

VII. LODGING DEMAND

Lodging is another commercial use that will grow in the future. The typical sources of demand for lodging are commercial travel, tourism travel, and group activities (conventions and organized events). Lodging market conditions for the Everett area are presented in this section in terms of:

Existing Market Conditions

Competitive Supply

Projected Demand

EXISTING MARKET CONDITIONS

The Everett/ Snohomish County hotel market is tracked in the publication Trends in the Hotel Industry by Wolfgang Rood Hospitality Consulting. Data on occupancy and average daily room rates is summarized for the local market and other subareas of the State in Table VII-1.

Table VII-1
Hotel Industry Trends - State of Washington

	1997	1998	1999	2000	2001	2002	2003	2004
Room Occupancy								
Statewide	68.8%	68.7%	68.2%	67.5%	63.1%	63.5%	63.7%	67.0%
Tacoma and Pierce County	67.9%	62.2%	63.9%	64.1%	55.6%	60.4%	61.2%	65.6%
Southwest Washington	57.9%	58.7%	58.2%	59.4%	57.5%	57.0%	57.1%	59.9%
SeaTac and Southcenter	73.9%	74.6%	70.3%	69.4%	63.0%	62.9%	62.1%	65.5%
Downtown Seattle	76.2%	77.0%	75.7%	73.8%	70.0%	68.8%	70.8%	72.4%
Bellevue/Eastside	77.3%	73.1%	70.4%	71.3%	63.9%	62.8%	65.1%	66.4%
Everett/Snohomish County	62.4%	56.3%	53.3%	56.5%	53.5%	58.5%	55.0%	66.2%
Average Daily Room Rate								
Statewide	\$89.19	\$95.65	\$99.00	\$99.71	\$99.21	\$96.49	\$95.09	\$99.93
Tacoma and Pierce County	\$70.40	\$78.25	\$78.03	\$75.09	\$75.97	\$74.77	\$78.04	\$81.10
Southwest Washington	\$54.41	\$54.28	\$56.05	\$59.26	\$61.68	\$57.59	\$55.21	\$66.11
SeaTac and Southcenter	\$70.92	\$71.44	\$70.22	\$69.74	\$69.65	\$78.53	\$76.91	\$79.05
Downtown Seattle	\$119.12	\$126.27	\$134.14	\$136.33	\$135.11	\$129.60	\$125.04	\$128.59
Bellevue/Eastside	\$96.02	\$103.55	\$107.80	\$111.26	\$112.65	\$110.85	\$109.49	\$110.88
Everett/Snohomish County	\$67.22	\$70.61	\$79.98	\$79.73	\$79.94	\$71.20	\$72.64	\$75.49

Source: Wolfgang Rood Hospitality Consulting, *Trends in the Hotel Industry*

The local market significantly underperformed other markets in the State through 2003, with occupancy rates significantly below 60% from 1998 through that year. The area experienced a significant increase in occupancy rate in 2004. While some of that improvement is a result of increased demand, at least part of it is a result of the closing of the Everett Pacific hotel for remodeling during 2004 and 2005.

Average room rates also increased in 2004. The average rate is still significantly below the average rate in Tacoma.

Data on hotel tax collections provide another indication of trends. Lodging revenues (rentals for a period of 30 days or less) are subject to a 4% tax, with one half of that amount credited against the State's share of retail sales tax, and the other half charged directly to the guests. Tax collection is a direct measure of lodging room revenues. While the closing of a particular hotel might result in an increase in occupancy rates and room rates for the remaining properties on the market, total room revenues and tax collecting are likely to decline. Table VII-2 and Figure VII-1 show the trends in hotel tax collections for Everett and Snohomish County over the past 11 years.

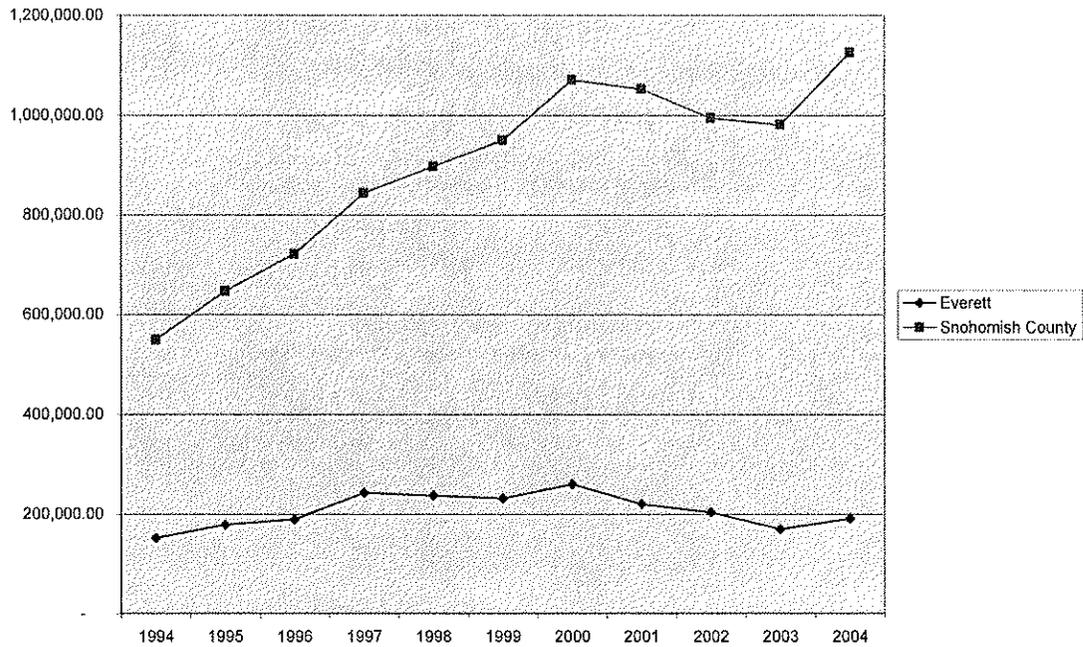
Table VII-2 Hotel Motel Tax Collectors State-Shared 2% Portion

	Everett	Snohomish County
1994	151,952.88	549,397.44
1995	179,088.38	646,939.91
1996	190,047.26	721,575.80
1997	243,568.71	844,391.55
1998	237,526.97	897,592.52
1999	232,026.41	950,538.84
2000	260,757.58	1,071,373.54
2001	220,649.36	1,053,164.17
2002	204,002.26	995,197.80
2003	170,081.31	981,227.20
2004	191,077.55	1,125,493.52

Source: Washington State Department of Revenue

Figure VII-1

Hotel Motel Tax Collections State-Shared 2% Portion



Hotels in both the city and the county have experienced declines in hotel room revenues since 2000. This pattern mirrors the experience of the industry as a whole, with the entire visitor industry suffering from reduced travel after the terrorist attacks in September 2001.

COMPETITIVE SUPPLY

The characteristics of the major existing hotels in Everett are shown in Table VII-3.

**Table VII-3
Major Everett Hotels**

Hotel	Rooms	Room Rate	Food Service	Meeting Room
Everett				
Best Western Cambridge Inn & Suites	76	\$69	continental breakfast	yes
Best Western Cascadia Inn	134	\$81	continental breakfast	yes
Comfort Inn & Suites	84	\$89	continental breakfast, restaurant	yes
Days Inn	51		breakfast	
Days Inn, Everett Mall	73		breakfast	Capacity 30
Everett Inn	70	\$69		2 rooms
Extended Stay America		\$63.99		
				11,000 square feet
Holiday Inn	247		restaurant	
Holiday Inn Express	99	\$103.55	breakfast	
Inn at Port Gardner	33	\$89	breakfast, restaurant	yes
Marriott Towne Place Suites	128	\$69	breakfast	yes
Motel 6 Everett North		\$39.89		
Motel 6 Everett South		\$39.89		
				15,000 square feet
Quality Inn & Conference Center	164	\$69	breakfast, restaurant	
Travelodge Everett City Center	29	\$54.95		
Travelodge Everett Mall		\$54	breakfast	
Welcome Motor Inn	42	\$39	breakfast	

Source: Property Counselors

As shown, there are over 1200 rooms in the properties shown. There is a range of properties reflected in the local inventory.

- There are two full service hotels with large conference facilities.
- The 247 room Everett Pacific Holiday Inn will reopen in November after a major renovation
- The 164 room Quality Inn and Conference is located in South Everett
- There is one notable specialty hotel- the 33 room Inn at Port Gardner by the Everett Marina.

The only major lodging property in the Downtown Study Area is the Travelodge Everett City Center at Broadway and Pacific.

The major competitive hotel concentrations are in Lynnwood south of Everett on I-5, and in Marysville north of Everett. The Lynnwood hotels enjoy proximity to the new

Lynnwood Convention Center and Alderwood Mall. The Marysville hotels enjoy proximity to the Tulalip Casino.

PROJECTED DEMAND

With growth in employment, increased tourism resulting from additional amenities, and growth in group business at the Event Center and private hotels, room night demand should grow at above average rates over the next two decades. A 3% compound annual growth rate should be sustainable over the period.

The existing room base in the City is achieving near equilibrium occupancy rates of 67%. With the additional 247 available before the end of the year with the reopening of the Everett Pacific Holiday Inn, there will be some downward pressure in occupancy rates. Over time, however, a full service hotel such as this should create its own demand attracting new room night activity rather than simply shifting activity for other properties.

Given these assumptions the projected demand for new development City-wide during the next 20 years is:

2005-2015	400	rooms
2015-2025	<u>600</u>	
Total	1,000	rooms

Much of this demand will be captured in limited service properties outside Downtown. The demand for a full service hotel over the next 10 years is likely to be met by the Everett Pacific Holiday Inn. Beyond that, a strong commercial core and the public facilities in Downtown could attract another full service hotel. In the next 10 years, Downtown could support a specialty hotel without a restaurant (relying on the other restaurants in the area) and limited meeting space. Overall, Downtown could capture 400 of the additional 1,000 rooms during the 20 year period.