



# **ALLEGHANY HIGHLANDS: REGIONAL LODGING NEEDS ASSESSMENT 2022**

**PREPARED BY THE VIRGINIA TECH CENTER FOR ECONOMIC AND COMMUNITY  
ENGAGEMENT**

Anna Nagorniuk, Ashley Posthumus, and Hye-Jeong Seo

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## Executive Summary

The Alleghany Highlands region, which includes Alleghany County and the City of Covington, has 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. Moreover, cultural assets like the Historic Masonic Theatre and the Railroad Museum uphold the region's rich history and provide visitors and residents with additional enjoyable experiences. The leisure and hospitality industry is one of the top five industries by employment in the region, accounting for over 600 jobs in 2021. The region boasts several highly-rated bed-and-breakfasts, inns, and resorts, as well as some more middle-of-the-road options that accommodate visitors, providing approximately 337 rooms. The region has also seen growth in Airbnb accommodations over time, resulting in 62 rooms online in 2022. However, residents and visitors have noted a lack of a range of lodging options to accommodate more demand from a wide variety of visitor groups, including travel ball teams, outdoor enthusiasts, and business travelers. Particularly, both visitors and local residents have expressed concern about the quality, condition, and safety of existing lodging options. Of the 337 rooms in the region, only 94 were rated 4 stars or above in online customer reviews. In order to continue developing its tourism and hospitality industry, the Alleghany Highlands region is seeking development of additional quality lodging to better serve various groups of visitors.

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 demand opportunities for additional lodging in the region. VTCECE collected quantitative data on industry trends, visitor characteristics, travel trends, and more to better understand trends impacting the region's lodging industry. VTCECE also gathered input from over 20 regional stakeholders to assess current conditions, needs, and opportunities for lodging in the region. Using the industry analysis and qualitative input as a baseline, VTCECE conducted a market analysis to assess potential demand within the market segments within 100-, 200-, and 300-mile radius of the Alleghany Highlands.

The leisure and hospitality industry was hit hard by the Coronavirus pandemic, with revenues, travel expenditures, and employment all dropping drastically in 2020 due to travel restrictions. However, travel has been recovering, and the region is experiencing a rebound in demand for travel and recreation following the easing of restrictions. Outdoor tourism grew in popularity during the pandemic, and it continues to act as a major draw of visitors to the Alleghany region.

Industry forecasts predict that revenue for the lodging industry is expected to continue growing both nationally and across the state through 2027. However, employment is expected to decrease in that time—likely reflecting the continued staffing shortages seen in multiple industries throughout the country. Wages have historically constituted the largest portion of operating costs for hotels, motels, and bed-and-breakfasts. Finding adequate workforce while managing wage costs may pose a challenge to developing new lodging establishments.

With predicted lodging industry growth and the existing flow of travelers to the region, there is demand for overnight lodging that is not being met in the region. Stakeholders reported existing lodging being booked months in advance, and many visitors leave the region to seek lodging in Lexington, VA, or Lewisburg, WV. Interview and focus group participants unanimously indicated a need for a greater range of lodging options at a variety of price points that would accommodate a variety of travelers. Particularly, business travel remains an untapped market, as the region lacks lodging establishments that accept federal or state government rates. Contractors and professionals coming to WestRock, Ingevity, or regional educational institutions struggle to find nearby lodging at an amenable reimbursable rate.

Travel to the region tends to be seasonal; demand for lodging is higher during the spring through the fall, typically peaking in the late summer and early-to-mid fall seasons with visitors coming for summer sports and recreation as well as fall sightseeing. Notably, visitors to the region come from diverse age groups and backgrounds, with about a third originating from within the state of Virginia, annually. Interview and focus group participants reported visitors coming from as far as New Zealand and Australia. A common factor among visitors to the larger region was higher educational attainment and higher household incomes. Over 60% had at least an Associate degree, and 55% had an annual household income greater than \$75,000.<sup>1</sup> Travel is discretionary—it is not a necessity for households—and so income correlated closely with tendency to travel and stay in overnight lodging. Educational attainment also correlated with higher levels of household income.

Based on the demand factors of educational attainment and income, as well as certain consumer behavior indicators, VTCECE analyzed the market areas surrounding the Alleghany Highlands region at 100-mile (immediate), 200-mile (intermediate), and 300-mile (fringe) radiuses. This market analysis revealed that denser metropolitan urban areas such as Washington DC and the Richmond Designated Market Area (DMA) had the greatest concentrations of consumers who aligned with these demand indicators of educational attainment and income. However, within the fringe market (300-mi radius), the Alleghany Highlands region faces competition from other destinations across the state to attract those visitors. Meanwhile, the intermediate market, which includes several metro areas including Greensboro, NC; and Charleston, WV, showed potential for lodging demand similar to the larger fringe market, with higher income levels and educational attainment than the immediate market.

Overall, both quantitative and qualitative analysis pointed toward opportunity for additional lodging to be developed in the region—potentially a mid-range or mid-scale lodging option that meets the needs of larger groups of visitors, business travelers, and visitors passing through or looking for a modest, comfortable stay at an affordable price point. Currently, large parties visiting the region often compete for lodging, particularly during weekends—those that cannot find lodging in the region seek other options in Lexington, VA, Lewisburg, WV, or even Roanoke, VA. Business travel also often leaks out of the region. However, business travel and other weeknight travel constitutes a smaller portion of current demand for lodging; demand for

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<sup>1</sup> Virginia Tourism Corporation, 2019 Travel Profile, Virginia Mountain Region

rooms seems to be largely driven by seasonal weekend visitation for outdoor recreation, travel ball, and other special events. Between the competitive demand for weekend stays and some demand for weeknight stays, it is evident that the region could potentially support an additional 75 to 300 rooms in the near future.

However, the ongoing labor shortage in the hospitality industry, and across many other industries around the country, may pose a threat to future lodging development. Lodging industry leaders and stakeholders should consider engaging with regional workforce leaders, educational institutions, and peer communities around creative approaches to fostering lodging and strengthening hospitality talent pipelines in the region. Public-private partnerships are often instrumental in advancing tourism efforts and development, as shown in several of the case study communities. Once regional leaders and tourism stakeholders have identified partnerships and targeted lodging options to pursue, additional research, such as a regional site inventory, should be undertaken to provide a narrower analysis of discrete development opportunities.

Additionally, community leaders and economic development professionals should continue uplifting and engaging with the shared accommodations sector to further support the region's lodging industry. Shared accommodations industry leaders and stakeholders may consider partnering with the Virginia Tourism Corporation or other business development experts to offer workshops or assistance for regional Airbnb/VRBO operators on best practices in customer service, lodging operations, business management, marketing, and other topics.

Finally, VTCECE recommends further exploration of peer communities and "case study" projects that may provide promising practices and creative solutions for lodging development. Some examples of such projects and ideas include:

- **The Schoolhouse Hotel (White Sulphur Springs, WV):** The [Schoolhouse Hotel](#), renovated in 2020 and open since May of 2022, is White Sulphur Springs' first full-service boutique hotel, developed and financed by the [Disability Opportunity Fund \(DOF\)](#), a New York community development financial institution (CDFI). The former WSS High School property was redeveloped as a 30-room boutique hotel centered on state-of-the-art ADA-complaint accessibility, featuring a conference/event space, an upscale restaurant/grill, and a rooftop bar.
- **The Virginian Hotel (Lynchburg, VA):** [The Virginian Hotel](#) is a historic renovated hotel in downtown Lynchburg, VA, providing 115 rooms, an upscale steakhouse, rooftop bar/grill, fitness center, café, grand ballroom, and other conference/meeting spaces. In 2015, real estate developers George Stanley and Blair Godsey undertook the \$30 million renovation effort, in partnership with the City, to restore the property. The redevelopment was made possible by strong private-public partnerships and [financing](#), including historic tax credits and a Lynchburg Economic Development Authority (LEDA) "gap financing" program: a \$2 million loan from LEDA and a \$3 million conduit loan from a private bank through the LEDA.

- **Hotel Swisher (Somerset, OH):** [Hotel Swisher](#), a redevelopment project sponsored by the Village of Somerset, OH, was awarded funding in 2021 under the [Opportunity Appalachia](#) program administered by Appalachian Community Capital. With technical assistance secured through the grant award, Somerset intends to undertake the \$3.2M redevelopment of a locally-owned historic boutique hotel with 15 rooms in downtown.
- **Virginia Ave. Boutique Hotel-Logan Suites (Bluefield, VA):** MountTerra LLC, a real estate development company, was awarded funds in the 2021 rounds of the [Opportunity Appalachia](#) program as part of a \$4 million redevelopment of several downtown Bluefield properties, 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 [Logan Suites](#) property for future redevelopment.
- **Appomattox Inn and Suites (Appomattox, VA):** Constructed in 2015, the [56-room hotel](#) was the first full-build hotel in Appomattox in two decades. The project was driven by investment from local group COJANA, LLC as well as funding from the Town of Appomattox to conduct a feasibility study and gather strategies for hotel development in small communities. [Local leaders and stakeholders described the development as very timely](#), helping to support the growth of the hospitality and tourism industry in the region.
- **Expanding booking search options- Stay22:** To better utilize existing lodging options, including regional bed-and-breakfasts and Airbnbs, Alleghany Highlands may consider exploring applications or software solutions that would allow visitors to explore booking options for all ranges and types of available accommodations, not limited to browsing on individual lodging sites. One example of such a service is [Stay22](#), a software program that aggregates travel providers on interactive maps to help travelers find the full range of accommodations available in a specific destination or in proximity to an event.

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## Introduction

The Virginia Tech Center for Economic and Community Engagement (VTCECE), in partnership with the Alleghany Highlands Chamber of Commerce and Tourism, used a mixed-methods approach to analyze the regional lodging industry and tourism trends and assess potential for new lodging/tourism development in the Alleghany Highlands region.

VTCECE collected and analyzed volumes of quantitative data from sources including IBISWorld, EMSI/Lightcast, and the Virginia Tourism Corporation (VTC) to determine important trends, challenges, and opportunities for the lodging industry in the region. VTCECE also examined national and state data focused on industry revenue, costs, employment, and other key trends to contextualize industry trends at the regional level. Next, VTCECE analyzed tourism data from VTC to better understand travelers' behavior and reveal demand factors that indicated a higher likelihood for travel and recreation.

VTCECE also collected qualitative input from over 20 stakeholders in the region through interviews as well as focus groups on the topics of outdoor tourism, arts and culture, and Airbnb industry. Participants provided valuable insights on the current condition of regional lodging and the strength, challenges, needs, and opportunities in the region. Stakeholder input provided a context for ongoing trends and patterns gleaned from the quantitative analysis.

With the visitor demographics, characteristics, and travel data gleaned from quantitative analysis and stakeholder input, VTCECE performed a market analysis to uncover potential demand from consumer segments within a 100-, 200-, and 300-mile radius of the Alleghany region. Educational attainment and income were found to be the primary indicators of demand for travel and recreation, so VTCECE examined these factors within the specified market segments.

Finally, VTCECE synthesized the industry overview and market analysis to produce conclusions for leaders and stakeholders in the region to consider in the pursuit of additional lodging development in the Alleghany Highlands. These may serve to guide next steps for the region in further development.

The following document is divided into the following sections:

- 1. Industry Analysis:** This section provides an overview of the lodging industry at a national, state, and regional level, with data about revenue, price and occupancy, cost structure, employment, and supply of lodging. This section also includes tourism data on visitor characteristics and behaviors and other travel trends in the region.
- 2. Current Conditions:** This section outlines the qualitative input from regional stakeholders on the current conditions of the lodging industry as well as the opportunities and challenges for tourism and lodging in the region.
- 3. Market Analysis:** Using the demand factors gleaned from the industry analysis and stakeholder input, VTCECE assessed potential demand for market segments within a



100-, 200-, and 300-mile radius of the region. This analysis emphasized market segments that best aligned with positive indicators of demand for leisure and travel.

- 4. Key Findings and Conclusions:** This section concludes the report with a synthesis of quantitative and qualitative data collected into key findings, which in turn are reflected in the conclusions for consideration.

## Industry Analysis

This section provides an overview of national and regional lodging industry trends, including revenue shifts, employment, cost structure, and local supply. It also includes travel and visitation trends in the Virginia Mountains and Alleghany Highlands regions, with analysis of visitor demographics, average spending, business travel, and other traveler characteristics and trends. VTCECE analyzed trends on the national, state, and regional level to provide an overview of the lodging industry and its ongoing and emerging trends. These data provide a greater understanding of ongoing shifts that will impact the tourism and lodging industry. Travel and visitor data also serve as the basis for demand indicators analyzed in the market demand analysis.

VTCECE used North American Industry Classification System (NAICS) codes to identify, collect, and analyze data for the hotel & motel industry (NAICS 72111) and bed-and-breakfast/hostel industry (NAICS 72119) to capture trends for the different types of commercial lodging. VTCECE also explored campgrounds & recreational vehicle parks (NAICS 72121) as an additional lodging option for visitors to the region.

To gather data on national industry trends, VTCECE primarily used IBISWorld NAICS Industry reports and projections as well as Lightcast (formerly known as EMSI/Burning Glass) data and forecasts. VTCECE used Lightcast and Virginia Tourism Corporation data for statewide, regional, and localized industry and market data and key trends.

### Industry Trends

According to IBISWorld, the hotel & motel industry is characterized by operators that “provide short-term lodging in hotels, motor hotels (motels) and resort hotels.” While the bed-and-breakfast industry also offers short-term lodging, establishments are defined as “offering bed and breakfast services, usually on a small scale and within a unique environment.” The bed-and-breakfast industry also includes hostel accommodations; however, bed-and-breakfast establishments accounted for about half of the total annual industry revenue in the country at the time of this research. Thus, this study primarily examines bed-and-breakfast establishments as the drivers of industry activity. This subsection includes key national, state, and regional industry trends including revenue shifts, pricing and occupancy, operational cost structure, employment changes, and an inventory of existing lodging in the Alleghany Highlands region.

### Revenue

The national hotel and motel industry has seen revenue growth since 2017, at an annual rate of 4%. Profit margins have also been gradually increasing throughout this time, at an annual rate of 0.1 percentage points. In 2022, national industry revenue is expected to reach \$258.13 billion, exceeding pre-pandemic revenue (2019) by \$35.87 billion. Revenue is expected to continue growing, at an estimated annual rate of 5.7% through 2027. Hotel/motel industry revenue has also grown over time for the state of Virginia, increasing at an annual rate of 4.03% since 2017, and is expected to reach \$5.7 billion in 2022.

Bed and breakfasts across the country have also seen revenue growth since 2017, but at a slower rate of 0.1% annually. Revenue is expected to reach \$2.5 billion in 2022, an increase of 14.3% since the previous year. However, profit margins for the bed-and-breakfast industry have been decreasing, at an annual rate of -2.4 percentage points since 2017. In Virginia, bed-and-breakfast industry revenue is predicted to be \$24.2 million in 2022.

Nationally, the campgrounds and RV parks industry has experienced relatively steady growth over the five years to 2022, with exception in 2020. In 2020, a sharp decline in domestic travel due to the Coronavirus pandemic contributed to plummeting revenue, resulting in decreased growth rate for industry revenue, at an annualized rate of 1.7% over the past five years. The industry is expected to rebound by 11.1% to \$7.1 billion as more consumers travel again in 2022. In Virginia, the campground and RV park industry is expected to bring in \$118.7m in revenue in 2022. All preceding revenue data has been adjusted for inflation.

**Price and Occupancy**

To compare lodging room rates, the research team used Virginia Tourism Corporation data to examine average daily rate (ADR) data across the country, state, and region. As income and inflation have both increased over time, prices for lodging have continued to increase. In 2021, the national ADR for lodging was \$117.64. As of June 2022, the national ADR had increased to \$147.46. Average daily rates for the state were slightly lower—Virginia saw an ADR of \$120.22 in 2022. The Virginia Mountain Region had the lowest ADR in comparison with the state and nation, at \$106.44 in 2022. Average daily room rates in the region have increased at a somewhat slower pace than in the state and nation, with a 16% increase since 2021.

*Table 1: Average Daily Rate 2021-2022*

Locality	2022	2021	% change
United States	\$147.46	\$117.64	25.4%
Virginia	\$120.22	\$100.07	20.1%
Virginia Mountain Region	\$106.44	\$91.45	16.4%

*Source: 2019 STR. VTC “Hotel Industry Trends for the U.S. and Virginia” report*

In the Alleghany region, the highest observed price for overnight lodging was \$726/night for an entire property rental. Room rates observed between October and December 2022 ranged from \$60 to \$315. Notably, Airbnbs and smaller bed-and-breakfast inns typically offered lower prices per room as compared to commercial lodging establishments. This is a similar trend across the country, as B&Bs often offer competitively affordable alternative stays with added complimentary products and services, such as beverages, parking, and more.

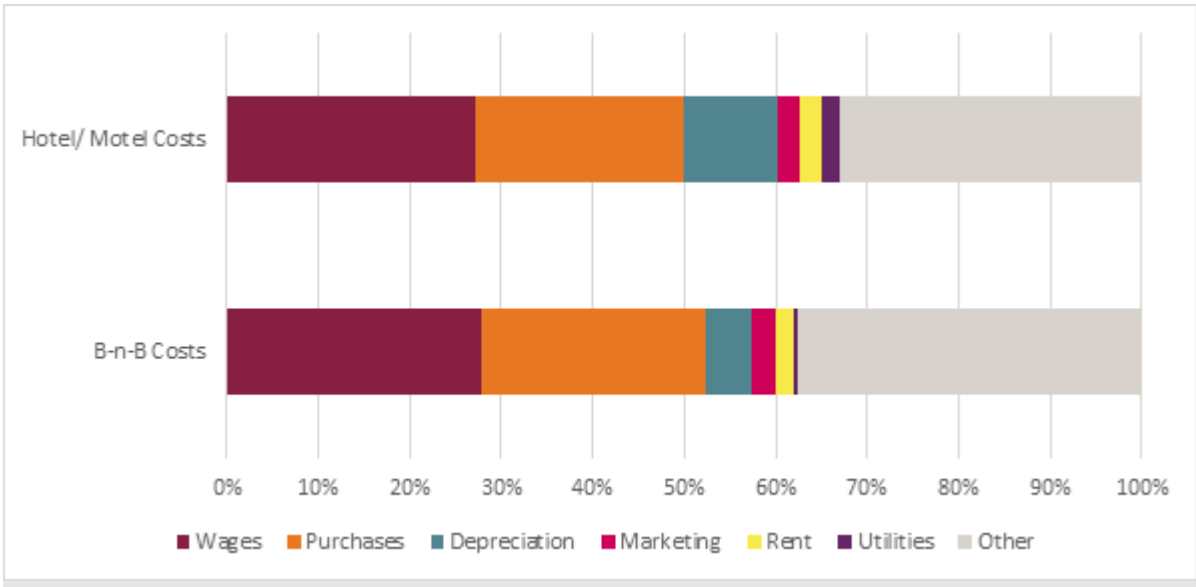
Lodging occupancy rates are forecasted to increase across the nation, state, and region between 2021 and 2022 as the travel industry recovers. In June of 2021, the national occupancy rate was 66%. The rate increased by 4% by June 2022. The state of Virginia saw similar occupancy rates—the rate increased from 64% in 2021 to 71% in 2022. Meanwhile, the occupancy rate in the Virginia Mountain region was slightly lower than national and state. The regional occupancy rate in 2021 was 60% and grew to 63% in 2022.

**Operational Cost Structure**

Of the total revenue generated, the national hotel/motel industry saw an annual profit of 17.5% in 2022. Meanwhile, the bed-and-breakfast industry saw smaller profit margins, at 4.4%. This is likely due to economies of scale; operators in the hotel/motel industry range from small-scale properties to properties with over 500 rooms. In 2022, operators with between 75 and 299 guest rooms are expected to contribute 45% of total national revenue. Meanwhile, bed-and-breakfast properties tend to be smaller in scale, ranging between 2 and 40 rooms. Operating on a larger scale allows hotels and motels to save on costs and achieve a higher profit margin as compared to bed-and-breakfasts.

Wages presented the largest annual operating expense category for both the hotel/motel and bed-and-breakfast/inn industries, accounting for 26.7% and 22.5% of total costs, respectively. The second greatest expense category for both lodging industries were purchases, such as bedding and room supplies, TVs, chairs, and desks. Other expenses, which include costs such as repairs, taxes paid, and bad debts, accounted for a combined 35% and 25% for the bed-and-breakfast and hotel/motel industries, respectively.

*Figure 1: National Lodging Industry Cost Structure*



Source: IBISWorld US Industry (NAICS) Report 72111, 2022

Profit in the campgrounds and RV Parks industry is expected to total an estimated 21.9% of industry revenue in 2022. Profit margins vary among players in the Campgrounds and RV Parks industry depending on the size of the company's operation, with larger operators benefiting from economies of scale. Geography is another factor that can enhance profit margins because campgrounds and RV parks located near a national park, landmark, lake or other places of interest can charge higher fees. The industry has significant fixed costs associated with maintaining and financing campgrounds. Purchases presented the largest portion of costs for campgrounds and RV parks in 2022. Seasonal operators have to incur these costs even when their businesses are not open to customers, which can hinder margins significantly.

### Employment

The U.S. hotel/motel industry employed 1.4 million people in 2021, showing fast recovery since the 31% decline in jobs following the Coronavirus pandemic in 2020. Employment is predicted to increase by about 25% to 1.7 million people in 2022, surpassing pre-pandemic levels. Growth is expected to continue in the future; national industry employment is predicted to surpass 2 million jobs by 2027.

In Virginia, the hotel/motel industry contributed 30,281 jobs in 2021. Hotel industry employment in the state has decreased 31% since 2015 and is expected to decrease by another 7.8% in 2027. After past modest growth, Virginia hotel industry employment saw a slight decline in 2018, then a steep drop due to the Coronavirus pandemic, where jobs decreased by 33% in 2020 alone. The state has seen a slower recovery in hotel industry employment as compared to the nation. Hotel/motel industry employment in the Alleghany region has also declined over time, from an estimated 65 jobs in 2015 to 55 jobs in 2021, and is expected to decrease another 10% by 2027.

The bed and breakfast industry employed 27,248 people across the country in 2021. Employment for 2022 is expected to increase by 10% to 29,988 jobs. Virginia industry employment was 493 jobs in 2021 and is expected to be 363 jobs in 2022. Employment for the industry has decreased by 15.2% since 2015; however, Lightcast forecasts predict bed-and-breakfast employment in Virginia to practically double (+94.7%) by 2027. County-level employment data were insufficient to predict future changes for the region—Lightcast estimates showed that the bed-and-breakfast industry employed less than 10 people in the Alleghany region in 2021.

The campgrounds and RV industry contributed 82,746 jobs nationally in 2021. The employment in the industry is bouncing back from the 20% decline in jobs when the pandemic hit in 2020, and growth is expected to continue by another 15% in 2027. Virginia industry employment shows the pattern similar to that of the nation, with growing somewhat more rapidly at the rate of 19%. County-level employment data were insufficient to predict future changes for the region as the industry employed less than 10 people in 2021, according to Lightcast.

*Table 2: Changes in Employment for Lodging Industries, 2015-2027*

	Allegheny Highlands		Virginia		United States	
	Hotel/motel	BNB	Hotel/motel	BNB	Hotel/motel	BNB
2015 Jobs	65	<10	43,770	581	1,578,039	26,750
2021 Jobs	55	<10	30,281	493	1,386,119	27,248
2027 Jobs (forecast)	49	<10	27,933	959	2,202,600	35,148

Source: Lightcast Industry Report Estimates, 2022

Table 3: Changes in Employment for Campgrounds and RV Parks, 2015-2027

	Allegheny Highlands	Virginia	United States
2015 Jobs	<10	1,624	83,648
2021 Jobs	<10	1,548	82,747
2027 Jobs (forecast)	<10	1,848	94,817

Source: Lightcast Industry Report Estimates, 2022

At the state level, average earnings per job in the hotel/motel industry between 2015 and 2022 were \$36,144. Average earnings for the industry in the Allegheny region were lower, at \$24,951. Meanwhile, average earnings for the bed-and-breakfast industry trended higher in comparison. Average earnings per bed-and-breakfast job in Virginia were \$36,276. Average earnings per job for the Allegheny Highlands region were unavailable at the time of this study. Average earnings per job for the campgrounds and RV parks industry were \$33,311, lowest among the three industries. Average earnings for the Allegheny Highlands region were unavailable.

**Establishments and Supply**

VTCECE gathered information from the Allegheny Highlands Chamber of Commerce & Tourism and the Google Travel online site to provide an updated inventory of existing lodging establishments in the region. As of 2022, there were 12 commercial lodging establishments in operation, supplying a total of 337 rooms in the region. Of total rooms, 241 were ranked 3 stars or above by average online reviews, and 94 were ranked 4 stars or above. Based on pricing for the fourth quarter of CY2022, room rates ranged from \$59 to \$315 across all establishments.

Table 4: Commercial Lodging Establishments, Rooms and Price

Establishment	Room #	Price Range (\$)²
Hill Crest B&B	10	\$250-315

² Price range indicates a range of price per night as observed during weekdays and weekends in Q4 of 2022.

Red Lantern Inn <sup>3</sup>	8	\$95-115
Ridgely Bed & Breakfast <sup>4</sup>	4	\$119-159
Evergreen Inn <sup>5</sup>	4	\$125-150
Cliffview Golf Club & Inn	9	\$115-115
Hampton Inn	63	\$118-222
Quality Inn	49	\$59-88
Travel Lodge	30	\$83-118
Budget Inn	21	\$79-85
Magnuson Hotel	77	\$124-138
M Star Hotel	43	\$63-106
Highland Motel	19	\$85
The Railroader <sup>6</sup>	10	N/A

*Source: Google Travel, 2022*

The following figure illustrates the current inventory and location of commercial lodging establishments in the region.

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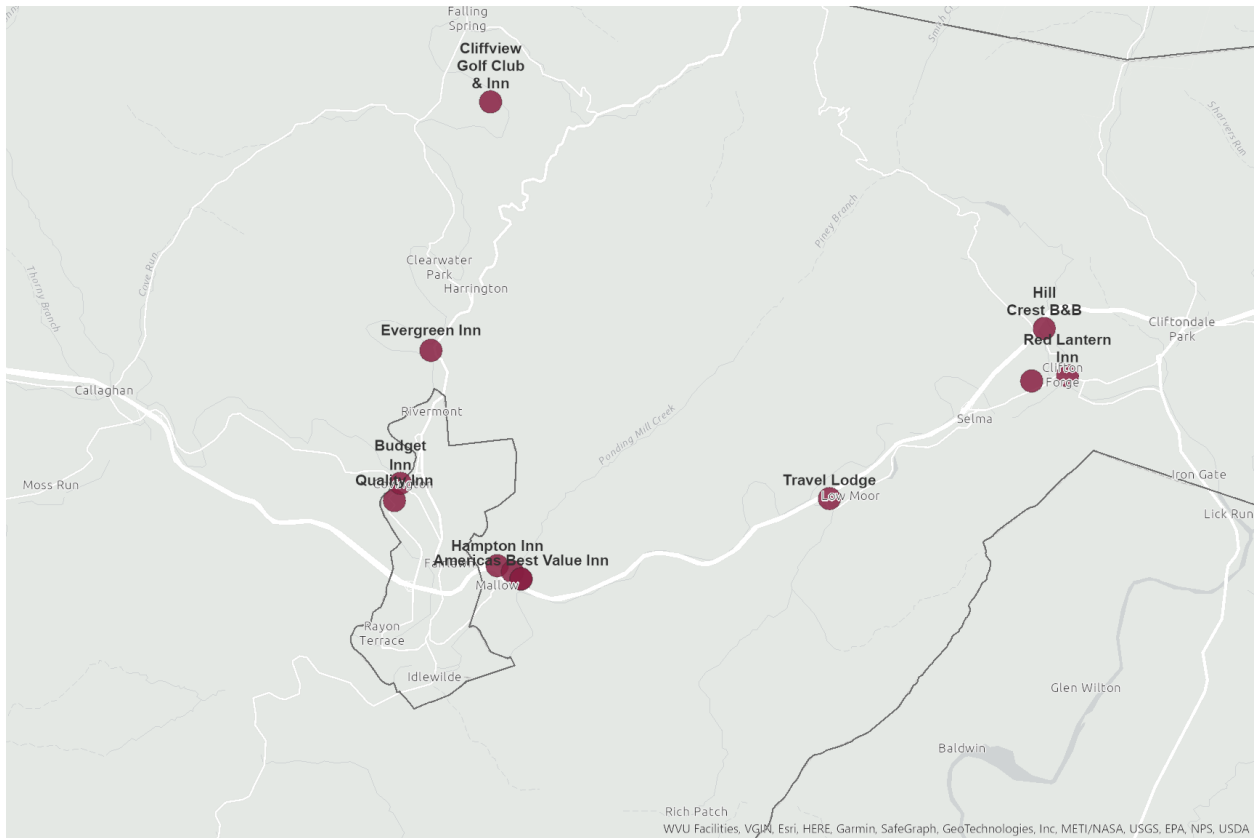
<sup>3</sup> Red Lantern Inn also books through Airbnb with the option to rent the entire home and/or private room for an average of \$614 and \$85 a night, respectively.

<sup>4</sup> Ridgely Bed & Breakfast also books through Airbnb with the option to rent the entire home and/or garden cottage for an average of \$726 and \$130 a night, respectively.

<sup>5</sup> Evergreen Inn also books through Airbnb with the same price range.

<sup>6</sup> At the time of this study, the Railroader was in the development phase, with an estimated 10 rooms to come online in the future.

Figure 2: Google Earth Commercial Lodging Map



As of 2022, there were 24 Airbnb units with 62 rooms in operation, accommodating about 141 guests in the region. Available options for Airbnb include private rooms, guest suites/cottages, cabins, and apartment/housing units. Based on pricing for the fourth quarter of CY2022, Airbnb rates ranged from \$40 to \$83 for private rooms and \$90 to \$280 for entire units.

Table 5: Airbnb Lodging, Rooms and Price

Unit	Location	Type	Guests	Bedrooms	Price per Night (\$)
Alley Way	Clifton Forge	Cottage	4	1	\$114
Jo Ann's Airbnb "Cozy Cottage"	Clifton Forge	House Unit	4	2	\$125
Kristen's Airbnb	Clifton Forge	Cottage	3	1	\$105
Reva's Airbnb "Quiet Retreat"	Clifton Forge	House unit	4	2	\$90
Shauna's Airbnb #1 "Third Floor"	Clifton Forge	Apartment Unit	4	2	\$130
Shauna's Airbnb #2 "Guest House + Third Floor"	Clifton Forge	Apartment Unit	8	4	\$200

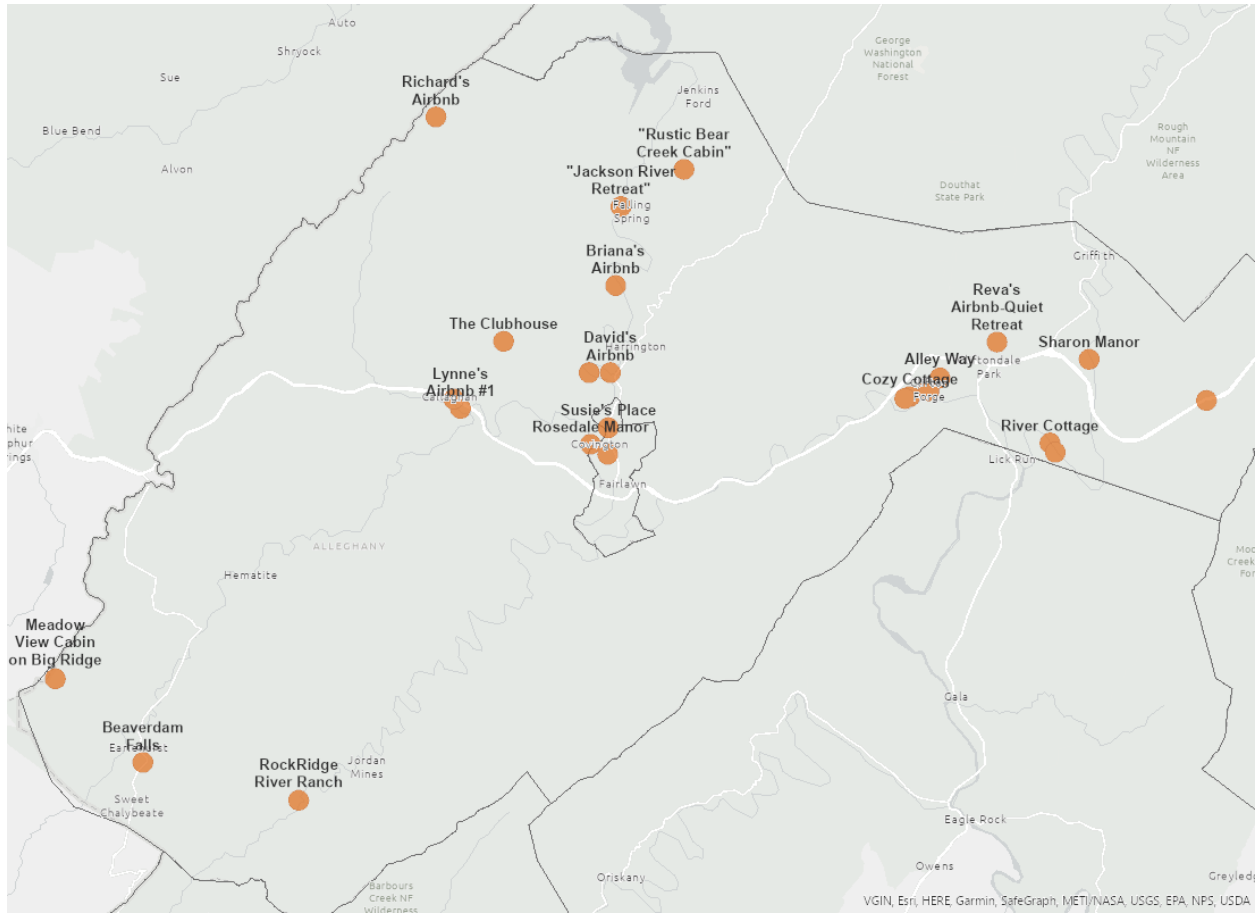


Shauna's Airbnb #3 "The Guest House"	Clifton Forge	Apartment Unit	5	2	\$125
Briana's Airbnb	Covington	House unit	8	4	\$211
Susie's Place	Covington	House Unit	6	3	\$125
Lynne's Airbnb #1	Covington	House unit	6	4	\$225
Lynne's Airbnb #2 "The Clubhouse"	Covington	Small House unit	2	1	\$150
David's Airbnb	Covington	Cottage	4	2	\$219
Terry's Airbnb	Covington	Guest Suite	4	2	\$105-115
Ann's Airbnb "Rosedale Manor"	Covington	Private Room	2	1	\$40-75
Bill's Airbnb	Covington	Private Room	2	1	\$50-83
Evolve Hospitality "NEW! Spacious Virginia Retreat w/ Mountain Views"	Clifton Forge	Entire home unit	9	4	\$217
Sandy's Airbnb "Cozy Mountain House"	Covington	Entire home unit	6	3	\$190
Richard's Airbnb	Covington	Cabin	9	3	\$250
Joan's Airbnb #1 "River Cottage"	Clifton Forge	Entire home unit	8	4	\$218
Joan's Airbnb #2 Bridge House	Clifton Forge	Entire home unit	8	4	\$264
Erin's Airbnb "Sharon Manor"	Clifton Forge	Entire home unit	16	4	\$248
Jeff's Airbnb "RockRidge River Ranch"	Covington	Cabin	5	2	\$279
Beaverdam Falls	Covington	Cottage	4	2	\$250
"Jackson River Retreat" Nella's Airbnb	Covington	Cabin	5	3	\$205
"Rustic Bear Creek Cabin" Chezley's Airbnb	Covington	Cabin	4	1	\$179
Meadow View Cabin on Big Ridge Teresa's Airbnb	Covington	Cabin	6	1	\$250

Source: Airbnb website, Q4 2022

Figure 3 below illustrates the location of Airbnb lodging options that are available in the region.

Figure 3: Airbnb Lodging in Allegheny Highlands, 2022



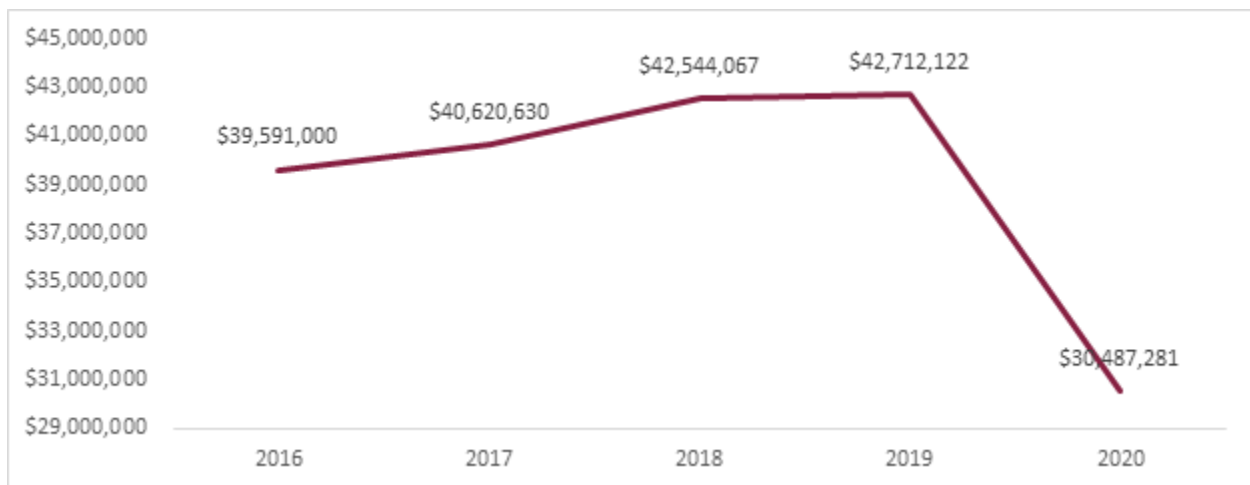
### Travel and Visitor Trends in Virginia

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. This industry includes accommodation and food services, as well as arts, entertainment, and recreation. It is one of the top 5 industries by employment in the Alleghany Highlands region, accounting for 624 jobs in 2021. This industry has decreased over time, with employment shrinking by 12% since 2015. However, Lightcast forecasts predict employment to grow by approximately 12% by 2027, to an estimated 697 jobs. Accommodations and food service, specifically, accounted for 95% of the employment in the regional leisure and hospitality industry.

In 2021, the region had a total of 54 payrolled businesses that fell under the leisure and hospitality industry, according to Lightcast. Industry operators saw \$48.3 million in total sales during that year.

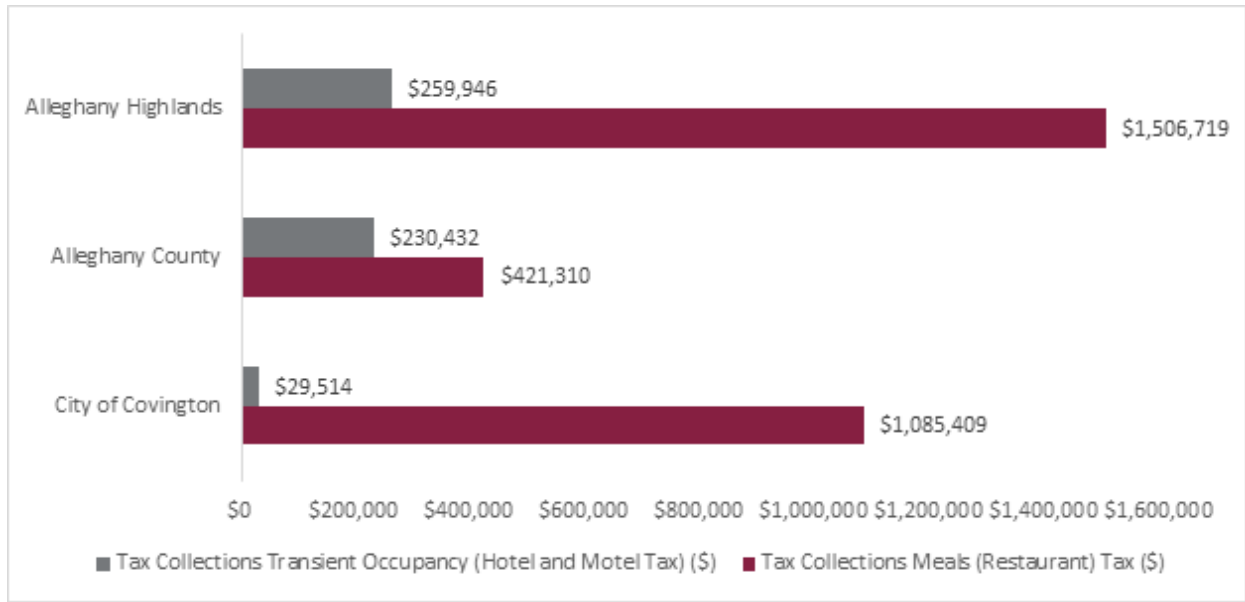
According to most recent Virginia Tourism Corporation data, travel accounted for \$42.7 million in expenditures in the Alleghany Highlands region in 2019. Travel spending in the region brought an estimated impact of \$1.9 million in local tax revenue and \$1.3 million in state tax revenue in 2019. Tax collection data from Alleghany County and the City of Covington showed a combined total of \$259,946 in hotel/motel taxes collected in 2019. By comparison, the city of Lexington, VA, which often draws overflow visitors unable to find lodging in the Alleghany region, captured \$556,930 in hotel/motel tax revenue in 2019—more than double that of the region. The Alleghany region also captured \$1.5 million in meals taxes in 2019.

Figure 4 Travel Expenditures, Alleghany Highlands, 2016-2020



Source: Virginia Tourism Corporation

Figure 5: Meals and Transient Occupancy Tax Collections, 2019



Source: Auditor of Public Accounts

Travel expenditures and tax revenues dropped drastically across the board in 2020 as a result of the Coronavirus pandemic and ensuing nation-wide shutdowns and travel restrictions. However, preliminary data suggest that outdoor tourism flourished during the pandemic, and overall travel demand is recovering following the post-pandemic easing of restrictions.

Research indicated that travel in the Alleghany region is seasonal, with the busiest season being summer and fall, especially through weekends. Weeknight overnight stays are much less frequent.

#### *Outdoor Recreation and Sports Travel*

The Alleghany region draws both residents and visitors to participate in various outdoor recreation opportunities as well as cultural and entertainment events. The Alleghany Highlands region is home to Douthat State Park, which draws over 100,000 visitors annually. Although visitation to Douthat State Park declined slightly during the pandemic, from 133,774 visitors annually in 2019 to 112,217 visitors in 2020, it continues to serve as a popular destination.<sup>7</sup> The Jackson River Scenic Trail saw approximately 6,500 visitors during 2021, at an average of 18 visitors per day.<sup>8</sup> As of April of 2022, trail counters showed approximately 1,500 visitors total since the start of the year, with average daily traffic of 13 visitors.

<sup>7</sup> Virginia Department of Conservation and Recreation

<sup>8</sup> Roanoke Valley-Alleghany Regional Commission. 2021 Trail Count Report.

In 2021, the annual “Agony in the Alleghanies” Gran Fondo drew 201 registered participants. The event for 2022 had 166 registered participants.<sup>9</sup> The Jackson River Scenic Trail marathons also drew visitors, with 383 registered participants in 2021 and 335 in 2022. The Lake Moomaw Open Water Swim—another annual outdoor event—saw 85 participants registered in 2021 and 81 in 2022. Higher participation in these events in 2021 likely reflects the spike of pent-up demand for recreation and group events seen across communities following the Coronavirus pandemic. Additionally, the Adventure X-Fest tends to draw an estimated 100 to 150 participants annually, with an additional 50 personnel attending to staff the event. With outdoor assets and events serving as key tourism drivers in the Alleghany region, travel tends to be largely seasonal, with the spring, summer, and, particularly, fall being the busiest, especially during weekends. The region has little lodging vacancy during the fall weekends as visitors come to witness the leaves changing and enjoy various outdoor activities.

Recreational sports also bring a large influx of visitors to the region. Travel ball teams often travel throughout Alleghany and the greater region for tournaments. During a tournament weekend, an estimated 40 to 60 teams may congregate at the Jackson River Sports Complex. According to the Covington Department of Parks and Recreation, a single team and their accompanying family members total an estimated 50 to 100 people. During tournaments, where 40 to 60 teams may be competing, this amounts to between 2,000 and 6,000 people attending, not including event staff or other attendees such as referees.

#### *Special Event Travel*

The Historic Masonic Theatre serves as a destination for culture and entertainment for both residents and visitors. According to a pre-pandemic Roanoke Valley-Alleghany Regional Commission (RVARC) economic impact study, the theater saw 7,849 visitors for ticketed events, and an additional 22,000 for rentals and special events, such as weddings, in 2018.

Weddings held in the region are also a contributor of lodging demand in the region. Wedding parties ranging between 25 to 225 people typically book venues, such as Glen Haven Farms, and lodging, far in advance. Glen Haven Farms staff estimated 30 weddings are held at the property annually.

#### Visitor Characteristics

VTCECE analyzed travel trends and visitor characteristics from the Virginia Tourism Corporation to better understand visitors’ background and behaviors. Visitor profiles and behaviors serve to inform the target market segments that might drive demand for additional lodging in the region. Most recent available data from VTC showed travel trends for the state for CY2021, while most recent data available at the regional level was from CY2019. Visitor trend data also include data gleaned from a 2022 outdoor tourism survey completed by the Roanoke Valley-

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<sup>9</sup> Alleghany Highlands Chamber of Commerce

Alleghany Regional Commission (RVARC), which surveyed a sample of 73 respondents visiting the Alleghany Highlands region.

*Statewide Travel*

Travelers who stayed in paid accommodations (including hotels, motels, inns, bed-and-breakfasts, resorts, and Airbnbs) when visiting Virginia were of diverse age groups. Approximately half were under the age of 45. The average age of travelers to the state in 2021 was 46 years.

*Table 6: Virginia Visitors by Age, 2021*

Age	Virginia (2021)
18-24	11.3%
25-34	18.8%
35-44	20.5%
45-54	17.4%
55-64	15.2%
65+	16.8%
<b>Mean</b>	<b>46</b>

*Source: Paid Accommodations Travel Profile, Virginia Tourism Corporation, CY 2021*

The majority (60%) of travelers to Virginia in 2021 had an educational attainment level of college graduate or higher. Educational attainment correlates with higher earnings, which in turn correlates with more travel.

*Table 7: Virginia Visitors by Educational Attainment, 2021*

Education Level	%
Post-Graduate	23.1%
College Graduate	37.1%
Some college	16.4%
High school or less/ Other	23.3%

*Source: Paid Accommodations Travel Profile, Virginia Tourism Corporation, CY 2021*

Visitors to Virginia tended to have greater incomes on average. Over a quarter of visitors to Virginia had an average household income of \$100k or higher. About 36% had an average household income between \$50k-\$100k. Notably, approximately 10% of travelers had an average household income below \$20k.

*Table 8: Virginia Visitors by Income Bracket, 2021*

Mean Household Income	%
Under \$20,000	10.4
\$20,000-\$29,999	9.6
\$30,000-\$39,999	8.0

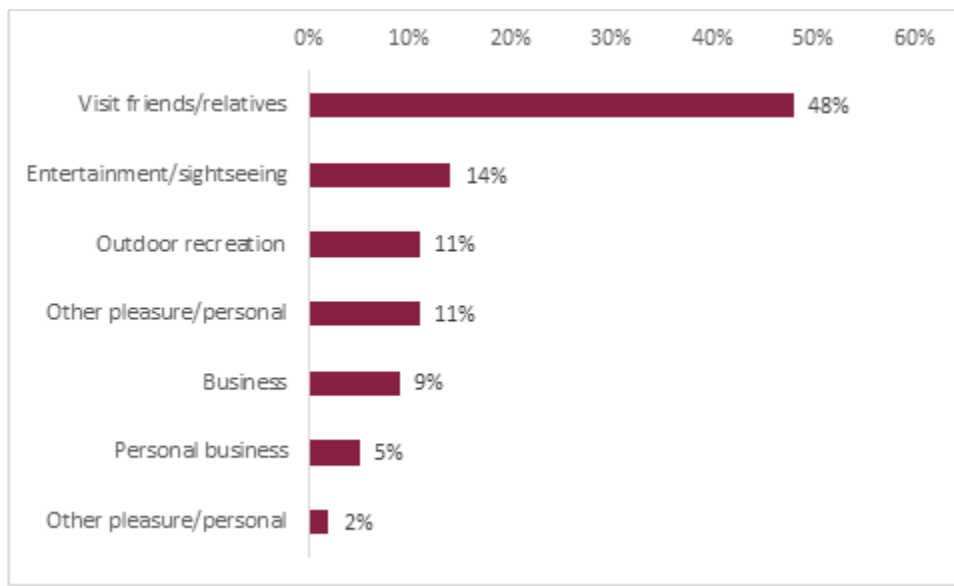
\$40,000-\$49,999	8.1
\$50,000-\$74,999	22.2
\$75,000-\$99,999	14.1
\$100,000-\$149,999	19.4
\$150,000-\$249,999	6.2
\$250,000 and over	1.9

Source: Paid Accommodations Travel Profile, Virginia Tourism Corporation, CY 2021

*Virginia Mountain Region Travel*

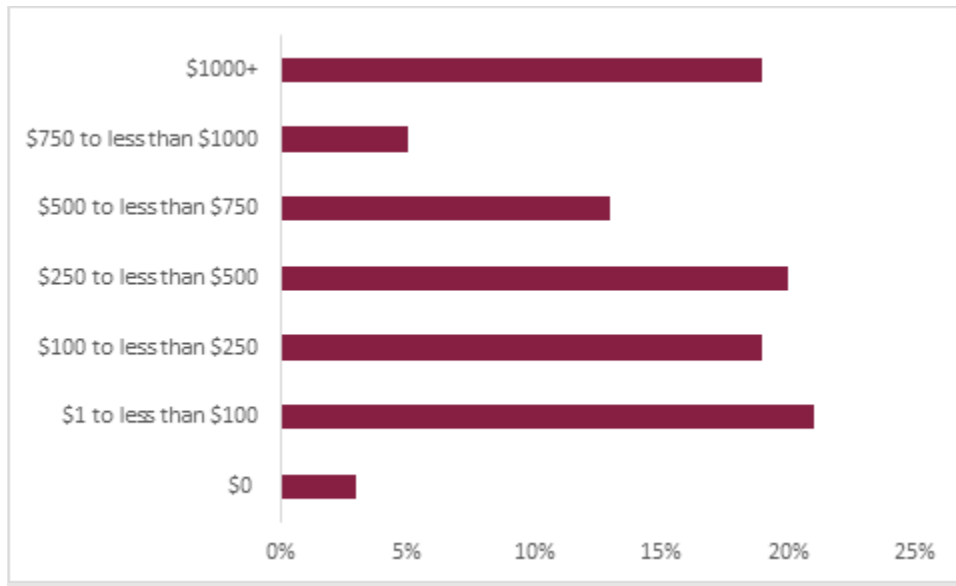
According to Virginia Tourism Corporation’s travel profile for the Virginia Mountains Region in 2019, almost half of visitors to the region came for the purpose of visiting friends/relatives. Other common purposes for visiting the region included entertainment/ sightseeing (14%), outdoor recreation (11%), and other pleasure/ personal purposes (11%). This indicates that many visitors are likely to have family or personal connections in the region, which may reduce their need or amount spent on lodging. This aligned with travel spending as well, which showed that about 63% of the travel parties visiting the region in 2019 spent less than \$500. That said, 19% of the travel parties spent more than \$1000 per trip, which implies that the travelers in this group contributed most of the travel spending in the region considering the average spending per travel party in 2019 was \$641. Travel parties tended to spend an average 3.6 nights per trip. The average travel party size was 2.7 people.

Figure 6: Primary Purpose of Trip, Virginia Mountains Region, 2019



Source: Virginia Tourism Corporation

Figure 7: Travel Party Spending, Virginia Mountains Region, 2019



Source: Virginia Tourism Corporation

About 36% of travel parties visiting Virginia Mountains Region in 2019 were from Virginia, followed by North Carolina (8%), Maryland (7%), and Philadelphia (7%). Looking at the designated market area level, 17% of the travelers were from Washington, DC (Hagerstown) and 10% from Roanoke-Lynchburg area.

Table 9: Top Traveler Origins, Virginia Mountains Area, 2019

Top Travel Party Origin by State		Top Travel Party Origin by Designated Market Area	
Virginia	36%	Washington, DC (Hagerstown) <sup>10</sup>	17%
North Carolina	8%	Roanoke-Lynchburg	10%
Maryland	7%	Richmond-Petersburg	6%
Philadelphia	7%	Philadelphia	6%
West Virginia	5%	Norfolk-Portsmouth-Newport News	5%
New York	5%	New York	4%
South Carolina	4%	Greensboro-High Point-Winston Salem	3%
Florida	3%	Charlotte	3%
California	3%	Bluefield-Beckley-Oak Hill	3%

<sup>10</sup> Defined in Virginia Tourism Corporation data materials as the Designated Market Area containing the Washington, DC Metropolitan Statistical Area as well as Hagerstown, MD and Washington County, MD



New Jersey	3%	Baltimore	3%
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Source: Virginia Tourism Corporation

About 86% of the visitors in 2019 traveled the region in their owned automobiles or rental cars and 6% traveled by plane according to Virginia Tourism Corporation. This confirms the drive-mile as a best criterion for recognizing market segments.

VTCECE also updated traffic count data from the previously completed 2017 lodging study with most recently available Virginia Department of Transportation (VDOT) data. In 2021, the annual average daily traffic (AADT) volume of 2 and 4 tire vehicles on Interstate 62 in Alleghany County was 15,000, according to calculations using (VDOT) traffic count data.

Visitors to the Virginia Mountain Region were of diverse age groups. Approximately 38% were under the age of 35. This aligned with the growing outdoor recreation and tourism industry in the area—outdoor enthusiasts interested in adventure tourism tend to be somewhat younger.

Table 10: Virginia Mountain Region Visitors by Age, 2019

Age	Virginia Mountain Region (2018-2019)
18-24	14.2%
25-34	23.4%
35-44	12.1%
45-54	15.8%
55-64	18.1%
65+	16.5%
<b>Mean</b>	<b>45</b>

Source: Virginia Tourism Corporation

Visitors to the region were highly educated: over 52% had at least a Bachelor’s degree. An additional 23.5% had attended some college, and about 11% had an Associate’s degree.

Table 11: Virginia Mountain Region Visitors by Educational Attainment, 2019

Education Level	Virginia Mountain Region (2018-2019)
Post Graduate Degree – (MS, MBA, MD, PhD, etc.)	22.0%
Graduated College - Bachelor's degree (4 year)	30.5%
Graduated College - Associate's degree (2 year)	10.9%
Some College - no degree	23.5%
Graduated High School	10.6%
Some High School	2.3%

Source: Virginia Tourism Corporation

Visitors also had higher levels of income, which correlates with discretionary travel. Approximately 55% had an annual household income greater than \$75k, and 35% had annual household incomes greater than \$100k.

Table 12: Virginia Mountain Region Visitors by Income Bracket, 2019

Annual Household Income	Virginia Mountain Region (2018-2019)
Under \$10,000	2.8%
\$10,000-\$14,999	1.2%
\$15,000-\$19,999	1.4%
\$20,000-\$24,999	1.5%
\$25,000-\$29,999	4.8%
\$30,000-\$34,999	5.0%
\$35,000-\$39,999	2.2%
\$40,000-\$49,999	5.9%
\$50,000-\$59,999	8.5%
\$60,000-\$74,999	12.0%
\$75,000-\$99,999	19.7%
\$100,000-\$124,999	16.3%
\$125,000-\$149,999	9.4%
\$150,000-\$199,999	5.1%
\$200,000 +	4.3%
<b>Median</b>	<b>\$87,500</b>

Source: Virginia Tourism Corporation

#### Alleghany Highlands Region Travel

VTCECE also reviewed data from the 2022 outdoor tourism survey conducted by RVARC, which included 73 responses from visitors to the Alleghany Highlands during the year. This survey revealed that 34% of visitors to the region stay overnight in the region. Other respondents indicated that they stayed outside of the Alleghany Highlands region when visiting: 18% stayed overnight in West Virginia, 11% stayed in the Roanoke area, 11% stayed in Bath County, 3% stayed in the Lexington/Rockbridge area, and 23% stayed in other areas not indicated.

#### Business Travel

In the Alleghany Highlands, business travelers constitute a key market, with an estimated 400-600 visitors coming to the region annually for WestRock, Ingevity, Schaefer Rolls, and to visit the Mountain Gateway Community College, the Lewis-Gale hospital, and the local public schools. Many contractors, corporate travelers, and other business visitors are limited in their lodging options—they are required by their administrations to spend no more than a specific amount per night, or not to exceed the statewide government rate. The U.S. General Services Administration (GSA) establishes the per diem lodging rates that federal and state agencies use to reimburse their employees for travel expenses. In 2022, the Alleghany Highlands region had a government nightly rate of \$96, the standard rate across the state.<sup>11</sup> With the lack of

<sup>11</sup> Retrieved from U.S. General Services Administration: [https://www.gsa.gov/travel/plan-book/per-diem-rates/per-diem-rates-results/?action=perdiems\\_report&state=VA&fiscal\\_year=2022&zip=&city=covington](https://www.gsa.gov/travel/plan-book/per-diem-rates/per-diem-rates-results/?action=perdiems_report&state=VA&fiscal_year=2022&zip=&city=covington)

establishments that provide this rate, business visitors that require the special rate typically stay outside of the Alleghany Highlands region.

VTCECE examined Virginia Tourism Corporation (VTC) traveler profiles for business travel in Virginia in 2021. Business trips were defined as “overnight trips of 50+ miles, one-way, with one or more nights away from home for business purposes including meetings, conventions, conferences, and trade shows.” A majority (71%) of business travelers taking overnight trips in the state spent 4 nights or fewer in accommodations. Over 25% only spent a single night during a business trip.

*Table 13: Business Travel in Virginia, Nights Spent Away, 2021*

Number of Nights	%
1	26.7%
2	21.0%
3-4	23.3%
5-6	9.3%
7-13	8.7%
14-20	2.6%
21+	8.5%
14+	11.1%
<b>Mean</b>	<b>5.4</b>

*Source: VTC Travel Profiles, Longwoods International, CY 2021*

A large majority (62%) of business travelers stayed in hotels during trips in Virginia in 2021. This is likely due to the special rates as well as designated business amenities, such as conference rooms and business centers, that hotel chains and operators are able to provide to visitors. A smaller portion stayed in motels (16.5%), rented accommodations (such as Airbnbs) (7%), or other types of accommodations (12%).

*Table 14: Type of Lodging for Business Trips in Virginia, 2021*

Lodging Type	%
Home of friends / relatives	4.5
Resort hotel	5.5
Rented home / condo / apartment	7.1
Bed & breakfast	5.7
Time share	3.5
Country inn / lodge	5.9
Other	11.9
Hotel	61.7

Motel	16.5
Campground / RV park	4.9
Rented cottage / cabin	3.9
Own condo / apartment / cabin / second home	4.7
Boat / cruise ship	4.7

Source: VTC Travel Profiles, Longwoods International, CY 2021

Business travelers to Virginia tended to be younger than travelers visiting for leisure or other purposes. Over a third were under the age of 35, and 25% were between the ages of 45 and 54.

Table 15: Business Travelers to Virginia by Age, 2021

Age	%
18-24	13.0%
25-34	23.1%
35-44	13.8%
45-54	25.4%
55-64	12.6%
65+	12.1%
<b>Mean</b>	<b>44</b>

Source: VTC Travel Profiles, Longwoods International, CY 2021

Business travelers had higher levels of educational attainment as compared to other travelers. Almost 70% had an educational attainment level of college degree or more.

Table 16: Business Travelers in Virginia by Education Level, 2021

Educational Attainment Level	%
Post-Graduate	19.2%
College Graduate	48.9%
Some college	13.7%
High school or less/ Other	18.2%

Source: VTC Travel Profiles, Longwoods International, CY 2021

Business travelers to and within Virginia also had higher household incomes. Approximately 31% had annual household incomes of \$100k or more in 2021. This aligned with the existing correlation between higher educational attainment, income, and employment.

Table 17: Business Travelers by Age, 2021

Annual Household Income	%
Under \$20,000	5.6%

\$20,000-\$29,999	9.4%
\$30,000-\$39,999	12.2%
\$40,000-\$49,999	4.0%
\$50,000-\$74,999	24.5%
\$75,000-\$99,999	13.8%
\$100,000-\$149,999	20.5%
\$150,000-\$249,999	8.5%
\$250,000 and over	1.5%

*Source: VTC Travel Profiles, Longwoods International, CY 2021*

## Current Conditions

Over the course of a month, the Virginia Tech Center for Economic and Community Engagement and the Alleghany Highlands Chamber of Commerce conducted three focus group sessions and fifteen interviews to explore and better understand current trends and conditions of the regional lodging industry. Overall, more than 20 stakeholders participated in discussions of topics including outdoor tourism, sports travel, lodging management, arts and attraction, and business travel. This section details key themes, issues, and opportunities gleaned from interviews and focus groups regarding the conditions of the lodging industry in the Alleghany Highlands region.

### The Region

#### Strengths and Assets

Sessions began with discussing the current conditions that participants are observing and experiencing in the region. Individuals were asked to think about the strengths and assets that appeal to those living, visiting, and doing business in the Alleghany Highlands. Participant responses overwhelmingly applauded the natural beauty and outdoor recreation that is available. Destinations such as Lake Moomaw, Douthat State Park, Cowpasture River, and Jackson River Scenic Trail were mentioned for having commendable fishing, cycling, running and events such as the Adventure XFest, Gran Fondo, and more.

*“It’s the feeling of being somewhere special, we’re between the Homestead and Greenbrier, it’s resort country”*

*“We have some of the best biking and hill cycling in the state”*

*“We recommend Twin Rivers or renting kayaks from Alleghany Outfitters”*

*“The region has great events like Gran Fondo, and the Mountain Mama races”*

Numerous participants also discussed the strong travel baseball and softball programs in the region, with the Jackson River Sports Complex serving as a valuable amenity for both residents and visiting teams.

In addition to numerous outdoor recreation assets, several participants commented on the ongoing improvement in regional cooperation, stating that community members and leaders in the region often pull together to create forward momentum. Participants indicated the general willingness for economic development and tendency to rally together.

*“We can really pull together when the chips are down”*

*“People are welcoming in a time of crisis”*

Interview and focus group participants felt the character of the Alleghany Highlands community was a strength. They indicated that visitors often admire the slower pace of life and the friendly, quaint small-town charm that the region offers. Many participants also mentioned the region’s low cost of living as an advantage.

*“They [visitors] love communities with their own character; places like Clifton Forge that are busy, scenic, friendly”*

When asked about the opportunities that are available for the region, some participants felt Alleghany County was in a fortunate educational position with the consolidation of school systems, believing it would bring opportunity over time. Participants also noted the benefits that the higher educational institutions bring to the region. Others commented on the value of the Masonic Theatre and potential improvements that would help bolster visitation.

*“We need to improve on the community festivals and events...it used to be a big draw.”*

There is also growing interest in the interactive opportunities that the Railroad Museum provides and the region’s railroad heritage, which interviewees felt could be leveraged for other arts and recreation attractions.

Finally, the Alleghany Highlands’ regional location was highlighted as a strength and opportunity. Its proximity to larger city destinations lends itself to a variety of daytrips and activities, potentially drawing visitors for day trips or small extended stays to enjoy the region’s assets.

#### **Weaknesses/Challenges/Needs**

Sessions continued with discussing the current weaknesses or challenges that participants perceived in the region. Almost all participants commented on the inventory of restaurants and retail, citing the need for more variety, longer hours, and improved quality.

*“There is a need for more retail that supports the tourism industry”*

*“We need places [restaurants] to go out but also the availability to order in”*

*“I’d like to see more bakeries and cafes or welcoming bars that people would visit to wind down”*

Multiple participants described the limited variety of cuisine and short operating hours as a deterrent for visitors, particularly business or other weekday travelers that may be looking for a sit-down lunch or dinner option.

Some participants also reflected on how residents and businesses view their community in a negative way. Participants indicated a lack of awareness of existing assets and opportunities that has led to a negative self-image.

*“We are our own worst enemy...it becomes a self-fulfilling prophecy...”*

Interviewees and focus group attendees felt that aesthetics could be further improved to draw in visitors. One individual explained how better branding and wayfinding signs would help visitors locate attractions that highlight the region’s beauty and steer them away from the large amount of dilapidated buildings.

*“There needs to be more downtown curb appeal”*

*“We need to have higher standards for our town aesthetics. We need to be more welcoming”*

Similar to many communities across the country, the Alleghany Highlands region is experiencing a declining population and lack of quality workforce. Business owners cited difficulty finding quality staff members that could sustain job positions. Some participants expressed interest in inviting more individuals with diverse backgrounds and populations that have experienced displacement to diversify the community.

Existing workforce, students, and other regional residents face a lack of quality housing options, according to interviewees and focus group participants. For instance, some participants noticed college students taking residence at lodging establishments due to insufficient student housing opportunities. This has impacted lodging in the region, contributing to the shortage, which almost every stakeholder mentioned as a significant challenge.

Finally, some participants requested increased support for new businesses and investment opportunities. One participant explained how one local bank was not user friendly when discussing loan options. Participants stressed the important of increased cooperation due to the limited resources in small towns.

*“We need to have a united voice for the region – one that promotes economic development”*

## Alleghany Highlands Lodging

### Quality and Availability

CECE asked interview and focus group participants to comment on the availability and quality of lodging in the Alleghany Highlands region. Participants were in consensus about the gradual decline of commercial lodging options in the region. For instance, the Comfort Inn was first described as a very nice place to stay; however, over time, the franchise was lost and the Inn went under. Some participants noted a similar trend at the Magnuson, formerly the Best Western, which has seen gradual decline over time.

Many participants also indicated a lack of range of lodging options at affordable price points. Participants explained that visitors passing through for a night, travel ball families, or other travelers looking for a basic, comfortable stay may not be willing to pay the prices associated with higher-end amenities and/or resort-like establishments.

Furthermore, several participants noted that there is a shortage of commercial lodging establishments that accept state rates or other special rates for business travelers. One interviewee explained that some business travelers with administrative flexibility might stay in the bed-and-breakfasts or Airbnbs available, but most turn to lodging options outside of the region that align with the state rates. Participants unanimously shared that the existing lodging options were insufficient for the demand from visitors. Multiple participants mentioned that accommodations are often booked out months in advance for weekend stays, particularly during the fall season. During the focus groups, stakeholders mentioned challenges such as decreased participation in sporting events due to race participants, bikers, and others not being able to find lodging. Additionally, several interviewees indicated that large parties often



contend for weekend stays at small-scale establishments; wedding parties, travel ball teams, or other large groups may compete with recreational weekend visitors for available lodging. Overall, participants indicated that visitors unable to find lodging within the region typically flow over to the Lexington/Rockbridge County, VA, and Lewisburg, WV, areas.

Locally-run Airbnb and B&B accommodations have increased and expanded over time in the region. Several bed-and-breakfasts and inns also use the Airbnb platform to book stays for guests. However, participants felt that greater Airbnb awareness and marketing is needed to capitalize on the travelling market.

*“There have been more and more Airbnbs. People are buying second or third homes and renting them out.”*

*“There are Airbnbs, and stays on the river, but the word is not out.”*

Many participants commented on the importance of the character of the stay. Participants frequently mentioned that visitors acknowledged and valued unique character, charm, comfort, and hospitality for their choice of stay. Several participants mentioned local and regional efforts to promote smaller establishments to visitors, such as The Evergreen Inn for business travel, The Hillcrest for pleasure opportunities, or The Red Lantern Inn for hospitality and convenience. There was some concern about the impacts of potential larger operators in the community.

#### Visitor Trends

Participants were asked to describe the visitors that typically stay at the establishments in the Alleghany Highlands region. Most found that their visitor demographics were very diverse, with travelers coming from various states throughout the United States and even beyond. One participant even mentioned visitors travelling from New Zealand and Australia. Similarly, the age range of visitors was also diverse. Participants stated that various groups including young active couples (25+ years), travel ball teams with young children and families, as well as retirees were drawn to exploring the region. Several lodging operator participants also noted that a significant portion of their visitors were repeat visitors, who often advertised to others by word of mouth.

*“Couples visit the Alleghany Highlands region to get out of the city.”*

*“Wedding parties often rent whole houses, cottages or Inns to stay in the area.”*

*“[We] get a lot of repeat visitors...some that travel from Ohio to Virginia Beach, where we are the halfway point...”*

*“We’ve had guests visit from Delaware to listen to the music scene. A handful of them stay overnight when there is an event.”*

When asked about the reasons people come to visit the region, interview and focus group participants cited weekend outdoor getaways as one of the most frequent reasons for visiting. Outdoor recreation and beauty appealed to wedding events, through-travelers, and enthusiasts seeking activities. The region is known to have exquisite fall foliage in the autumn months, which usually wraps up the region’s busy season, spring through fall. Participants also indicated

sports travel as a popular reason, with teams and families coming to the region for the Jackson River Sports Complex and weekend baseball and softball tournaments. Other participants indicated business travel, where visitors are contractors, freelancers, or serving in internships with employers in the region. A smaller portion of participants also mentioned that some visitors cite visiting family, for reunions and/or other family events, as a reason for coming to the Alleghany Highlands region.

### Amenities and Competitive Factors

Based on interview and focus group responses, CECE found that different market segments of visitors wanted to be in close proximity to different assets when staying in the area. For instance, recreational weekenders preferred accessibility to swimming pools, outdoor activities including baseball games and festivals, proximity to major outdoor destinations, and dining options. Specifically, visitors coming to bike tend to show interest in amenities such as communal mudrooms, secure bike storage, and accessible maintenance and repair stations. Outdoor adventurers interested in camping or RV camping often prioritized access to amenities such as RV water and electric hookups, large-scale accommodation sites, and parking. Meanwhile, business travelers prioritized lodging that offered the state rate and amenities such as a business center. Participants noted that business visitors would not pay more to stay local.

CECE found that lodging operators compete on the factor of cost. Some visitors would splurge for a unique experience, increased privacy, or resort-like amenities. However, other visitor groups, such as large families, business travelers, or certain outdoor adventure groups preferred more affordable stays with simple amenities and were willing to stay in areas outside the region to save on cost. Nonetheless, all participants unanimously indicated that all visitor demographics prioritized cleanliness, safety, and comfort when choosing lodging.

### Needs and Gaps

A majority of participants mentioned “mid-range hotel/motel options” when asked to identify the biggest lodging need or gap in the region. Several participants emphasized that such options would be more affordable, at a mid-range price rate. Many mentioned a desire for more lodging with “name recognition”—potentially a reputable brand or chain hotel with capacity for larger groups of visitors, such as travel ball teams and families. Some participants added that mid-range lodging options might help to better serve visitors that need flexibility or short-notice lodging while on the road. Furthermore, larger brand hotels or similar establishments are more likely to offer the state rate and/or other special rates for business travelers, which several participants indicated as a need.

*“We need normal lodging, more family friendly...”*

Other participants expressed interest in more extended-stay accommodations for business travelers and contractors. This could also meet the need for mid-range apartments that could serve college students who cannot afford to buy a house. Many students currently commute from the surrounding region of Lexington, Botetourt County, and as far as West Virginia to attend college. With limited housing options, extended stay lodging may help recruit students and athletes to the area.

Additionally, participants requested other entertainment and food options. Although the current restaurant offerings are well received, they have restricted hours and lack a variety of cuisine, with limited delivery options. For instance, one participant mentioned that food delivery is a valuable amenity to business travelers who may not know the area well. One participant went as far as requesting a casino – something that would immerse visitors and residents, alike.

*“We get that gas tax, cigarettes, alcohol tax, but we lose food and retail taxes.”*

*“Restaurants and lodging—if we have those things, the rest will come.”*

## Market Analysis

This section outlines key demand indicators and market potential, identified from quantitative and qualitative analysis of trends and visitor characteristics, in the selected market areas. VTCECE first analyzed tourism and travel trends for the Alleghany Highlands area, and visitor characteristics for Virginia Mountains Region (VMR) to better understand the area's tourist market. VMR is one of the nine regional tourism areas in Virginia to which Alleghany Highlands belongs. The region is composed of eight counties and three cities including Alleghany, Bath, Bedford, Botetourt, Craig, Franklin, Highland, and Roanoke, Covington City, Roanoke City, and Salem City.

In addition to the trends, VTCECE analyzed potential traveler markets, establishing the following market areas based on these trends:

- **The Immediate Market (100-mile):** this market represents a 100-mile rural driving distance, or approximately 1.5 hours of drivetime from the Alleghany Highlands region. This market contains several Virginia's metropolitan areas including Roanoke, Lynchburg, Harrisonburg, and Staunton-Waynesboro.
- **The Intermediate Market (200-mile):** this market represents a 200-mile rural driving distance, or approximately 3 hours of drivetime. This market contains several metropolitan areas including Richmond, VA; Greensboro, NC; and Charleston, WV.
- **The Fringe Market (300-mile):** this market represents a 300-mile rural driving distance, or approximately 5 hours of drivetime. Most notably, this market contains highly populated cities metropolitan areas across multiple States including Washington, DC; Baltimore, MD; Pittsburg and Harrisburg, PA; Virginia Beach, VA; Raleigh, Charlotte, and Asheville NC; Knoxville, TN; and the fringe of Greenville, SC, and Columbus, OH.

VTCECE used secondary data to identify the potential visitors for Alleghany Highlands in each of these market areas. The following demographic and economic indicators are correlated with potential travelers:

- Demographic Indicators:
  - Population change: positive population change indicates growth in a geographic market and increases the number of potential travelers present in a market.
  - Age: traveler age influences demand for certain trip activities and associated goods and services. Age was also highly correlated with levels of disposable income. Adults aged 50 and older comprise a key customer segment for the campgrounds and RV parks as well as other accommodations due to more disposable income and leisure time available to spend on long vacations according to IBISWorld.
  - Educational attainment: this metric uncovers the proportion of adults by their highest level of education. Educational attainment can influence travel opportunities, traveler's preferences, interests, and, most importantly, earnings

potential. Individuals with higher levels of educational attainment were the most likely to: A) have higher levels of disposable income; and B) participate in traveling activities.

- Economic Indicators:
  - Household income & disposable income: Travel, particularly for the purpose of leisure, is highly discretionary; households can get by without it. Household and disposable income influence travel decisions and lodging choices. Therefore, VTCECE analyzed median household income, the density of households earning \$100,000 or more annually, and median disposable income in each market segment to better understand the regional capacity for discretionary spending.

VTCECE observed a stark and widening divide between the urban, metropolitan, and rural counties contained within this 300-mile driving distance radius. Households in urban and metropolitan areas are the most aligned with high potential travelers. These areas have the highest densities of high-income and high educational attainment population.

#### Regional Market Conditions

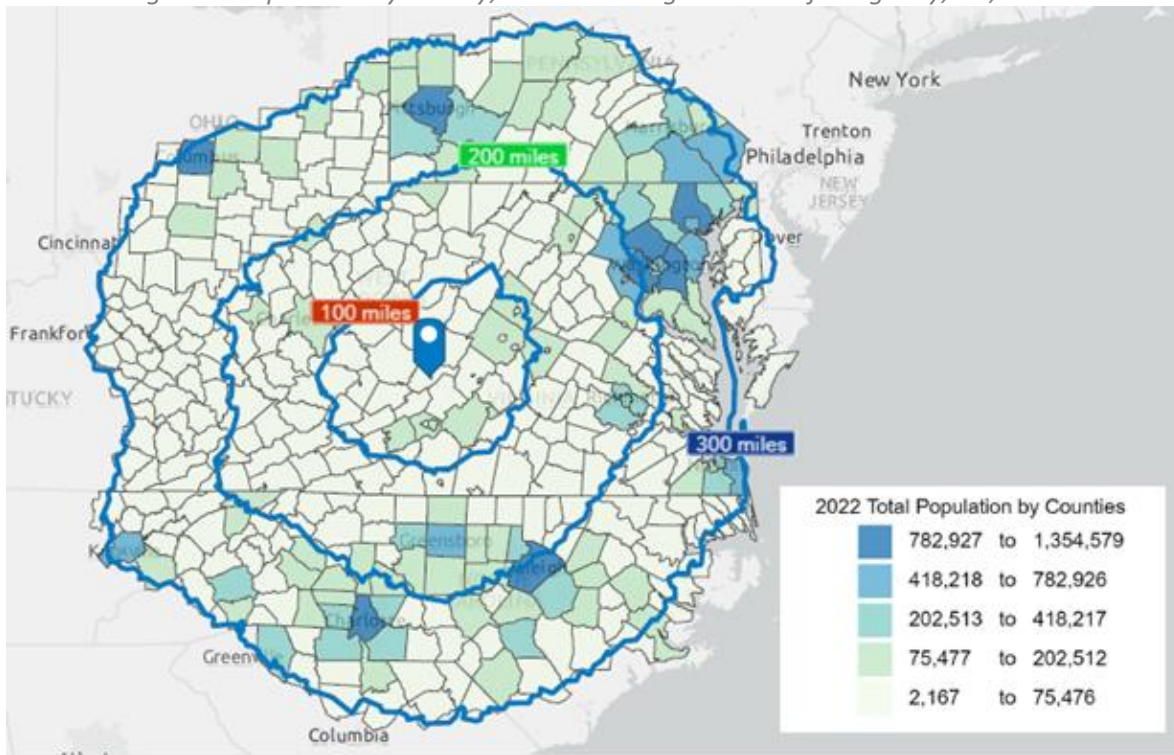
VTCECE analyzed socioeconomic data for 423 counties that fell within a 300-mile driving distance of Alleghany, VA to better understand potential visitor market segments. These 423 counties were divided into three market areas: an immediate market (100mi.); an intermediate market (200mi.); and a fringe market (300mi). Each market ring is inclusive of the preceding market segment. For instance, the intermediate market encompasses the 100-mile radius market segment as well. The following sections detail key findings from this process.

VTCECE identified several demographic indicators aligned with potential travelers. These included population distribution and change, age, and educational attainment.

#### *Population Distribution & Change*

The figure below illustrates the distribution of population within a 300-mile driving distance of Alleghany, VA.

Figure 8: Population by County, 300mi. Driving Distance of Alleghany, VA, 2022



Source: ESRI Community Analyst, 2022 Population Estimates

#### Immediate Market (100mi.)

A total of 1.3 million people lived within a 100-mile driving-distance radius of Alleghany, VA in 2022. This market segment is largely rural, especially considering the counties to the north and west of Alleghany. The immediate market is almost exclusively composed of localities with population lower than 200,000. The Immediate Market saw only 1% population growth from 2010 to 2022—many counties within the market have experienced stagnating or decreasing population during this period.

#### Intermediate Market (200mi.)

There were an estimated 10.6 million people living within a 200-mile driving distance of Alleghany in 2022, according to Esri. Most localities in this market are rural counties except for Richmond MSA, VA and Greensboro-High Point MSA, NC as well as the Northern Virginia counties including Loudoun, Prince William, and a part of Fairfax. Likely due to the population increases in these localities, the Intermediate Market experienced 7.6% population growth from 2010 to 2022. Growth in this market is far greater than that of the immediate market, indicating that the immediate market has a large portion of potential travelers. However, population growth was limited to the metropolitan areas while rural regions experienced slower growth or stagnation.

#### Fringe Market (300mi.)

Approximately 38.1 million people lived within a 300-mile driving distance of Alleghany in 2022. The bulk of this market’s population is contributed by the localities with population more than 700,000 including Washington, DC; Baltimore, MD; Pittsburg, PA; Columbus, OH; and Raleigh and Charlotte, NC. While the high populated localities are relatively evenly distributed across the market, the counties to the west and northwest of Alleghany are largely rural. The Fringe Market saw 7.5% population growth from 2010 to 2022, similar to that of the Intermediate Market. The Fringe Market grew by nearly 2.7 million people during this period.

*Age*

The table below details population by age for each market segment. Each market segment had a greater density of senior population compared to the nation. Rural counties tended to have higher densities of senior population and, therefore, had higher-than-average median age values. Alternatively, metropolitan areas tended to have greater densities of younger individuals and were more aligned with national trends. The figure below details the distribution of median age values across the 300-mile market area. Darker shades of blue indicate higher-than-average median age values. Alternatively, counties shaded in beige had the lowest median age values in the area.

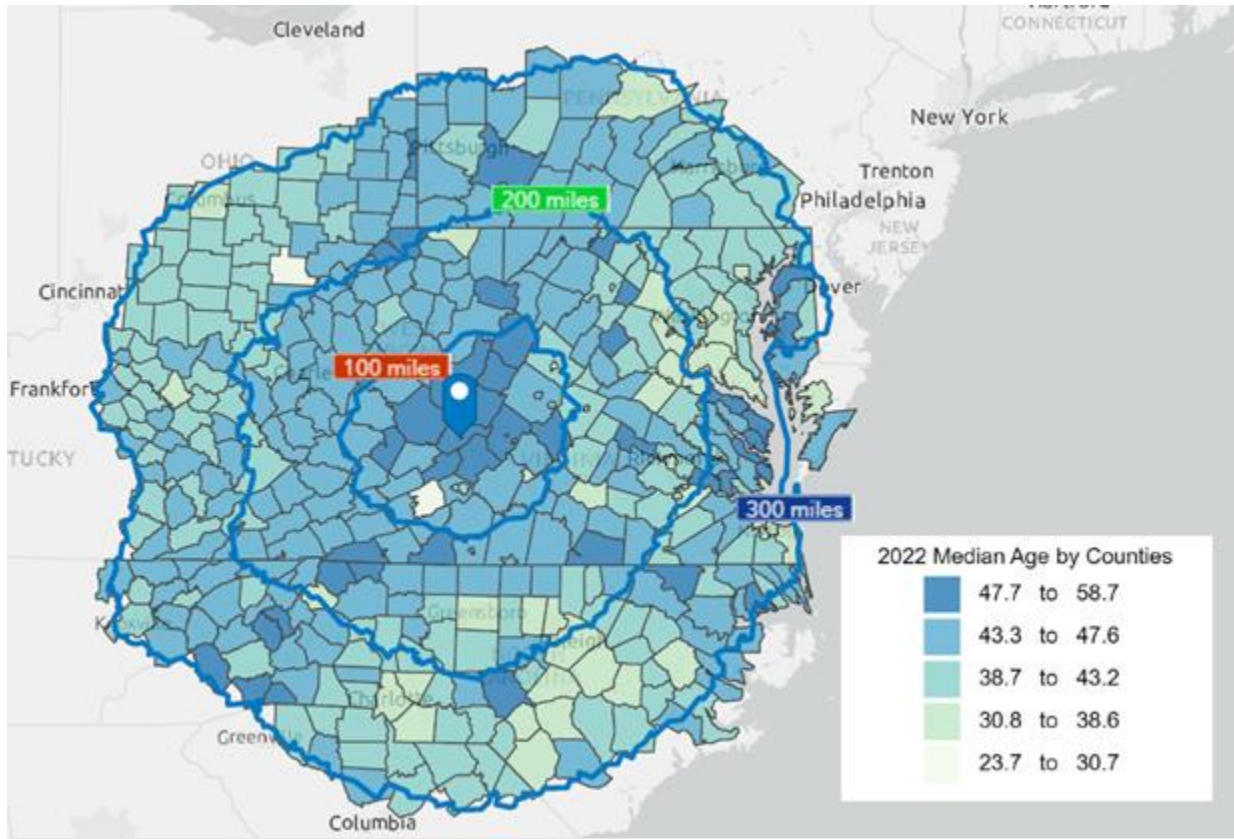
*Table 18: Population by Age for Alleghany, VA Market Segments, 2022*

5-Year Age Cohort	Immediate Market (100mi.)	Intermediate Market (200mi.)	Fringe Market (300mi.)	Virginia	USA
Age 0-4	4.77%	5.39%	5.46%	5.57%	5.83%
Age 5-9	5.14%	5.83%	5.83%	5.94%	6.08%
Age 10-14	5.33%	6.08%	6.05%	6.22%	6.21%
Age 15-19	6.63%	6.33%	6.14%	6.25%	6.27%
Age 20-24	7.85%	6.49%	6.38%	6.46%	6.51%
Age 25-29	6.08%	6.44%	6.70%	6.80%	7.02%
Age 30-34	6.12%	6.52%	6.78%	7.00%	6.94%
Age 35-39	5.80%	6.49%	6.63%	6.90%	6.65%
Age 40-44	5.57%	6.28%	6.27%	6.38%	6.18%
Age 45-49	5.73%	6.22%	6.14%	6.13%	5.94%
Age 50-54	6.02%	6.38%	6.33%	6.31%	6.09%
Age 55-59	6.68%	6.75%	6.69%	6.69%	6.46%
Age 60-64	7.07%	6.69%	6.61%	6.45%	6.38%

Age 65-69	6.64%	5.95%	5.84%	5.57%	5.62%
Age 70-74	5.65%	4.89%	4.77%	4.52%	4.58%
Age 75-79	3.94%	3.32%	3.29%	3.10%	3.19%
Age 80-84	2.49%	2.03%	2.05%	1.88%	2.01%
Age 85+	2.49%	1.94%	2.05%	1.83%	2.05%
Median Age	42.0	40.3	40.0	39.2	38.9
Senior Population (Age 65+)	21.21%	18.12%	18.00%	16.91%	17.45%

Source: ESRI Community Analyst, 2022 Population Estimates

Figure 9: Median Age by County, 300mi. Driving Distance of Alleghany, VA, 2022



Source: ESRI Community Analyst, 2022 Population Estimates

### Immediate Market (100mi.)

The Immediate Market was overrepresented in older age cohorts and underrepresented in younger age cohorts. As such, the market’s median age was approximately three years older than that of the state and nation. Most localities in the region had a higher senior population



with median age mostly above 47, except for college towns that had exceptionally low median age values due to their above-average densities of 18 to 24-year-olds.

*Intermediate Market (200mi.)*

The distribution of age in the Intermediate Market was also overrepresented in older age cohorts and underrepresented in younger age cohorts, but the gaps are less severe than them of the Immediate Market. The median age is 1.4 years older than that of the nation as younger individuals in the metropolitan areas added to this market offset the senior population in the rural counties.

*Fringe Market (300mi.)*

The distribution of senior population in the Fringe Market was aligned with national trends, but the density is still slightly higher than that of nation.

*Educational Attainment & Degree-Holding Adults*

Educational attainment measures the final education level of adults aged of 25+. Educational attainment can influence travel opportunities, traveler’s preferences, interests, and earnings potential. Individuals with higher levels of educational attainment were more likely to participate in traveling activities.

Each market area analyzed in this report contained a higher proportion of individuals with high school diplomas. When it comes to the higher education, the Immediate Market had a smaller portion of degree-holding adults (28.90%) in 2022 compared to the that of the other markets and nation despite the presence of several higher education institutions in the market. The Intermediate Market and Fringe Market had similar to the national proportion. However, considering that the vast majority of the localities in each market are rural counties, these results for the other two markets are likely to be skewed by several Metropolitan Statistical Areas (MSAs) or campus towns with higher education attainment rates. Table 19 below details educational attainment data for each market segment, Virginia, and the United States.

*Table 19: Educational Attainment by Market Area, 2022*

Attainment Level	Immediate Market (100mi.)	Intermediate Market (200mi.)	Fringe Market (300 mi.)	Virginia	USA
Less than 9 <sup>th</sup> Grade	3.58%	3.60%	3.35%	3.21%	4.14%
9-12 Grade/No Diploma	7.05%	6.75%	6.08%	5.68%	5.92%
High School Diploma	27.43%	24.08%	24.23%	19.66%	23.11%
GED/Alternative Credential	5.95%	4.84%	4.16%	3.96%	3.99%
Some College/No Degree	17.59%	17.17%	16.98%	17.33%	18.28%
Associate Degree	9.50%	9.27%	9.40%	8.78%	9.44%
Bachelor’s Degree	17.13%	20.22%	20.98%	23.33%	21.69%

Graduate/Professional Degree	11.77%	14.06%	14.81%	18.04%	13.43%
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Source: ESRI Community Analyst, 2022 Age 25+ Educational Attainment Estimates

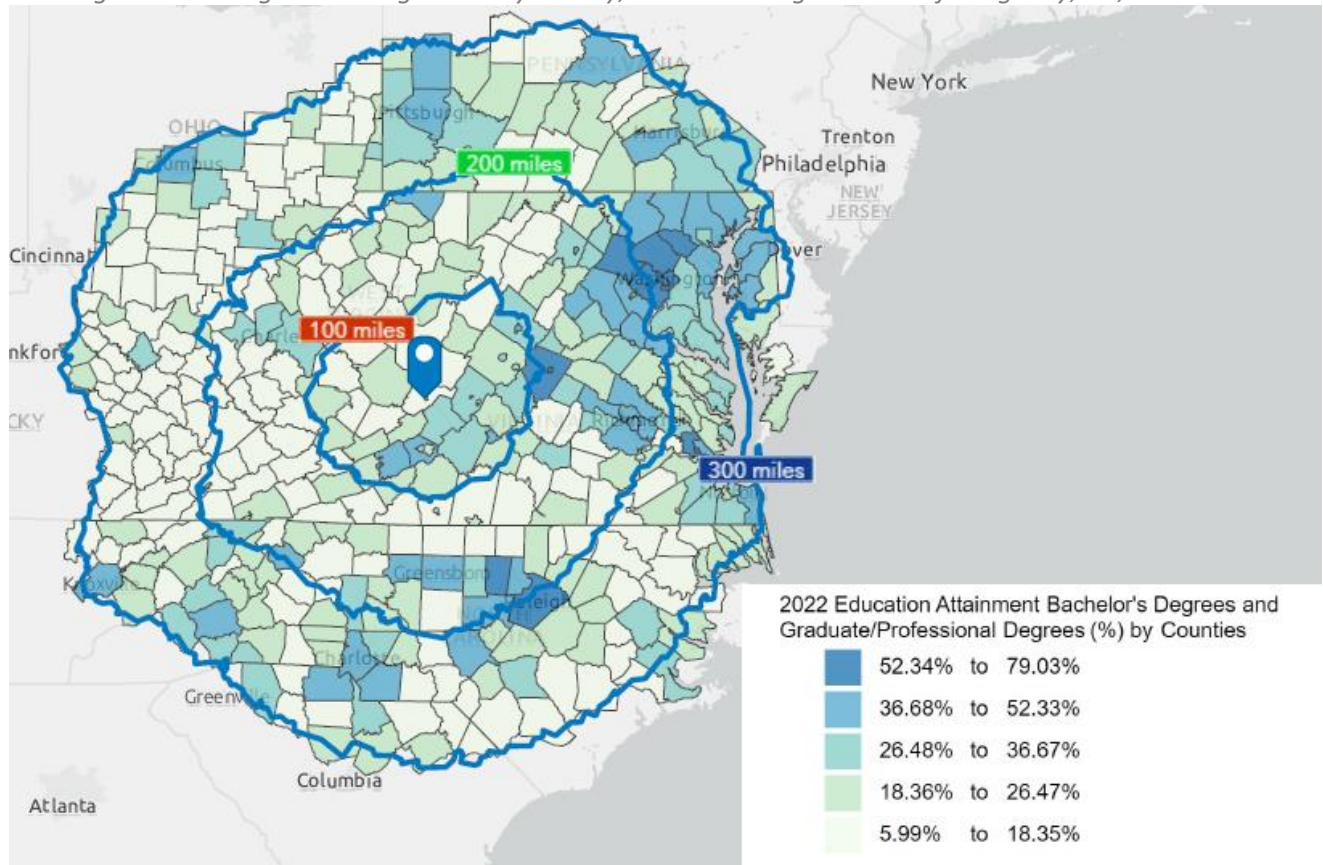
The table below details the proportion of degree-holding adults in each market area, Virginia, and the United States. Figure 10 below illustrates the distribution of degree-holding adults in the expanded market area.

Table 20: % Degree-Holding Adults by Market Area, 2022

Attainment Level	Immediate Market (100mi.)	Intermediate Market (200mi.)	Fringe Market (300 mi.)	Virginia	USA
Bachelor's Degree	17.13%	20.22%	20.98%	23.33%	21.69%
Graduate/Professional Degree	11.77%	14.06%	14.81%	18.04%	13.43%
% Degree-Holding Adults	28.90%	34.28%	35.79%	41.37%	35.12%

Source: ESRI Community Analyst, 2022 Age 25+ Educational Attainment Estimates

Figure 10: % Degree-Holding Adults by County, 300mi. Driving Distance of Alleghany, VA, 2022



Source: ESRI Community Analyst, 2022 Age 25+ Educational Attainment Estimates

Table 21 details the distribution of counties by their proportion of degree-holding adults. The vast majority of counties contained in this market area contained lower-than-average proportions of degree-holding adults (85.11%). A small number of counties had above-average proportions of degree-holding adults (14.89%). This confirms that the Intermediate and Fringe Markets' higher education attainment densities are likely to be skewed by a few MSAs and localities with large universities.

Table 21: Educational Attainment Compared to Regional Averages by County, 2021

<b>% Bachelor's and Higher</b>	<b>Counties</b>	<b>% Counties in Fringe Market (423)</b>
<b>Less than Regional Average</b>	<b>360</b>	<b>85.11%</b>
Under 15%	76	17.97%
Between 15%-19.9%	134	31.68%
Between 20%-28.1%	102	24.11%
Between 28.10% (80% Regional Avg.)-35.79%	48	11.35%
<b>Above Regional Average (35.79%)</b>	<b>63</b>	<b>14.89%</b>
At Above National Average (35.12%)	67	15.84%
120% of National Average (42.14%)	39	9.22%

Source: ESRI Community Analyst, 2022 Age 25+ Educational Attainment Estimates

### Household Income

Table 22 details household income for each market area analyzed in this report as well as Virginia and the United States. Median Household income increased with market area size; but all the three markets analyzed had median household incomes lower than that of nation. Each market segment had a larger proportion of lower-income households. The Immediate Market had a far smaller proportion of high-income households compared to the state and nation. The Intermediate Market had a smaller portion of high-income households as well although the gap is less prominent.

Table 22: Household Income by Market Area, 2022

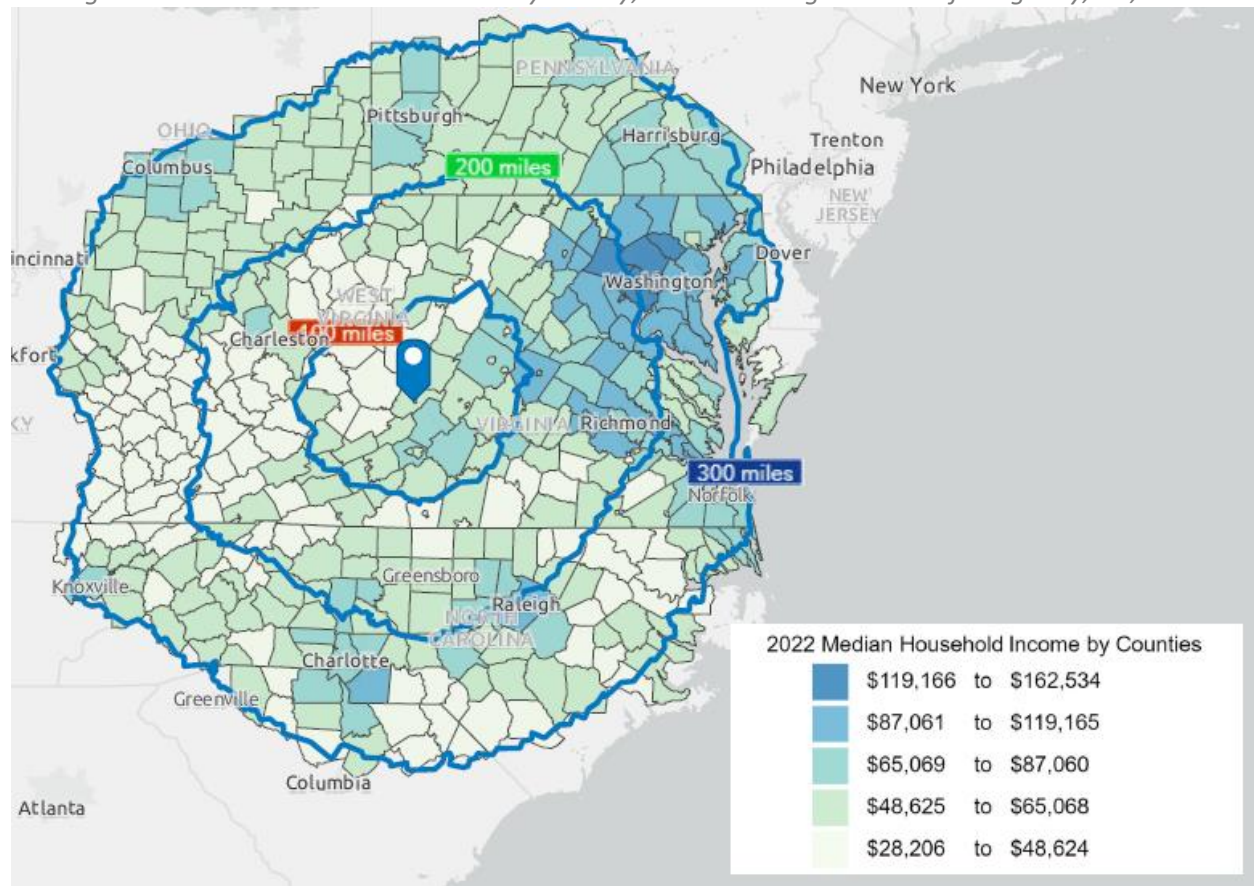
HH Income	Immediate Market (100mi.)	Intermediate Market (200mi.)	Fringe Market (300mi.)	Virginia	USA
less than \$15,000	10.46%	9.19%	8.75%	6.89%	8.55%
\$15,000-\$24,999	9.11%	8.06%	7.49%	6.20%	7.24%
\$25,000-\$34,999	9.48%	8.22%	7.79%	6.62%	7.50%
\$35,000-\$49,999	13.65%	11.86%	11.30%	10.01%	11.08%

\$50,000-\$74,999	18.66%	16.86%	16.80%	15.65%	16.91%
\$75,000-\$99,999	13.77%	12.97%	13.21%	12.90%	13.19%
\$100,000-\$149,999	14.21%	15.99%	16.71%	17.77%	17.23%
\$150,000-\$199,999	5.46%	7.74%	8.07%	10.28%	8.41%
\$200,000 or greater	5.20%	9.10%	9.87%	13.69%	9.90%
Median Household Income	\$57,524	\$66,969	\$70,712	\$82,443	\$72,414
Average Household Income	\$82,611	\$99,460	\$104,177	\$121,628	\$105,029

Source: ESRI Community Analyst, 2022 Household Income Estimates

Figure 11 illustrates the distribution of median household income values across a 300-mile driving distance from Allegheny. Similar to other indicators detailed in this report, rural regions tended to have the lowest median household income values while urban and metropolitan areas had the highest.

Figure 11: Median Household Income by County, 300mi. Driving Distance of Allegheny, VA, 2022



Source: ESRI Community Analyst, 2022 Household Income Estimates

Households earning \$100,000+ annually have the greatest ability to consume discretionary goods and services. Approximately 34.65% of households in the Fringe Market, which captures

all counties within a 300-mile driving distance of Allegheny, earned over \$100,000 annually in 2022. The nation had a similar proportion of high-income households (35.54%) for the same year. Overall, the state of Virginia had a higher portion of these households (41.74%) as compared to the individual market segments as well as the nation. Table 23 details the proportion of households earning \$100,000 annually for each market area, Virginia, and the United States.

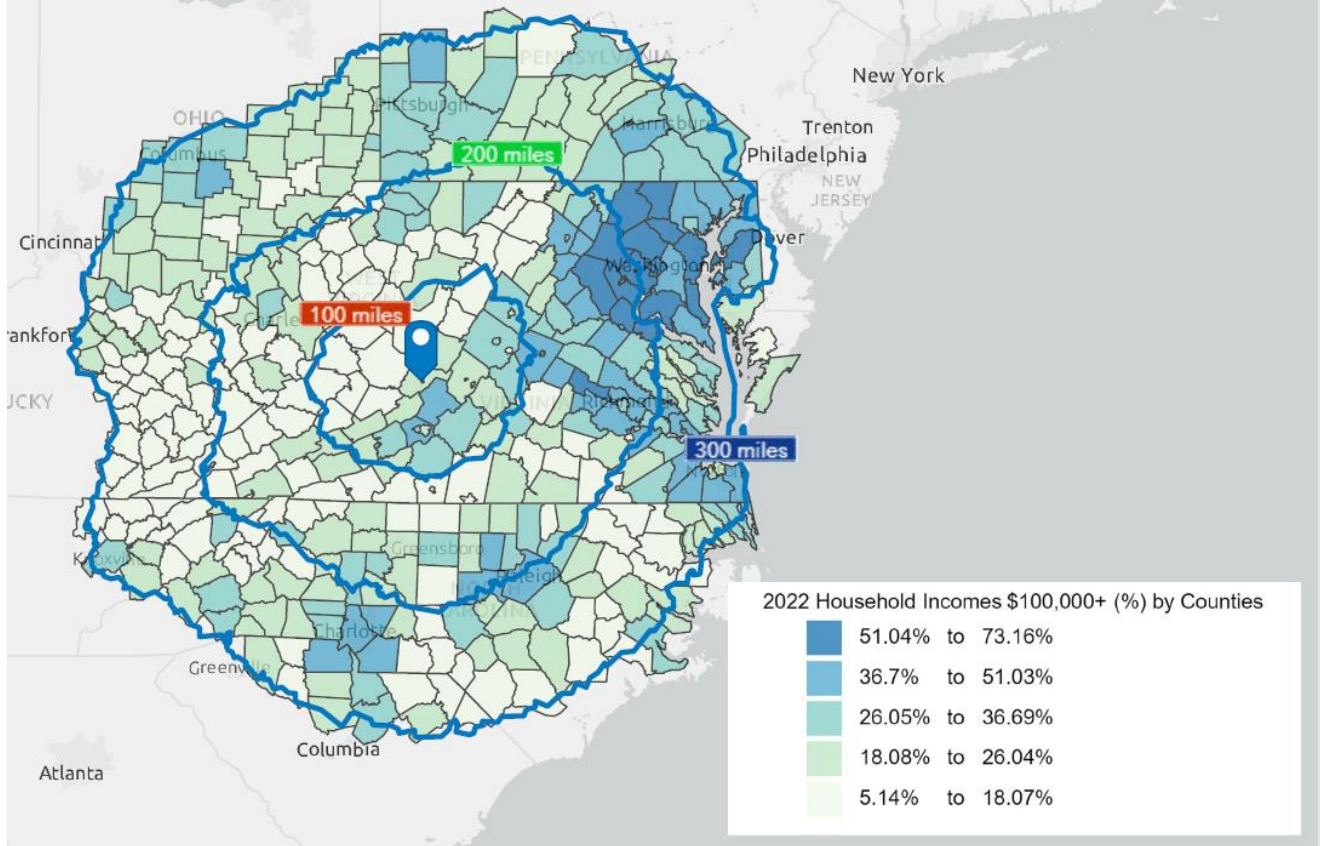
*Table 23: Households Earning \$100,000+ by Market Area, 2022*

HH Income	Immediate Market (100mi.)	Intermediate Market (200mi.)	Fringe Market (300mi.)	Virginia	USA
\$100,000-\$149,999	14.21%	15.99%	16.71%	17.77%	17.23%
\$150,000-\$199,999	5.46%	7.74%	8.07%	10.28%	8.41%
\$200,000 or greater	5.20%	9.10%	9.87%	13.69%	9.90%
% Households Earning over \$100,000 Annually	24.87%	32.83%	34.65%	41.74%	35.54%

Source: ESRI Community Analyst, 2022 Household Income Estimates

As shown in Figure 12, urban and metropolitan counties had the highest proportions of households earning over \$100,000 in 2022. Rural regions had the smallest proportions of high-income households during the same year.

Figure 12: % Households Earning \$100,000+, 300mi. Driving Distance of Alleghany, VA, 2022



Source: ESRI Community Analyst, 2022 Household Income Estimates

Table 24 further details the distribution of households earning over \$100,000 annually by county. Only 17.26% of the 423 counties captured in the expanded market area contained higher-than-average proportions of high-income households in 2022. The remainder contained lower-than-average proportions.

Table 24: Households Earning \$100,000+ Compared to Regional Averages by County, 2022

% Households Earning \$100,00+	Counties	% Counties in 300mi. Driving Distance (423)
<b>Less than Regional Average (34.65%)</b>	<b>350</b>	<b>82.74%</b>
Less than 17.3% (50% Regional Avg.)	127	30.02%
Between 17.3%-25.98%	152	35.93%
Between 25.99% (75% Regional Avg.)-34.64%	71	16.78%
<b>Greater or Equal to Regional Average (34.65%)</b>	<b>73</b>	<b>17.26%</b>
Between 34.65%-35.54%	3	0.71%
Greater or Equal to 35.54% (National Avg.)	70	16.55%

Source: ESRI Community Analyst, 2022 Household Income Estimates

## Disposable Income

Disposable income measures the amount of money that a household has to spend following the deduction of taxes. The 423 counties captured within a 300-mile driving distance of Alleghany had a median disposable income of \$56,585 in 2022. This was lower than the national median disposable income value (\$58,350) and Virginia’s (\$64,007). Similar to household income, disposable income levels increased with the size of each market area; the Immediate Market had the lowest levels of disposable income while the Fringe Market had the highest. Table 25 details disposable income levels for each market area, Virginia, and the United States.

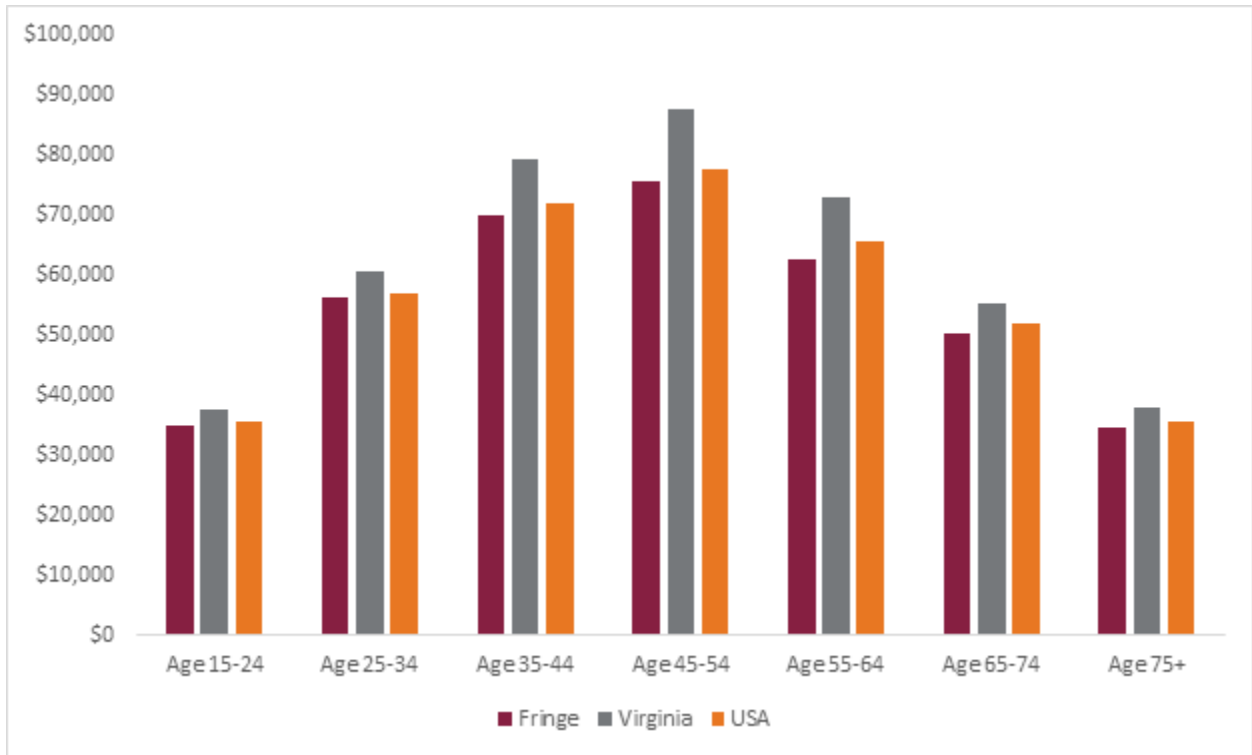
Table 25: Disposable Income by Market Area, 2022

Disposable Income	Immediate Market (100mi.)	Intermediate Market (200mi.)	Fringe Market (300mi.)	Virginia	USA
<\$15,000	11.84%	10.47%	10.07%	7.92%	9.79%
\$15,000-\$24,999	11.47%	10.06%	9.29%	7.92%	8.79%
\$25,000-\$34,999	12.33%	10.49%	9.69%	8.68%	9.32%
\$35,000-\$49,999	15.63%	13.97%	13.90%	12.53%	13.73%
\$50,000-\$74,999	21.71%	19.93%	20.02%	19.82%	19.49%
\$75,000-\$99,999	9.91%	11.13%	11.65%	11.30%	12.10%
\$100,000-\$149,999	12.00%	14.95%	15.64%	18.48%	16.39%
\$150,000-\$199,999	2.76%	4.68%	5.05%	7.13%	5.41%
\$200,000+	2.36%	4.31%	4.68%	6.22%	4.98%
Median Disposable Income	\$48,383	\$54,491	\$56,585	\$64,007	\$58,350
Average Disposable Income	\$62,381	\$73,140	\$76,034	\$86,000	\$78,104

Source: ESRI Community Analyst, 2022 Household Income Estimates

Householders aged 45-54 had the highest levels of disposable income within a 300-mile driving distance of Alleghany. This mirrors state and national trends (Figure 17). Almost all age groups had slightly lower levels of disposable income compared to the national median.

Figure 13: Median Disposable Income by Householder Age, 2022

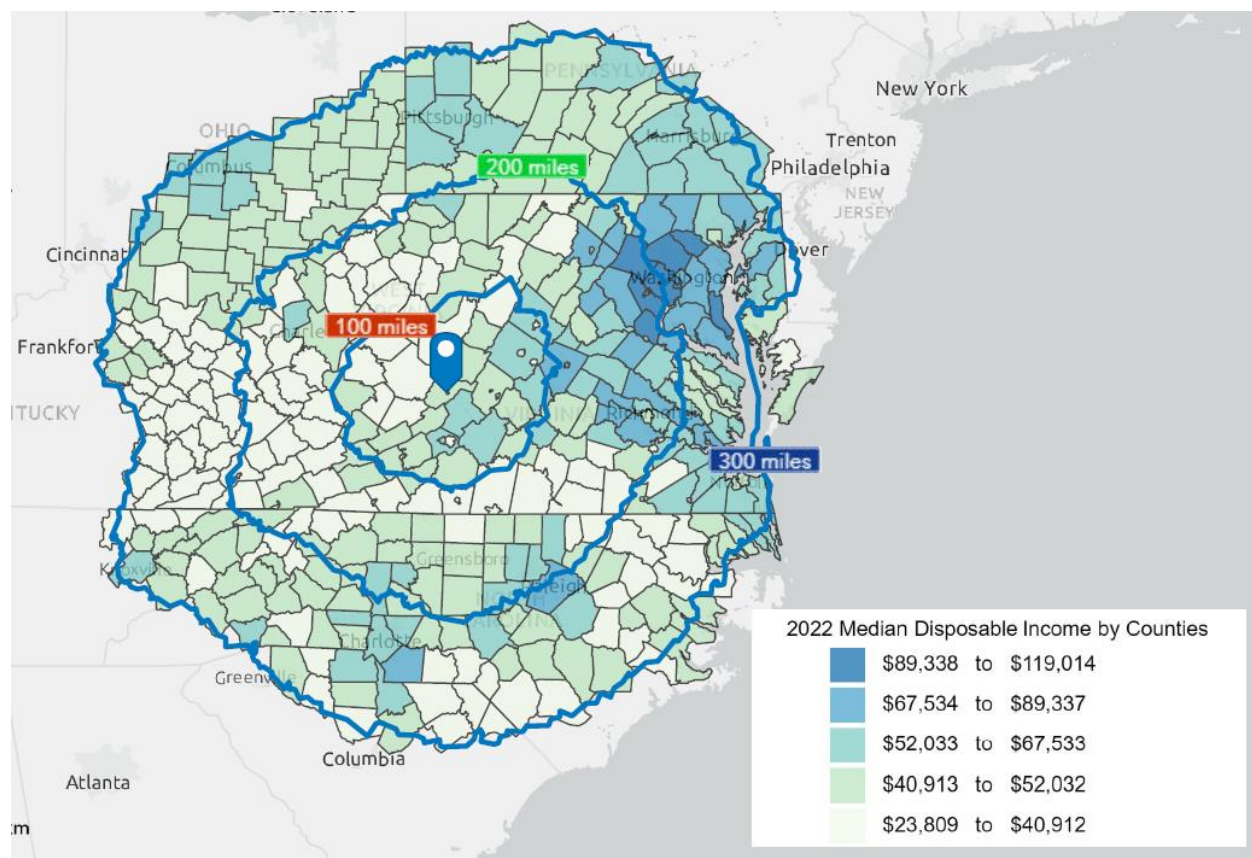


Source: ESRI Community Analyst, 2022 Disposable Income Estimates

Similar to other trends analyzed in this document, disposable income was not distributed evenly across the 300-mile driving distance radius. Rural regions had the lowest levels of disposable income while urban regions had the highest. Figure 14 illustrates the distribution of disposable household income across the expanded market area.

Figure 14: Median Disposable Income by County, 300mi. Driving Distance of Alleghany, VA, 2022





Source: ESRI Community Analyst, 2022 Disposable Income Estimates

### Travel Behaviors

Demand for lodging is largely dependent on domestic travel. Domestic travel fell in 2020, due to restrictions stemming from the Coronavirus Pandemic. Domestic travel, however, is expected to recover to pre-pandemic levels in 2022. Approximately 53.96% of households within a 300-mile driving distance of Allegheny traveled domestically in the past 12 months. Furthermore, 30.64% of those households visited a destination in the South. The likelihood for domestic travel marginally increased from each market segment. The proportion of visitors that visited a southern destination, however, was more varied. Households in the Intermediate Market, for example, were the most likely to visit a southern destination. Table 26 details domestic travel patterns for each market area, Virginia, and the United States.

Table 26: Domestic Travel Patterns by Market Area, 2022<sup>12</sup>

Variable		Immediate Market (100mi.)	Intermediate Market (200mi.)	Fringe Market (300mi.)	Virginia	USA
Took Domestic Trip	%	52.09%	53.89%	53.96%	56.57%	53.27%
	MPI	98	101	101	106	100

<sup>12</sup> Market Potential Index (MPI) is a ratio defined by ESRI, representing the following calculation:  $MPI = (Local\ Consumption\ Rate / US\ Consumption\ Rate) \times 100$ . U.S. Consumption is calculated at 100; therefore, an MPI higher than 100 shows above-average potential demand.

Visited South on Domestic Trip	%	30.60%	31.44%	30.64%	31.07%	28.75%
	MPI	106	109	107	108	100

Source: ESRI Market Potential Estimates, 2022

Households within a 300-mile driving distance of Alleghany, VA spent an average of \$2,182 on travel in 2022, \$627 of which was spent on lodging. MPI data suggest that regional and statewide average travel expenditures were lower than those of the nation (Table 27). Households in the Immediate Market spent the least on travel and lodging in 2022. Expenditures increased with market size, ostensibly due to the presence of metropolitan areas.

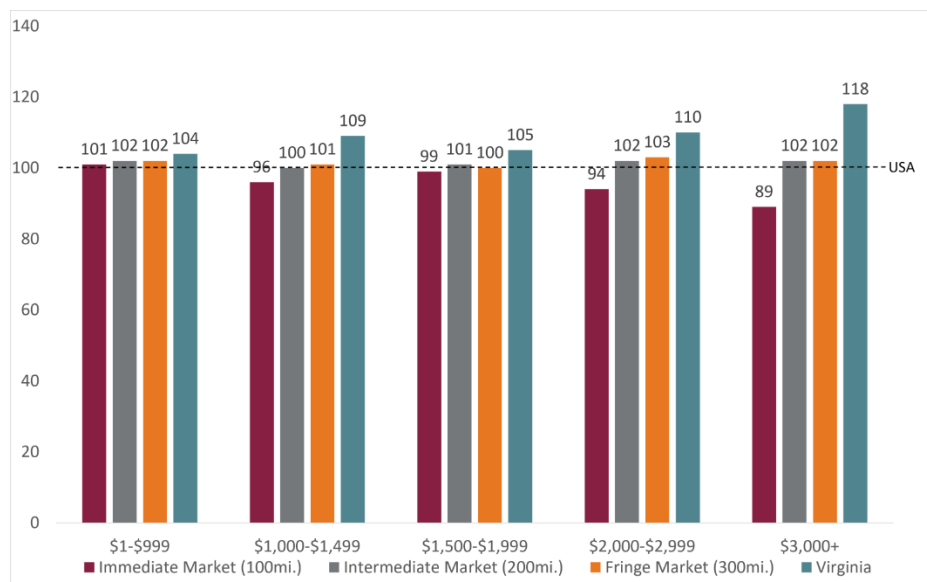
Table 27: Household Spending on Travel and Lodging by Market Area, 2022

Variable		Immediate Market (100mi.)	Intermediate Market (200mi.)	Fringe Market (300mi.)	Virginia	USA
Travel	Average	\$2,182.44	\$2,658.78	\$2,798.35	\$3,322.67	\$2,872.33
	MPI	76	93	97	116	100
Lodging	Average	\$627.32	\$759.20	\$794.59	\$937.77	\$805.68
	MPI	78	94	99	116	100

Source: ESRI Business Analyst, Consumer Spending Estimates, 2022

Figure 15 depicts travel expenditures for each market area and Virginia. Households in the Immediate Market were most likely to spend less than \$1,000 on travel, while households in the larger market areas did not have a distinct pattern in expenditure amounts.

Figure 15: Travel Expenditures by Market Area, 2022



Source: ESRI Business Analyst, Consumer Spending Estimates, 2021

Approximately 45% of households within a 300-mile driving distance of Alleghany, VA stayed at least one night in a hotel in the past year. Except for the Immediate Market, both of the Intermediate Market (46.5%) and Fringe Market (46.3%) had a larger portion compared to that of nation (45.3%). Table 28 details lodging data for each market area, Virginia, and the United States.

Table 28: Households Who Spent 1+ Nights in a Hotel or Motel by Market Area, 2022

	Immediate Market (100mi.)		Intermediate Market (200mi.)		Fringe Market (300mi.)		Virginia		US	
	%	MPI	%	MPI	%	MPI	%	MPI	%	MPI
Any Night	45.0%	99	46.48%	103	46.35%	102	48.5%	107	45.31%	100
1 Night	3.87%	106	3.81%	104	3.75%	103	3.6%	99	3.66%	100
2 Nights	6.18%	103	6.09%	101	6.03%	101	6.05%	101	6.0%	100
3-4 Nights	10.16%	100	10.43%	102	10.36%	102	10.52%	103	10.18%	100
5-7 Nights	9.46%	103	9.60%	104	9.49%	103	9.95%	108	9.22%	100
8-10 Nights	5.24%	102	5.33%	104	5.32%	104	5.65%	110	5.13%	100
11-14 Nights	3.61%	91	3.94%	100	4.02%	102	4.41%	112	3.95%	100
15+ Nights	6.75%	92	7.45%	102	7.5%	102	8.36%	114	7.33%	100

Source: ESRI Market Potential Estimates, 2022

MPI data suggests that households across the Intermediate Market and Fringe Market expressed a higher level of demand for hotel stays compared to national portion regardless of the number of nights. The Immediate Market had low demand for hotel stays longer than 10 nights, and above-average demand for one-night lodging.

According to several surveys conducted in the region, there is a steady demand for campgrounds as a lodging option. Survey of participants attending the events in Alleghany Highlands, 20% of respondents stayed at campgrounds in the region. A small survey of 49 visitors to Alleghany Highlands shows that about 29% of them stayed at campsite during their stay. An outdoor and recreational survey of Alleghany Highlands residents revealed 39.4% of the respondents said they or other family members participate in camping. This stable demand for campgrounds and RV parks aligns with the travel behaviors in the markets. MPI data suggests that households across all the three markets expressed higher level of demand for overnight camping trip.

Table 29: Household Preferences for Buying Based on Quality Over Price, 2022

	Immediate Market (100mi.)		Intermediate Market (200mi.)		Fringe Market (300mi.)		Virginia		US	
	%	MPI	%	MPI	%	MPI	%	MPI	%	MPI
Went on Overnight Camping Trip Last 12 Month	13.56%	104	14.32%	110	13.84%	106	13.57%	104	13.03%	100

Source: ESRI Market Potential Estimates, 2022

VTCECE also analyzed psychographic data to understand consumer preferences regarding quality and price that possible influences potential visitors lodging choices. Approximately 16.98% of households within a 300-mile driving distance of Alleghany strongly indicated that they made purchasing decisions based on quality over price in 2022. Additionally, 52.08% of households indicated a milder preference for quality over price. These figures were aligned with state and national averages for the same year (Table 30). Preferences regarding quality over price were largely consistent across each market area, although smaller markets tended to have marginally higher proportions of households that prioritized price over quality.

Table 30: Household Preferences for Buying Based on Quality Over Price, 2022

Variable	Immediate Market (100mi.)	Intermediate Market (200mi.)	Fringe Market (300mi.)	Virginia	US
Disagree Mostly	6.99%	6.63%	6.52%	6.03%	6.54%
Disagree Somewhat	23.90%	24.14%	24.24%	24.00%	24.32%
Agree Somewhat	52.18%	52.27%	52.08%	52.54%	51.80%
Agree Mostly	16.82%	16.80%	16.98%	17.31%	17.19%

Source: ESRI Market Potential Estimates, 2022



## Key Findings and Conclusions

The following section provides a summary of key findings gleaned from quantitative data analysis, engagement with regional stakeholders, and the demand analysis for lodging in the region. These findings will inform the main considerations and conclusions for the future development of lodging.

### Industry Trends

- Industry revenues 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. However, employment for the lodging industries is expected to decrease in that time—potentially reflecting continued staffing shortages seen in multiple industries throughout the country.
- Wages are the largest expense for both hotels/motels and bed-and-breakfasts. The bed-and-breakfast industry saw smaller profit margins as compared to hotels and motels, likely due to hotels/motels operating at economies of scale as well as higher average earnings per employee in the bed-and-breakfast industry.
- Travel expenditures, lodging revenue, and employment all dropped dramatically in 2020 as a result of the Coronavirus pandemic. Nonetheless, the region is experiencing post-pandemic rebound of tourism and recreational and business travel.

### Visitors and Lodging Demand

- VTC data and engagement with regional stakeholders showed that natural and outdoors assets are a big draw for visitors. For instance, Douthat State Park is often at full capacity and campsites are often booked far in advance.
- Travel ball tournaments, business functions, and weddings are also significant drivers of demand for lodging in the Alleghany region. These larger groups often compete for weekend lodging with outdoor enthusiasts or other visitors coming for a weekend getaway.
- Travel to the region tends to be seasonal, with spring through fall being the busiest. Particularly, the fall season tends to have the highest demand for lodging, especially weekends, as visitors come to enjoy the sights of the season and other outdoor activities like hiking and biking.
- Visitors to the region come from diverse age groups and backgrounds. Approximately 38% were under the age of 35. About 36% came from within the state, though stakeholders reported visitors originating from across the country and internationally.
- Visitors to the region tended to have higher levels of educational attainment and income. Travel is discretionary—households can get by without it—so higher income levels aligned with greater demand for travel and recreation.
- Approximately 39% of households within the immediate market (100-mi radius) surrounding the Alleghany region had median household incomes of \$75k or above.

About 25% made \$100k or more annually. In the intermediate market (200-mi radius), 46% of households made \$75K or above, and 33% made \$100k or more.

- Denser metropolitan urban areas such as Washington DC and the Richmond DMA had the highest concentrations of consumers who align with the demand indicators of educational attainment and income. However, within the fringe market (300-mi radius), the Alleghany region faces competition from other destinations across the state to attract those visitors.
- The intermediate market, which includes several metro areas including Richmond, VA; Greensboro, NC; and Charleston, WV, showed potential for lodging demand similar to the larger fringe market, with higher income levels and educational attainment than the immediate market.
- According to ESRI Market Potential estimates for 2022, the immediate market (100-mi radius) showed below-average market potential for lodging spending as compared to the other market areas and the nation. However, households within this market area showed above-average market potential for spending 1 to 2 nights in a hotel/motel.
- 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, Rockbridge County, VA, and Lewisburg, WV.
- Business travel is a key target market—an overwhelming portion of business travelers 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 web/print services are currently lacking in the region.

### Regional Lodging Supply

- As of 2022, there were 12 commercial lodging establishments operating in the Alleghany region, supplying a total of 337 rooms at rates ranging between \$59 to \$315 per night. There were also 24 Airbnb units with 62 rooms in operation, accommodating 141 guests. Private rooms ranged from \$40 to \$83 and entire units ranged from \$90 to \$280 per night.
- Airbnbs and other shared accommodations have expanded over time. Stakeholders indicated a need for greater marketing and awareness to capitalize on the travel market.
- Stakeholders described a lack of a range of lodging options at affordable price points that would suit different types of visitors in the region. Visitors looking for a basic, comfortable stay may not be willing to pay the prices associated with higher-end amenities and/or resort-like establishments.
- Stakeholders, as well as past visitors, have indicated concerns about poor room quality, cleanliness, and issues of safety at several existing commercial lodging establishments in the region. Of the 337 rooms provided by commercial lodging operators, only 94 were rated 4 stars or above by online customer reviews.

- Stakeholders indicated a need for more retail and dining to support tourism and lodging in the region, citing limited variety, short operating hours, and quality as barriers for visitors.
- Limited housing in the region impacts the lodging supply, as college students and other residents looking for housing sometimes reside in lodging establishments due to insufficient housing options. Some existing residential properties are converted to Airbnb units.

## Conclusions

Based on the key findings on the current condition of lodging in the region, state, and nation, VTCECE offers the following takeaways for stakeholders of the region to consider in the efforts to continue developing additional lodging in the Alleghany Highlands region.

### Development of additional lodging

Quantitative data including national trends, existing room supply and event visitation, regional travel trends, and qualitative data regarding the condition and visitor needs indicate existing and potential future demand for a new mid-range mid-size hotel establishment in the region, supporting between 75 and 300 rooms. 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 on weekends often compete for lodging. For instance, if a large wedding party books an entire establishment and an additional block of rooms in advance, a travel ball team of 100 people or so visiting for a tournament the same weekend looks for available lodging outside of the region. Business travel also often leaks out of the region. Contractors, executives, and others coming to visit WestRock, Schaefer Rolls, or other businesses in the region often seek out lodging offering the state rate in Lexington, Lewisburg, or even Roanoke. Therefore, business travel and other weeknight travel constitutes a smaller portion of current demand for lodging; demand for rooms seems to be largely driven by seasonal weekend visitation for outdoor recreation, travel ball, and other special events. Between the competitive demand for weekend stays and some demand for weeknight stays, it is evident that the region could potentially support an additional 75 to 300 rooms in the near future.

There is some concern that development of a large hotel or name-brand chain would pose competition to existing smaller establishments. An alternate option could be development of one or more establishments to allow for phasing 75 to 300 additional rooms and more gradual absorption of new rooms into the market supply. For instance, a boutique hotel that aligns with the region's unique character could supplement or precede a larger establishment such as a mid-range chain hotel. Additionally, existing Airbnb and bed-and-breakfast lodging options in the region offer competitive pricing that would remain attractive to certain visitor segments,



like outdoor enthusiasts. This could also be supplemented with the development of additional camping options, such as hip camps, that could help meet demand for outdoor enthusiasts unable to secure a site through the state parks, which are often operating at capacity and are booked out months in advance, particularly for the peak summer and fall seasons. Some other campsites, like those at Lake Moomaw, are sometimes underutilized as well. Hip camps, yurts, or other upscale or “glamping” options could help meet middle demand for visitors who are looking for unique lodging but are not willing to pay hotel prices nor stay at more rudimentary campsites.

The labor shortage, reflected in the declining employment rates in the lodging industry, poses a threat to the development of additional lodging. A mid-size establishment (defined as an establishment with 75 to 300 rooms) will require greater staffing. There is opportunity to partner with regional educational institutions, hospitality programs, and other career training institutions to strengthen the labor force pipeline for the lodging industry.

#### Continued support and engagement with the shared accommodations industry

Airbnbs and other shared accommodations in the region have seen success over time. Engagement with interview and focus group participants revealed a need for greater promotion and marketing of existing Airbnb options to fully capitalize on the existing supply. There is potential for continuing to develop Airbnb lodging options for recreational travelers in the future. Shared accommodations industry leaders and stakeholders may consider partnering with the Virginia Tourism Corporation or other business development experts to offer workshops or assistance for regional Airbnb/VRBO operators on best practices in customer service, lodging operations, business management, marketing, and other topics. As part of expanding marketing efforts, regional leaders may consider partnering with business and hospitality students from Mountain Gateway Community College or regional nonprofits to develop additional marketing materials and/or campaigns.

#### Continue to engage the region through regular convenings

During the process of this study, regional leaders and stakeholders expressed the desire to continue this work in a recurrent convening of existing steering committee members and other parties interested in helping to drive tourism development in the region. In addition to continuing discussions, this group may establish working groups or task committees to move forward on some of the recommendations and other action items identified during this process.

#### Additional research and information-gathering

Quantitative and qualitative data gleaned indicate opportunity for additional lodging. As the region continues to pursue lodging development, there may be a need for additional research. Some additional research and work may include:

- 1) **Performing a lodging site inventory:** A site inventory could reveal potential existing sites or target redevelopment sites for additional lodging. Such sites

should be evaluated based on proximity to key destinations and amenities, accessibility, and site size and configuration. Particularly, quality sites controlled by the City of Covington or the County could be attractive to developers, who often look for opportunities in communities with site control, which saves time and money on the site selection process.

- 2) **Exploring options for consistent data-gathering:** This research revealed a need for more detailed and consistent data collection to better track visitation and lodging demand for the region. For instance, businesses bringing professional visitors to the region for conferences or training may implement a uniform survey to gather information on the frequency of visitors, the duration of stay, and where they are staying overnight. Several organizations, including the Alleghany Highlands Chamber of Commerce and RVARC, have undertaken surveying efforts. There is opportunity to expand these methods of data collection to other events in the region.
- 3) **Taking stock of financing and incentive options:** Regional leaders and economic development professionals should also research and consider potential financing options for incoming developers and potential projects. This may include grant opportunities for sites, tax incentives, or other options for attracting investment.
- 4) **Developer and hotel industry market research:** Once the region has identified site opportunities and target lodging types to pursue, there may be need for additional analysis, or an update of data collected in this report, to better target consumer segments within the market area for a particular type of lodging operation. The region may work with developers, and possibly hotel industry consultants, to complete specialized industry demand forecast modeling that reflect the business model for the lodging type in question and other next steps for developing a new lodging establishment. Lodging developers and lodging companies typically have their own methodologies and procedures for completing market research and site selection analyses to determine feasibility for investing in a potential development.

### Outreach, Engagement, and Partnerships

Additional engagement and collaboration may indicate additional opportunities or pathways for future lodging development for the Alleghany region. Stakeholders may consider reaching out to other communities that have shown successful approaches to attracting new lodging establishments or adapting existing lodging to better meet demand. Stakeholders in the region should continue outreach efforts to lodging experts and/or developers as next steps to exploring potential new lodging options. Developing key partnerships based on common goals and trust will be key for moving development opportunities forward. Many communities (such as those identified in the “Promising Practices” below) have shown examples of private-public partnerships that helped to advance development efforts and spread key messaging to support their tourism industries.

Economic development practitioners and other regional stakeholders may also identify and encourage local property developers and/or investors who may have an interest in developing property for lodging such as a boutique hotel. Regional stakeholders can glean information and promising practices by hosting external developers and/or investors who have successfully developed lodging or boutique-style hotels in other areas of the state. Stakeholders and economic developers in the region might look to state and national conferences for tourism and lodging as well as other learning and networking opportunities such as webinars to connect with the lodging consulting, development, and tourism communities on a larger scale.

### Explore promising practices and “case study” communities

In addition to continued outreach and engagement, Alleghany Highland leaders may consider looking to other communities and “case studies” to find promising practices and creative solutions for growing the lodging industry. Regional economic development professionals may reach out to local economic developers, investors, and other parties from the “case” communities noted below for more detailed information. The following are some of the 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. This is not an exhaustive list, but serves to exemplify the kind of case studies or ideas for further exploration and inspiration.

#### *The Schoolhouse Hotel- White Sulphur Springs, WV*

The [Schoolhouse Hotel](#), renovated in 2020 and open since May of 2022, is White Sulphur Springs’ first full-service boutique hotel. The [Disability Opportunity Fund \(DOF\)](#), a community development financial institution (CDFI) based in New York, first purchased four buildings and a city block in downtown White Sulphur Springs, then the former WSS High School property. DOF financed and developed the historic school building into a 30-room boutique hotel centered on state-of-the-art ADA-complaint accessibility. The hotel features a conference/event space, an upscale restaurant/grill, and a rooftop bar.

Despite its short timespan in operation, the hotel has been well-received and has been featured in numerous news and journal articles including [Southern Living](#) and [Forbes](#) magazine.

#### *The Virginian Hotel- Lynchburg, VA*

[The Virginian Hotel](#) is a historic renovated hotel in downtown Lynchburg, VA, providing 115 rooms, an upscale steakhouse, rooftop bar/grill, fitness center, café, grand ballroom, and other conference/meeting spaces. In 2015, real estate developers George Stanley and Blair Godsey undertook the \$30 million renovation effort, in partnership with the City, to restore the property. The Virginian joined the Hilton Worldwide Curio Collection in 2015 and has since attracted abundant positive press and won the Connie Award, a prestigious hotel award for all brands of Hilton around the world.

Notably, the Virginian redevelopment was made possible by strong private-public partnerships and [financing](#) that included historic tax credits as well as a Lynchburg Economic Development

Authority (LEDA) “gap financing” program, which included a \$2 million loan from LEDA and a \$3 million conduit loan from a private bank through the LEDA.<sup>13</sup>

*Hotel Swisher- Somerset, OH*

[Hotel Swisher](#), a redevelopment project sponsored by the Village of Somerset, OH, was awarded funding in 2021 under the [Opportunity Appalachia](#) program administered by Appalachian Community Capital. With technical assistance secured through the grant award, Somerset intends to undertake the \$3.2M redevelopment of a locally-owned historic boutique hotel with 15 rooms in downtown. The goal of the redevelopment of the hotel is to better support tourism and outdoor recreation in the “drivable ‘gateway’ community adjacent to metros.”

*Virginia Ave. Boutique Hotel (Logan Suites)- Bluefield, VA*

MountTerra LLC, a real estate development company, was awarded funds in the 2021 rounds of the [Opportunity Appalachia](#) program as part of a \$4 million redevelopment of several downtown Bluefield properties, 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 [Logan Suites](#) property for future redevelopment. This project is intended to help bolster tourism and support downtown vitality for Bluefield, which both residents and visitors have noted as having a lack of lodging and limited recreational/dining options after 5 PM.

*Appomattox Inn and Suites- Appomattox, VA*

[The Appomattox Inn and Suites](#) is a 56-room hotel, constructed in 2015, that is operated by Marshall Hotels & Resorts. The hotel features a lounge, fitness room and conference center, accommodating approximately 150 people, as well as an outdoor pool and fitness room. The hotel was the [first new-build hotel property](#) in two decades for the area. The project was made possible largely due to COJANA, LLC, a local group of investors that provided funding and drove the development forward. The Town of Appomattox also funded a feasibility study for the hotel, and former City Manager Bill Gillespie attended events and conferences for strategies for hotel development success for small communities. Local leaders and stakeholders described the development as very timely, helping to support the growth of the hospitality and tourism industry in the region.

*Expanding booking search options: Stay22*

To better utilize existing lodging options, including regional bed-and-breakfasts and Airbnbs, Alleghany Highlands may consider exploring applications or software solutions that would allow visitors to explore booking options for all ranges and types of available accommodations, not limited to browsing on individual lodging sites. One example of such a service is [Stay22](#), a software program that aggregates travel providers on interactive maps to help travelers find the full range of accommodations available in a specific destination or in proximity to an event. Stakeholders, economic development professionals, and data experts in the Alleghany region

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<sup>13</sup> <https://www.opportunitylynchburg.com/developers-plan-to-restore-world-renowned-virginian-hotel-in-downtown-lynchburg/>

could work to find similar services or develop a similar local application under the leadership of a local entity (like the Chamber).