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College Campus Hotels for the 21st Century

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COLLEGE CAMPUS HOTELS FOR THE 21ST CENTURY

An “Old” Hotel Type Gets a New Twist

Generally, any hotel that uses a nearby educational institution as the primary demand generator can be considered a campus hotel; however, the scope of this article focuses on hotels that are directly affiliated with an educational institution, often a college or university. For each campus hotel project, developers should fully understand the school’s vision to create a property that not only meets the design requirements and educational purposes, but is also economically sustainable. On the other hand, operators should have appropriate revenue management practice, leverage school’s internal resources, and manage student employees with extra emphasis on scheduling and training.

The concept of campus hotels is not a new one. In 1923, the American Hotel Association proposed a “practice hotel” for Cornell’s then newly-established hospitality program. For many years, because there are only a limited number of this kind of properties, there has not been significant study on this topic. However, in recent years, the industry has seen increasingly more joint ventures or other types of partnerships between educational institutions and developers all around the country. There are several reasons that contributed to this trend:

- The boutique lifestyle hotel movement in the hospitality industry requires many older campus hotels to be renovated or upgraded.
- More and more universities and colleges started offering or expanding their hospitality programs, and having a hotel can add practical value to these programs.

The hospitality industry is becoming more segmented in terms of branding, product offering and affiliated demand generators, and special considerations are required for the development and operation of each type. Corresponding to this need, the industry boasts developers who solely focus on campus hotels. For example, a Chicago based hotel chain, Graduate Hotels, has been developing college-themed hotels since 2014. SMART hotels, a hotel development company based in Cleveland, started their campus hotel specific development service in 2010.

Many educational institutions perceive their campus hotels much more than just a lodging facility; most campus hotels are considered an integral part of the school or program. Schools not only utilize these hotels in the traditional manner, but also use them to provide hands-on working experience for hospitality students. In some cases, the campus hotels have even become the activity and social center of the campus.

Contrary to many hotel guests’ assumptions, campus hotels can offer high standards of service and product. Some are 4 diamond-rated luxury properties, and some have high-end meeting facilities and equipment. Examples in the U.S. include the Hotel at Auburn University & Dixon Conference Center in Auburn University in Alabama, the Kellogg Hotel & Conference Center at Michigan State University in Michigan, Morris Inn at University of Notre Dame University in Indiana, and Statler Hotel at Cornell University in New York. The following sections will discuss some of the most important considerations in the development and operation of campus hotels.

Development Considerations

There is no cookie cutter model for the development of campus hotels. Each individual campus hotel property has its own set of advantages and challenges. According to Ed Small, president of SMART hotels, campus hotels often take more time and cost to build because there are often extra criteria and requirements from the school and the local community. On the other hand, campus hotel developers can sometimes benefit from the reputation and internal resources of the affiliated educational institution. The following are some issues for which campus hotels developers should be aware:

- *Multiple Layers of Approval* - In addition to obtaining the approvals from the local municipality, campus hotel developers need to get the approvals from the school for most decisions in the development process. Educational institutions can have complex organizational structures; the developer not only needs to work with the hotel administration (for schools that offer a hospitality program) and other relevant departments, but also with the president of the school and even the board of trustees. In some projects, the student community can weigh in on some decisions as well. Because of the multiple layers of approval, the information and data gathering phase often takes longer than other types of hotels, and more planning meetings are needed.

- **Return** - As a type of commercial real estate, campus hotels' economic sustainability is key; however, for properties that are part of a hospitality program, pursuing favorable bottom line can sometimes counter the educational purpose. For example, campus hotels that are used as the "learning lab" for hospitality students have higher operational costs due to inefficient workflow and unskilled labors. Because campus hotel owners (the educational institution) normally have long holding periods, or no intention to sell the hotel at all, it is more important to make sure the project will be financially viable in the long run to support its educational goal. It is an art to find the balance between these two objectives.

- **Financing** - Similar to other hotel development projects, economic viability and sustainability are the key consideration for debt or equity investors. With that said, some campus hotel developers find that the established credibility and reputation of the educational institution can facilitate the financing process. In addition to typical financing methods, there are several potential sources of capital related to the nature of the educational institution: alumni network, school endowment, donation or governmental grants, etc. Once the project is proven feasible, the developer generally have an easier time to gain capital compared to those who completely rely on their own track record.

- **Design** - The design of campus hotels requires more considerations than is typically necessary. Not only should the design uphold the standards of the city and the brand (if branded), but it should also be compatible with the school's design parameters and principles:

- Most universities or colleges have strict standards for the look and construction of new builds on campus, - from color scheme to construction materials.
- The hotel may be adjacent to other historical educational facilities with unique designs; and the façade of the hotel should be in harmony with such surrounding buildings.
- Some campus hotels are designed to be physically connected to or part of the teaching facility, which requires more design effort regarding the circulation of public and back of house spaces.
- Today, many educational institutions are also conscious about the environment, requiring that the property be sustainable and environmentally friendly. For example, the hotel at Oberlin Campus in Ohio was designed and constructed to Platinum LEED standards

and it is one of the most environmentally friendly and sustainable hotels in the world.

- **Risk and Volatility** - Campus hotel's largest demand source is the school itself, which is a very stable demand generator. Many school-related events reoccur each academic year -- graduation, job fairs, sport events or student galas -- and these events normally will only take place at the subject school. These events are less affected by the fluctuation of economy, when compared to leisure travel or commercial conferences.

"Campus hotels show a certain degree of resilience to the volatility of economy," says SMART Hotels president Ed Small. "During the 2008 economy crash, campus hotels in general did better than other types of hotels."

Operational Considerations

The operation of campus hotels varies property to property. For example, while students of Oberlin College can work at the college owned Hotel at Oberlin, the hotel is operated by a third-party company, and almost all employees at the property are full-time. Whereas on the other hand, Cornell University's Statler Hotel is considered the training laboratory for students, and as such a majority of hotel staff are students. During the Hotel Ezra Cornell(HEC) conference, students are allowed to operate the hotel entirely as they host distinguished alumni and visitors. While there is no fundamental difference between the operation of campus hotels and other types of hotels, some issues are worth noting for the managers:

- **Employees** - It is not unusual for campus hotels to hire a significant number of part-time students for entry-level positions, possibly requiring extra resources to manage the student employees. According to Cornell Statler Hotel General Manager Richard Adie, a primarily student staff can create certain degree of challenge: First, most students are not able to fully commit to the hotel position because of their academic or career commitment. This is especially the case for exam periods, or career fairs. Second, since most student employees can only work on weekends for one or two shifts per week, the learning curve for them are much longer than full-time employees. It is not uncommon for students to take three months or even longer to become fully proficient in an entry level job.

Campus hotel managers handle these challenges in several ways - the most important part is to plan carefully based on the school's academic and career event schedules. Some campus hotels hire more students than they truly require in case students miss a shift, and nearly all campus hotels have ongoing hiring and comprehensive training programs to keep a skilled and stable student work force. School Image and Branding - Campus visitors form their first impression of the school based on their experience at the hotel, which explains why more and more schools are renovating and upgrading their properties. "Our student employees are ambassadors of the hotel school," adds Statler's Adie. "Most guests enjoy talking to our student employees to know about our school and programs." Managers of campus hotels should not overlook this important opportunity to create pleasant memories for prospective students and families.

- *Seasonality* - Campus hotels have very seasonal demand. Demand is relatively low during the summer and winter breaks, and is high during the fall and spring semesters. Some months are predictably much busier than others, such as August or May, when there are annual events for alumni, speakers, student parents and recruiters who visit the campus. Weekends tend to have higher demand than weekdays for campus hotels because most school activities take place on weekends - sport events, conferences, or Homecoming or Family Weekends.
- *Segmentation* - Due to the educational nature of the demand generator, visiting scholars, speakers, prospective students and their parents create a notable portion of the transient demand. Schools also attract significant group demand from their conferences / seminars / exhibitions and athletic programs. On the other hand, typical commercial demand and business travelers are relatively lower for campus hotels, though universities that have more career events or a business school may see more commercial demand.
- *Internal Resources* - A tremendous advantage for campus hotels is that managers can garner support from the affiliated college or university, where there are many experts in business-related industries, such as business management, data analysis, legal or even design. For universities that offer a hospitality program, the campus hotel benefits from direct consultation with the teaching faculty on various operational issues, from revenue management to marketing.

- *Pricing* - In general, the pricing of campus hotels follows the free market principle. However, because the owner (university or college) is often the biggest demand generator itself, campus hotel managers do feel they have less negotiating power on pricing. Many campus hotels offer "special rates" for internal demand, and sometimes campus hotel managers may face the pressure to turn down external demand at higher rates to meet the internal need. This requires the university and college to understand the operation of the hotel and collaborate with the management to determine the optimal prices.

Looking Forward

In 2012, Purdue University dedicated Marriott Mall for their hospitality and tourism management program; Hilton has a hotel at the University of Houston as a teaching facility for hospitality major students. The trend of hospitality integrating with higher education is expected to continue, and there will be more collaborations between major hotel brands and educational institutions in the United States, to meet the growing need for more upscale properties on campus. For investors and developers, there will be many potential opportunities that will not only have stable returns, but also help bring more young talent to the hospitality industry.

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Paul Breslin, Managing Director of the Atlanta office of Horwath HTL, is a 35-year veteran of the hospitality industry. His background within the industry is all encompassing, with extensive experience in hotel operations, development, and asset management with major branded hotels as well as independent and smaller luxury hotels. From asset management and operational support, to planning and development services, sales, marketing, revenue management, transactional advice, and financial restructuring, Mr. Breslin has provided consulting services to a global client base. Mr. Breslin is a member of the prestigious International Society of Hospitality Consultants and the Hotel Asset Managers Association. He is a Certified Hotel Administrator by the Educational Institute of the American Hotel and Lodging Association. He is a founding member and immediate past president of the Atlanta Hospitality Alliance, and currently serves on the Board of the Atlanta Hospitality Alliance and the Governmental Affairs Committee of the Georgia Hotel and Lodging Association.

Mr. Breslin is a Certified Hospitality Educator (CHE) and a well-respected teacher and leader within the industry. He is the Executive-in-Residence in Lodging in the J. Mack Robinson College of Business, Cecil B. Day School of Hospitality at Georgia State University. Through Sabanci University in Turkey, he has trained senior level executives at the Rixos Hotel Leadership Training Program. Mr. Breslin is a frequent lecturer at national conventions and hospitality industry conferences throughout the United States. Mr. Breslin has also been quoted on hospitality issues in publications such as The Wall Street Journal, USA Today, Atlanta Business Chronicle, Atlanta Journal-Constitution and The Miami Herald.

In addition to his work as a consultant and educator, Mr. Breslin provides hotel expert witness services to attorneys specializing in hospitality law. His caseload as an expert witness includes work with both plaintiffs and defendants.



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Mr. Tang is an analyst at Horwath HTL. He is a recent graduate of Cornell University's School of Hotel Administration with a Bachelor's degree in Hotel Administration and a minor in Real Estate. Oliver has various work experience in the hospitality industry, including operations, market analysis, asset management and feasibility studies. A native of China, Oliver is fluent in Mandarin Chinese and English. He first started his career as a front desk agent at Brahmaputra Grand Hotel in Lhasa, Tibet. He then became the assistant front office manager, overseeing the operation of the department. Oliver holds CHIA and REFM level 3 certifications. At school, he worked as a teaching assistant for Hotel Development & Planning and Marketing Principles. In addition, Oliver is the co-founder of AH&LA Cornell Student Chapter and served as the chief editor of Global China Focus, a student-run publication.

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