



My Place Hotel Chicago West/North Aurora, IL

Evolving guests, tech define extended-stay

By CJ Arlotta
Senior Editor

NATIONAL REPORT—Even though growth in the extended-stay segment is slowing, properties are still performing well.

“The extended-stay segment continues to shine and to outperform the overall lodging market in all measurable categories,” said Terry Kline, EVP of franchise development, My Place Hotels. “Despite record growth in the segment over the past three to five years, the extended-stay segment still only represents about 9% of the overall hotel lodging supply, while the demand for extended-stay rooms continues to outpace supply.”

He continued, “More and more hoteliers are continuing to recognize the value proposition offered by the extended-stay segment through its efficient operating models that require fewer employees in today’s tighter labor markets.”

While RevPAR in Q1 2019 increased by 0.7%, it was the slowest quarterly gain in the segment in nine years, according to The Highland Group’s Q1 2019 report on the extended-stay market.

“There’s slowing growth in supply for the overall hotel industry,” said Mark Skinner, partner, The Highland Group. “New rooms being added has declined slightly. That would at the same occupancy slow the growth in demand, but also, it’s getting more and more difficult to raise room rates. The rate of increase has been tapering off in the last couple of years, so the growth in room revenues is slowing down.”

There were roughly 479,000 extended-stay hotel rooms open at the end of Q1 2019, a year-over-year change of 6.1%, according to The Highland Group’s data. Demand during the same time period increased by 5.6%, more than double the industry’s increase in demand of 2.4% in Q1 2019, according to STR’s data.

“Industry data indicates that the extended-stay segment continues to see strong demand and, as a result, dramatic growth and evolution,” said Steven

Dominguez, VP of global brands, Hyatt Hotels Corp. “Based on extensive consumer insights, we know guests seek casual and authentic hospitality with purposeful service and seamless experiences that accommodate their lifestyles and familiar routines. We also know that today’s travelers seek smartly designed, tech-forward and contemporary environments, which is driving the extended-stay segment to create more personalized stay experiences that make the guest’s transition from home to hotel even more easygoing.”

One of the ways extended-stay properties have evolved over the years is they’ve become more residential in nature. “They are essentially a home away from home,” Skinner said. “They have incorporated the components that you might find in somebody’s residence of a similar price point.”

For example, a room at an extended-stay property in the luxury segment would have granite countertops, residential furnishings, big tiles in the bathroom, etc.

Extended-stay guests are driving this trend. “It’s what you want to do when you’ve got people staying for a longer period of time,” Skinner said. “You try and make it as homelike as possible.”

Guests are using extended-stay properties differently now; they’re no longer only turning to extended-stay properties for longer stays. “Whether it’s for long- or short-term stays, business or leisure trips, solo or family travel, hotel owners and developers are responding accordingly to meet the changing demands of today’s customers and the next generation of travelers,” Dominguez said. “Although this segment has long served business travelers and families who were on the road for extended periods of time, more and more travelers of all types are finding the value of extended-stay properties as they seek hotel experiences that offer amenities and spacious accommodations with the comforts and conveniences of home—despite their length of stay.” These amenities include fully equipped kitchens and separate living areas.

The extended-stay market is facing many of the same challenges as transient markets, including labor. “The biggest challenge facing the industry in general, as well as the extended-stay market, is the growing shortage and expense of labor,” said Ralph Thiergart, VP and GM of extended-stay brands, Choice Hotels International. “Low unemployment rates mean people

are working and wages are rising—and that’s a good thing. Since wages are responding to market conditions, owners can, generally, absorb that overall cost within their pricing structure, but, for an extended-stay hotel, getting the right talent is critical.”

With extended-stay properties operating with fewer employees, the need to build efficient yet effective teams is key. “It’s essential to assemble the right team and keep it intact,” he said. “This places enormous stakes on getting the right property-level leader who can attract, build, motivate and retain the right staff.”

Home-sharing accommodations offering short- and long-term stay options have posed a challenge in the segment. “However, these accommodations tend to serve a different customer who is more leisure-focused and not derived from corporate demand,” Dominguez said. “More broadly, the success of the sharing economy reflects a change in the way travelers interact with the world. We think there is a lot to learn here, so we are leaning into that change—rather than away from it—in order to better understand how we can innovate the guest experience to fit these evolving lifestyles.”

Many in the industry don’t believe this particular challenge is going away anytime soon. “We have to keep an eye on the home-sharing economy,” Thiergart said. “While we don’t currently see performance impacts, those born in 1990 or later will represent close to 30% of the workforce by next year. We know these consumers already engage in the sharing economy in many ways. As these folks increasingly become business travelers and future extended-stay guests, our products must be ready to meet their needs.”

Home-sharing is just one way technology has impacted this segment. “Technology allows us to continually test and innovate,” Dominguez said. “By stepping up efforts in the digital space to effectively engage with guests, including enhancing existing technology and mobile, we are able to connect with consumers in new ways while sourcing valuable information and radically shifting their experience to become increasingly personalized.”

As it does at transient properties, technology plays a big role at extended-stay properties. “Success at an extended-stay hotel, with its labor-light operating model, requires sophisticated, purpose-built booking, inventory control, and property management support technologies,” he said.

“Harnessing technology is paramount,” Kline said. “As technology changes almost daily, we need to be able to continually reach and attract our guests. At the same time, we also need to be able to meet guest expectations for technology offerings in our hotels.”

As more guests turn to extended-stay properties, so do hoteliers, and that’s something worth watching.

“The evolution has already begun with the expansion of more and more brand offerings (and dual-brand offerings) across all price tiers,” he said. “Hoteliers are recognizing that the demand for extended-stay products attracts consumers and guests who are looking for lodging options that will accommodate both long- and short-term stays as an alternative to conventional hotel rooms.” **HB**