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Boutique Hotel Development Beyond 2017

Markets that Provide Distinctive
Travel Experiences
by Brett Edgerton

The lodging industry has been in a period of robust performance. Furthermore, shifts in consumer behavior have created a meaningful rise in “experience seeking” travelers in the lodging market who expect their lodging to be unique from surrounding accommodation options. Independent and chain-affiliated hotels have begun to target actively this segment of consumers resulting in substantial interest in developing new boutique hotels. As defined by BLLA, the supply of boutique properties has far outpaced growth in the lodging market overall, rising by over five percent a year since 2000. Certain markets have intrinsic factors that provide the most complementary environment for boutique guest satisfaction. Markets with strong local flavors, particularly unique cultural, entertainment, or culinary scenes, are well positioned to create and sustain community ecosystems, which help satisfy boutique guest desires.

Looking back at where boutiques began and where they have flourished helps give insight into where the best opportunities to expand the lifestyle type hotel will be. Boutique hotels have grown far beyond their origins in San Francisco and New York City. Beyond these two markets, Chicago (8.8%), Miami (13.9%), and Washington, DC (5.6%) currently have the highest concentrations of boutiques as a percentage of all upper-priced hotels mainly owing to the diverse and eclectic neighborhoods and cultures in each market. In the future, areas that have or are developing reputations among travelers for distinctive cultural and entertainment offerings will provide the matches for the boutique consumer tastes.

Furthermore, boutiques have primarily concentrated on operating in urban locations. In fact, forty-five percent of existing boutique hotels fall into an urban location category. Of the fifteen submarkets with the largest proportion of boutiques, only two fall outside of Central Business Districts (CBD). The importance of location cannot be overstated for boutiques. CBDs provide economies of scale for arts centers, trendy restaurants, and cultural centers that match the boutique consumer profile. Those outside a CBD are Miami Beach and Hollywood/Beverly Hills that of course have their own unique historical and cultural attractions drawing boutique guests. These markets will continue to be able to provide the unique characteristics necessary for boutiques to thrive as younger workers have returned toward city living generating gentrification of previously underdeveloped areas of cities over the past several years, creating abundant opportunities to expand boutique properties to revitalized urban cores.

While these primary markets are still among the largest concentration of boutique hotels, some second-tier markets have seen meaningful increases in the number of boutique properties, suggesting a trend toward boutique development into potentially untapped markets. Cities with large tech industries have both the economic strength to support general hotel development as well as varied experiences boutique guests can enjoy. San Jose, Portland and the Research Triangle area of North Carolina, which includes Raleigh, Durham, and Chapel Hill, have begun to experience an influx of boutique development, which is likely to continue as these regions have truly unique environments that provide experiences difficult to replicate in other markets. Other than tech hubs, music and cultural hubs such as Austin and Nashville are in the process of becoming active cultural centers known for their vibrancy and variety of entertainment options. Furthermore, the Research Triangle, Nashville and Austin all are home to centers of higher education, which attract

distinctive demographic profiles. All these markets share strong economic fundamentals, an important aspect of any hotel development, but also differentiate themselves among other markets for boutiques because of the unique atmosphere, cultural opportunities and experiences rooted in them.

Beyond major urban markets, other possibilities also exist for boutique development. Markets that can offer unique lifestyle experiences of their own make attractive opportunities for boutiques. Central and Northern California provide locations for boutiques to take advantage of the vineyard lifestyle. Similarly, markets with unusual natural attractions can provide lifestyle experiences for guests who enjoy the outdoors. These include the Colorado Ski Area as well as coastal markets in the Southeast such as New Orleans and Savannah, which have particular historical culture as well as coastal areas of Florida offering a beach lifestyle with a different pace than Miami.

Given the growing volume of travelers seeking authentic experiences when they travel, boutiques will be well positioned within the lodging market to take advantage of this shift in consumer tastes. As more travelers become aware of and benefit from, hotels that enable guests to partake in the community in which they are visiting, boutique hotels in these markets will likely do best. By expanding into new markets, and further developing within markets with longer histories of boutique operations the segment will likely see continued good times as they connect guests seeking the boutique experience with the vast array of experiences and communities in which boutiques can ingrain themselves.

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