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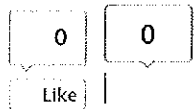
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Full Spectrum: The Hotel at Arundel Preserve Broadens BWI's Hotel Offerings

By Mark R. Smith, Editor-in-Chief

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To think: Once upon a time, there were only a handful of hotels in the BWI Business District.

The then Holiday Inn (now the Doubletree by Hilton BWI) and the Friendship Hotel (now the Four Points by Sheraton BWI Airport) were the stalwarts during the '70s; during the next decade, other now-familiar names to local travelers and denizens, like the BWI Airport Marriott and the nearby Hampton Inn and Red Roof Inn, began dotting the metro BWI landscape.

But as what is now known as the BWI Business District began to take shape as a government and tech hub in the region, the hospitality industry began taking notice. Today, there are signs along the Baltimore-Washington Parkway pointing to the "BWI Hotel District," which is now home to roughly 30 hotels.

The most recent addition — The Hotel at Arundel Preserve — is something that hasn't been seen in the district before: an independently-owned boutique hotel that gives the area another option.

But with the options plentiful and the competition for the business traveler's dollar as keen as ever, can everyone make money and be happy? Or is the district's hotel market reaching a saturation point?

Scoring Price Points

While it is a boutique offering, the overall package of services offered by The Hotel at Arundel Preserve matches those of the high-end, full-service offerings like the BWI Airport Marriott of the BWI Hilton.

"These places run the gamut of services for clients," said Jim Patton, principal with Linthicum-based Patton Consultants Ltd., as they accommodate conferences and on-site dining.

Next in line are the extended-stay hotels, like the Town Places Suites or Homewood Suites, "where clients can prepare their own meals," Patton said, "then you get into the price point where the room costs per night have a range," like the Hampton Inn and the Aloft (Note: Patton is financially involved in the BWI Hilton and the adjacent Aloft). Other chains that cater to that sector, like Microtel, Motel 6 and the Red Roof Inn, offer limited accommodations for even less expense.

The opening of The Hotel at Arundel Preserve "raises the bar" for the local hotel market, "which is good, because every [other market niche] in the district is pretty much filled," Patton said, with one caveat. "Know that we really don't have a high-end, \$1,000-a-day suite in any of the higher-end hotels in the district that you would find in a major market like New York, L.A. or D.C., or even in another boutique like the Tremont Suites in Baltimore City."

The Hotel at Arundel Preserve will fill a demand for that type of hotel by the traveling public, Patton said. "This will be a good barometer of the REVPAR (or revenue per available room, a performance metric in the hotel industry, which is calculated by multiplying a hotel's average daily room rate by its occupancy rate) of the more desirable room rates market. And that will tell us what the public is willing to pay at Arundel Preserve."

The coming months will be interesting, "because most of the airport hotels are along the Nursery Road/Elkridge Landing Road axis. There's not much to speak of at NSA or Fort Meade, aside from the Courtyard by Marriott" at The National Business Park. "That's an advantage for people who fly in to work around BWI Marshall because so many options are so close to the airport.

"How will this serve the new cyber market?" Patton queried. "Won't people want to be closer to Fort Meade? I think the higher roller contractors like to entertain or be in what they consider higher-end accommodations. I think, for that reason — and since the casino is rising at nearby Arundel Mills — The Hotel at Arundel Preserve will do well."

However, looking at the bigger picture, Patton has doubts about the possibility of all of the hotels near BWI Marshall succeeding. "The BWI Business District is getting a lot of hotels [at similar price points]," he said. "They can't all make it."

It's a Management Thing

Lou Zagarino, a veteran of the BWI hotel market dating back to its earliest days, feels that the ability of the airport hotels to survive is more of a management issue.

"The BWI Business District, even after it began to build up, was never a primary hotel market, but a secondary market. We never had a Ritz Carlton or Four Seasons," said Zagarino, president of Whitehall Management Group in Millersville.

"But within recent years, many of the hotels have moved it toward a first-tier market; the addition of The Hotel at Arundel Preserve continues that trend. The prospects are good that the new hotel will receive a AAA Four Diamond citation.

Zagarino and Patton agree that the smaller, boutique-style of hotel has a strong following throughout the country, "and I think it will successfully fit into our market," said Zagarino.

On that note, the local figures from the Annapolis & Anne Arundel County Conference and Visitors Bureau, even with the nation's economy struggling, tell a positive story.

County hotels are running slightly above 71% occupancy for 2011. "That's up 1.5% from last year," Zagarino said, "and well above the national average. Annapolis and the BWI Business District are separate markets; both have about 30 hotels but their averages are similar."

The better run hotels in the market "are probably doing about 80% occupancy," said Zagarino, the former owner of the Comfort Inn and The Sleep Inn in North Linthicum, as well as the adjacent Rose Restaurant.

"I always say in tough markets like this, the better run, better operated hotels will be in excellent shape. The hotels that aren't will go by the wayside, as they tend to do in a healthy market," he said. "So, if hotel operators keep their product fresh and new, I think that the pie here is big enough that everyone will benefit to some extent."

Does this long-time industry vet see the BWI hotel market as oversaturated? "I think we have a reasonable number of hotels now," he said. "Plus, most of these places are owned by large corporations that offer a significant financial backbone."

Numbers Crunching

Zagarino's observations about the numbers were echoed by Bobby Bowers, senior vice president with Smith Travel Research (STR) in Nashville. "The numbers are pretty good," he said, also pointing to STR's year-to-date numbers for BWI/Annapolis for August, which stand at

71.9% occupancy.

"That's pretty darned strong. I think 80% would be excellent, too," Bowers said, noting that the figure for the trailing 12 months was 69.9%. "That [number] is also up, 2.3% from the previous year."

Interestingly, the room supply (room nights available) growth was not significant at just 0.2%. "That's essentially flat," he said. "That means that very few rooms have been added overall to the market's available room supply. And room nights sold during the trailing 12 months [that ended this past August] are up 2.7%, which is also good. That's what pushed occupancy up 2.3%."

Bowers was encouraged that, even during the bad economy, hotels have been added to the BWI submarket, which he sees as "being strong enough" that STR will "be breaking Annapolis/BWI into two separate submarkets of Baltimore City in the foreseeable future."

Welcoming Rates

While The Hotel at Arundel Preserve has made quite a splash during its first weeks in business, Director of Sales & Marketing Marion Hrab knows that it takes some time to develop a following, even with such an impressive new product

Hrab said that the hotel, and its restaurant, Grillfire, are offering specials to lure what those involved hope will become steady customers for many years.

"Our rates today depend on what night the customer wants to stay over," she said. Weekends run about \$125 per night, with weekdays (which are prime time around the airport due to its main clientele of business travelers) are priced with the market, between \$149 and \$189 per night.

When business picks up, "I don't foresee the basic rate going above \$200 per night for our standard rooms on weekdays, and \$30 more for our executive level rooms," said Hrab. "I think that is the appropriate rate for this marketplace. I don't think this current economic market will bear more than that.

"We do definitely want to be the luxury hotel in the BWI Business District," she said. "What differentiates our hotel from the Arundel Mills [submarket] is that we also have more than 10,000 square feet of meeting space, along with all of the amenities found in a full-service hotel.

So Hrab, like many other observers, is optimistic about the future of the prime new property.

"It brings something special to the marketplace," she said, "since it's so different than everything else in the area."

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