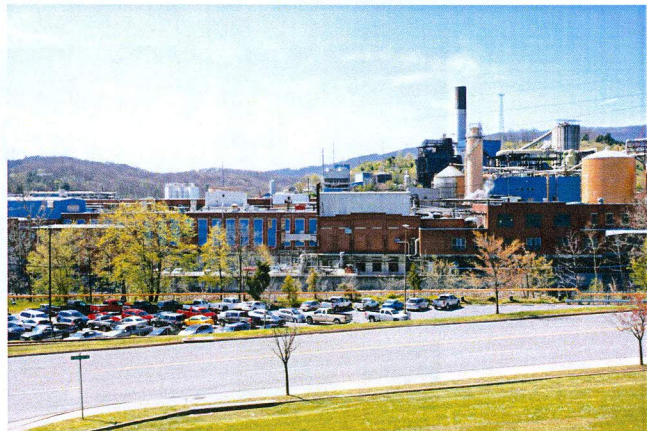
WestRock is the region's largest private employer with just over 1,300 employees. The other major employers in the region are Ingevity with about 200 employees and CSX, a company that has been associated with the region since railroads were developed over a century ago.

WestRock typically has 5 – 15 business visitors per week while Ingevity has 6 – 12 visitors attending quarterly company meetings and 5 – 6 visitors during plant trials. CSX currently contracts with a local hotel for 24 rooms that are used by its visitors.

In addition to business visitor needs, WestRock and Ingevity together employ 20 – 25 contractor employees once to twice a month. Both companies also have annual outages that can employ up to 400 contractor employees for up to two weeks each year.

Based on these inputs, it is estimated that business visitors to the region would support 35 – 40 hotel rooms in the region throughout the year. This represents about 10% of the total accommodation need in the region. It is expected that these visitors would generally use rooms during the work week.

**WestRock Facility**



**Ingevity's Covington Plant**





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#### 4. Attendees at & Participants in Regional Sports Events

Regional sports events bring many weekend visitors to the Alleghany Highlands region, especially in the summer. These events include:

- Lake Moomaw Big Bass Tournament in May
- Flying Circus FPV/Drone Festival in May
- Jackson River Trail Marathon in June
- Gran Fondo Alleghany Bike Races in July
- Lake Moomaw 1-Mile Swim in August

as well as attendees at regional sports events at the Jackson River Sports Complex. During the summer, there is also the Lumberjacks collegiate baseball program at the complex.



After discussions with the local organizers of these events, it was estimated they could support 10 – 15 hotel rooms in the region throughout the year, most on weekends; and, thus, the hotel room needs of these visitors complement those of the region's business visitors.



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## ***5. Visitors Attending & Participating in Regional Arts & Cultural Performances, Events & Programs***

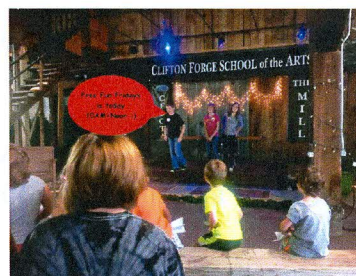
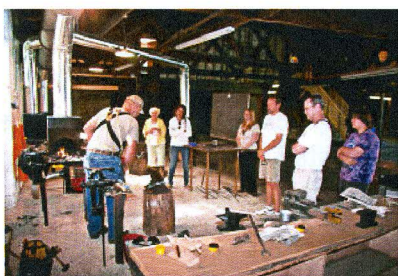
The Historic Masonic Theatre in Clifton Forge reopened in 2016. It has a 545-seat auditorium as well as private rooms for business meetings, family gatherings, and receptions. The Executive Director of the theatre is projecting performance & event attendance to reach 120,000 annually, with 20% of visitors from outside the state. A study of similar historic theatre in the Mid-Atlantic states found that a major portion of their audiences is senior citizen who arrive by bus for matinee performances; they then leave the area at the end of the performances. Thus, this segment of the theatre audience would not be an audience for the region's hotel rooms. Of course, out-of-town performers would require local hotel accommodations.

There is also the Clifton Forge School of the Arts in Clifton Forge. It offers adult and children multi-day crafts programs. Out-of-town participants in these programs would need local accommodations.

### **Historic Masonic Theatre**



### **Programs at the Clifton Forge School of the Arts**



It is estimated that the total near-term hotel room requirements of these visitors is 10 – 15 rooms throughout the year. This represents less than 10% of the total accommodation need in the region.



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## REGION'S LODGING ACCOMMODATIONS NEEDS

The total current Alleghany Highlands region's lodging accommodations need, based on current economic conditions in the region and as detailed in the previous section, is over 400 rooms:

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