

Airport Parking Market: An Untapped Revenue Source For Airport Hotels

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The saying, 'there's a lot of money to be made in parking' could not be more true than in airport parking. In our quest to quantify this statement, we surveyed and analyzed six major U.S. airports to determine the size of this niche business for airports and explore how airport hotels can also capitalize on this market trend and opportunity.

Airport Market Overview

Our study focused on the 'Top 30 U.S. Airports' based on passenger volume from 2007. Our list of airports ranged from Hartsfield-Jackson Atlanta International Airport in Georgia, ranked as the busiest airport with over 89 million passengers annually, to San Diego International Airport in California, ranked as the 30th busiest airport with over 18 million passengers annually. From this 'Top 30 U.S. Airports' we closely analyzed six mid-sized and large airports to obtain a cross representation of annual passenger volume and total gross airport revenue. Below are our findings:

| AIRPORT STATISTICS | | | | |
|--------------------------------|------|---------|--------------------|------------------------|
| Airport Name | Code | Ranking | Passengers | Gross Revenue |
| Dallas/Ft. Worth International | DFW | 4 | 59,786,000 | \$567,612,000 |
| *Denver International | DEN | 5 | 49,863,000 | \$388,471,000 |
| Detroit Metro | DET | 12 | 35,983,000 | \$266,513,000 |
| San Francisco International | SFO | 13 | 35,791,000 | \$503,914,000 |
| **Fort Lauderdale Hollywood | FLL | 23 | 22,682,000 | \$160,126,000 |
| San Diego International | SAN | 30 | 18,327,000 | \$125,366,000 |
| TOTAL | | | 222,432,000 | \$2,012,002,000 |

Source: DFW/DEN/DET/SFO/FLL/SAN (Notes: * DEN revenue data from 2007 Q1, Q2, & Q3 only, **FLL revenue figure from 2006)

Airport Revenue Mix Summary

Our sample airports served over 222 million passengers and generated approximately \$2 billion in gross revenue in fiscal year 2007. Furthermore, our research dissected each airport's gross revenue into three revenue segments: (1) airline, (2) parking, and (3) concessions and other. Airline revenue consists of landing fees, terminal building rent, and ground facility leases that airports charge airlines. Concessions and other revenue consist of rent payments generated from retail, food & beverage establishments, and other concessions conducting business at the airport. In reviewing the various revenue sources, we were intrigued to learn that while an airport's core business is presumably supported by airline related revenue, this revenue stream only represented 50% of the airport's gross revenue.

| AIRPORT REVENUE MIX (\$) | | | | |
|--------------------------------|------------------------|----------------------|----------------------|----------------------|
| Airport Name | Gross Revenue | Airline | Parking | Concessions & Other |
| Dallas/Ft. Worth International | \$567,612,000 | \$249,580,000 | \$106,911,000 | \$211,121,000 |
| *Denver International | \$388,471,000 | \$217,393,000 | \$86,715,000 | \$84,363,000 |
| Detroit Metro | \$266,513,000 | \$96,098,000 | \$58,859,000 | \$111,556,000 |
| San Francisco International | \$503,914,000 | \$296,368,000 | \$67,428,000 | \$140,118,000 |
| **Fort Lauderdale Hollywood | \$160,126,000 | \$81,693,000 | \$40,565,000 | \$37,868,000 |
| San Diego International | \$125,366,000 | \$56,699,000 | \$28,392,000 | \$40,275,000 |
| TOTAL | \$2,012,002,000 | \$997,831,000 | \$388,870,000 | \$625,301,000 |

| AIRPORT REVENUE MIX (%) | | | | |
|--------------------------------|---------------|------------|------------|---------------------|
| Airport Name | Gross Revenue | Airline | Parking | Concessions & Other |
| Dallas/Ft. Worth International | 100% | 44% | 19% | 37% |
| Denver International | 100% | 56% | 22% | 22% |
| Detroit Metro | 100% | 36% | 22% | 42% |
| San Francisco International | 100% | 59% | 13% | 28% |
| Fort Lauderdale Hollywood | 100% | 51% | 25% | 24% |
| San Diego International | 100% | 45% | 23% | 32% |
| TOTAL | | 50% | 19% | 31% |

Source: DFW/DEN/DET/SFO/FLL/SAN (Notes: * DEN revenue data from 2007 Q1, Q2, & Q3 only, **FLL revenue figure from 2006)

Airport Parking Opportunity

If we were to apply the airport revenue model to the hotel industry, particularly to the airport segment, room revenue would probably account for 80% to 90% of an airport hotel's gross revenue. With that said, what can we learn from airports and how can hotels capitalize on these airport trends and market opportunities? Do hoteliers have their sights solely on the core business so that any ancillary revenue opportunities are not given enough consideration? The goal of our research is to bring about awareness based on our observations from across the country. In short, hotels are not capitalizing on parking opportunities as aggressively as airports and off-airport parking facilities. Being located in close and convenient proximity to an airport which charges for parking, is reason enough to migrate to a pay for parking operation at the hotel. Hoteliers are cautious of what other properties in their competitive set are doing before seizing revenue opportunities. In the case of airport parking, hoteliers ought to look beyond hotels and also consider airport authorities and off-airport parking facilities in their competitive set when considering and making the decision to seize their fair share of the airport parking business.

Self Assessment

In order to assess whether your airport hotel's situation is opportune to transition to a pay for parking operation, consider the following self assessment questions:

- Does the airport in your local market charge for parking?
- Are there off-airport parking facilities in your airport market that offer parking services for a fee?
- Do other airport hotels in your competitive set charge guests and/or patrons for parking?
- Does your hotel currently offer 'park and fly' or 'park and stay' packages?
- Does your hotel currently have an airport shuttle service infrastructure?
- Does the number of your parking spaces exceed your hotel room count?
- Do you have theft and/or vandalism issues in your parking facility?
- Would your hotel's parking facility benefit from having parking access control equipment installed?

If you answered yes to any of the above questions, your hotel may have an opportunity to capitalize on this lucrative airport parking business. Implementing a pay for parking operation at your hotel can potentially increase your room ADR by as much as 20%. Hoteliers who realize and seize this opportunity will reap the benefits of being the first mover in this competitive economic marketplace.

Complimentary Consultation

To determine whether this is the right opportunity for your hotel, please contact **Niche Advisors** for a complimentary consultation to initiate this process.

Niche Advisors understand the intricacies involved in maximizing the value and capturing the full potential of hospitality parking assets. Our consulting and advisory services include designing parking facility layout and flow for development planning, appraising asset value for acquisition or disposition strategies, implementing operational, contractual, and financial improvement initiatives of existing assets, conducting feasibility analysis for proposed development, repositioning operating strategies of under-performing assets, installing parking infrastructure for new hotel openings, improving revenue control processes and guest service levels, and managing procurement activities for parking access and revenue control systems (PARCS) and operator selection. For additional information, please contact **Sang Hwang**: sang.hwang@nicheadvisors.com or (617) 448-0040.

Sang Hwang is the Managing Director of Niche Advisors, a consulting firm that provides specialized services to the hospitality industry. Mr. Hwang also co-founded HVS Parking Consulting, a division of HVS Global Hospitality Services. The firm focused on providing developers, owners, and operators with hotel parking consulting, feasibility assessments, and asset management services to enhance the value of client parking assets.

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