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NEW GGA STUDY REVEALS SIGNIFICANT ECONOMIC IMPACT AND BENEFITS FROM AIRPORT HOTELS

HOTEL AIRPORTS HELP CREATE AS MUCH AS A 12-TO-1 ECONOMIC RETURN FOR CITIES ACROSS THE COUNTRY

GGA LEADERS: PASSENGERS AND THE REGION WOULD BENEFIT FROM AIRPORT HOTEL AT JFK

(New York–New Jersey) – A new study released today by the Global Gateway Alliance revealed that numerous cities in North America are benefitting from airport terminal hotels. From the 860-room Hilton at Chicago O’Hare to the award winning Fairmount at Vancouver, on-site lodging not only improves the overall passenger experience, but contributes heavily to the regional economy.

Currently, neither New York’s John F. Kennedy International nor LaGuardia Airports have an on-airport hotel. Leaders from GGA used the new study to call for the successful development of an on-airport hotel at JFK’s Eero Saarinen-designed TWA Flight Center building. The Port Authority recently issued a Request for Proposals (RFP) to develop the TWA Flight Center into a hotel at JFK’s Terminal 5.

Key findings of the national terminal hotel study include a 10% higher occupancy rate at on-airport accommodations than off-site lodging, as well as increased room rates, averaging 14% over the past four years, consistent with growth nationwide.

In addition, Airport *terminal* hotels, where the lodging facility is physically attached to the terminal, have become increasingly popular among passengers, commanding higher occupancy and room rates, and as a result, greater profits. In 2011, airport terminal hotels had a 5% higher occupancy rate than other competing hotels, and averaged a near \$27 premium.

What’s more, airport hotels are not just highly profitable, they drive regional economic growth. Every \$100 spent by a leisure traveler at a hotel yields a \$700 return to the local economy, a number that rises to \$1,200 for business travelers.

“JFK is the busiest international gateway in the country and yet it lacks an airport hotel,” **said Joe Sitt, Chairman and Founder of the Global Gateway Alliance.** “As we reevaluate the state of our region’s airports and make improvements to infrastructure, a true on-airport hotel at JFK is a strong step towards making our region’s airports world-class. Airports are the first and last impression visitors have of our city and our country, and a first-class airport hotel will go a long way towards ensuring that the overall passenger experience is a positive one.”



“The Partnership has long supported the redevelopment of the Saarinen Terminal for purposes that enhance the airport, its economic contribution to the city, and reinforce the huge and successful investment that Jet Blue has made in Terminal 5. GGA is calling for accelerated action to move the airport hotel project forward and we completely endorse that position,” said **Kathryn Wylde, President and CEO of the Partnership for New York City**.

“Utilizing JFK’s TWA Flight Center building for a new, on-airport hotel will go a long way toward improving the airport experience and accommodating business and leisure travelers,” said **Jen Hensley, Executive Director of the Association for a Better New York**. “This is an amenity that will contribute to our local economy, generate revenue for the Port Authority, and better serve JFK customers and we are eager to see this project move forward.”

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ABOUT GGA

Global Gateway Alliance (GGA) was established to address the major challenges facing the metropolitan region’s airports and related infrastructure that, if left unaddressed, will serve as a major impediment to the long-term growth of New York City and surrounding areas. By harnessing the expertise of leaders in business, government, academia, labor and other sectors, we seek to tackle these challenges head-on and serve as the leading advocate in an effort to improve our airports and facilitate the continued growth of the region. For more information regarding the Global Gateway Alliance, please visit www.globalgatewayalliance.org. Follow GGA on Twitter @GGA_NYNJ and ‘Like’ the organization on Facebook at <http://on.fb.me/UsqxGw>.

GGA’s board of directors includes: **Joseph Sitt** (Chairman), CEO, Thor Equities; **Stuart Appelbaum** (Vice President), President of the Retail, Wholesale and Department Store Union; **Angelo Genova**, Founding Partner at Genova Burns Giantomasi Webster and a former New Jersey Commissioner of the Port Authority; **Chris Giamo**, Regional President for TD Bank; **David Hopkins**, Senior Director of Aviation at the New York City Economic Development Corporation; **Jared Kushner**, Owner of Kushner Properties and the New York Observer; **George Miranda**, Teamsters’ International Vice President; **Mitchell Moss**, Henry Hart Rice Professor of Urban Policy and Planning at the Robert F. Wagner Graduate School of Public Service at New York University; **William Rudin**, CEO of Rudin Management Company, Inc. and Chairman of ABNY; **Joseph Spinnato**, President of the Hotel Association of New York City; **Alvin S. Trenk**, Chairman and CEO of Air Pegasus Corp; **Peter Ward**, President of the Hotel Trades Council on New York; **Tom Wright**, Executive Director of the Regional Plan Association; **Kathryn Wylde**, President of the Partnership for New York City, and **Tim Zagat**, Co-Founder and Co-Chair of Zagat Survey.



GGA STUDY: Economic Impact and Related Benefits of the Airport Hotel

JFK

A hotel on airport grounds has the potential to revolutionize the passenger experience at New York's Kennedy Airport. JFK boasts the highest number of international arrivals of any US airport and, with over 50 million passengers in 2013, it ranks 6th domestically and 17th internationally for total passenger traffic. These visitors need a convenient on-airport hotel after or prior to their flights.

The sweeping architecture of Eero Saarinen's TWA building, commissioned in 1955 and opened in 1962, pays tribute to the golden age of flying in which it was constructed, while maintaining a modern feel. Such an iconic building should not be off limits to travelers or rendered redundant. On the contrary, an airport hotel would not only offer passengers a convenient place to spend the night or conduct meetings, but also give them the opportunity to witness one of New York's most famous and iconic buildings.

Busy travelers, who are short on time, value the convenience of an on-airport hotel, while the hotel benefits from the rate premium it is able to command as a result. Even travelers who are ultimately headed to another part of the city favor an on-airport hotel as it simplifies an awkward late arrival or tricky early departure. Further, the Flight Center's connection to JetBlue's Terminal 5 also means the old terminal is situated in a prime location, connected by the AirTrain to other JFK terminals.

Several years ago, the Port Authority, in recognition of the building's significance, spent \$20 million on a first-class renovation, preparing it for future use. Following that, the Port released an RFP in 2011 in an attempt to secure a developer to convert the old terminal into a Hotel, but after a year of negotiations the deal ultimately fell through. The Port Authority has now issued another RFP, embarking upon the next step towards making the passenger experience at JFK easier and more convenient.

There is every indication that an airport hotel at JFK will command the occupancy and daily rates necessary for a successful operation, generate jobs and economic activity for the region, and enable visitors to spend time in a landmark building for New York and the aviation industry.

Airport Comparisons

Hotels have become a regular phenomenon at airports, which is unsurprising given their popularity among passengers. The same goes for airport *terminal* hotels, which unlike other hotels located on airport property, are either integrated into a terminal or connected by a walkway. They typically offer food and beverage operations, meeting spaces, and a variety of



other amenities, which act as a major attraction for the modern day traveler, who puts a high price on both convenience and comfort. The following airports in North America, listed in order of highest passenger traffic, all have airport terminal hotels:

Airport	Hotel Brand	Rooms
Chicago O’Hare	Hilton	860
Dallas Fort Worth	Hyatt	298
George Bush/Houston	Marriott	565
Miami	Miami International	259
Toronto	Sheraton	474
Orlando	Hyatt	445
Detroit Metropolitan	Westin	404
Philadelphia	Marriott	414
Boston Logan	Hilton	599
Vancouver B.C.	Fairmont	392
Tampa	Marriott	298
Montreal	Marriott	272
Pittsburgh	Hyatt	336
Bradley/Hartford CT	Sheraton	237
McGhee Tyson/Knoxville	Hilton	236
Huntsville	Sheraton	146

A hotel in the TWA Flight Center would enable JFK to join the ranks of its national and international competitors with airport terminal hotels.

PERFORMANCE RATES

The TWA building’s connection to Terminal 5 is critical. The unique conveniences and amenities of airport terminal hotels drive demand to levels that outpace their off-airport counterparts.



Smith Travel Research (STR) data demonstrates that on airport hotels perform very well across the United States. The company's latest data showed occupancy of 71.4% at these hotels in the first 4 months of 2014, up from 62.4% in 2010. That rate is over 10% higher than the overall U.S. hotel occupancy average of 60.8%. In addition, average room rates for these hotels jumped from \$89 in 2010 to \$102 in 2014, an increase of 14.6%.¹ This growth is consistent with double digit growth in hotel room rates during that period across the country.

Analyses by STR and HVS have also shown that hotels connected directly to terminals are able to consistently outperform their competition in both average daily rate (ADR) and occupancy (Occ.).²

Taken together, this data demonstrates that there is demand for airport terminal hotels waiting to be realized.

The success of airport terminal hotels is driven by many factors, including:

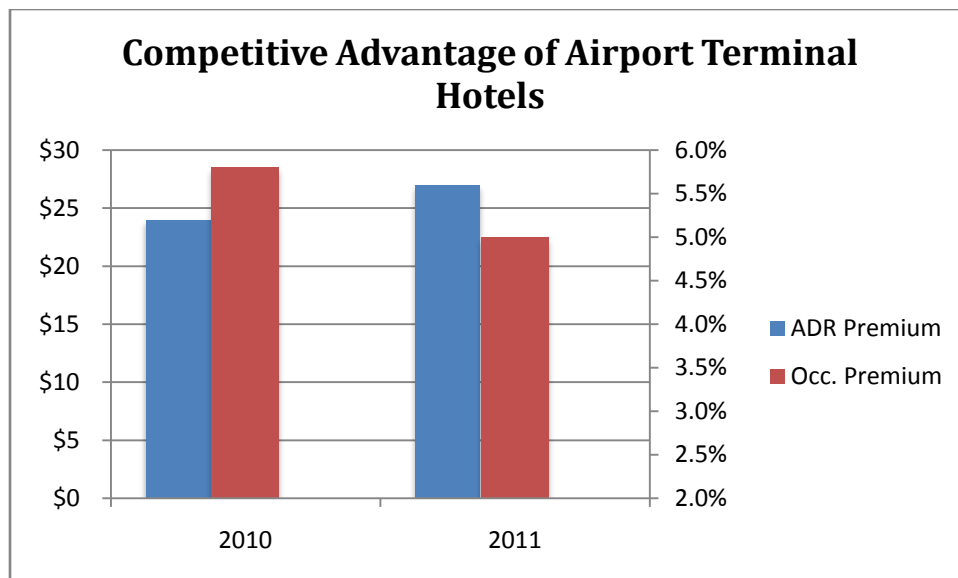
- Convenience for short business trips and meetings
- Ease of access – reduces burden and expense of ground transportation
- Ability to absorb stranded passenger and airline staff business
- Ability to capture day-use rates from international travelers

STR's examination of 10 airport markets revealed that in 2010, airport terminal hotels had a 5.2% higher occupancy rate than other competing hotels, despite charging on average a \$27 premium. Again, in 2011, occupancy rates were 5.8% higher for airport terminal hotels, while the cost differential was \$24.³ (See chart below.)

¹ <http://www.hotelnewsnow.com/article/13969/Airport-hotels-could-be-next-investor-targets>

² <http://www.hotelnewsnow.com/Article/10214/Results-soar-at-hotels-connected-to-airports>; <http://www.hvs.com/article/3266/revpar-penetration-at-airport-terminal-hotels/>

³ <http://www.hotelnewsnow.com/Article/10214/Results-soar-at-hotels-connected-to-airports>; <http://www.hvs.com/article/3266/revpar-penetration-at-airport-terminal-hotels/>



According to a study released by the American Public Transportation Association (APTA) and the U.S. Travel Association, hotels in cities with direct rail access from downtown to airport terminals receive nearly 11 percent more revenue per room than hotels in cities without a rail airport connection.⁴ In other words, the close proximity of the TWA Flight Center to the JFK AirTrain means a hotel at the location has great potential to profit from optimal occupancy rates.

JOBS AND ECONOMIC IMPACT

Hotels across the country have proven themselves to be significant job creators, while playing a crucial role in fostering economic growth. A hotel at JFK would be no exception.

Hotels attract business and leisure travelers alike who, beyond paying for their rooms, also contribute to the local economy throughout their stay. According to the Intercontinental Hotel Group, for every \$100 a leisure traveler spends at a hotel, they return \$700 to the local economy. For business travelers, the statistic is even greater; every \$100 spent at a hotel yields a \$1,200 return to local businesses and communities.⁵

Likewise, hotel creation leads to both temporary and permanent job creation that boosts regional productivity. For example, a new Hilton Hotel in Norfolk, Virginia employs 300 full-time workers, while construction of a brand new 500-room hotel has the potential to create 924

⁴ <http://www.ustravel.org/news/press-releases/cities-rail-airport-connection-boost-hotel-revenue>

⁵ <http://www.ihgplc.com/index.asp?pageid=16>

construction jobs, according to a 2010 report about a convention hotel built in Savannah, Georgia.⁶

On a larger scale, the InterContinental Hotels Group (IHG), a major chain hotel operator of establishments such as Crowne Plaza, Holiday Inn, and Candlewood Suites, employs a total of 90,000 workers throughout the United States. Further, a study of the hotel market in West Chester, Pennsylvania revealed that 200 hotel rooms can generate up to \$30 million a year in regional economic activity.⁷

Developers estimate that a hotel in the TWA terminal would create 250 permanent union jobs, and over time generate more economic activity and employment opportunities for the region.⁸

CONCLUSION

Both passengers and the region will profit from an airport hotel at JFK, as is evident by the success of other, similar operations at airports around North America. Travelers appreciate the convenience of the location for short stays and business meetings while other terminal businesses benefit from increased traffic and demand generated by hotel guests. The addition of a hotel in the TWA Flight Center is a crucial step in the advancement of our region's airports – it is a 21st century amenity for the 21st century traveler.

METHODOLOGY

To complete this report we analyzed data from the Smith Travel Research's report on Hotel Trends for Airport Terminal Hotels. We also supplemented and corroborated these findings using various additional resources such as data from the Hotel Trades Council of New York, the joint US Travel Association/APTA report, IHG's website and Hunden Strategic Partner's study that delineates economic, fiscal, and employment impact of hotel construction in Savannah Georgia. We organized our research to assess the occupancy and daily room rates, job creation, and economic impact of terminal hotels, airport hotels, and off-airport hotels.

⁶ <http://www.parcel7savannah.com/links/HSPSavannahHQApr2010.pdf>

⁷ http://www.downtownwestchester.com/view_program.php?id=110

⁸ <http://www.wvec.com/news/New-hotel-and-conference-center-220395031.html>