

ACCOMODATIONS: Downtown Federal Way

INTRODUCTION

The North American Industry Classification System (NAICS) identifies businesses engaged in providing lodging or short-term accommodations for travelers, vacationers, and others under the code 721.

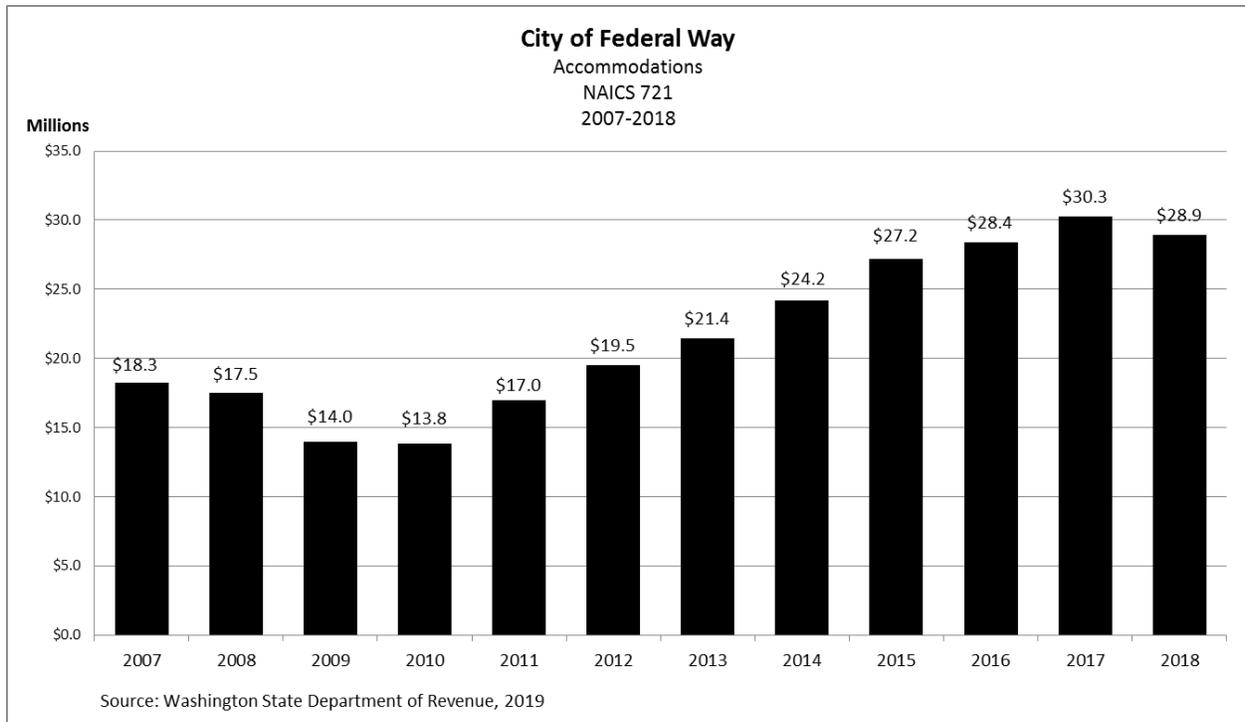
For the purpose of this analysis, the three digit NAICS Code 721 was used for this review.

BACKGROUND

According to the hotel market research company STR, there are over five million hotel rooms in over 50,000 different properties across the nation. Additionally, current employment statistics from the Bureau of Labor Statistics identify that there are over 2 million people employed in this sector.

Nationally, revenue from hotels is expected to amount to \$46.557 billion in 2019. According to the research firm Statista, hotel revenue is expected to show an annual growth rate (compound annual growth rate 2019-2023) of 3.8 percent, resulting in a market volume of \$54.002 billion by 2023.

Research on taxable retail sales from 2007 to 2018 in Federal Way, specifically before and through the recovery from the “Great Recession,” followed the trend of the Great Recession. A decline began in 2008 and continued through 2011. Sales for this sector have seen a steady increase with a high point of \$30.3 million in 2017. However, in 2018, the annual taxable retail sales dropped by \$1.4 million to \$28.9 million.



MARKET

Downtown Federal Way offers 6 lodging facilities that total over 750 rooms. They include:

- Courtyard by Marriot
- Hampton Inn & Suites
- La Quinta
- Comfort Inn
- Best Western/Evergreen Inn
- Extended Stay America

Accommodation options range from economy to upscale establishments. Sixty-six percent of all hotels in Federal Way are located in downtown.

Hotels are a vital component of Federal Way's economy. They provide a place to stay for the nearly one million tourists that visit the city each year. Federal Way has several major tourism venues; one specifically is the state's largest theme park; Wild Waves. Nearly 500,000 people go to the park annually. Another tourism venue is the King County Aquatic Center. Built in 1999 it has been home to many international and national events including the Goodwill Games, US Olympic Trials, and NCAA Men's and Women's Swimming and Diving Championships.

TRENDS

Hotels in general are facing fierce competition from short term rentals that allow users to turn homes, apartments, and even spare rooms into short-term rentals. However, Federal Way has not been influenced.

Another trend hotels face is the diminishing influence of brands as price-beating websites and alternative lodging services divert potential guests' attention. While brands are important, they are becoming a commodity. The top four global hotel companies have 84 hotel brands combined, and it is not easy for consumers to identify with and remain loyal.

Young Travelers

According to a report by the hotel consulting group HVS, the majority of Gen Zers are still under the age of 20, this demographic already makes up 25.9 percent of the U.S. population and is responsible for contributing \$44 billion to the economy. They may not be booking hotel stays just yet, but a report by Sparks and Honey's entitled "Generation Z 2025: The Final Generation," shows 65 percent of parents consider their teens' opinions when they buy family vacations. What that opinion is includes the following:

- **Technology**
They want more than free internet. They want seamless WiFi for multiple devices.
- **Social Media Integration**
Given this need, hotel brands need to have strong active presence on social media to get to this generation even before the trip.
- **Community Experience**

They value experiences over material possessions, and the ability to meet and mingle with others is an important part of travel. Hotels that offer communal seating, social hubs, dining, and common areas for guests wanting to interact is what they seek.

- **Enterprise Dining**

A 2018 study by Y-Pulse called “Understanding Tomorrow’s Tastemakers Today” showed 56 percent of respondents watched Food Network shows and food videos on Facebook and Instagram. As a result, while Gen Zers still want to experience the fun aspects of ordering from the kids’ menu, they prefer to choose their own food from the adult menu. They want sharable food with photo-worthy presentation, made from plant-based, ethically-sourced, and locally-available ingredients.

- **Value for Money**

This generation has a pension for lower costs for accommodations, specifically with less emphasis on luxury and comforts, a factor that has contributed significantly to the rise of short term rentals and ride-sharing services. A recent study from UNiDAYS and Ad Age found Gen Z students actually prefer staying at hotels than booking short term rentals, which is a reverse trend that’s good news for hotel chains across the world.

- **A Local Lens**

They want authentic local experiences rather than traditional, guided touring.

- **Opportunities for Engagement**

They base their decisions to buy on reviews by strangers, friends, and influencers and believe they have a duty to contribute to the conversation. Engagement is the name of the game and Gen Zers aren’t afraid to engage—as long as it’s seamless, error-free, and worth their while.

Younger travelers prefer environmentally conscious accommodations. Some hotels are removing single-use plastics from their dining centers, monitoring the use of water, and sourcing foods from local farms. Younger travelers also prefer more effective multi-purpose spaces that promote health and wellness for a more holistic guest experience.

SOURCES

- Ad Age
- US Dept. of Labor, Bureau of Labor Statistics
- City of Federal Way
- ESRI
- HVS
- North American Industry Classification System
- Sparks and Honey’s
- Statista
- STR
- Washington State Department of Revenue
- UNiDAYS
- United Nations Intergovernmental Panel on Climate Change
- Y-Pulse

Location of Accommodations



Accommodations

Businesses in this category are primarily engaged in providing short-term lodging for travelers, vacationers and visitors. Downtown Federal Way offers six full service lodging facilities that total over 750 rooms. Lodging facilities located in Downtown Federal Way total over 440,000 square feet and include accommodation options ranging from economy motels to midscale hotel establishments.

Year Built is the calendar year in which at least 50 percent of the original construction was complete. Effective Year Built is the adjusted year built taking into account any subsequent new construction or major rehabilitation.

1. Hampton Inn & Suites

31720 Gateway Center Blvd S.

142 rooms with interior corridors, multi-lingual staff, laundry/valet service, luggage hold, 24-hour convenience store, indoor pool and hot tub, gym fitness center, meeting space, 24-hour business services center, free Wi-Fi, complimentary breakfast and free parking.

Year Built: 2010

Square Footage: 86,999

2. Courtyard by Marriott

31910 Gateway Center Blvd S.

130 rooms with interior corridors, including on-site bistro — open for breakfast and dinner, fitness center, indoor swimming pool, free Wi-Fi, airport shuttle, conference facilities, business services center and free parking.

Year Built: 1999

Square Footage: 98,529

3. Best Western Plus

32124 25th Ave S.

165 rooms with interior corridors, including on-site restaurant/bar, complimentary 24 hr. airport shuttle, free Wi-Fi, complimentary breakfast buffet, indoor pool & hot tub, exercise facility, dry cleaning, conference

facilities, business services center and free parking for autos, buses, and trucks.

Year Built: 1999

Square Footage: 95,183