Montgomery Planning   Research and Strategic Projects Division

10/10/2024

Montgomery County Hotel Market Study

Executive Summary

Expanding upon previous land use and market research completed by Montgomery Planning's Research and Strategic Projects Division, this study looks to evaluate the current landscape of hotels and motels in Montgomery County, MD. Hotels and motels represent an understudied form of land use, contributing uniquely to the county's economic competitiveness and built environment. To provide an informed perspective on the county's stock of hotels and motels, the study's findings are divided into four sections: Market Environment, Inventory Analysis, Regional Standing, and Future Topics.

Market Environment

Local history, the county's hub of industry headquarters, the current zoning of county land, and ongoing trends in local and national hotel demand all work to contextualize the environment of the county's hotel market. Trends across the hotel market's three key performance indicators (KPI)–Occupancy, Average Daily Rate (ADR), and Revenue per Available Room (RevPAR)—reveal a nearly complete recovery following COVID-19, with only the 2023 occupancy rate lagging slightly behind 2019 levels. Record-high ADR and RevPARs in 2023 demonstrate significant steps towards market recovery following COVID-19, however, comparisons of ADR and RevPAR recovery across hotel classes show the greater vulnerability of the county's upscale and upper upscale hotels to economic downturns. Finally, a consideration of county employment levels illustrates lasting changes in hotel operations, leaving the number of traveler accommodations employees at roughly 76% of pre-pandemic levels.

Inventory Analysis

A comprehensive look at the county's 54 hotels provides several key insights. First, hotels are largely clustered in a few "centers," including: Rockville, Gaithersburg, Silver Spring, and Bethesda. Hotel locations are also highly correlated with transportation networks, specifically the WMATA Metrorail's Redline and I-270.

Beyond these key geographic characteristics, analysis of hotel properties reveals several themes. First, most of the county's hotels serve higher-income guests, and hotel amenities typically cater to business travel. The county's hotel inventory is also aging, as most hotels in the county were built prior to 2000 and only 6 hotels have been built since 2011. Finally, Montgomery County's hotels currently respond to local and regional meeting space demand through 3 large-scale conference venues and numerous smaller-scale spaces across nearly all hotel locations.

Regional Standing

In this section, Montgomery County's hotel inventory and market is compared to those of Prince George's, Fairfax, and Loudoun Counties. Comparative analysis finds that Montgomery County falls behind Fairfax and Prince George's Counties in hotel count, room inventory, and total meeting space. Despite a significantly larger population, the county's hotel count is relatively closer to that of Loudoun County. In addition to the county's comparatively smaller hotel inventory, analysis of regional occupancy, ADR, and RevPAR trends indicates Montgomery County has historically produced lower revenues per room despite charging similar daily rates.

Future Topics

In this final portion of the study, key determinants in the future of the hotel market are explored, as well as topics for further research. Through national trends and local examples, the popularization of hotel-to-housing conversions is paired with the county's development pipeline to illustrate potential constraints in the market's future expansion. Bed and Breakfasts, Short-Term Residential Rentals, and Campgrounds are then highlighted as relevant hospitality topics which may warrant further research and analysis.

Hotels, By the Numbers

54 Hotels

20% Within ½ Mi. of Metro

3.2M Available Room Nights

2.1M Room Nights Sold

350,000 SF Meeting Space

64.1% Average Occupancy Rate

$142.11 Average Daily Rate (ADR)

$92.17 Revenue Per Available Room (RevPAR)

$303,002,754 2023 Total Revenue

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Purpose of Study

While past studies from the Research and Strategic Projects Division have explored various commercial and residential markets in detail, the hospitality market represents a gap in our understanding of the county's real estate and land use. This study aims to address this gap and evaluate the county's hotels and motels.

Unlike other portions of the hospitality industry (i.e., entertainment, food services, or recreation), hotels and motels present a unique form of land use that combines residential, retail, entertainment, and office elements. Due to their commercial nature, hotels and motels are also set apart from other lodging sites, such as Short-Term Residential Rentals or Bed and Breakfasts, which are built and operated within a vastly different context.

To better understand the county's hospitality industry, this study will look at the current landscape of hotels and motels while considering current and historical trends in the county's hospitality market. As with recent analysis of retail, office and housing markets, this study will also observe the lasting impacts of COVID-19 on the county's hotel stock. In doing so, the study aims to provide an informed perspective on this unique and understudied form of land use in the county.
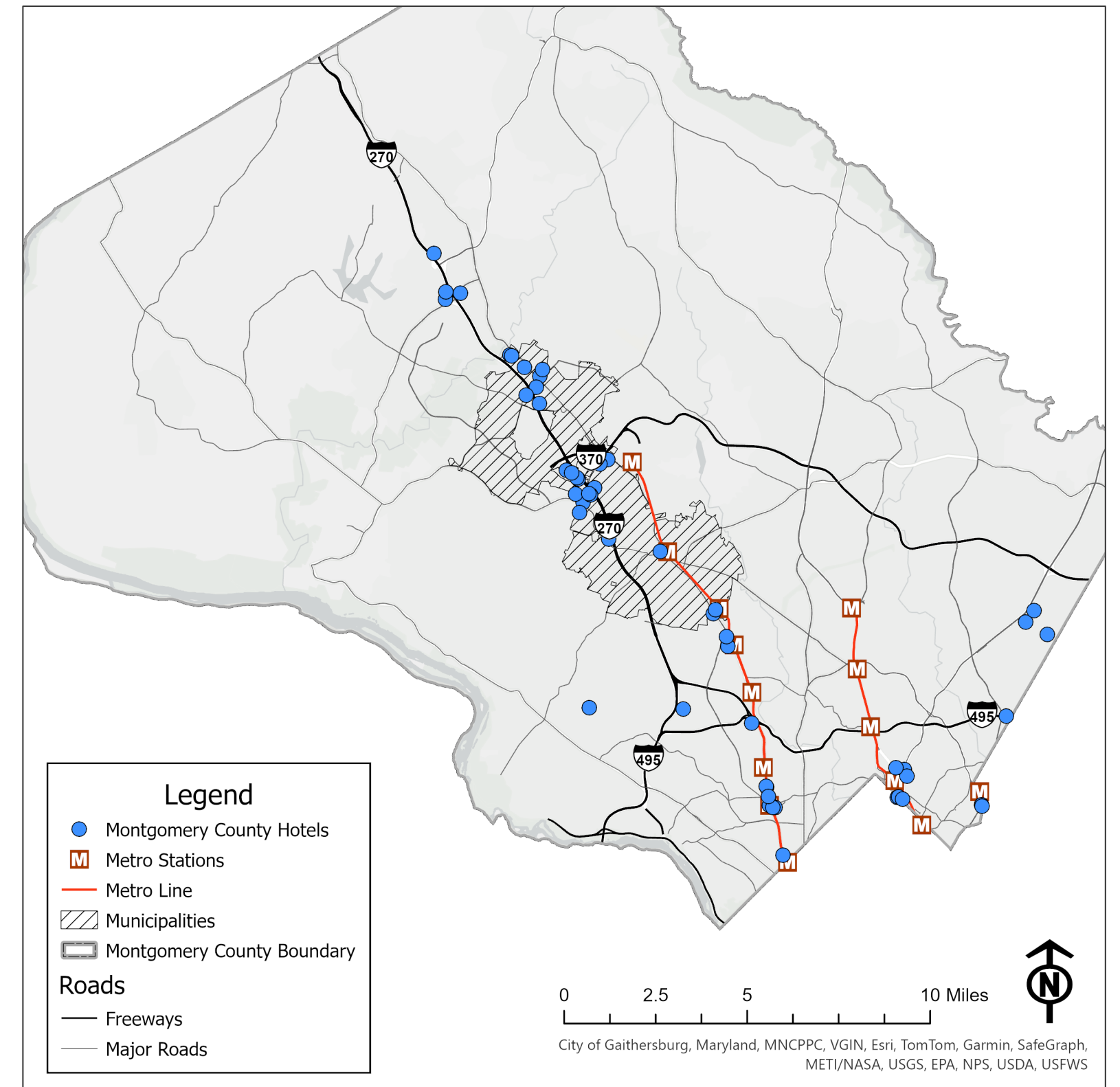
How do we define hotels?

This study exclusively focuses on the hotels and motels in Montgomery County. Motels are referred to as "economy hotels" based on the definition from Costar, a leading real estate database.

This study does not evaluate the county's corporate hotel offices, Short-Term Residential Rentals, or Bed and Breakfasts. While studies of the office market previously considered hospitality office spaces, other forms of traveler accommodations (such as Short-Term Residential Rentals or Bed and Breakfasts) require further consideration. As these properties are often located within single and multi-family residential neighborhoods, their role in the county's land use and hospitality industry differs greatly from hotels.

How can we study hotels?

Currently, **there are 54 operating hotels in the county** (see Figure 1). To fully evaluate and analyze the county's hotel inventory, this study considers these 54 hotels according to their location, amenities, industry performance, and other relevant metrics. Data for this analysis is sourced from Montgomery Planning's GIS layer files, Costar, Visit Montgomery, the Bureau of Labor Statistic's Quarterly Census of Employment and Wages, and the U.S. Census Bureau.

Figure 1: Montgomery County Hotel Locations (2024)

Legend
- Montgomery County Hotels
- Metro Stations
- Metro Line
- Municipalities
- Montgomery County Boundary

Roads
- Freeways
- Major Roads

0   2.5   5   10 Miles

City of Gaithersburg, Maryland, MNCPPC, VGIN, Esri, TomTom, Garmin, SafeGraph, METI/NASA, USGS, EPA, NPS, USDA, USFWS

Source: Costar. (January 24, 2020). "Hotel Industry Terms to Know". *Hotel News Now;* Costar. (June 2024). "Montgomery County Hospitality Properties" [Data set];

Table 1: Study Data Sources

Data Source	Details
Bureau of Labor Statistics	2019 – 2023 Quarterly Census of Employment and Wages
Costar	2024 Hotel Property Datasets, 2012 – 2023 Hotel Trend Datasets
GIS Layer Files	Maryland State Department of Assessments & Taxation (SDAT) points and parcels, transportation, boundaries, current and historical development pipeline, zoning, municipalities, urban district boundaries, etc.
U.S. Census Bureau	2022 County Profiles (Median Household Income, Total Population, Total Land Area)
Visit Montgomery	Tourism Economics reports, online publications, etc.
Other Sources	News articles, individual hotel websites, stakeholder input, external research reports, etc.

Why are hotels important?

In addition to producing a distinct form of land use within our county's Commercial- Residential and Employment Zones, hotels play a vital role in driving visitor spending and tax revenue throughout the county. According to Visit Montgomery's 2022 Tourism Economics Report, **visitors spending in 2022 totaled roughly $1.9 billion** and produced $528.9 million in tax revenue for the local, state, and federal government. Looking to county tourism and travel's impact on employment, Visit Montgomery reported over **20,000 visitor-supported jobs in Montgomery County**, representing five percent of countywide employment.

Several metrics can be used to measure the value of hotels and lodging to the county's tourism and travel industries. Of the 8,245,500 visitors to Montgomery County in 2022 roughly one third stayed overnight in county lodging, **producing over two million overnight visitors**. **In 2022, lodging expenses represented 16 percent of all visitor spending, totaling to $306.1 million.** Furthermore, Montgomery County's hotels generated **$17.9 million in tax revenue through the 7 percent Room Rental–Transient Tax** (Hotel Tax).

Given the tourism industry's clear role in the local economy, a greater understanding of Montgomery County's hotel market will enable planners to continue their work in promoting a future of economic competitiveness for Montgomery County.

Source: Tourism Economics. (2022). "Montgomery County Tourism Economics Report". *Visit Montgomery.*

$1.9 Billion
2022 Visitor Spending

2,717,800
2022 Overnight Visitors

$17.9 Million
2022 Hotel Tax Revenue

Hotel Terminology

Average Daily Rate (ADR): A measure of the average rate paid for rooms sold, calculated by dividing room revenue by rooms sold (ADR = room revenue / rooms sold).

Bleisure: Bleisure travel refers to the phenomenon of business travelers combining their business trips with leisure outings, often extending their duration of travel.

Hotel Count: The total number of hotels in a given geography. This count includes each individual hotel in operation, including independent hotels and both brands of dual-branded hotels.

Occupancy: Occupancy is the percentage of available rooms that were sold during a specified period of time, calculated by dividing the number of rooms sold by rooms available.

Revenue per Available Room (RevPAR): RevPAR is the total guest room revenue divided by the total number of available rooms. RevPAR differs from ADR because RevPAR is affected by the amount of unoccupied available rooms, while ADR shows only the average rate of rooms actually sold (RevPAR = room revenue / rooms available).

Source: Costar. (January 24, 2020). "Hotel Industry Terms to Know". *Hotel News Now*.

Photo Credit: https://www.tripadvisor.com

Photo Credit: https://www.hotels.com

Hotel Terminology (cont.)

Room Inventory: The number of rooms in a hotel or set of hotels.

Room Revenue: Total room revenue generated from the sale or rental of rooms.

Rooms Available (also referred to as Room Supply)**:** The number of rooms in a hotel or set of hotels multiplied by the number of days in a specified time period.

Rooms Sold (also referred to as Room Demand)**:** The number of rooms sold in a specified time period (excludes complimentary rooms).

Demand has historically been divided into two segments: business and leisure. In addition to these categories, demand for hotels may at times be further segmented into group (rooms sold in blocks of 10 or more), contract (30+ day stays established through contract with another entity), or transient stays (all other leisure and business demand).

Photo Credit: https://www.choicehotels.com

Photo Credit: https://www.tripadvisor.com

Source: Costar. (January 24, 2020). "Hotel Industry Terms to Know". *Hotel News Now*.

Hotel Terminology: Class

Class is an industry categorization for both chain-affiliated and independent hotels which serves as an indication of their average rates, relative to the local market. A chain-affiliated hotel's class is determined according to the given hotel brand's actual average room rates. Independent hotels are assigned a class based on their ADR, relative to that of the chain hotels in their geographic proximity.

In order from lowest to highest ADR, the classes of hotels in the county are: Economy (five), Midscale (nine), Upper Midscale (10), Upscale (20), and Upper Upscale (10). Montgomery County does not have any hotels in the Luxury class. The following page displays the county's distribution of hotel classes (see Figure 2).

In Upscale and Upper Upscale classed hotels, customers pay higher daily rates in exchange for a greater level of service or more amenities. By contrast, Economy hotels—also known as motels—offer fewer amenities at a more affordable price. Today many hotel parent companies produce hotels of multiple different classes through various hotel brands (e.g. Marriott's Fairfield, Courtyard and Sheraton branded hotels). Table 2 illustrates the relationship between of each of the county's 34 hotel brands/flags and the 5 present hotel classes.

Source: Costar. (January 24, 2020). "Hotel Industry Terms to Know". *Hotel News Now*.

Economy Class (Motel)
Ex. Red Roof PLUS+
Photo Credit: https://www.tripadvisor.com

Midscale Class
Ex. Sleep Inn Rockville
Photo Credit: https://www.choicehotels.com

Upper Midscale Class
Ex. Holiday Inn Gaithersburg
Photo Credit: https://www.ihg.com

Upscale Class
Ex. Courtyard Bethesda/Chevy Chase
Photo Credit: https://www.marriott.com

Upper Upscale Class
Ex. Hyatt Regency Bethesda
Photo Credit: https://www.hyatt.com

Figure 2: Montgomery County Hotel Distribution by Class

Pie chart — Montgomery County Hotel Distribution by Class:
- Economy: 9%
- Midscale: 17%
- Upper Midscale: 18%
- Upscale: 37%
- Upper Upscale: 19%

Sources: Costar. (June 2024). "Montgomery County Hospitality Properties" [Data set]

Table 2: Hotel Class of Montgomery County's Hotel Brands

Photo Credit: https://www.booking.com

Market Environment

Local Context

Drivers of Demand

Industry Performance

Local Context

Several local topics can be used to contextualize Montgomery County's hotel market. First, the history of the county's hotels can illustrate the longstanding significance of hospitality in the region. Today's hub of headquarters in and around Bethesda then highlights the relevance of the county to the hospitality industry at large. Finally, the regulatory environment set by local zoning ordinances outlines the present and future landscape within which hotels are built.

Montgomery County's Early History of Hospitality

There is a long and well-documented history of the hospitality industry's presence in Montgomery County. From the late 19th to early 20th century, the still largely rural Montgomery County often served as a **country escape for Washingtonians**. Salespersons and tourists visiting the nation's capital would also travel through the county, stopping at its small hotels and inns for a resort-like stay.

While the county's resort era peaked in the early 20th century, several of its former hotels and inns have been preserved as historic sites. These sites provide a window into the historic role of the hospitality industry. In addition to their resort style, sites such as the former Burdette Hotel and the Cabin John Bridge Hotel illustrate how **hotels in the county have long served as hubs of business and political dialogue**. The Black and White Inn, meanwhile, demonstrates **the social significance such sites held within their communities**. While the hotels of Montgomery County saw dramatic changes moving into the latter half of the 20th century, many of the county's hotels still serve these same roles.

Photo Credit: https://historichighview.com

The Burdette Hotel ("High View") Boyds, MD
- Built in 1887.
- Served traveling salesmen and vacationing Washingtonians.
- Representative of the county's resort era.

Photo Credit: https://mcatlas.org

The Black and White Inn Gaithersburg, MD
- Built in 1882.
- Served as a safe stop for Black travelers during segregation.
- Hosted community events and activities for local Black youth.

Photo Credit: https://glenecho-cabinjohn.com/

The Cabin John Bridge Hotel Cabin John, MD
- Built in 1870.
- Hosted many diplomats and politicians.
- Reflected the county's resort image with ornate gardens and views of the Cabin John Bridge.

Sources: Glen Echo-Cabin John Area History. (January 24, 2009). "The Cabin John Bridge Hotel"; M-NCPPC. (August 2004). "The Black and White Inn". *M-NCPPC Inventory of Historical Sites*; M-NCPPC. (October 1979). "The Burdette Hotel". *M-NCPPC Inventory of Historical Sites*; M-NCPPC. (1978). "The Cabin John Hotel Gas House". *M-NCPPC Inventory of Historical Sites*
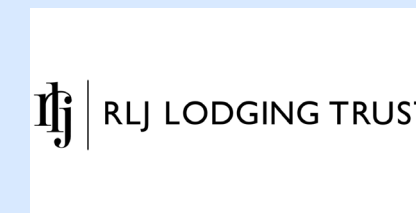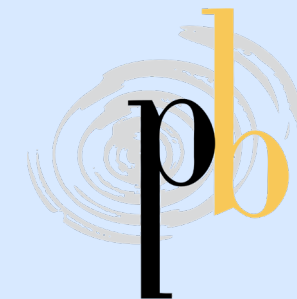
Montgomery County as a Hospitality Hub

Beyond its 54 hotel locations, **Montgomery County is a longtime hub for many of the hospitality industry's corporate headquarters**. In addition to the recent opening of the Marriott International Headquarters in downtown Bethesda, Choice Hotels International recently relocated its headquarters to offices in the Pike & Rose development of North Bethesda. **Hotel parent companies, like Marriott International and Choice Hotels International, also manage or franchise 95% of all hotels in the county**. **Of the 51 chain-managed and franchised hotels, Marriott International, alone, oversees 17**.

Several of the industry's leading management companies are also located in the county. Headquarters of PM Hotel Group and B.F. Saul Company Hospitality Group are both in the Bethesda/Chevy Chase region and manage a combined 92 hotels across the US.

The hospitality industry in Montgomery County is further supported by a local concentration of the industry's leading Real Estate Investment Trusts (REITs). The headquarters of Host Hotels & Resorts, the world's largest hotel REIT, is located steps away from several of the county's prominent hotels in Downtown Bethesda. Other major REITs—including Pebblebrook Hotel Trust, Diamondrock Hospitality, and RLJ Lodging Trust—are also located in Bethesda, MD.

While these headquarters play an integral role in the county's hospitality industry, their offices do not qualify as hotel land uses. A full analysis of why and how Montgomery County has become a hotel industry hub is a topic for another study.

Sources: Bryant, Stephanie. (June 4, 2020). "Commercial Real Estate – Hospitality Sector". *COVID-19 Recovery Outlook*, Office of Legislative Oversight; Costar. (June 2024). "Montgomery County Hospitality Properties" [Data set].
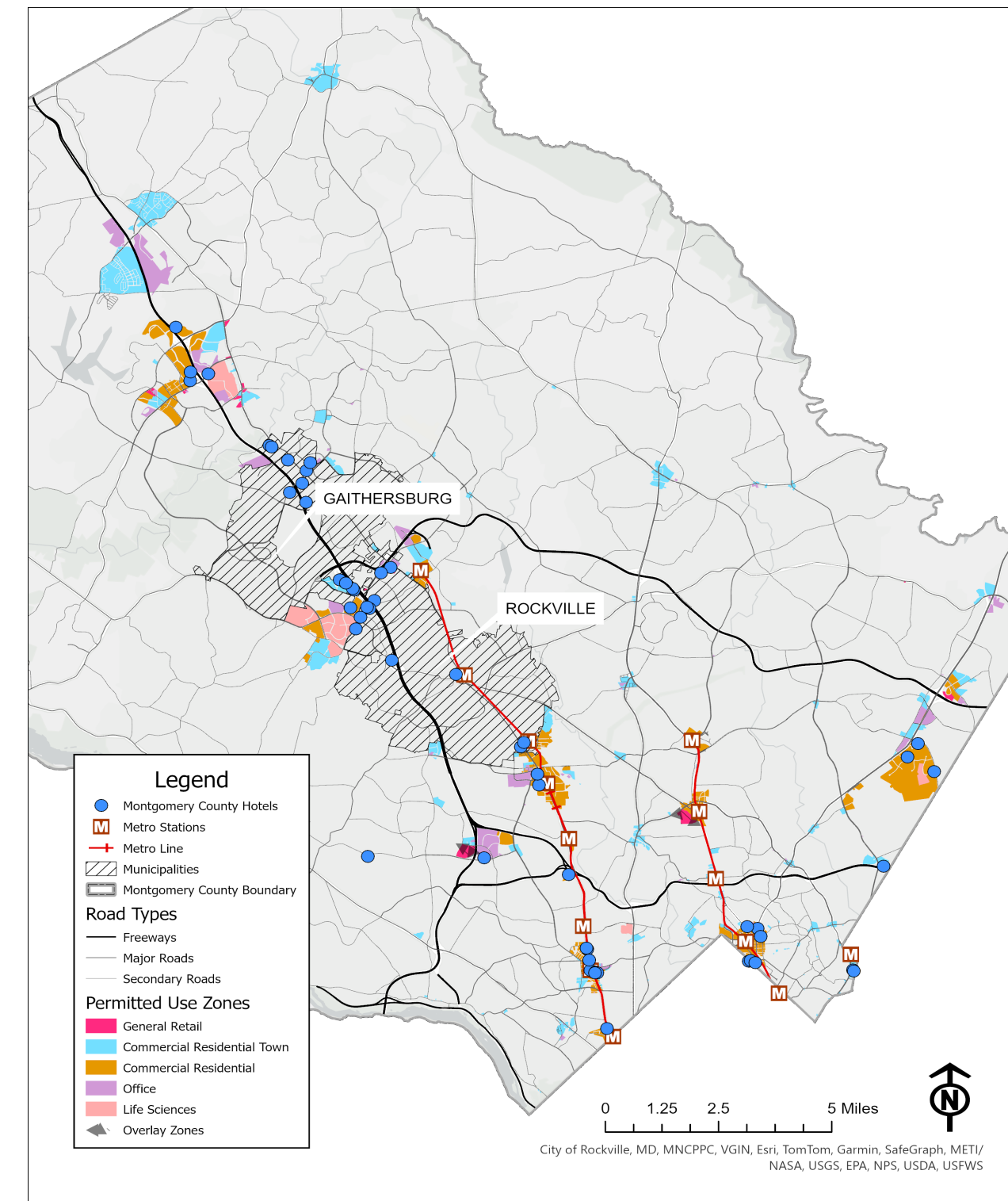
Current Regulatory Environment

The county's hotel land use is defined through Section 3.5.6 of the Montgomery County Zoning Ordinance as "a building containing guest rooms arranged for short-term accommodations of less than 30 days for compensation and may contain one or more restaurants, meetings rooms, or banquet facilities." Under this definition, the use table in Section 3.1.6 of the county's zoning ordinance **permits hotels or motels in five zones: Commercial Residential (CR), Commercial Residential Town (CRT), General Retail (GR), Life Sciences Center (LSC), and Employment Office (EOF).**

Though hotel development is permitted in the GR and LSC zones, no hotels are currently located in either. Hotels are instead clustered almost entirely in Commercial Residential zones (see Figure 3). Despite the 2019 adoption of the Regional Shopping Center Overlay (which increased permitted building height for uses including hotels and motels), the absence of hotel or motel development has continued in GR zoned areas such as the Montgomery and Wheaton Malls.

Figure 2 does not include the zoning of two of the county's municipalities, Rockville and Gaithersburg. **In both Rockville and Gaithersburg, hotels are permitted in mixed-use and commercial zones.** While Gaithersburg's Code of Ordinances previously included the H-M Zone for hotel and motel sites "adjacent to, and directly or indirectly accessible from, major highways or limited access freeways," the zone was eliminated in the city's recent comprehensive revision.

Figure 3: Montgomery County Hotel Locations and Zoning Map (2024)

Sources: Costar. (June 2024). "Montgomery County Hospitality Properties" [Data set].; City of Gaithersburg. (July 2024). "Zoning". *The Code of the City of Gaithersburg, Maryland,* Ch. 24.; City of Rockville. (May 2009). "Zoning Ordinance". *Rockville, Maryland – Code of Ordinances*, Ch. 25; Montgomery County Government. (October 2014). "Montgomery County Zoning Ordinance". *Code of Montgomery County Regulations (COMCOR)*, Ch. 59.

Despite the largely Commercial Residential or mixed-use zoning of areas allowing hotel development, **only nine of the county's 54 hotels are part of mixed-use properties.** While five of these sites combine office and hotel use into a single building, four hotel properties include publicly accessible, ground floor retail spaces. Unlike hotel restaurants or on-site markets, these office and retail spaces are leased and operated by unaffiliated businesses such as dentistry's, bakeries, banks, and more.

In 2015, the mixed-use development now occupied by Cambria Hotel Rockville and BLVD44 introduced the county to a model of co-located housing and hospitality where hotel rooms and for-rent apartments were built within a single building. In 2017, the concept was furthered by the co-location of luxury, for-sale condos and a Canopy by Hilton hotel in Pike & Rose. While this model has not been replicated since, it presents **a unique opportunity for mixed-use developments to increase local housing and encourage visitor spending simultaneously**.

Examples of the county's various forms of mixed-use hotel development are displayed to the right.

Sources: Costar. (June 2024). "Montgomery County Hospitality Properties" [Data set]; Duball, LLC. (May 2015). *Rockville Town Center – Phase 1;* Legendary Homes. (2024). *930 Rose at Pike & Rose Bethesda*.

DoubleTree by Hilton Silver Spring Washington DC North

- Initially opened in the 1970s as the Holiday Inn Silver Spring Plaza Convention Center, the site now includes 252,428 square feet of office space.

Courtyard Gaithersburg

- A 210-room Courtyard hotel with 13,961 square feet of ground floor retail space at the RIO Washingtonian Center.
- Retailers currently include Nouvelle Nail Spa, IT'SUGAR, Lilly Magilly's Cupcakery, Nando's Peri-Peri, and Poki DC.

Canopy by Hilton in North Bethesda

- The 177-room Canopy by Hilton Washington DC Bethesda North is located in Pike & Rose beneath a 105-unit luxury condo community.
- Hotel guests and condo residents share amenities and social spaces.

Drivers of Demand

This study also looked at the demand for hotel use in the county. At the national level, generational and cultural trends define how consumers interact with hotel spaces. These trends then filter down to local markets, influenced by a region's character and attractions. The following section explores the present drivers of demand at both the national and local level to better understand the purpose Montgomery County's hotels serve.

National Trends

While national hotel occupancy has largely recovered following COVID-19's economic shutdown, **sustained shifts in travel have produced lasting impacts on the demand for hotels**. First, **Millennials and Generation Z ("Gen Z") have emerged in recent years as both the trendsetters and core spenders of the travel industry, representing over 60% of global travelers** according to 2024 reports using Statista data. These groups have redefined expectations, pushing hotels to produce a **unique experience, lively co-working spaces, and ample opportunities to socialize and build community.**

Working simultaneously with this generational shift, technology plays a central role in redefining the business travel sector. As programs like Zoom and Microsoft Teams have proven the success of virtual business meetings and remote work, **traditional business travel has remained in slow recovery**. In its absence**, remote work has enabled the spread of "bliesure" travel.** This new travel trend, particularly popular amongst younger generations, increases demand for hotel co-working spaces, longer stays, and vacation amenities.

Displayed through both local and international cases**, this shift in demand has resulted in a greater emphasis on hotel placemaking.** As seen through the building, programming, and activating of these various hotels' social spaces, many hoteliers are now actively responding to this demand to better compete with other lodging options.

Sources: Bennett, Elizabeth. (January 3, 2024). "Remote Work Isn't Killing Business Travel—It's Transforming It". *BBC;* Hilton. (2024). "The 2024 Business Traveler". *2024 Trends Report;* Hilton. (2024). "2024 Travel by Generation". *2024 Trends Report;* Johnston, Ivana. (November 30, 2023). "How is Gen Z Reshaping Hospitality and Travel?". *Forbes;* Karagiannis, Manos. (January 23, 2024). "5 Essential Travel Trends of Millennials and Gen Z That Hotels Can't Overlook". *Medium;* O'Neill, S. et al. (March 22, 2023). "Gen Z is Influencing Hotels to Rethink Strategies". *Skift;* Wheeler, Harry. (October 23, 2018). "Hoteliers: You Might Want to Try Placemaking". *Hotel News Now.*

Case Studies: Meeting Shifting Demand with Hotel Placemaking

The Social Hub Amsterdam City

Photo Credit: https://www.thesocialhub.co

The Social Hub's 18 locations exemplify the power of placemaking in hotel and hotel brand development. **The Social Hub Amsterdam City "is a hotel where travelers, locals and students get together to learn, stay, work and play."** This location, formerly The Student Hotel, pairs hotel rooms and student/extended stays with a variety of meeting and coworking spaces. **Through day passes and monthly rentals of dedicated desks, flexible workspaces, and on-demand offices, the hotel expands meeting space demand to serve both locals and traveling guests.**

Ace Hotel New York

Photo Credit: https://acehotel.com/new-york

Acting as part hotel and part "cultural hub", **the Ace Hotel New York is often credited with popularizing expanded uses of hotel common spaces**. Opened in 2009, the hotel includes an activated lobby with coworking spaces and a coffee shop, an award-winning restaurant, and multiple meeting and event venues. The hotel **notably enhances its activation of common spaces through its "Artist in Residence" program** and frequent hosting of free, small-scale concerts. **The brand's appeal to the younger generation has inspired its rapid expansion**, with 8 Ace Hotels now located worldwide.

Moxy Washington, DC Downtown

Photo Credit: https://www.marriott.com

In 2013, **Marriott International introduced Moxy Hotels as a stylish and affordable option for young travelers.** The new hotel brand **targets millennial consumers who value unique travel experiences.** With smaller guest rooms, the hotel centers around its on-site bar and **maximizes lobby, social, and coworking spaces**. Moxy Washington, DC **Downtown's rooftop bar Lucha Rosa and indoor-outdoor lobby** exemplifies the brand's effort to create a memorable stay through **trendy gathering spaces for guests and locals, alike.**

Sources: Ace Hotel. (2024). "Ace Hotel New York"; Lo, Chris. (January 8, 2020) "Rubbing Shoulders: the Hotel as Social Hub". *Hotel Management Network;* Marriott International. (2024). "Our Story of Innovation". *About Marriott;* Moxy Hotels. (2024). "Moxy Washington, DC Downtown". *Marriott Bonvoy;* The Social Hub. (2024). "The Social Hub Amsterdam City";
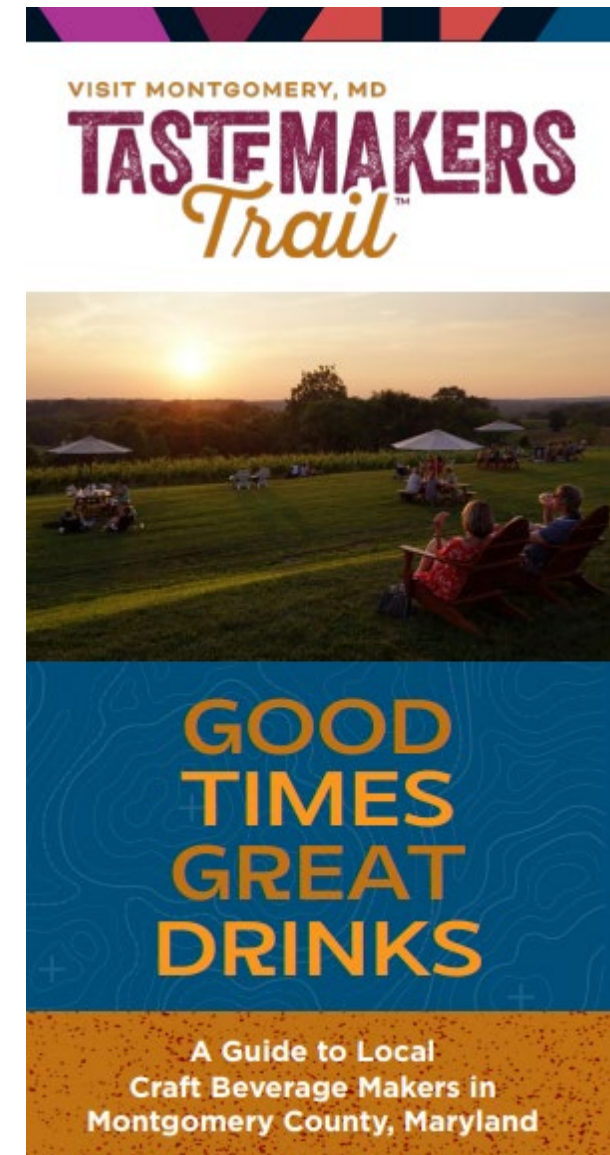
Local Drivers

In Montgomery County, hotel demand is **largely driven by leisure and business travel to Washington, DC.** Due to their suburban location, Montgomery County hotels offer lower rates for visitors who are willing to commute into the city during their stay. **In 2023, Montgomery County's ADR averaged to $142.11 while DC's reached $249.72.** As a result of such lower rates, the county commonly attracts group bookings for school trips, government meetings, business conferences, and association events both in and around Washington.

Beyond the county's own meeting space capacity and proximity to the capital, Montgomery County also derives a smaller portion of its demand through local attractions. Though **youth sport events, particularly soccer tournaments at the Maryland Soccerplex, attract a significant portion of the county's leisure travel**, the county's tourism industry is actively working to expand its reach. From 2022 to 2023, the county's destination marketing organization **Visit Montgomery recentered its branding on the county's diversity and cultural experiences.** This change reflects both the nature of Montgomery County and a nationwide shift in travel interests**. As "Maryland's Cultural Capital," Montgomery County may increasingly tap into the growing demand and spending power of Millennial and Gen Z travelers in search of more immersive experiences.**

Photo Credit: https://visitmontgomery.com

Sources: Costar. (June 2024). "Montgomery County Hospitality Trends, 2012-2023" [Data set]; Costar. (June 2024). "Washington, D.C. Hospitality Trends, 2012-2023" [Data set]; Visit Montgomery. (2024). "Getaway Guide". *visitmontogmery.com*.

Montgomery County 2023 Hotel Overview

3,285,342 Available Room Nights

2,106,003 Room Nights Sold

64.1% Average Occupancy Rate

$142.11 Average Daily Rate (ADR)

$92.17 Revenue Per Available Room (RevPAR)

Industry Performance

Another crucial step in understanding the hotel market environment of Montgomery County is establishing a comprehensive view of how the industry performs locally. As a result of returning regional demand and Montgomery County's local attractions, the hotel industry saw record high revenue, totaling to over **$303 million**, in the past year. While the county's hotel industry has seen significant growth in ADR and RevPAR over the past 3 years, the long-term impacts of COVID-19 cannot be overstated.

In the following pages, the economic performance of Montgomery County's hotels is evaluated through several key metrics with consideration of the global pandemic's impact. This analysis will focus on the industry's key performance indicators: Occupancy, ADR, and RevPAR.

The Context of COVID-19

Responding to the COVID-19 outbreak in March 2020, nationwide economic shutdowns and travel restrictions led to a dramatic decline in hotel occupancy, rates, and revenue. With both leisure and business travel at an all-time low, the industry continued to struggle as other areas of the economy recovered. **In August 2020, the American Hotel and Lodging Association (AHLA) reported that 65% of hotels remained at or below 50% occupancy, leaving 4 out of 10 hotel employees still out of work**. In 2021, the AHLA's yearly report stated, **"The impact of COVID-19 on the travel industry so far has been nine times that of 9/11."** The context of COVID-19 recovery is thus crucial to understanding today's market.

Figure 4: Montgomery County Annual Room Supply and Demand (2012-2023)

Supply and Demand

Montgomery County's stock of available rooms has consistently met and exceeded demand. Prior to 2020, this relationship between available and sold room nights had remained mostly constant (see Figure 4), resulting in relatively stable occupancy rates in the county's hotels (see Figure 6). Despite this historic stability, the global pandemic decreased both the local supply and demand of hotel room nights in several ways.

First, COVID-19 forced an obvious and direct decline in travel, decreasing the total room nights sold countywide. Executive "Stay-at-Home" Orders also limited room supply by restricting business operations, and health standards slowed hotel room turnover through more intensive cleaning and disinfection requirements.

COVID-19 also contributed to the closing and sale of the National 4-H Conference Center in Chevy Chase and the Hampton Inn/Homewood Suites in Silver Spring. While the Holiday Inn Gaithersburg similarly closed its doors in 2020, plans to convert the building to affordable senior housing were rejected by the Gaithersburg City Council. The hotel finally reopened in 2023 after a three-year closure and major renovations, at 50% capacity. As a result of such hotel closings and renovations, the county's supply of room nights has yet to fully return to 2019 levels.

ADR and RevPAR Trends

County-wide ADR and RevPAR both saw consistent, gradual growth leading up to the COVID-19 pandemic. In the wake of 2020's national economic shutdown and travel restrictions, **hotel revenues declined dramatically, demonstrated by the local ADR's fall from $127.26 to $93.21 and RevPAR's drop from $86.39 in 2019 to $33.68 in 2020**. These drops in key industry metrics equate to roughly **a $200 million loss in total hotel revenue in Montgomery County.**

Despite such grim standings throughout 2020 and 2021, both the county and national hotel industries have recovered and—by some metrics—surpassed 2019 levels. In their *2024 State of The Industry Report*, the American Hotel and Lodging Association reported the national ADR and RevPAR both had exceeded pre-pandemic levels during 2023 and were projected to continue doing so. In Montgomery County, this recovery has translated into record high ADR and RevPARs in 2023. **While total rooms sold remained about 260,000 rooms short in 2023, ADR and RevPAR each surpassed pre-pandemic levels and reached $142.11 and $92.17, respectively**. Though total revenue remains slightly below 2019 levels, these trends indicate the local industry has rebounded well.

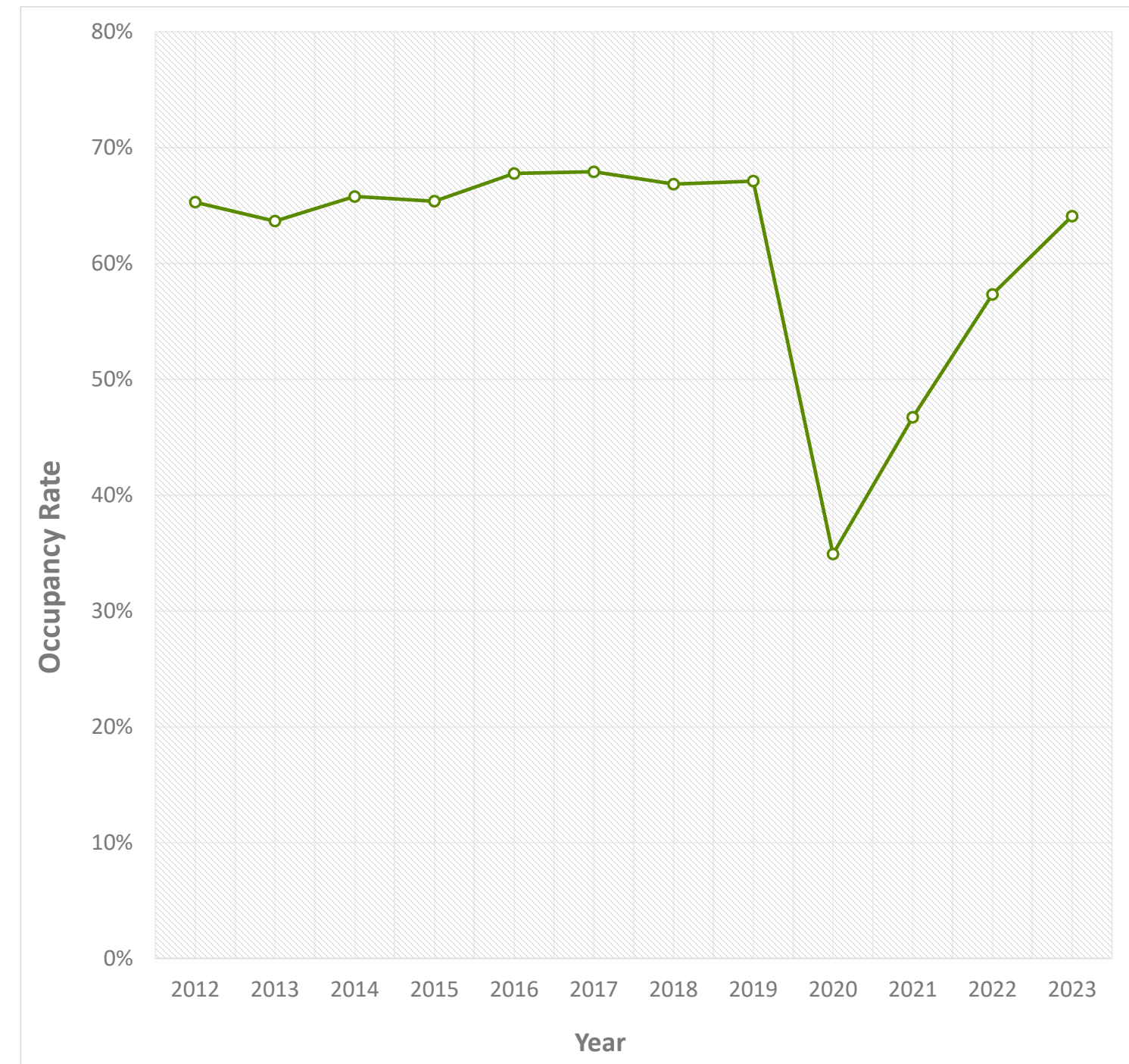**Figure 5: Montgomery County Annual ADR and RevPAR (2012-2023)**

Source: AHLA. (2024). "Beyond Recovery: 2024 State of the Industry Report"; Costar. (June 2024). "Montgomery County Hospitality Trends, 2012-2023" [Data set].

Montgomery County Hotel Market Study

Occupancy Trends

Derived from the relationship between room supply and demand, hotel occupancy rates in the county have consistently remained below 10%. Prior to 2020, Montgomery County hotels had reached a relatively constant occupancy rate ranging between 66-68% annually. As with other metrics, however, **occupancy rates across the nation and in Montgomery County dipped dramatically following the outbreak of COVID-19 in 2020**. In Montgomery County, the combined impact of hotel closings and decreased demand **dropped the annual average occupancy rate of county hotels to 34.9%**.

Unlike other metrics, occupancy rates in the hotel industry remain in recovery. From 2022 to 2023, the American Hotel and Lodging Association reported a mere 0.35% increase in the U.S. hotel occupancy rate, with the 2023 average rate of 62.9% remaining several points below pre-pandemic levels**. In Montgomery County, hotels saw a far greater—though incomplete—recovery of occupancy rates.** From 2022 to 2023, the county's annual average occupancy rate growth surpassed nationwide trends and increased from 57.3% to 64.1%. **Compared to the 2019 average occupancy rate of 67.1%, however, 2023's annual average of 64.1% still leaves room for further recovery.**

Figure 6: Montgomery County Annual Average Occupancy Rates (2012-2023)

Figure 7: Montgomery County ADR by Hotel Class (2019-2023)
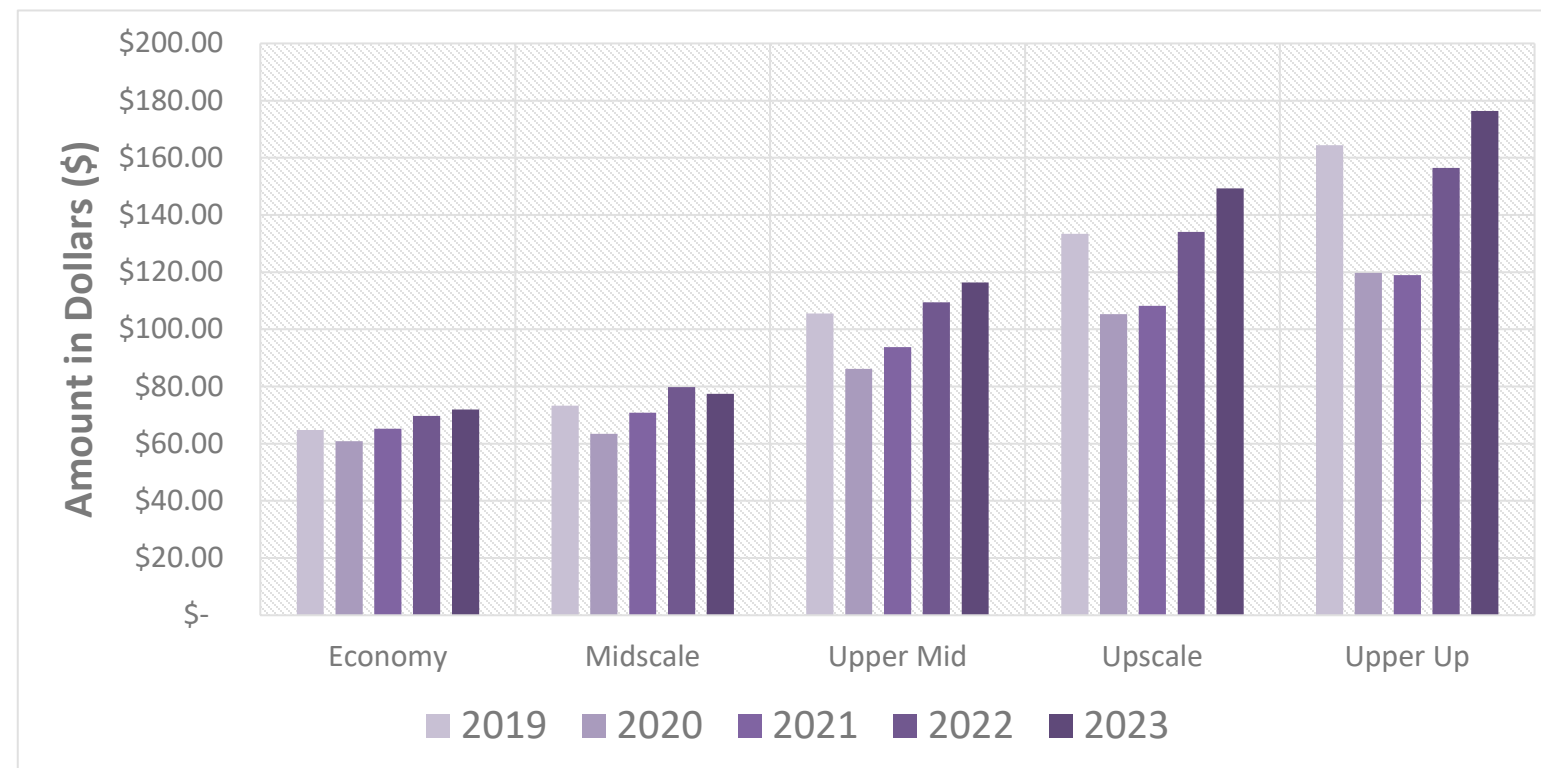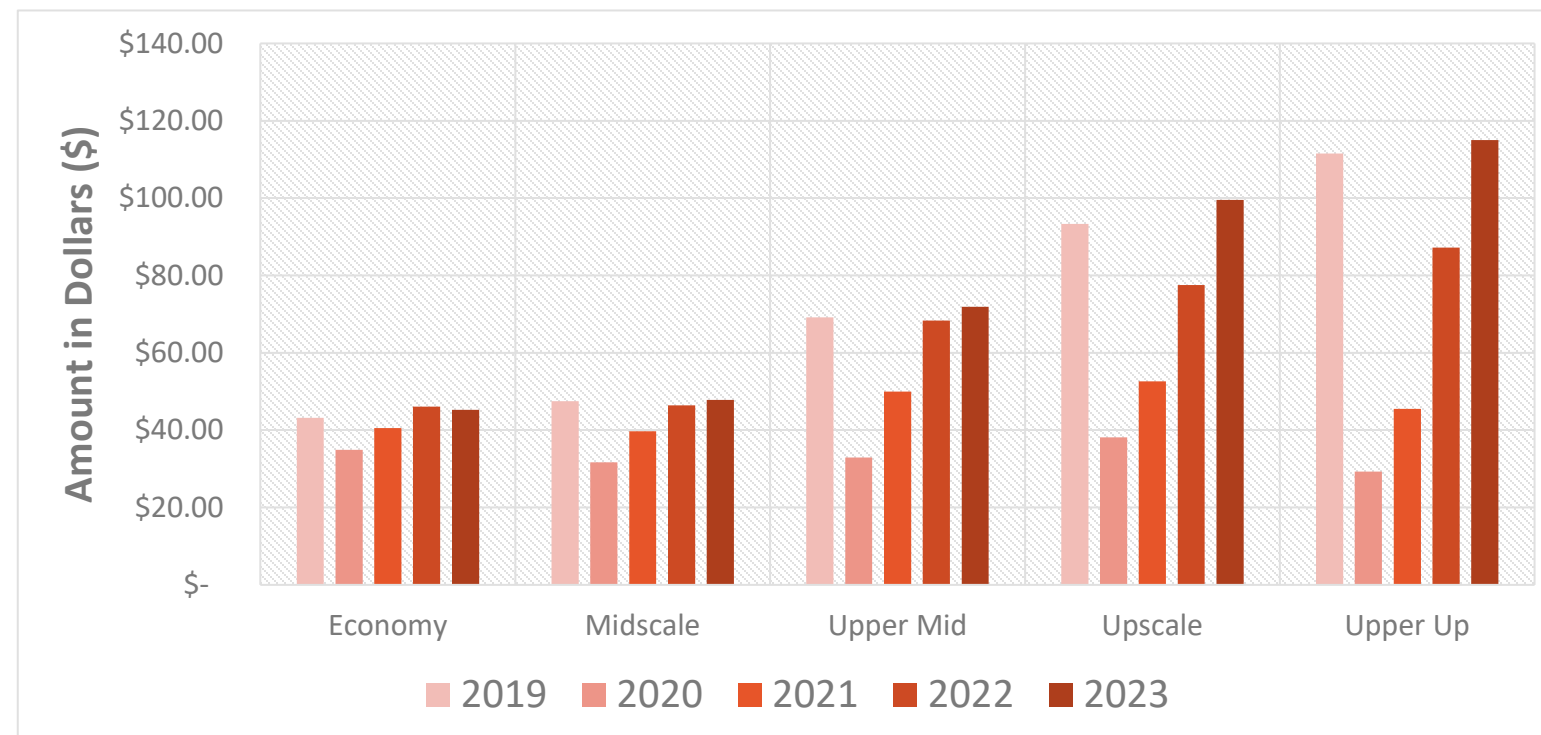

Figure 8: Montgomery County RevPAR by Hotel Class (2019-2023)

ADR and RevPAR Recovery by Hotel Class

In the average year, higher class hotels will typically claim larger ADR and produce a higher RevPAR. Despite this historical trend, higher class hotels also appear more vulnerable to dramatic shifts in the market.

For example, hotel classes in Montgomery County did not experience the decline and recovery from COVID-19 equally. While **economy class hotel ADRs fell by only six percent in 2020, Upper Upscale rates dropped by over two percent**. This same discrepancy occurred in RevPARs as well. **In 2020, Upper Upscale hotels saw RevPARs drop by roughly 7%, or from $111.57 to $29.26.** During the same period, however, economy hotel RevPARs only fell by 19%. Such trends indicate higher class hotels were more likely to reduce rates and experience greater revenue losses during the pandemic. **As higher classed hotels often rely on business travel demand, this vulnerability can also be directly traced to the pandemic's negative effect on business travel.**

While lower classed hotels typically recovered in these metrics by 2022, Upscale and Upper Upscale hotels did fully recover until 2023. **Despite this slow recovery, these classes are now at an all-time ADR and RevPAR high.**
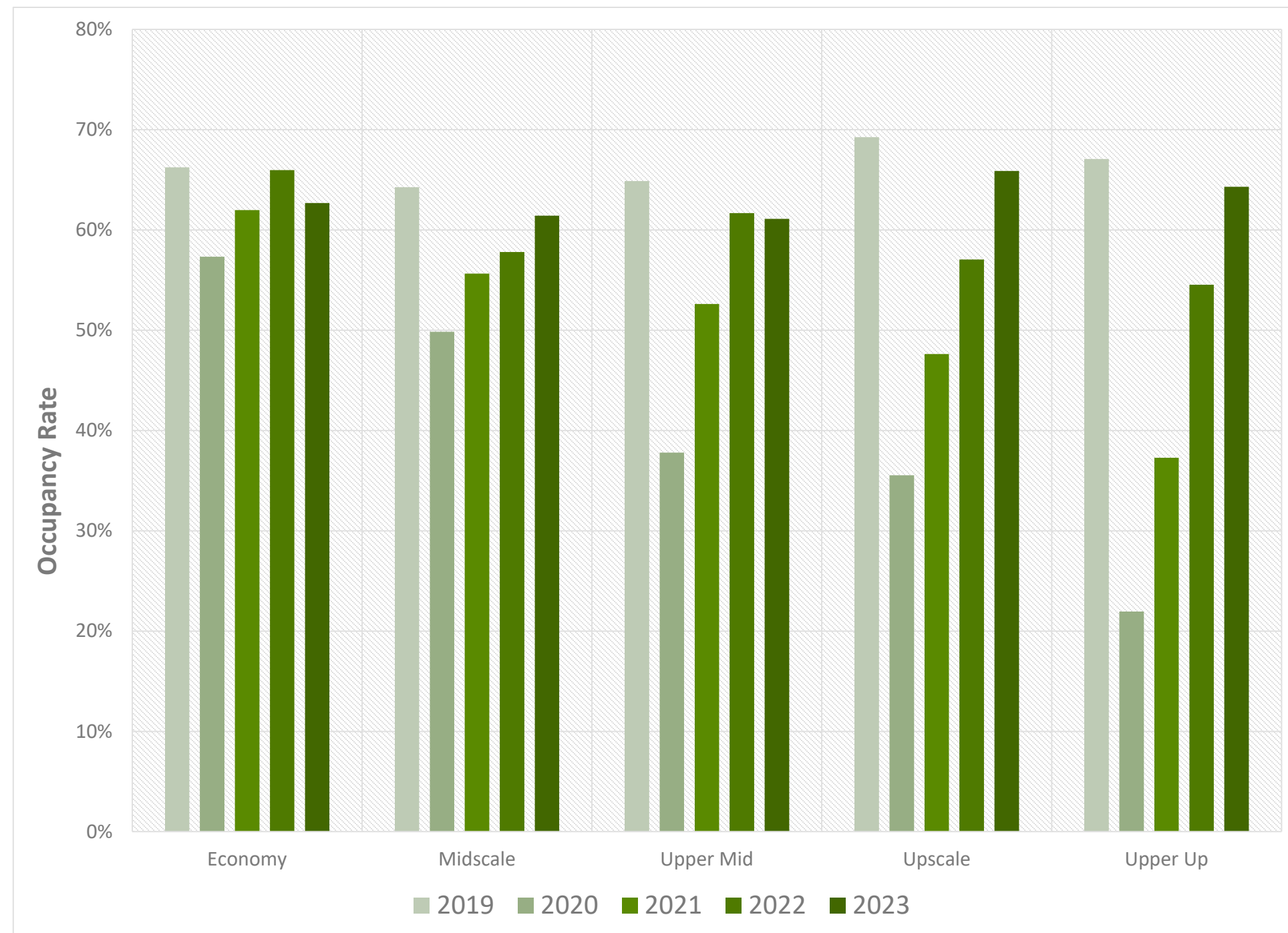
Occupancy Recovery by Hotel Class

While occupancy trends have historically remained consistent across all hotel classes, COVID-19's dip in occupancy rates also impacted hotel classes differently.

As seen in ADR and RevPAR, **hotels of higher class (specifically Upper Midscale, Upscale, and Upper Upscale hotels) saw the sharpest pandemic-produced declines in average occupancy rates**. While Economy hotels experienced a roughly 9-point decline in occupancy rates from 2019 to 2020, Upscale and Upper Upscale occupancy rates fell by over 30% each.

Source: Costar. (June 2024). "Montgomery County Hospitality Trends by Hotel Class, 2019-2023" [Data set].

Figure 9: Montgomery County Occupancy Rates by Hotel Class (2019-2023)

Seasonal Trends

Across all key performance indicators (KPI) for the county's hotel industry, there are two seasonal peaks. Apart from 2020 and 2021, these peaks have occurred consistently throughout recent history.

The first peak spans from May to June, likely fed by end-of-year school trips and the start of summer vacations. The National Cherry Blossom Festival, which occurs annually between the months of March and April, likely contributes to the increase in occupancy, rates, and revenue leading up to this first peak.

Following a lull across all metrics during July and August—coinciding with the regions' hottest temperatures and Congress' annual August recess—occupancy, rates, and revenue reach a slightly smaller peak, once again, in October. This peak may be attributed to several factors, such as: continued school trips, the start of the Federal fiscal calendar, the annual Marine Corps Marathon, and other local youth sports events. The start of Autumn may also represent an uptick in business conferences, trips, and trainings, one of the key drivers in Montgomery County's hotel room demand.
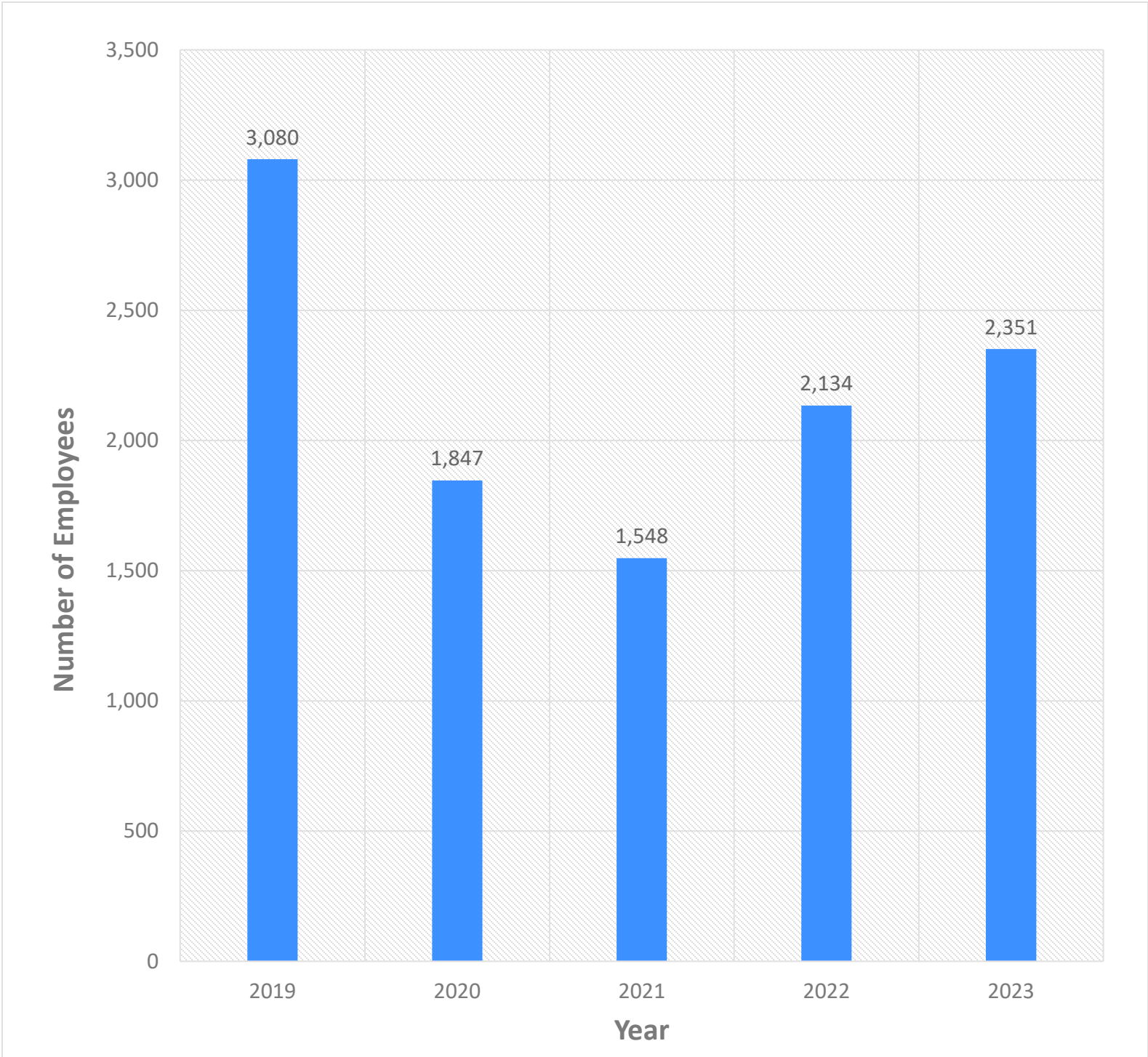
Throughout both peaks and the remainder of the year, business travel is a relatively constant and critical component of hotel room night demand.

Figure 10: Montgomery County ADR, RevPAR, and Occupancy Rates by Month (2023)

Figure 11: Montgomery County Traveler Accommodations Employment (2019-2023)

Hotel Employment

Despite ADR, RevPAR and Occupancy Rate growth, Montgomery County's local employment in the hospitality industry has not fully recovered since the COVID-19 pandemic. **As of 2023, employment in the county's traveler accommodations sector was at roughly 76% of the pre-pandemic levels.**

Though employment in this sector continues to trend upwards**, it is possible that employment will not fully return to 2019 levels.** As a result of inflation, increased operating costs, and digitization, hotels may elect to continue employing fewer workers. Employment data for the nation, the Washington-Arlington-Alexandria MSA and neighboring counties all reflect a similar strain on full employment recovery.

It is important to note that this employment data includes all forms of employment related to traveler accommodations, including short-term rentals and other forms of overnight stays.

Source: Quarterly Census of Employment and Wages. (2024). "Montgomery County Traveler Accommodations Employment, 2019-2023" [Data set]. *U.S. Bureau of Labor Statistics.*

Photo Credit: https://www.trip.com

Inventory Analysis

Hotel Location

Hotel Typology

Amenities & Venues

Hotel Location

Montgomery County's 54 hotels are **primarily located in commercial and mixed-use zones along the corridors of I-270 and the Metro Redline**. A small cluster of hotel locations (three) is also located along the county's eastern boundary in White Oak.

Hotel Centers

There are several areas in Montgomery County with a concentration of five or more hotel locations. These centers include:

- Rockville (11 hotels)

- Gaithersburg (12 hotels)

- Bethesda (seven hotels)

- Silver Spring (six hotels)

As evident through the distribution of hotels across urban centers**, the majority of the county's hotels are in the Down- and Mid-County Regions**. Despite its historic role in the county's hospitality industry**, Up-County is served by only four hotels and one conference center.**

Source: Costar. (June 2024). "Montgomery County Hospitality Properties" [Data set].
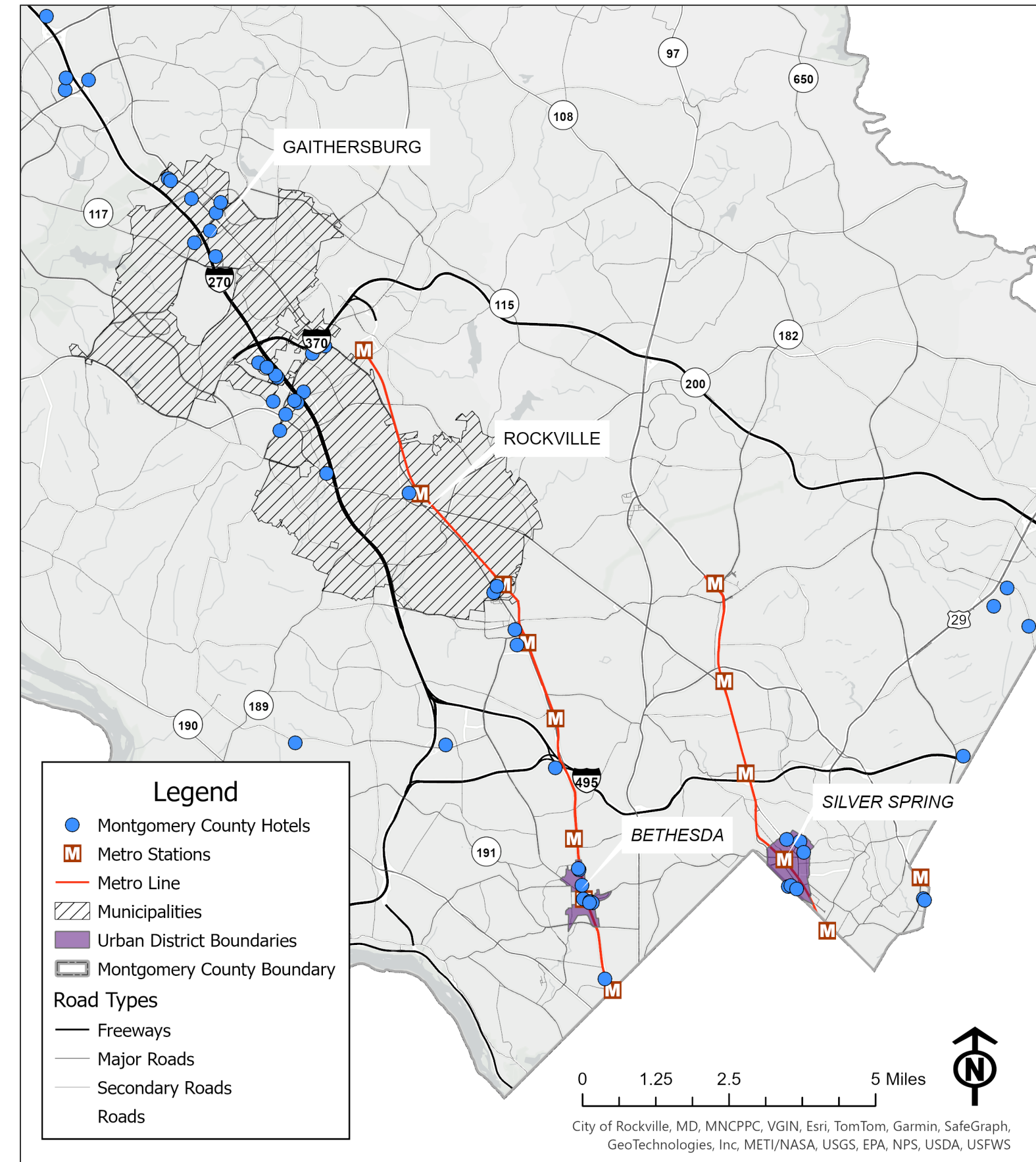

Figure 12: Montgomery County Hotel Centers (2024)

Legend
- Montgomery County Hotels
- Metro Stations
- Metro Line
- Municipalities
- Urban District Boundaries
- Montgomery County Boundary

Road Types
- Freeways
- Major Roads
- Secondary Roads
- Roads

0   1.25   2.5   5 Miles

City of Rockville, MD, MNCPPC, VGIN, Esri, TomTom, Garmin, SafeGraph, GeoTechnologies, Inc, METI/NASA, USGS, EPA, NPS, USDA, USFWS

Transit Proximity

The county's hotel locations are **also highly correlated with the county's transit systems.** As a product of the concentration of hotels in several of the county's urban areas, **53 of the 54 hotels in Montgomery County are accessible via bus, MARC, or Metro lines.**

Looking specifically to Metro station proximity, **11 of the county's hotels are located within a half mile radius of a Metro Redline station**. Spanning further out, **a one-mile radius surrounding all stations encompass 23 of the 54 hotels in the county**.

While this trend is remarkably consistent along each station of the line's western branch, **only one station along the eastern branch–Silver Spring–sees a concentration of hotel locations**.

Source: Costar. (June 2024). "Montgomery County Hospitality Properties" [Data set].

Figure 13: Montgomery County Hotels within a Half Mile of a Metro Station (2024)
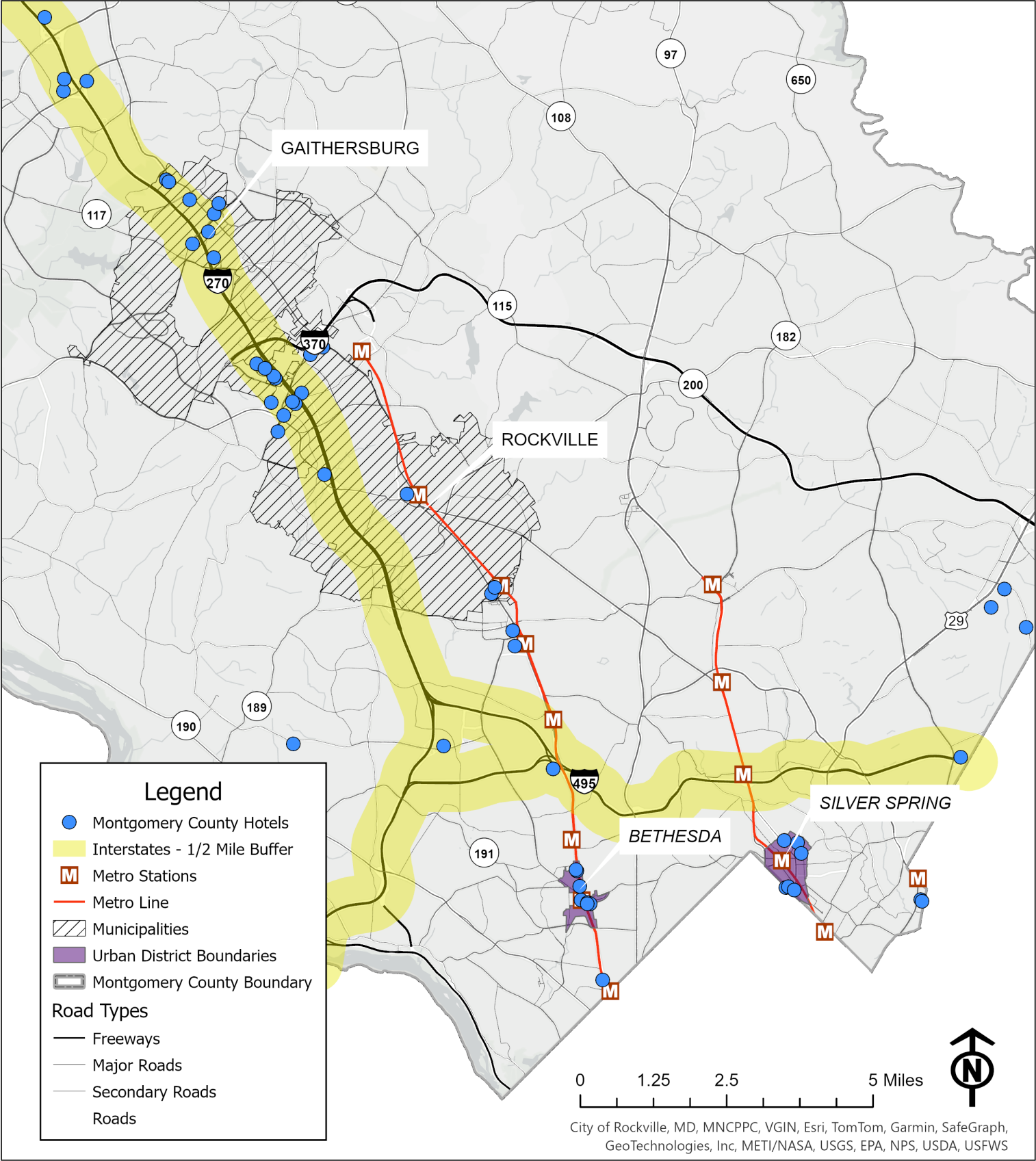
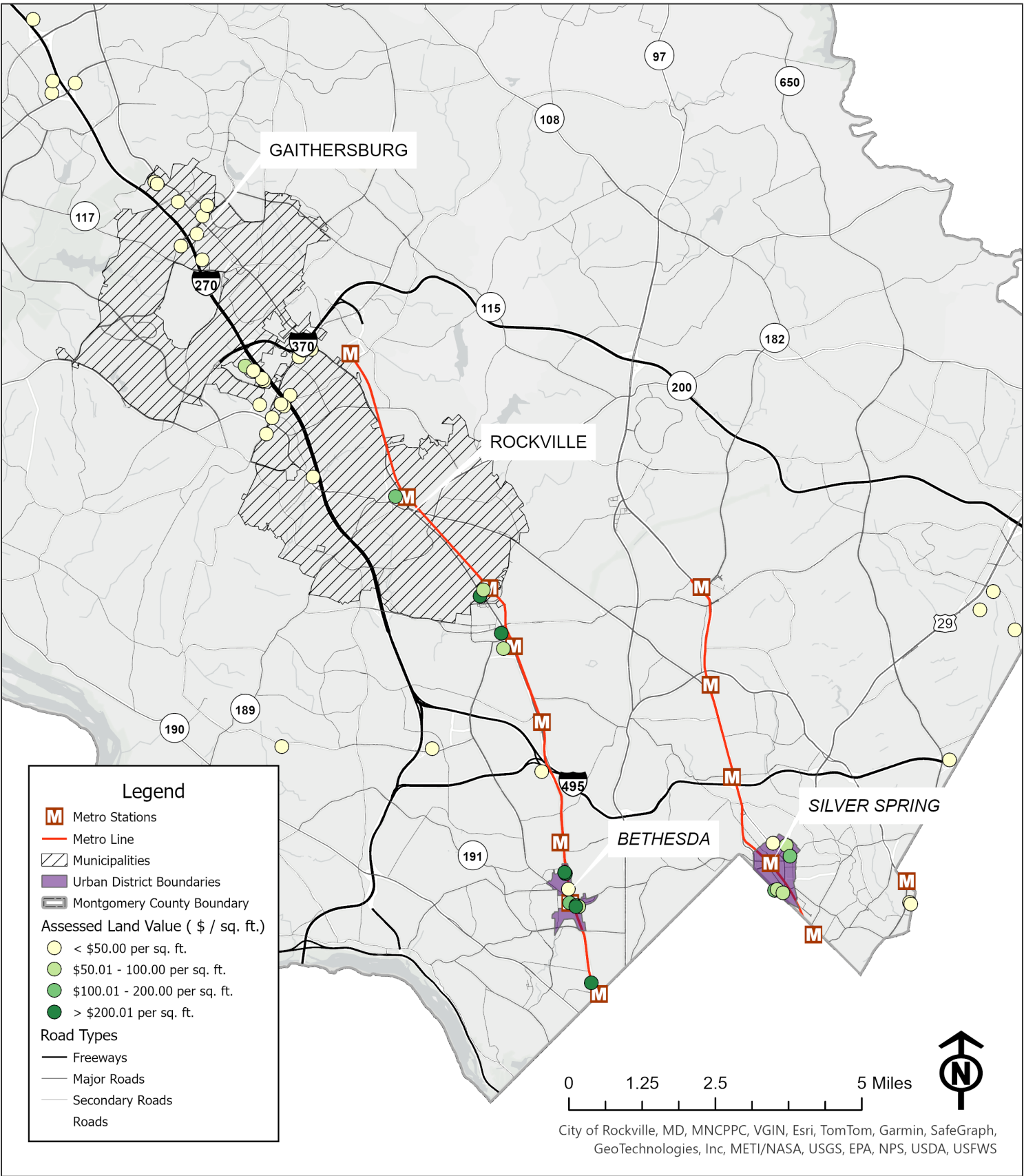**Figure 14: Montgomery County Hotels within a Half Mile of I-270 or I-495 (2024)**

Highway Proximity

Hotels without a nearby Metro station are most often oriented along the county's major highways. Of the county's 54 hotels, **26 are located within a half mile of I-270 and I-495**. This trend is especially concentrated along the county's northern section of I-270 running through northern Gaithersburg and Germantown**. The county's other main highway, the Intercounty Connector (ICC), does not experience the same concentration of hotels.**

The proximity of hotels to highways is also seen through limited hotel locations along the Capital Beltway. Three of the county's hotels are located within a half mile of I-495: the Embassy Suites by Hilton Bethesda Washington DC, the Marriott Bethesda, and the Home2 Suites by Hilton Silver Spring. As discussed in a later section, the county's number of hotel locations along I-495 is limited due to the largely residential zoning of the region (see Figure 25).

Source: Costar. (June 2024). "Montgomery County Hospitality Properties" [Data set].

Figure 15: Montgomery County Hotels by Assessed Land Value per Square Foot (2024)

Legend

- **M** Metro Stations
- Metro Line
- Municipalities
- Urban District Boundaries
- Montgomery County Boundary

Assessed Land Value ($ / sq. ft.)
- < $50.00 per sq. ft.
- $50.01 - 100.00 per sq. ft.
- $100.01 - 200.00 per sq. ft.
- > $200.01 per sq. ft.

Road Types
- Freeways
- Major Roads
- Secondary Roads
- Roads

City of Rockville, MD, MNCPPC, VGIN, Esri, TomTom, Garmin, SafeGraph, GeoTechnologies, Inc, METI/NASA, USGS, EPA, NPS, USDA, USFWS

Location and Land Value

While the assessed land value of hotel properties in the county ranges significantly, **two publicly owned properties stand out with particularly high total land values**: the William F. Bolger Hotel and Conference Center in Potomac and the Marriott Bethesda North Hotel and the Conference Center in North Bethesda. **These hotels occupy the first and fifth largest hotel properties, respectively, contributing to their high land values.** The William F. Bolder Hotel and Conference Center, alone, sits on an 82-acre property owned by the USPS which includes postal offices, meeting spaces, and park land.

Looking to the value of hotel-occupied land per square foot**, hotels with the highest relative land values are generally located along the western side of the Red Line in areas of denser development** (see Figure 15). These properties, valued between 200 to 450 dollars per square foot **are almost entirely concentrated in Bethesda.**
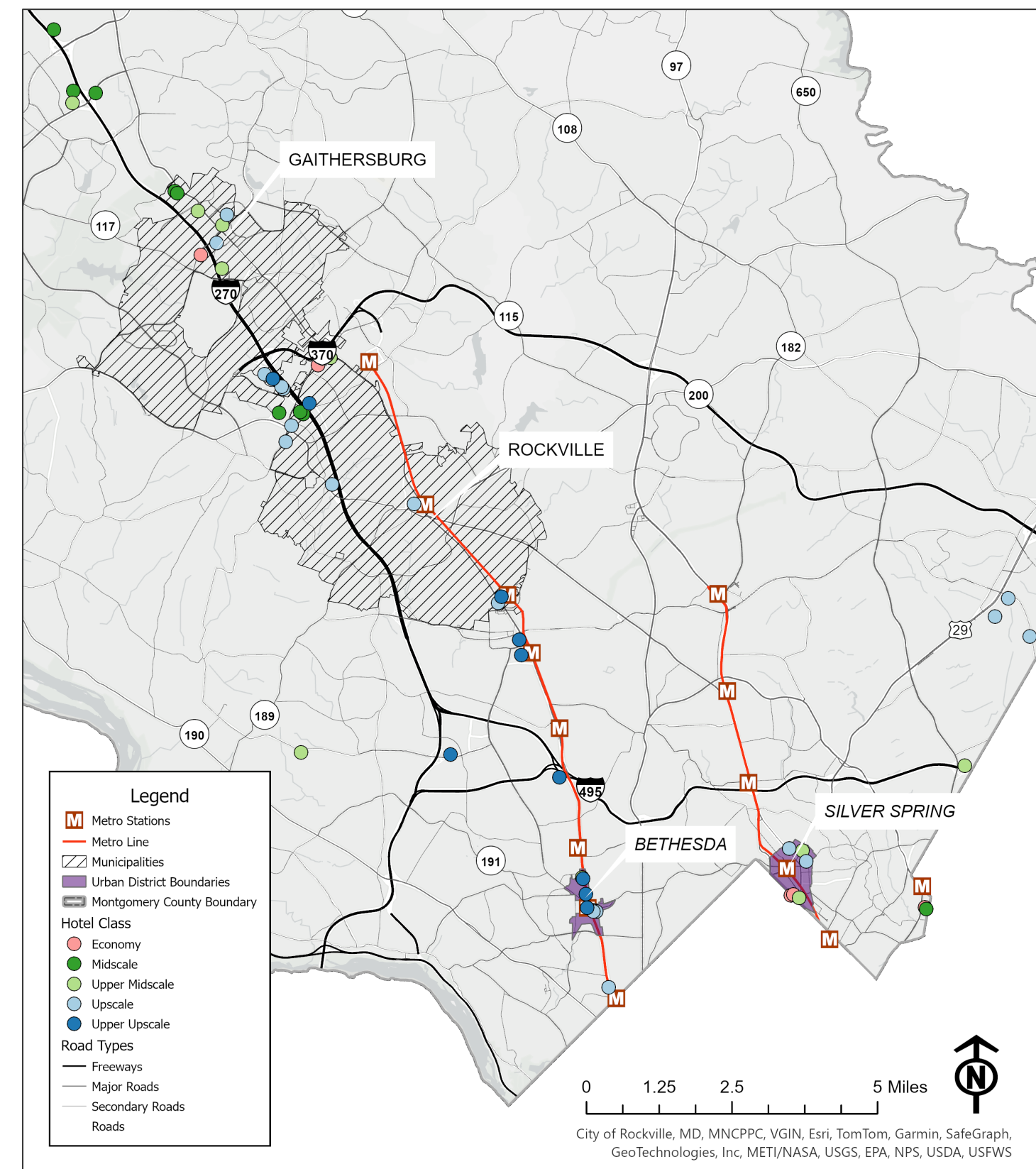
Hotel Typology

Hotel Class

30 out of 54 hotels in Montgomery County are classed as either Upscale or Upper Upscale. The least common class is Economy hotels, with only five locations currently located in the county. The higher classed majority of hotels are primarily located in more urban and transit-oriented parts of the county. By contrast**, Upper Midscale, Midscale and Economy Hotels are frequently located in areas of less dense development with mostly car-centric transportation options.**

Though generally a categorization based off hotel brands and average rates, a hotel's class can indicate its relative rates AND revenue production within a given area. In addition to charging higher rates, **Upscale and Upper Upscale produce far greater revenue per room**. In 2023, **Upper Upscale hotels reported roughly $70 more in RevPAR than Economy hotels**. Similarly, Upscale hotels made over $50 more in RevPAR than Midscale hotels. The higher revenue production of such hotels has encouraged the construction of far larger upscale and upper upscale hotels, as illustrated in Figures 18 and 19.

Source: Costar. (June 2024). "Montgomery County Hospitality Properties" [Data set].

Figure 16: Montgomery County Hotels by Hotel Class (2024)

City of Rockville, MD, MNCPPC, VGIN, Esri, TomTom, Garmin, SafeGraph, GeoTechnologies, Inc, METI/NASA, USGS, EPA, NPS, USDA, USFWS
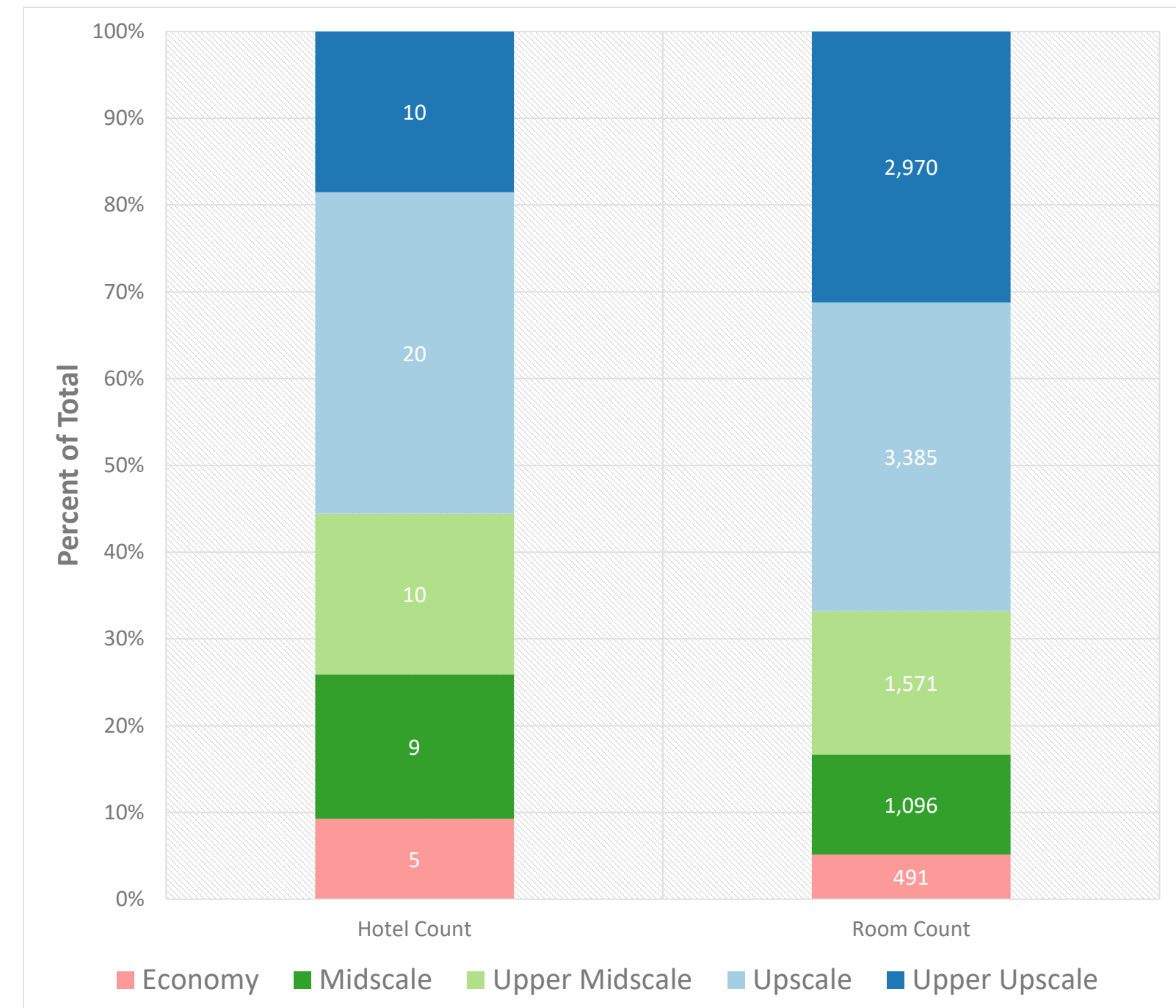
Hotel Class and Size

Demonstrated through Upscale and Upper Upscale hotels' higher average Gross Floor Areas (GFAs) and number of stories (see Figures 18 and 19), higher classed hotels are generally larger to facilitate additional amenities and a greater inventory of high-revenue-producing rooms.

Due to this trend, Montgomery County's hotel room inventory is even further oriented toward higher-class stays. **While Upscale and Upper Upscale hotels make up just over half of all hotels in the county, two thirds of hotel rooms are in Upscale or Upper Upscale hotels**.

Looking to centers with multiple hotels, even room inventories of the most diverse submarkets reflect this pattern. **Despite Rockville's wide selection of hotel classes, nearly 75% of available rooms are in Upscale or Upper Upscale hotels**. **In Gaithersburg, where Economy to Upper Midscale hotels comprise half of the submarket, only 36% of actual rooms are available within the same hotel class range.**

This pattern in hotel class and size is likely **reflective of the overall wealth of the county and demand from business travelers**.

Figure 17: Inventory Composition by Class of Montgomery County Hotels (2024)

Source: Costar. (June 2024). "Montgomery County Hospitality Properties" [Data set].

Upscale and Upper Upscale hotels have significantly greater Gross Floor Areas (GFAs)*.

Upscale and Upper Upscale hotels have more stories per building than Economy and Midscale hotels*.

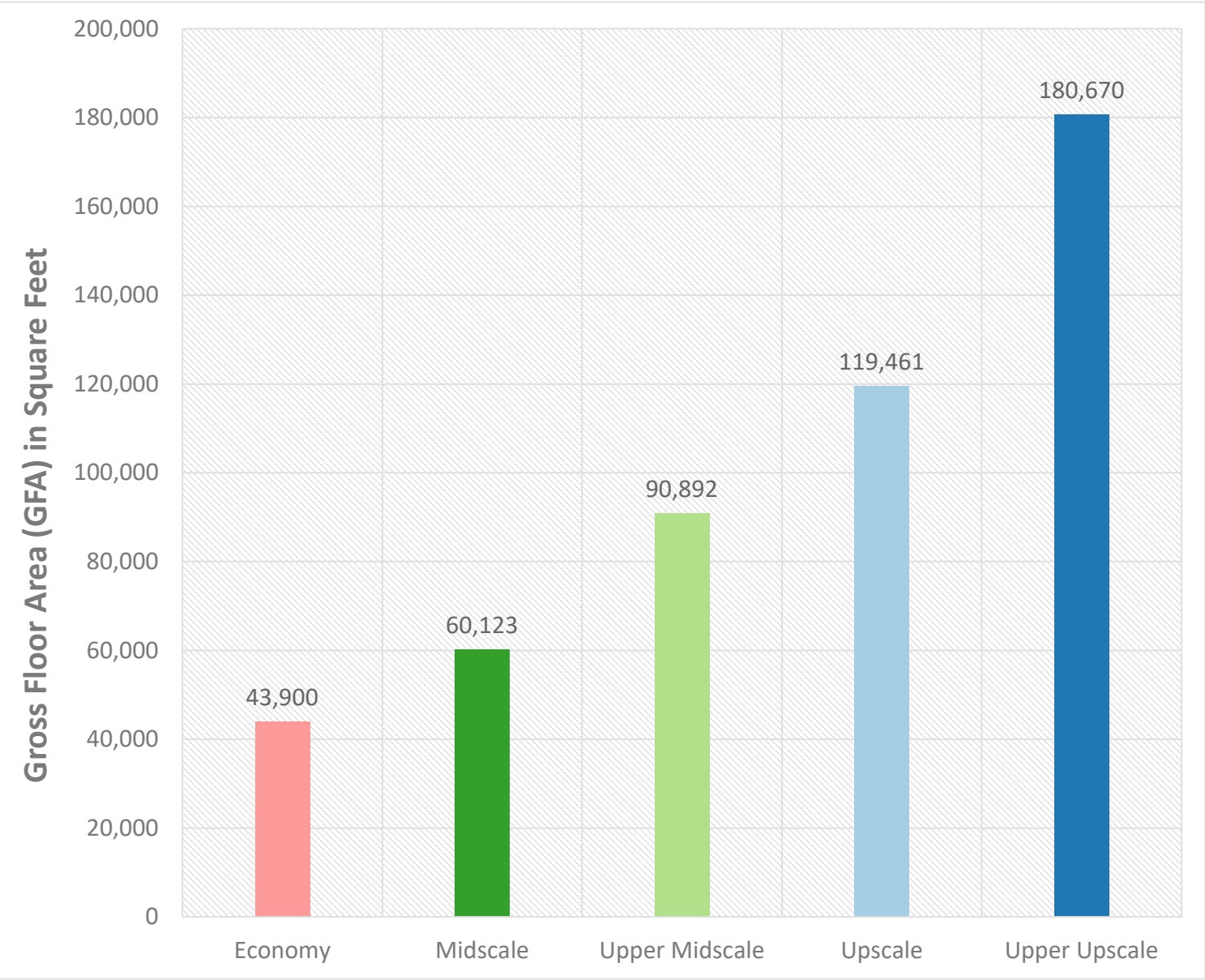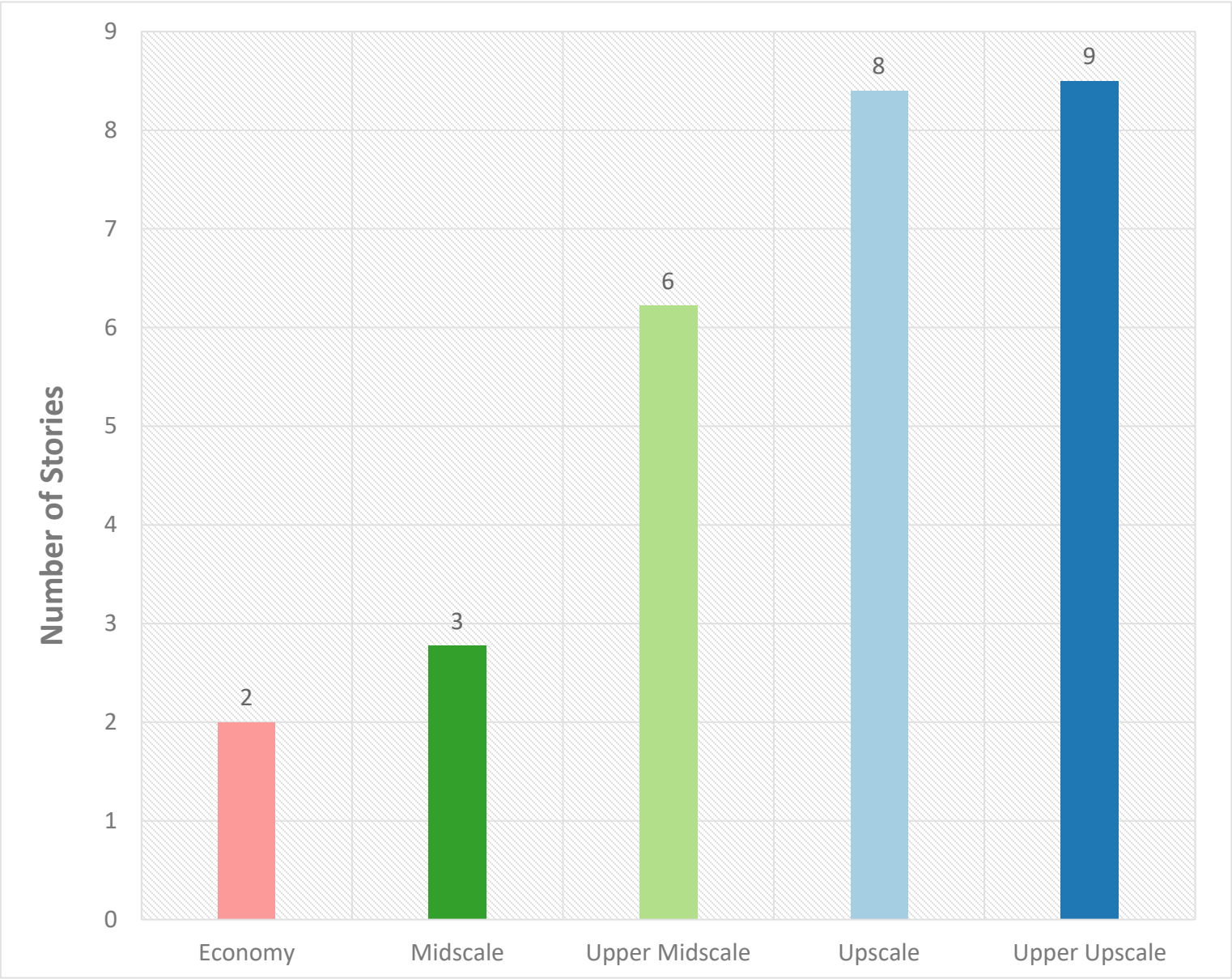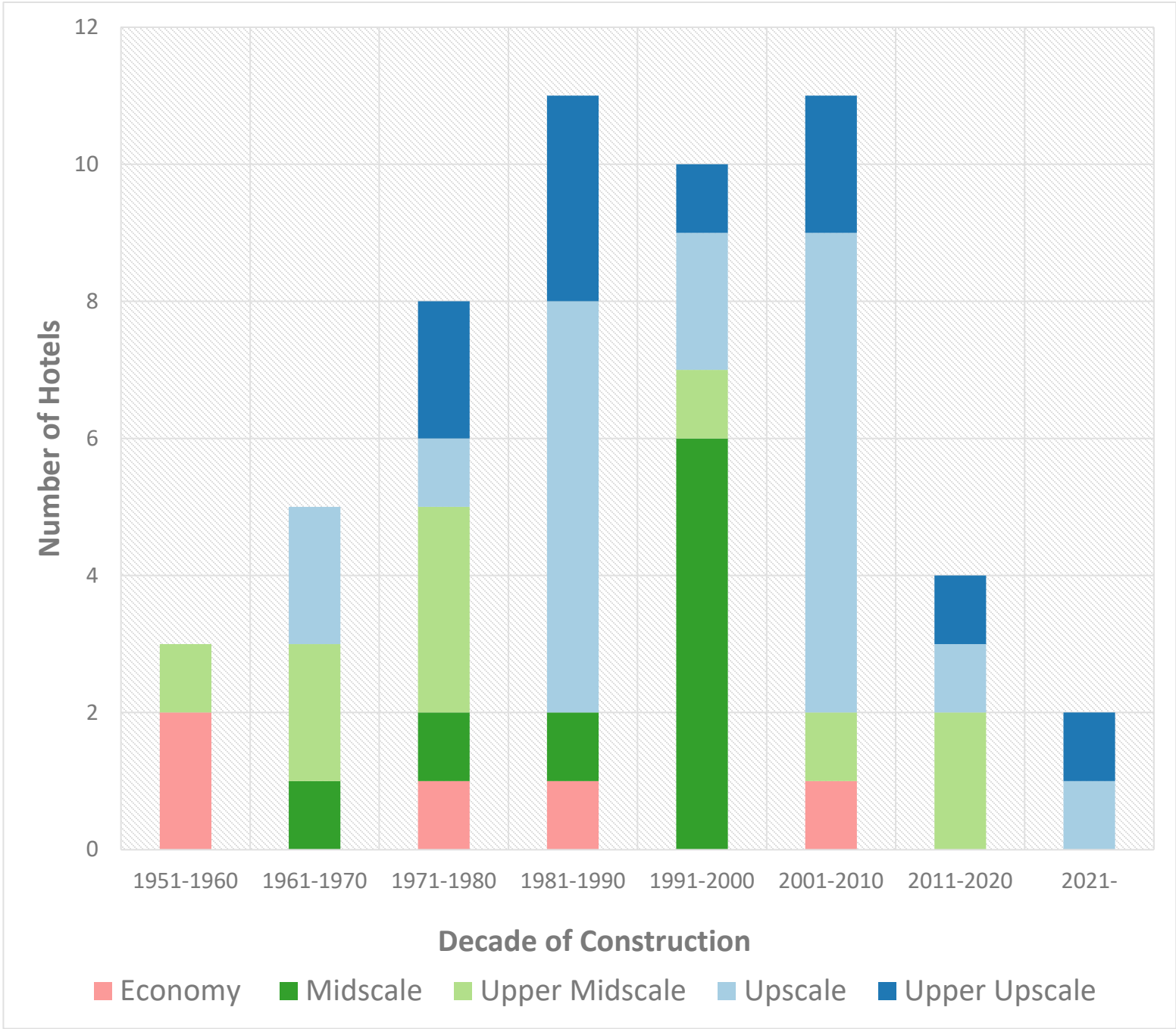**Figure 18: Average GFA by Class of Montgomery County Hotels (2024)**

Figure 19: Average Number of Stories by Class of Montgomery County Hotels (2024)

*Excludes the GFAs and total number of stories in the county's 3 conference hotels.
Source: Costar. (June 2024). "Montgomery County Hospitality Properties" [Data set]. SDAT. (June 2024). "Real Property Database". *Montgomery Planning.*

Montgomery County Hotel Market Study

Hotel Class and Age

Figure 20: Building Age by Class of Montgomery County Hotels (2024)

Today's hotels range significantly in building age. While many of the county's most prominent hotels were recently built or renovated, new hotel construction has declined over the past two decades. As a result**, the majority of the county's hotels were built prior to 2000**, with 15 of these hotels not undergoing renovations since.

This aging trend is particularly prevalent in lower-rate and independent hotels. **No Economy hotels have been built or renovated since 2000, and both of the county's remaining independent hotels were built prior to 1970**. Several of these lower-rate and independent hotels are in prime, urban locations and may experience growing pressure to renovate, sell, or franchise.

Recent development, which has primarily produced upscale or upper upscale hotels, illustrates this pursuit of hotel redevelopment or renovation projects in the county's hotel real estate market. Both hotels built in Montgomery County since 2020, for example, involved the redevelopment of sites in Bethesda, MD. While the AC Hotel and Avocet Tower project redeveloped the Bethesda Police Station at 4646 Montgomery Avenue, the Marriott Bethesda Downtown at Marriott HQ replaced the independent Bethesda Court Hotel on Wisconsin Avenue.
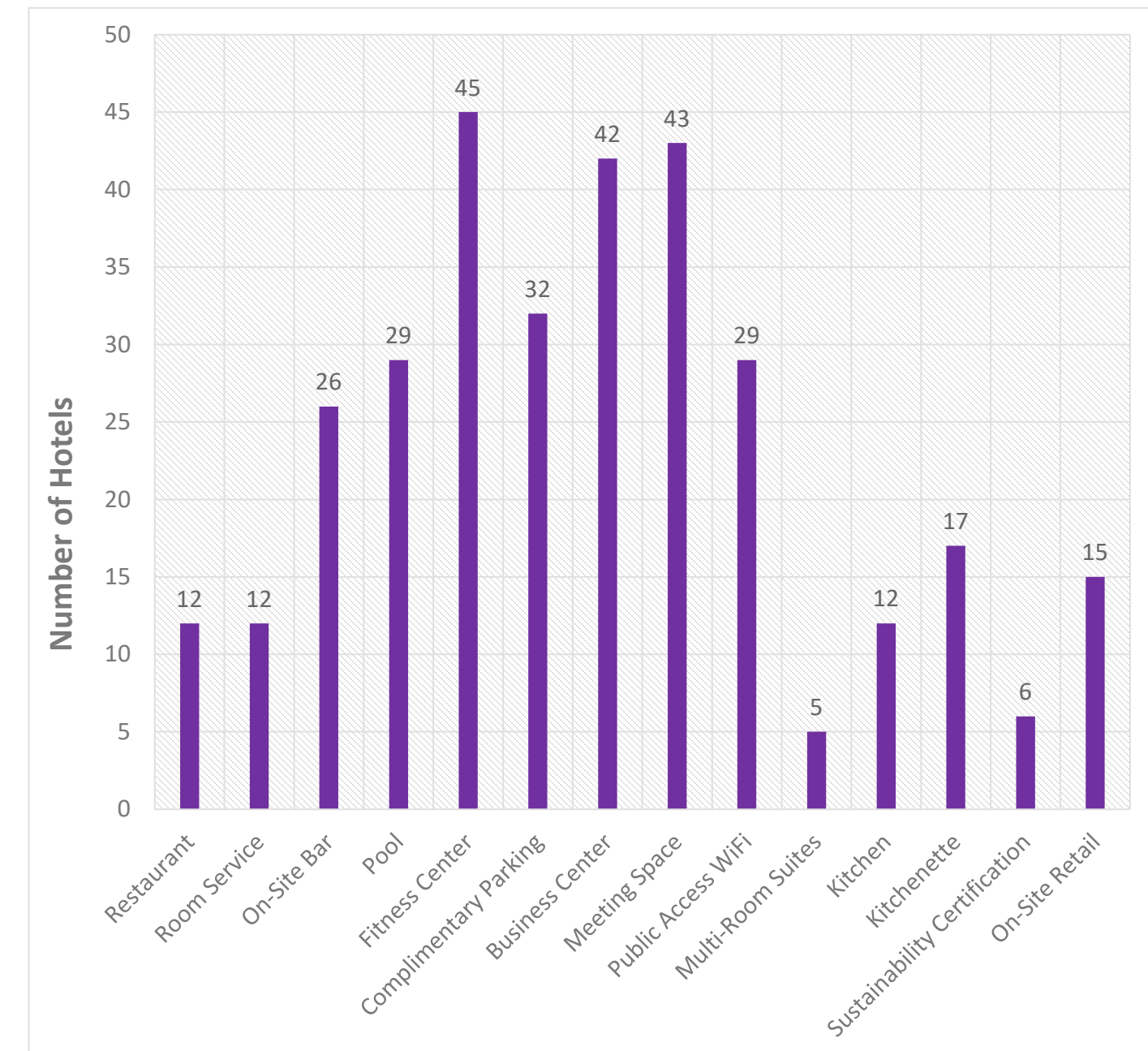
Amenities & Venues

The most common hotel amenity in Montgomery County—provided at 45 of the county's 54 operating hotels—**is a fitness center**. In addition, **over half of the county's hotels offer a business center, meeting spaces, complimentary parking, a pool, and public access Wi-Fi.**

While these common amenities serve the average business or group traveler, a smaller selection of hotels in the county provide full-service, extended stay, and family-focused amenities. Of the **one third of all hotels in the county which offer in-room kitchens or kitchenettes**, 12 hotels provide guests with full, ready-to-use kitchens. Similarly, **there are 12 hotels in the county with on-site restaurants and room service**. Though many hotels offer family-friendly amenities such as free parking and pools, **only five hotels in the county provide multi-room suites** for larger family stays.

Parking

Though six of the county's 54 hotel properties do not include their own parking lot or structure, **all hotels in the county provide parking in some capacity**. These six are included in county's **22 hotels which charge daily rates between $5.00 and $55.00 for guest** parking (self-park and valet). Notably, over half of the hotels without private parking are in **North Bethesda or Bethesda where daily parking rates for guests are highest**.

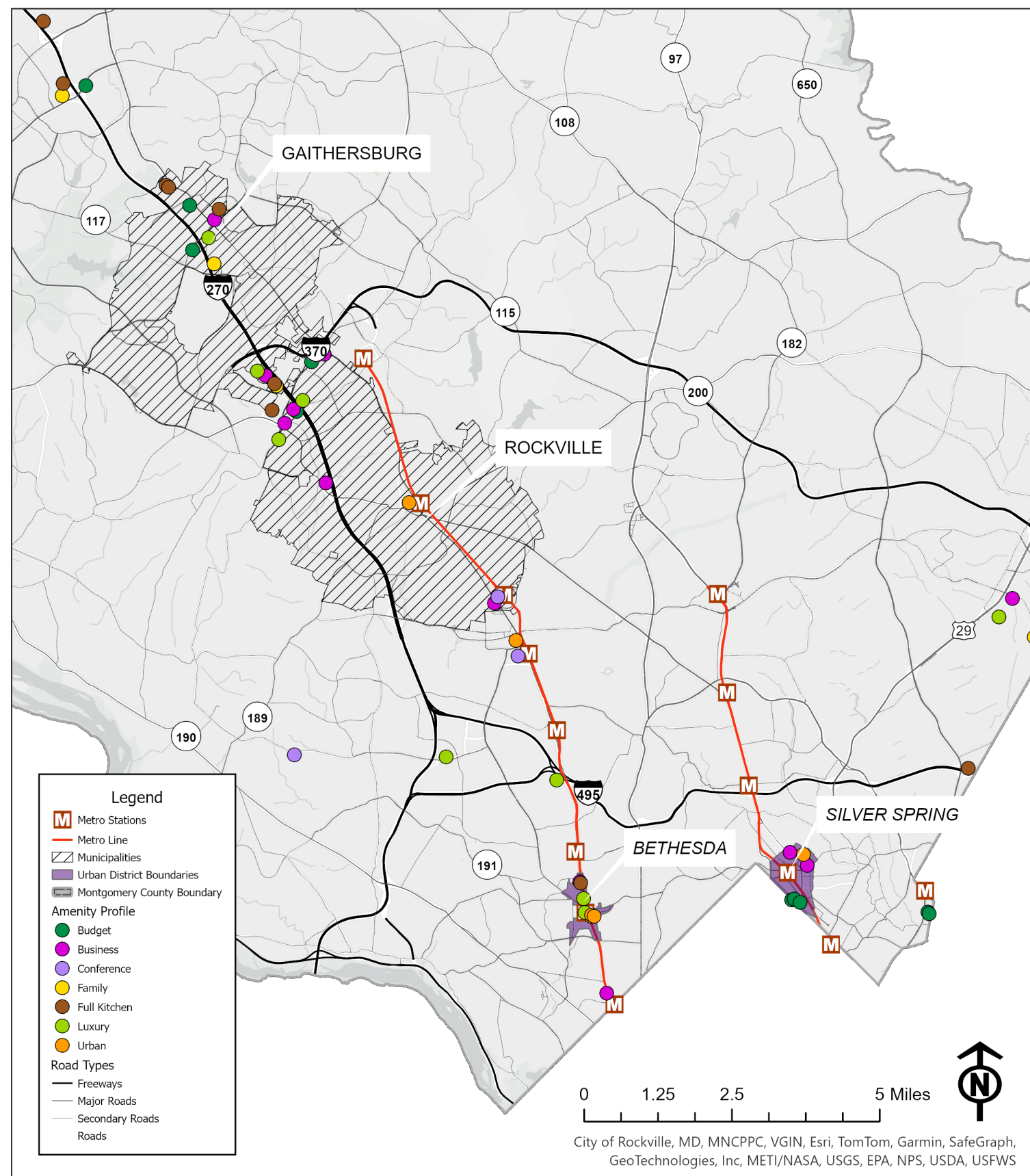**Figure 21: Amenity Prevalence in Montgomery County Hotels (2024)**

Source: Costar. (June 2024). "Montgomery County Hospitality Properties" [Data set].

Amenity Profiles

To further analyze the amenity offerings of Montgomery County's hotels, we created seven amenity profiles, defined below. These profiles combine existing hotel typologies, such as service level, and observed patterns in hotel amenity offerings to reflect the county's inventory of hotels according to various consumer preferences.

- Hotels of the **Urban Amenity Profile** may vary in the number and kind of amenities they provide but are primarily defined by their location. These hotels are marketed through their proximity to town centers, retail/food options, and walkable urban neighborhoods. They consistently will have public access Wi-Fi, connecting the hotel to its surrounding urban fabric.

- The **Full-Service Amenity Profile** consists of hotels with above average star ratings that offer a full-service experience including dining and room service. These hotels will have minimum amenities such as business and fitness centers and may have a pool. They are mostly upper upscale hotels and typically support only limited in-room food preparation.

- The **Family Amenity Profile** prioritizes hotels which offer amenities uniquely convenient to traveling families. This primarily includes hotels with multiroom suites. In the absence of this offering, we considered hotels with limited business amenities but access to a pool and kitchenette family friendly.

- The **Conference Amenity Profile** includes the county's three identified conference hotels.

- The **Full-Kitchen Amenity Profile** consists of hotels which offer suites with full, ready-to-use kitchens. These kitchens will include a fridge, stovetop, sink, microwave, and often an oven and/or dishwasher. They are typically stocked with cookware, silverware, etc. We did not include hotels with another defining amenity, such as multi-room suites, in this profile.

- The **Business Amenity Profile** contains hotels with a minimum of one meeting room, a business center, and a fitness center. All hotels of this profile will either have an on-site restaurant or public-access Wi-Fi to facilitate meetings between coworkers and business partners.

- Hotels of the **Budget Amenity Profile** include hotels of economy and midscale classes which do not qualify for any other amenity profile. These hotels offer low rates and minimal additional amenities.

Figure 22: Montgomery County Hotels by Amenity Profiles (2024)

Mapping these defined amenity profiles revealed several trends in the amenity offerings of Montgomery County hotels.

The most common amenities across all hotels fell under the Business and Budget Amenity Profiles, with 12 and 10 locations, respectively. Excluding the county's three conference hotels**, the least common amenity profiles were Urban and Family hotels**.

Though several amenity profiles included a similar count of hotels, the county's room inventory is generally oriented towards Business and Full-Service locations. For example, while the Budget Amenity Profile included 10 of the county's 54 hotels, its share of the room inventory is only about 12% of all rooms. Meanwhile, though Full-Service hotels represent only nine of the county's 54 hotels, **nearly one fourth of all rooms are in a hotel of the Full-Service Profile.**

While each profile is generally distributed evenly across the county's hotel locations**, Budget hotels are notably concentrated in northern Gaithersburg/Germantown and Silver Spring**. Full-Kitchen hotels largely follow the same pattern.

Source: Costar. (June 2024). "Montgomery County Hospitality Properties" [Data set].

Marriott Bethesda North Hotel & Conference Center

Rooms: 455
Meeting Room Total: 22
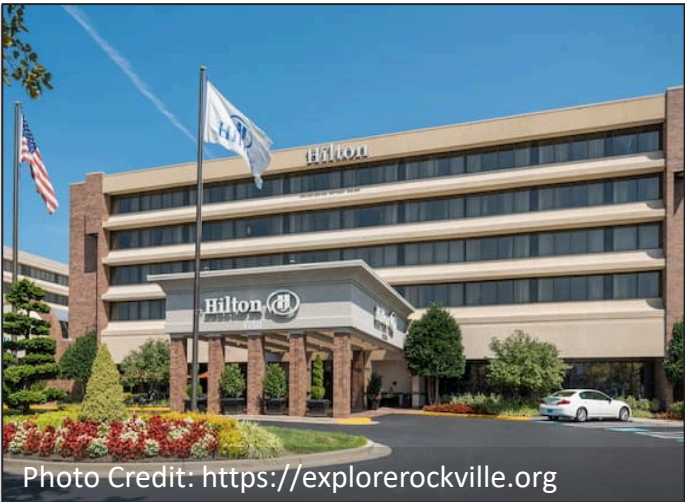Total Meeting Square Footage: 40,933
Largest Space Max Capacity: 2,500

Photo Credit: https://mcra-md.com

William F. Bolger Hotel & Conference Center

Rooms: 431
Meeting Room Total: 75
Total Meeting Square Footage: 70,000
Largest Space Max Capacity: 500

Photo Credit: https://www.bolgercenter.com

Hilton Washington DC/Rockville Hotel & Executive Meeting Center

Rooms: 315
Meeting Room Total: 26
Total Meeting Square Footage: 36,934
Largest Space Max Capacity: 800

Photo Credit: https://explorerockville.org

Meeting Venues

Montgomery County has a total of nearly **350,000 square feet of meeting space and 330 meeting rooms across 43 of its 54 hotels**.

Three hotels in the county identify as conference center hotels: The Marriott Bethesda North Hotel and Conference Center in North Bethesda, the William F. Bolger Hotel and Conference Center in Potomac, and the Hilton Washington DC/Rockville Hotel and Executive Meeting Center in Rockville. These hotels alone **contribute 124 of the county's 330 meeting rooms and roughly 43% of all meeting space square footage**. Of these three conference hotels, only one is completely privately owned. The William F. Bolger Hotel & Conference Center is a USPS owned property, while the Marriott Bethesda North Hotel & Conference Center is the product of a public-private collaboration between the Maryland Stadium Authority and the Quadrangle Development Corporation in association with Marriott International.

Meeting spaces are available at a smaller scale in many of the county's other hotels. Excluding the county's three conference center hotels, **an average of five rooms and roughly 5,000 square feet of meeting space** are available per each hotel with meeting facilities. The **average maximum capacity across the 40 non-conference hotels with meeting facilities is 220 people**. As a result, the average hotel's meeting facilities are suitable for smaller gatherings and events.

Photo Credit: https://www.hilton.com

Regional Standing

Hotel Inventories

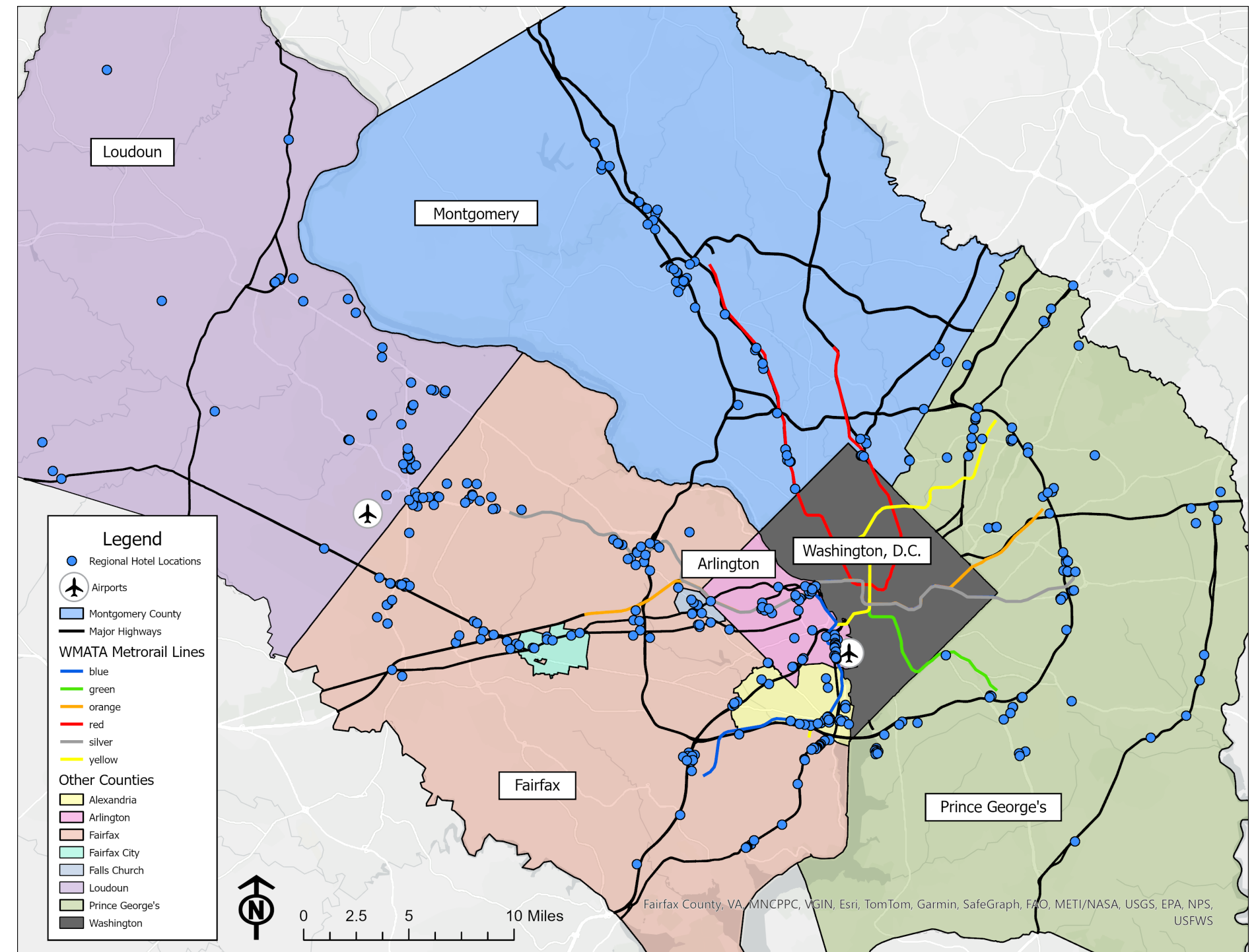Meeting Capacity

Regional Performance

Hotel Inventories

Hospitality markets in Washington, DC region suburban counties generally perform similarly due to their proximity to the nation's capital. The following analysis compares Montgomery County's hotel market to markets in similarly sized counties (based on total population, area or hotel counts).

Hotel Count and Room Inventory

Compared to its immediate peers, Fairfax and Prince George's County, **Montgomery County has the smallest inventory of hotels and hotel rooms.** As of December 2023, Montgomery County has 54 hotels and a total inventory of 9,513 rooms. By contrast, Prince George's County has 83 hotels and 11,910 rooms. Fairfax County (including Fairfax City) meanwhile has a total stock of 123 hotels and 19,276 rooms.

While Loudoun County is further from Washington, DC and is less densely populated, due to the presence of Dulles Airport, **the hotel count and room inventory of Loudoun County is similar to that of Montgomery County**, sitting at 40 hotels and 6,010 rooms, respectively.

Figure 23: Regional Hotel Locations (2024)

Sources: Costar. (June 2024). "Alexandria Hospitality Properties" [Data set]; Costar. (June 2024). "Arlington County Hospitality Properties" [Data set]; Costar. (June 2024). "Fairfax City and County Hospitality Properties" [Data set]; Costar. (June 2024). "Loudon County Hospitality Properties" [Data set]; Costar. (June 2024). "Montgomery County Hospitality Properties" [Data set]; Costar. (June 2024). "Prince George's County Hospitality Properties" [Data set].

I-495 and County Zoning

The regional disparity in hotel count and room inventory is perhaps most visible via the existing hotel locations along the Capital Beltway (I-495). **While Fairfax and Prince George's Counties both see high concentrations of hotel locations along the Beltway, only three hotels are located within a ½ mile of its path through Montgomery County.** The limited presence of hotels along Montgomery County's portion of I-495 can likely be attributed to the limited commercial and retail zoning of its surrounding area.

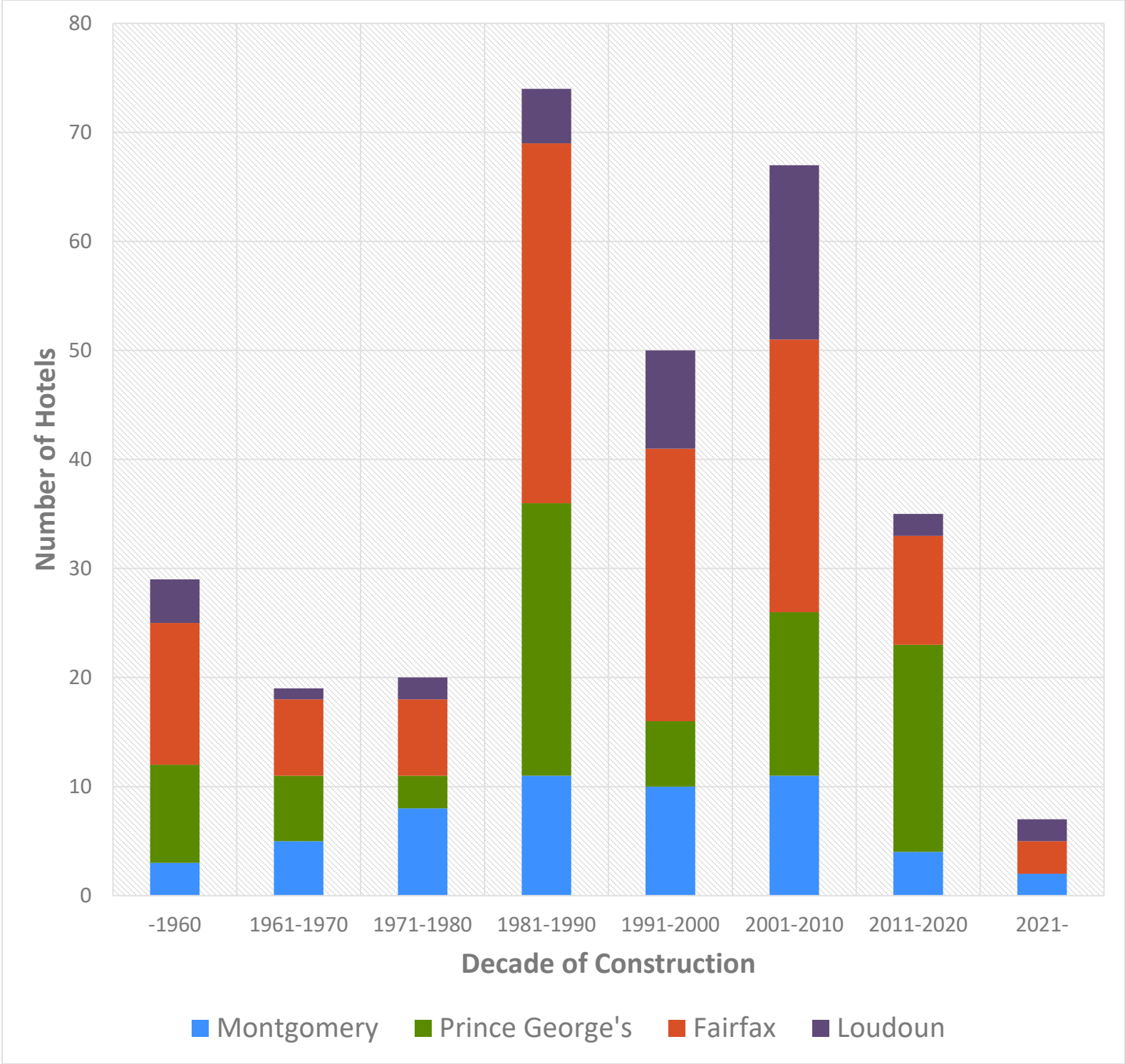**Figure 24: Capital Beltway Hotel Locations (2024)**

Figure 25: Montgomery County Zoning and Hotel Locations along I-495 (2024)

Sources: Costar. (June 2024). "Alexandria Hospitality Properties" [Data set]; Costar. (June 2024). "Arlington County Hospitality Properties" [Data set]; Costar. (June 2024). "Fairfax City and County Hospitality Properties" [Data set]; Costar. (June 2024). "Loudon County Hospitality Properties" [Data set]; Costar. (June 2024). "Montgomery County Hospitality Properties" [Data set]; Costar. (June 2024). "Prince George's County Hospitality Properties" [Data set].

Figure 26: Regional Building Ages (2024)

Development Trends and Hotel Age

Historical development trends further highlight the county's comparatively low inventory of hotels and hotel rooms. **While Montgomery County development contributed to a regional peak of hotel construction from 1981 to 2010, both Fairfax and Prince George's County exceeded the county's rate of new hotel development during this time**. From 1981 to 2000, 21 hotels were built in Montgomery County and 31 hotels were built in Prince George's County. By contrast, 58 hotels were built in Fairfax County during the same period.

These historical trends have continued into recent development as well. Since 2000, only 17 hotels have been built in Montgomery County. Meanwhile, 34 new hotels were built in Prince George's County and 38 in Fairfax County. New hotel development in Loudoun County has also slightly surpassed the county in recent years, with the construction of 20 new hotels in Loudoun County from the start of 2001 to present day.
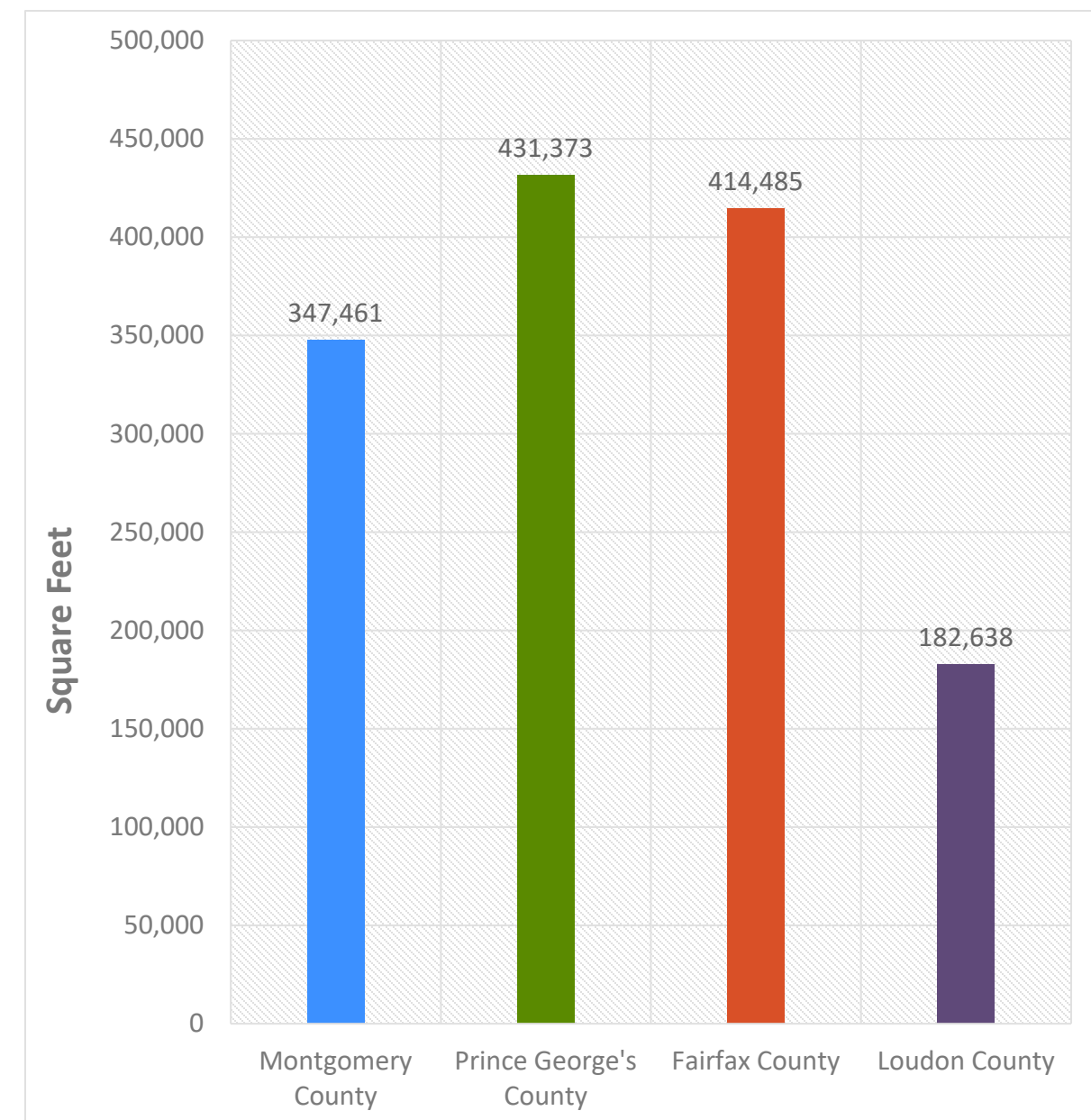
Meeting Capacity

In line with regional hotel counts and room inventories, **Montgomery County's total square footage of meeting space trails behind neighboring Prince George's and Fairfax County**.

Montgomery County's largest meeting venue is Marriott Bethesda North Hotel & Conference Center, which offers 455 rooms and can host meetings of up to 2,500 people in its largest space. By contrast, Prince George's Gaylord National Resort & Convention Center offers 1,996 rooms and can facilitate meetings of roughly 10,000 in the Prince George's Exhibition Hall. Fairfax County's hotel stock includes four hotels with ballrooms of 10,000 square feet or more, facilitating crowds between 950 and 1,350 people.

While Loudoun County's total meeting space and capacity do not compare to Montgomery, Prince George's, and Fairfax Counties, The National Conference Center in Loudoun County is of note. With 917 rooms and a ballroom hosting up to 1,800 people, **The National Conference Center serves as both Loudoun County and Northern Virginia's largest capacity meeting venue**. Despite its significance, **recent discussions surrounding a potential campuswide residential conversion leave Loudoun County and Northern Virginia's total meeting space and capacity in flux**.

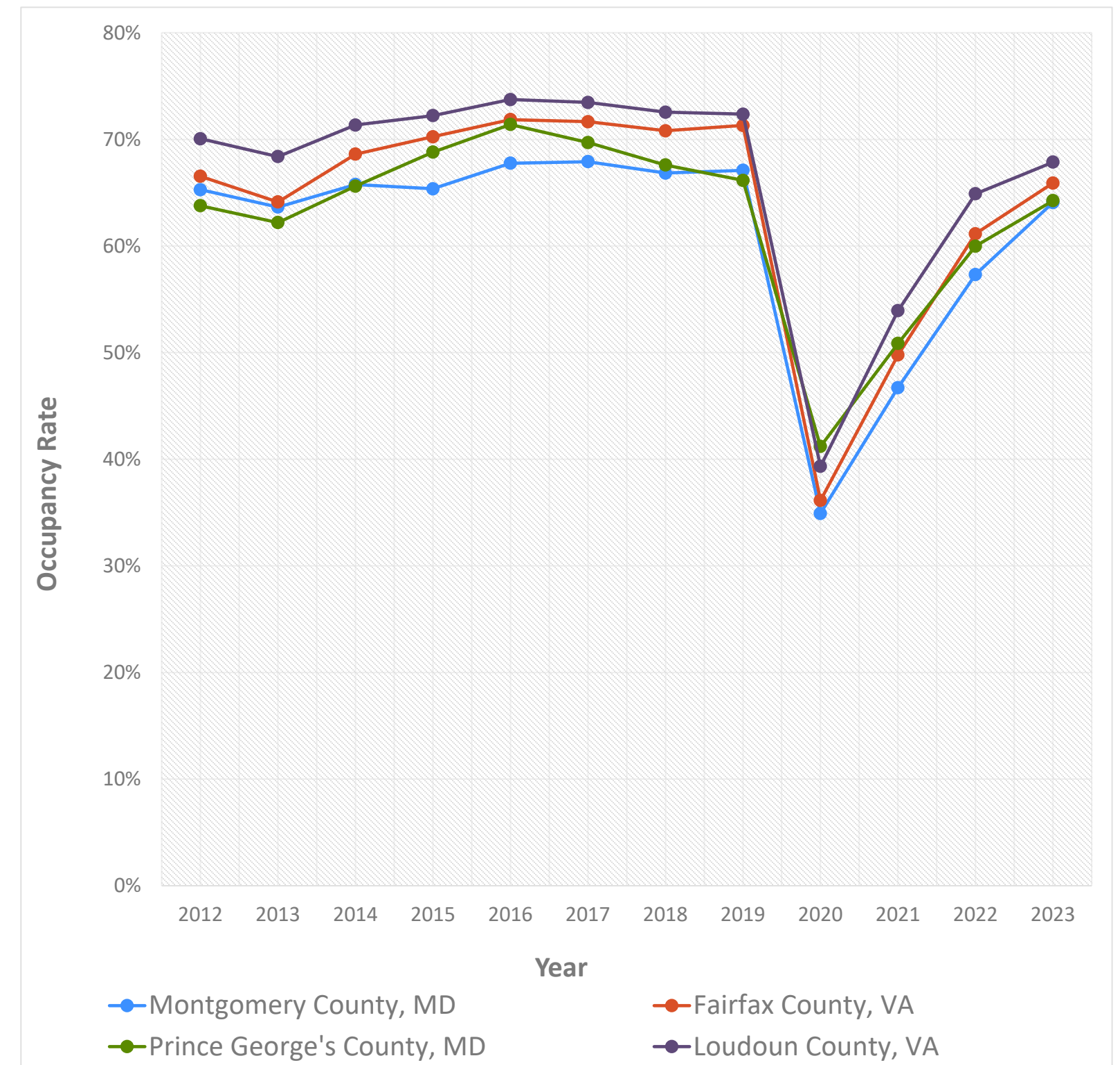**Figure 27: Total Meeting Space by County (2024)**

Sources: Costar. (June 2024). "Fairfax City and County Hospitality Properties" [Data set]; Costar. (June 2024). "Loudon County Hospitality Properties" [Data set]; Costar. (June 2024). "Montgomery County Hospitality Properties" [Data set]; Costar. (June 2024). "Prince George's County Hospitality Properties" [Data set]; Peters, Ben. (June 11, 2024). "Loudoun Conference Center Weighs Campuswide Residential Conversion". *Washington Business Journal*.

Regional Performance

With a shared relationship to Washington, DC's hotel market, counties of the region have historically performed similarly across key performance indicators. With regional sharing of DC's spillover room demand in mind, **slight variations in occupancy, ADR, and RevPAR can illustrate the relative standing of Montgomery County's hotel market.**

In addition to having fewer hotels, **occupancy rates in the county have historically fallen slightly below those of Prince George's, Fairfax, and Loudoun Counties** (see Figure 28). Somewhat less dependent on spillover DC demand, Fairfax and Loudoun County's high occupancy rates can likely be attributed to their proximity to major airports. As Table 3 shows, this proximity can significantly increase the number of room nights sold in a year. **In 2023, Montgomery County's 2,106,003 room nights sold equaled less than half of all room nights sold in Fairfax County.** Despite having 63% of Montgomery County's room inventory, **Loudoun County's total sales in 2023 equated to 17 more nights worth of full hotel occupancy than Montgomery County sales.** With fewer hotels, lower occupancy rates, and lesser demand, Montgomery County's 2023 traveler accommodations employment also remains below Prince George's and Fairfax County levels (see Table 3).

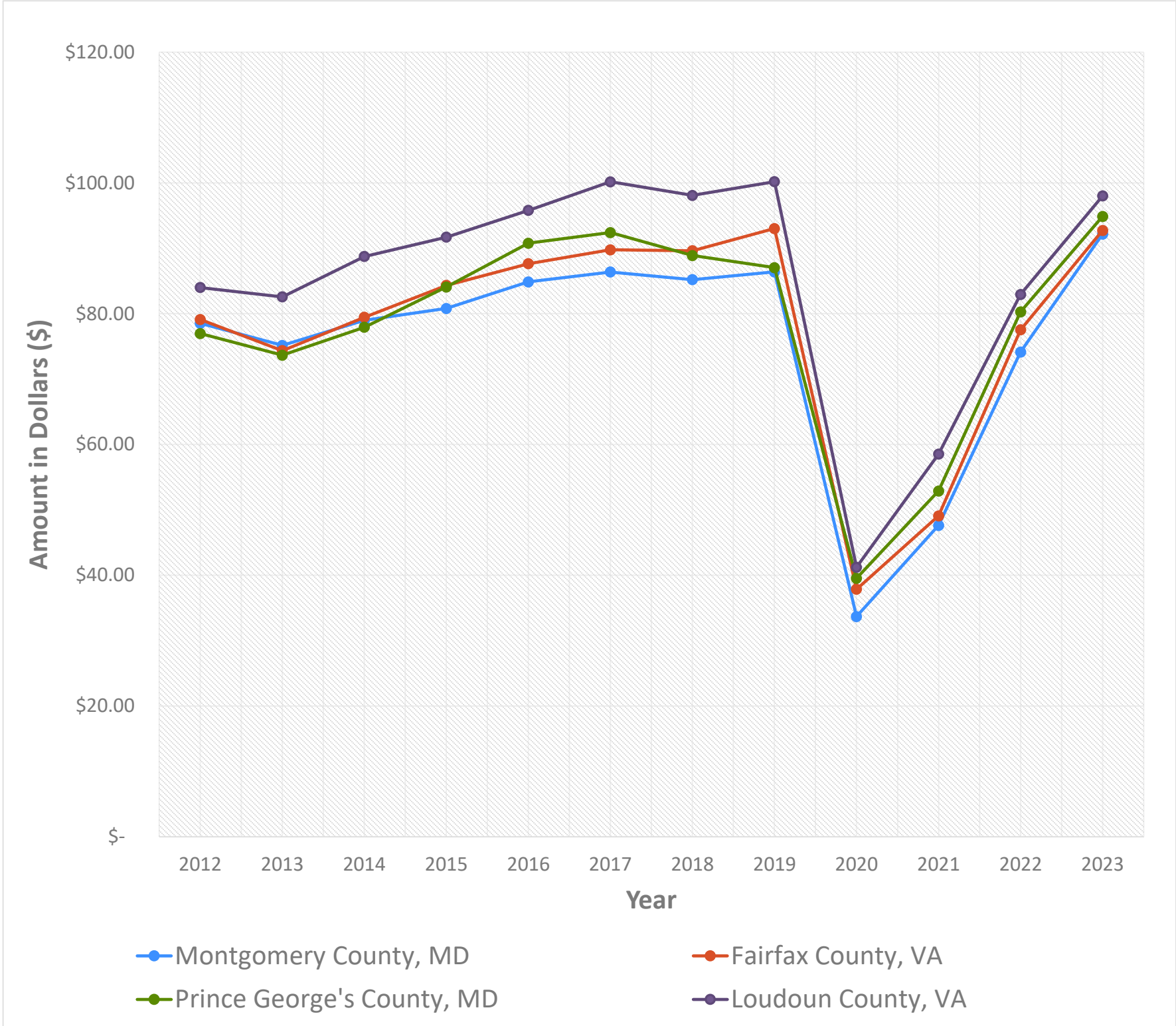**Figure 28: Regional Occupancy Rates by County (2012-2023)**

Table 3: Regional Comparative Summary

	Montgomery County	Prince George's County	Fairfax County	Loudoun County
2020 Land Area (in Square Miles)	493.1	482.6	391.0	515.7
2022 Total Population	1,056,910	957,189	1,169,596	420,773
2022 Median HH Income	$125,583	$97,935	$145,165	$170,463
2023 Traveler Accommodations Employment	2,351	6,305	4,039	1,725*
2023 Hotel Count	54	83	123	40
2023 Room Inventory	9,513	11,902	19,276	6,010
2023 Average Rooms/Hotel	176	143	157	150
2023 Average Occupancy	64.1%	64.3%	65.9%	67.9%
2023 Average ADR	$142.11	$146.22	$139.36	$142.49
2023 Average RevPAR	$92.17	$94.87	$92.73	$98.01
2023 Total Revenue	$303,002,754	$408,981,965	$652,912,093	$208,217,064
2023 Total Rooms Sold	2,106,003	2,769,977	4,638,919	1,432,107

Figure 29: Regional RevPAR by County (2012-2023)

Apart from slightly higher rates in Loudoun County, ADRs across the region's counties have historically trended similarly as well. In 2023, Fairfax, Prince George's, and Montgomery County's ADRs all sat within a roughly 4-dollar margin (see Table 3).

While charging a comparable ADR, Montgomery County's consistently lower room night sales have resulted in lower total revenues over the past 10 years. As Figure 29 shows, Montgomery County has thus seen a lower annual average RevPAR than its neighboring counties prior to, during, and following the COVID-19 pandemic. In addition to Figure 29's depiction, Table 3's display of 2023's total hotel revenue by county illustrates the aggregated and industry-wide reality of such lower RevPARs.

While these trends indicate several challenges to the economic competitiveness of Montgomery County's hotel market, efforts to expand local demand and further enhance the favorability of the county's hotel inventory continue.

Sources: Costar. (June 2024). "Fairfax City and County Hospitality Trends" [Data set]; Costar. (June 2024). "Loudon County Hospitality Trends" [Data set]; Costar. (June 2024). "Montgomery County Hospitality Trends" [Data set]; Costar. (June 2024). "Prince George's County Hospitality Trends" [Data set].

Montgomery County Hotel Market Study

Photo Credit: https://hotels.com

Key Takeaways

Key Takeaways

- The hospitality industry has a rich local history and continues to play a large role in the county's economy.

- Montgomery County's hotels are **highly transit- and highway-oriented and concentrated in several key centers.**

- **The county's hotel stock overwhelmingly serves higher-income consumers, while most amenities are geared towards full-service and business travelers**. The county's concentration of higher class, full-service, and business hotels, as well as the larger size of such hotels supports this trend.

  - **Economy and Midscale hotel rooms are uncommon throughout the county**, yet the limited recent development of new hotels has mostly continued to cater to higher class hotel consumers.

- Despite meaningful steps towards recovery, **Montgomery County's hotels mirror a regional and national struggle to return to pre-pandemic employment and occupancy levels**.

  - During the COVID-19 pandemic, upscale and upper upscale hotels (which make up over half the county's hotel stock) experienced significantly greater losses than any other hotel class.

- While occupancy, supply, and demand data all appear to indicate a surplus of hotel rooms, **Montgomery County's hotel and room inventory is lower than neighboring counties**. The county also sees lower occupancy rates and annual revenues than other hotel markets in the region.

  - Recent development and economic trends, as well as the county's residential zoning surrounding key interstates, may begin to explain the county's comparatively low hotel count and room inventory.

Photo Credit: https://concerthotels.com

Photo Credit: https://visitmontgomery.com

Photo Credit: https://www.expedia.com
Photo Credit: https://baywoodhotels.com
Photo Credit: https://hotelguides.com

Future Topics

Hotel Conversions

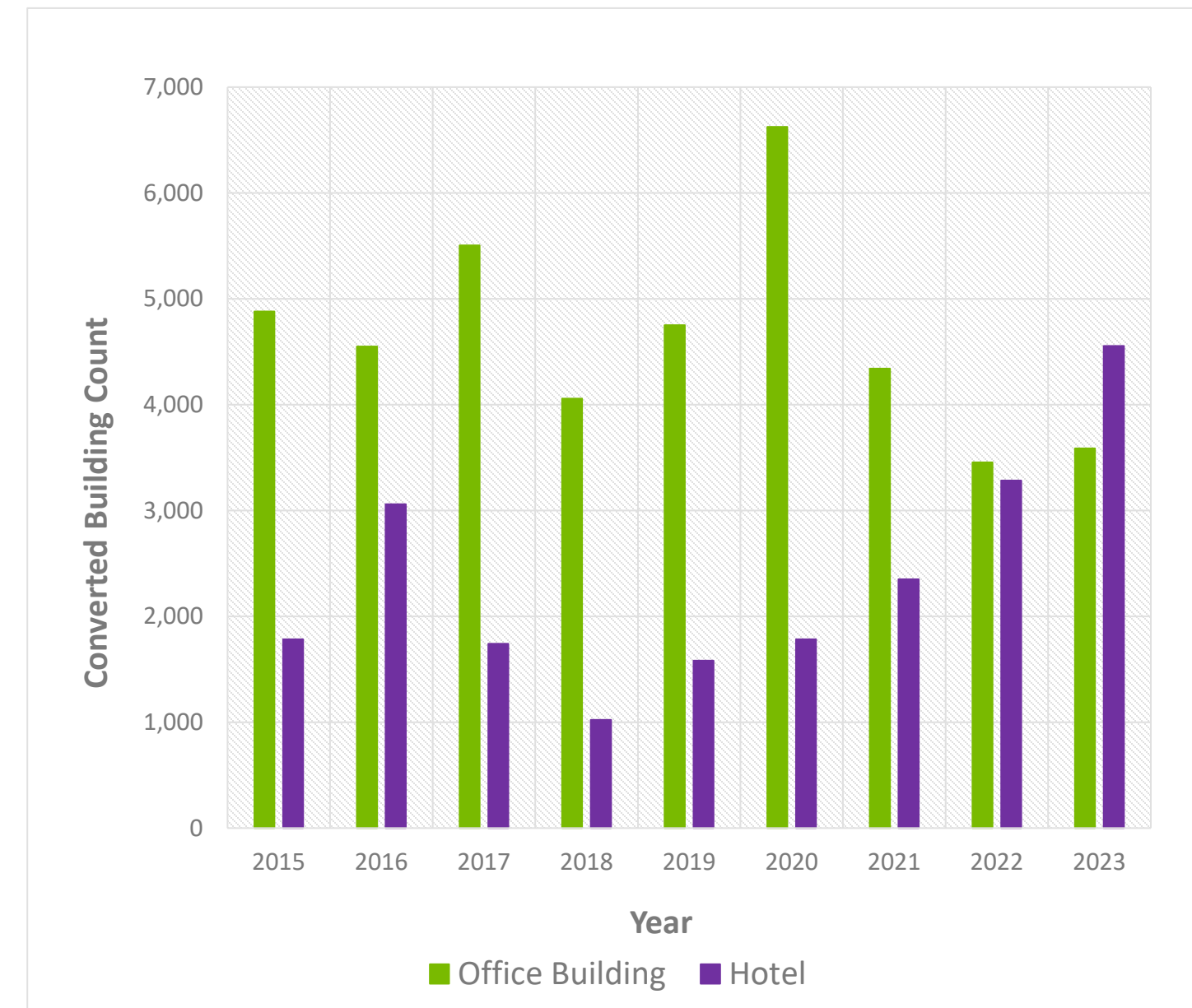Hotel Development

Other Lodging Types

Hotel-to-Housing Conversions

Looking ahead to the future of hotel land use, it is important to consider the role of conversion and adaptive reuse trends. In the wake of COVID-19, a national surge of buildings previously used as hotels have seen successful conversions to residential use. According to RentCafe.com's residential adaptive reuse analysis, **former hotel conversions were at an all-time high in 2023, making up 36% (the largest share) of residential adaptive reuse projects**. This 2023 surge marks the first time in over a decade that hotel conversions have surpassed office conversions.

Hotel-to-Housing conversions have also been popular projects for public-private partnership. With some of their hotels serving as emergency housing during the pandemic, cities like Baltimore, Denver, and New York have turned to former hotels as sites for affordable housing development. In 2004, Montgomery County converted the Econo Lodge Gaithersburg into Seneca Heights Apartments, a transitional housing site for the formerly homeless.

In addition to a proposed senior living community at the former National 4-H Conference Center, this study identified three hotel-to-housing projects which have been completed in Montgomery County since 2015.

Figure 30: U.S. Hotel and Office Conversions (2010-2023)

Sources: Grecu, Veronica. (May7, 2024). "Adaptive Reuse Surges Again With 151K Upcoming Units; Hotel Conversions Overtake Offices in 2023"; Costar. (June 2024). "Montgomery County Hospitality Properties" [Data set]; Montgomery County Coalition for the Homeless. (2024). "Seneca Heights Apartments"; PD&R Edge. (May 17, 2021). "Learning From the Pandemic Response: Converting Hotels to Shelter or Housing". *HUD USER.*
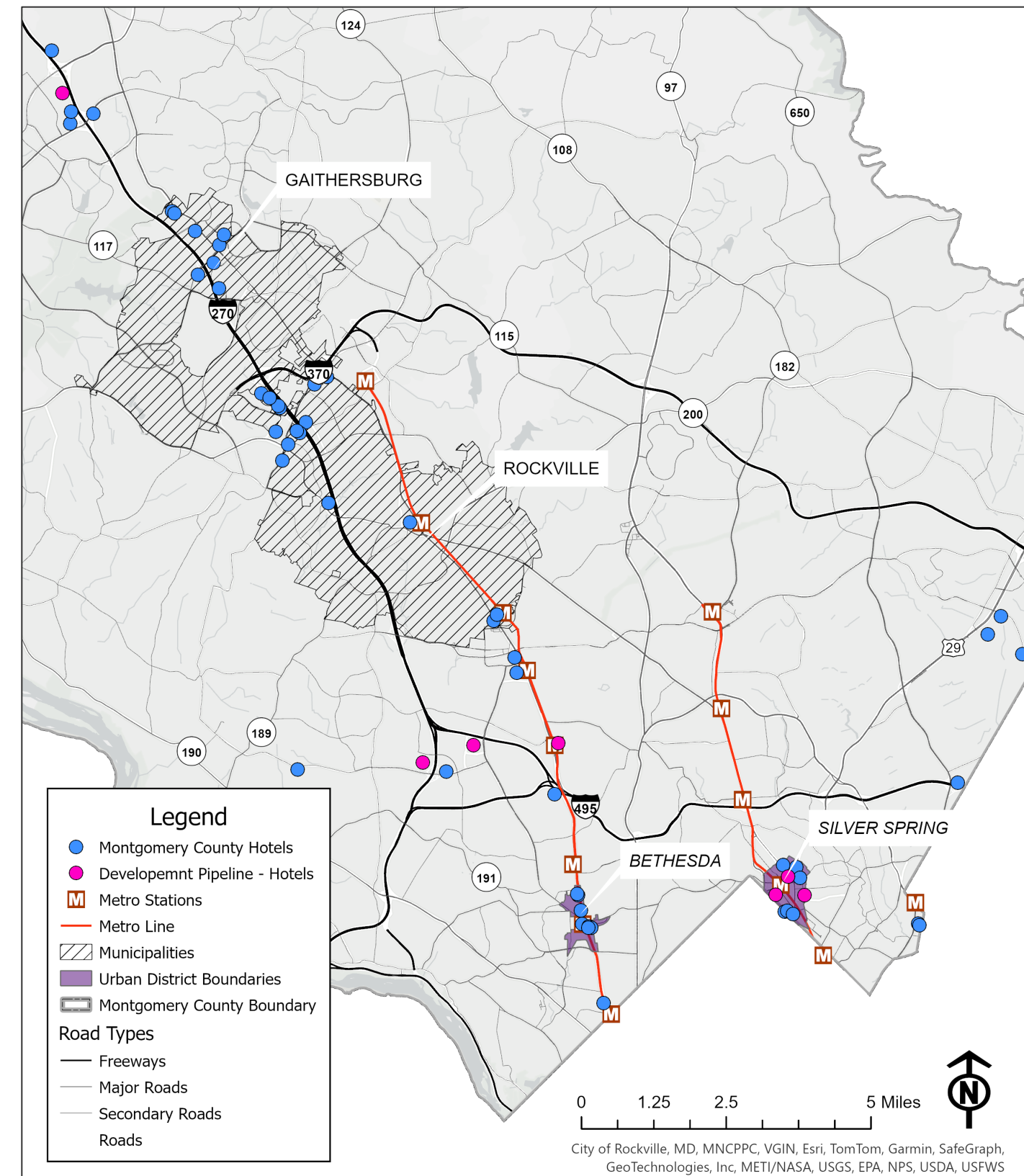
Development Pipeline

Anticipated development also plays a role in Montgomery County's hotel market outlook. Seven unbuilt projects with a hotel component are currently included within the county's development pipeline. These projects are:

- Century Technology Campus (APNO 120020950)

- Silver Spring Park (APNO 120070420)

- 8600 Georgia Avenues (APNO 120170040)

- The Blairs Master Plan (APNO 120130220)

- Strathmore Square (APNO 120190180)

- Westfield Montgomery Mall (APNO 120050180)

- Rock Spring Center (APNO 11998092B)

Nearly all these projects have been in the development pipeline for several years, representing the recent lack of new hotel openings in Montgomery County.

Figure 31: Existing and Pipeline Hotel Locations in Montgomery County (2024)

Topics for Further Research

Bed and Breakfasts

Though excluded from the scope of this study, the county's zoning ordinance defines traditional Bed and Breakfasts as, "a detached house with rooms for rent and where breakfast is customarily served to guests." Distinct from hotels and short-term rentals, this form of lodging is allowed under conditional or limited uses in many of the county's agricultural, rural, and residential zones. As its own form of land use, the inventory and performance of Bed and Breakfasts in Montgomery County may require additional research in the future.

Short-Term Residential Rentals

Short-Term Residential Rentals introduce another form of lodging excluded from this study. While bookings through Airbnb and similar online sites have grown more popular due to shifting trends in the travel industry, regulation of Short-Term Residential Rentals only began in 2017 through ZTA 16-03 and Bill 2-16. As a limited use in all agricultural, rural, residential, commercial/residential, and employment zones, a focused study of Short-Term Residential Rentals may be a pertinent direction for future research.

Campgrounds

It is also worth noting the expansion of major hotel parent companies' focus on alternative stays, such as campgrounds, to further meet generational changes in demand. For example, Hilton partnered with AutoCamp in 2024 to offer several outdoor lodging sites. The eight existing Hilton AutoCamp locations range in size from 35 to 108 rooms and offer luxury amenities in rural settings. To better understand the role of agrotourism and rural lodging in Montgomery County's evolving hospitality industry, further research may be warranted.

Sources: Hilton. (February 27, 2024). "Hilton Partners with AutoCamp to Offer Elevated Outdoor Lodging Experiences in Iconic Natural Settings". *Stories from Hilton;* Montgomery County Government. (October 2014). "Montgomery County Zoning Ordinance". *Code of Montgomery County Regulations (COMCOR),* Ch. 59.

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Stakeholder Outreach

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