

Allegheny Highlands Regional Lodging Needs Assessment 2022

Allegheny Highlands Chamber of Commerce
& The Allegheny Foundation



OUTREACH & INTERNATIONAL AFFAIRS
CENTER FOR ECONOMIC AND
COMMUNITY ENGAGEMENT
VIRGINIA TECH.

Introduction



"Agony in the Alleghenies" Gran Fondo; Alleghany Highlands Chamber of Commerce

The Alleghany Highlands region, which includes Alleghany County and the City of Covington, has long been a niche destination for visitors seeking outdoor recreation. Destinations such as Lake Moomaw, Douthat State Park, and the Jackson River draw numerous visitors and contribute to the quality of life for residents.

The leisure and hospitality industry is one of the top 5 industries by employment in the region, providing over 600 jobs.

The leisure and hospitality industry was hit hard by the Coronavirus pandemic, but the region is experiencing a rebound in demand for travel and recreation. However, residents and visitors have noted a lack of lodging options to accommodate tourism demand from a wide variety of visitor groups.

In order to continue developing its tourism and hospitality industry, the Alleghany region is seeking development of additional lodging. As part of this effort, Virginia Tech Center for Economic and Community Engagement (VTCECE) in partnership with the Alleghany Highlands Chamber of Commerce, conducted a regional lodging needs assessment to analyze current trends, challenges, opportunities, and potential demand for additional lodging in the region.

Lodging Industry Overview

\$5.7 billion

Lodging industry revenue, Virginia 2022

\$106.44

Average Daily Rate for Virginia Mountain Region, 2022 [1]

337

Number of hotel rooms in the Alleghany region, 2022

94

Number of hotel rooms in the region ranked 4 stars or above, 2022

62

Number of Airbnb rooms in the Alleghany region, 2022

Ongoing Revenue Growth

Industry revenue for hotels and motels, and bed-and-breakfasts have increased over time. In Virginia, these industries provide over \$5.7 billion in revenue. Revenue for the hotel/motel and B&B industries is expected to continue growing through 2027.

Employment Challenges

Wages are the largest expense for both hotels/motels and bed-and-breakfasts. As compared to bed-and-breakfasts, larger hotel operators are often able to recoup more profit due to economies per scale. However, multiple industries across the country are experiencing staffing shortages—the lodging industry is no different. Employment has decreased over time and is expected to continue shrinking through 2027.

State of Lodging in the Region

During stakeholder engagement and focus groups conducted, participants were in consensus about the gradual decline of commercial lodging and a lack of range of lodging options at affordable price points. For instance, at the time of this study, there were no establishments that offered the state rate for business travelers. Additionally, almost all participants commented on the inventory of restaurants and retail, citing the need for more variety, longer hours, and improved quality. Such amenities are key for supporting travel and tourism.

[1] Region as defined by Virginia Tourism Corporation, 2019

Visitor and Travel Trends

The leisure and hospitality industry, which includes activities associated with travel and tourism, enhances quality of life for both residents and visitors and brings money to the region. Travel spending in the region brought an estimated impact of **\$1.9 million** in local tax revenue and **\$1.3 million** in state tax revenue in 2019.

\$259,946

Hotel/Motel taxes,
2019

62%

Business travelers
who stayed in a hotel

55%

Visitors with
household incomes
over \$75k

52%

Visitors with a Bachelor's
degree or higher

Visitor Diversity, Other Characteristics

Visitors to the Virginia Mountain Region, which includes the Alleghany region, come from diverse age groups and backgrounds. Approximately **38% were under the age of 35**. About **36% came from within the state**, and stakeholders reported visitors originating from as far as Australia and New Zealand. **Visitors to the region had higher levels of educational attainment and income**, which aligned with greater demand for travel and recreation.

Capitalizing on Business Travel

Business travel is a key target market—an overwhelming portion of business travelers to the region chose hotels over other types of lodging for overnight trips. Lodging establishments that provide amenities for business travelers, including offering the state rate, conference spaces, and more, are currently lacking in the region.

Source: Virginia Tourism Corporation, Virginia Mountain region Travel Profile, 2019

Primary Reasons for Visiting the Region

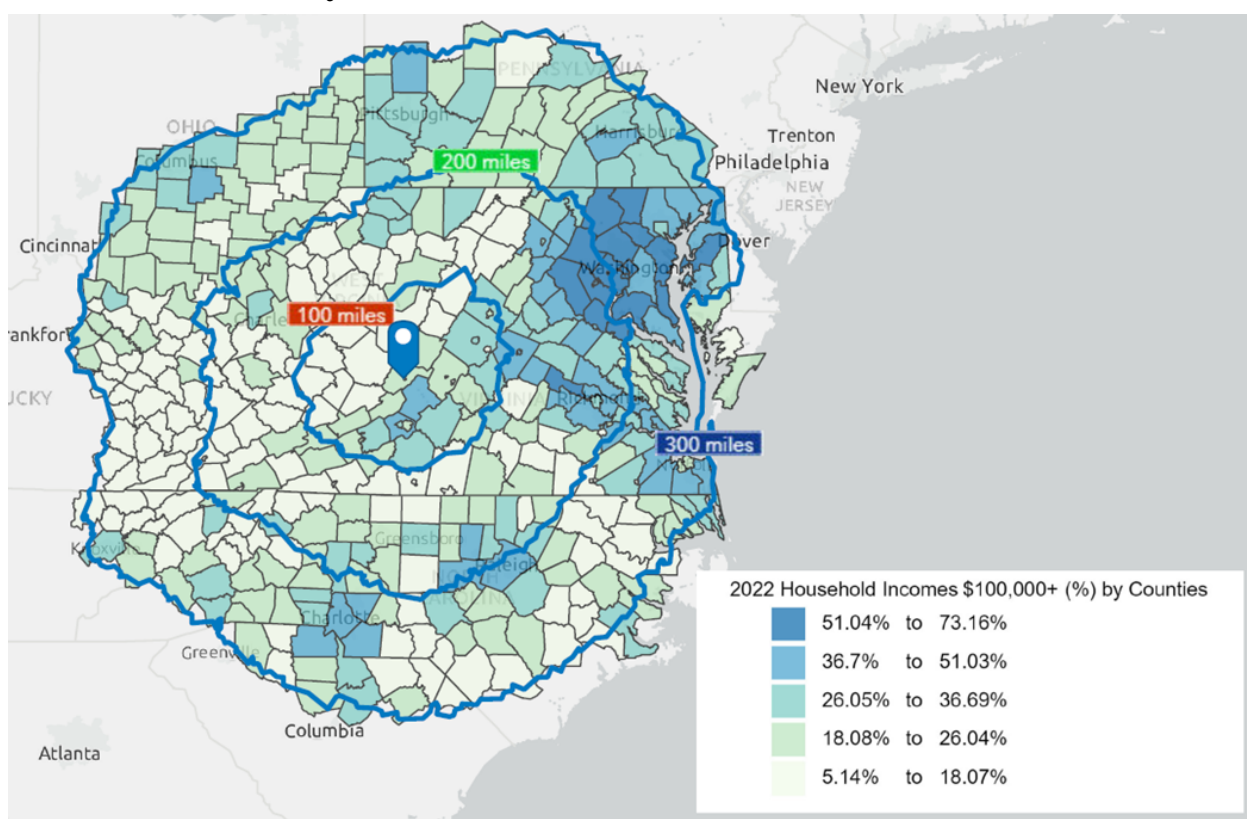
- 1** Visit friends/relatives
- 2** Entertainment/sightseeing
- 3** Outdoor recreation



Historic Masonic Theater

Lodging Demand

Leisure, hospitality, and tourism are all discretionary services—they are non-essential, and households can get by without them. Therefore, **income levels drive demand** for these kind of services. Additionally, educational attainment tended to correlate with higher incomes, and so VTCECE analyzed these demand factors for the immediate (100-mi radius), intermediate (200-mi), and fringe (300mi) markets outside of the Allegheny region.



Households Earning \$100,000+, 300mi. Driving Distance of Allegheny, VA, 2022

Source: ESRI Community Analyst, 2022 Household Income Estimates

Denser metro areas like Washington, DC, had the highest concentrations of consumers who aligned with higher educational attainment and income. However, within the fringe market (300-mi radius), the Allegheny region faces competition from other destinations across the state to pull more of those visitors. Meanwhile, **the intermediate (200 mi-radius) market**, which includes several metro areas like Richmond, VA and Greensboro, NC, **showed potential for lodging demand**, with higher income levels and educational attainment than the immediate market. It is also clear **there is demand not being met within the region**. Existing establishments are often booked far in advance, and large parties and visitors unable to find lodging in the region often overflow to Lexington, VA, and Lewisburg, WV.

Conclusion



Research indicates existing and potential future demand for a new mid-range mid-size hotel establishment, supporting between 75 and 300 additional rooms.

special rates. Between the competitive demand for weekend stays and some demand for weeknight stays, it is evident that the region could potentially support additional rooms in the near future.

The labor shortage, reflected in the declining employment rates in the lodging industry, could pose a threat to lodging operators.

Such an option could meet existing demand from large wedding parties, travel ball teams, and business visitors looking for special rates; much of this demand currently leaks out to neighboring regions of Lexington and across state lines to Lewisburg, WV. Currently, large parties visiting the region often compete for lodging, particularly on weekends. Business travelers also often stay outside the region at establishments that offer

A mid-size establishment (defined as an establishment with 75 to 300 rooms) will require greater staffing as compared to smaller establishments. There is opportunity to partner with regional educational institutions, hospitality programs, and other career training institutions in the region to strengthen the labor force pipeline for the lodging industry.

Promising Practices for Exploration

The following are some examples of promising practices or case studies that have shown success or show potential for meeting a lodging need in communities with some similarity to those in the region.



The Virginian Hotel

Lynchburg, VA

Historic renovated hotel in downtown Lynchburg, VA, providing 115 rooms with upscale rooftop dining. Started 2015, developers George Stanley and Blair Godsey undertook the \$30 million renovation effort. Made possible by strong private-public partnerships and financing (historic tax credits and a Lynchburg Economic Development Authority (LEDA) “gap financing” program).



Virginia Ave. Boutique Hotel

Bluefield, VA

MountTerra LLC, a real estate development company, awarded funds in the 2021 Opportunity Appalachia program. Part of a \$4 million redevelopment of downtown Bluefield, including the “Logan Suites” property. With the technical assistance secured through the program, MountTerra will be exploring short-term lodging and/or boutique lodging options for the property.



Hotel Swisher

Somerset, OH

Proposed redevelopment project awarded funding for the Opportunity Appalachia 2021 program. With technical assistance secured by the grant, the Town will undertake the \$3.2M redevelopment of a locally-owned historic boutique hotel with 15 rooms in downtown Somerset.



The Schoolhouse Hotel

White Sulphur Springs, WV

Opened May 2022, is White Sulphur Springs’ first full-service boutique hotel. The Disability Opportunity Fund (DOF), a community development financial institution (CDFI) financed and developed the historic school building into a 30-room boutique hotel centered on state-of-the-art ADA-complaint accessibility.

**For more information,
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