

## Alternative Accommodations

# Experts see continued blurring of extended-stay market

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Speakers at the Serviced Apartment Summit Americas discussed the impact of the sharing economy, consolidation and the push to provide unique guest experiences on the serviced-apartment and extended-stay hotel segment.



By [Harvey Chipkin](#)

NEW YORK—The serviced-apartment industry is entering the mainstream by moving onto sharing economy and online travel agency sites, forming OTAs themselves, consolidating for greater leverage and, like their hotel counterparts, creating local experiences for guests, according to speakers at the Serviced Apartment Summit Americas.

Those developments and others related to the continuing “blurring” of corporate housing and extended-stay hotels were top subjects at the conference, where representatives of the serviced-apartment and extended-stay segments met to discuss joint interests and challenges.

Speakers agreed the terminology used to describe these products can lead to confusion for consumers, and even within the industry.

In the past, serviced apartments have been the European equivalent of corporate housing in America. But now, other types of lodging, such as apart-hotels, have emerged to blur the line even more. Serviced apartments are offering more hotel services, and some hotels are offering more apartment-style units, speakers said.

At the end of the day, “we are all just accommodations,” said Sean Worker, CEO of BridgeStreet, a serviced-apartment company that is seeking to transition to being an OTA for the industry.

Serviced apartments and extended-stay hotels are “different product types in the same marketplace,” Jon Wohlfert, CEO of Reside Worldwide, an

alternative-accommodations firm based in Seattle, said during a panel discussion titled “Developers debate: Hotels vs. extended stay vs. serviced apartments vs. mixed use.”

Wohlfert said alternative accommodations like Airbnb “blur these lines further,” but added, “I feel we’re all in the same family.”

“The same customer may choose extended stay or a serviced apartment depending on their needs during a specific trip,” he said.

### **The benefits of disruptors**

The impact of the sharing economy was a recurring theme of the conference.

While speakers agreed that Airbnb and its counterparts are a disruptor to the serviced apartment and extended-stay hotel segments, they also credited these products for opening travelers’ minds to alternative accommodations.

Larry Korman, co-CEO of Korman Communities and president of AKA Hotel Residences, said that in some ways Airbnb “has educated people to what an apartment stay might be.”

Wohlfert agreed the disruption “is creating awareness in our space.”

“People with inventory have power,” he said, adding Airbnb is another channel like the OTAs. His company is strongly interested in acquisitions of other corporate housing companies to build that inventory and increase its revenue stream, he said.

Gordon Doell, CEO of Obasa Group, an operator of serviced apartments, said booking platforms like Airbnb and Booking.com are “springboards to accelerating awareness, and drive conversion to brands,” which he said “is always a good thing.”

Still, the speakers said, attempts in the past to forge cooperation with Airbnb and OTAs have not been successful.

Korman said that’s “because consumers have been conditioned to go back to OTAs ... (and) that’s too much meat off our bones.”

Now, he said hotel companies and serviced apartments are taking control of their fates, and being more aggressive and open to distribution platforms like the recently announced Airbnb Plus, which will include listings for boutique hotels that meet certain standards.

### **Differences and similarities**

One difference between serviced apartments and hotels, according to the panelists, is that many serviced-apartment providers have flexible inventory, leasing apartments in buildings as demand ebbs and flows.

Wohlfert said Reside has buildings that it owns, then augments that with leased apartments.

“While extended stay might take it on the chin in December and January, we can run high occupancies in low periods through that flexibility,” he said.

But something all these lodging types have in common is the drive to provide memorable experiences for guests, panelists said.

Korman said it’s about “taking the stay to the next level and thinking beyond the four walls,” citing as an example a program at his company’s properties that offers guests activities such as guitar and French lessons.

### **Extended-stay hotels vs. serviced-apartment performance**

Data from [STR](#), parent company of Hotel News Now, shows strong performance by extended-stay hotels.

For the 12 months ending in February, extended-stay hotel demand was up 7.6%, resulting in a 1% gain in occupancy, despite 6.6% supply growth, according to data cited by Patrick Mayock, senior director of research and development at STR.

The extended-stay segment has reported 96 consecutive months of RevPAR growth—the same as for the hotel industry overall—as average daily rate for the segment grew 3.3% and revenue per available room increased 4.3%, the data shows. This is “a very healthy story,” Mayock said, with extended-stay hotel performance higher than ever.

The serviced-apartment sector in the United Kingdom has not fared as well. There, occupancy has been hovering in negative territory (-3.8% for the 12 months ending in February), and despite ADR growth of 2%, RevPAR declined 1.9%, Mayock said.

The news is better for London, where ADR was up 1.9% for serviced apartments for the 12 months ending in February and RevPAR grew 3.5%. “London is back on the upswing” after some difficult times, Mayock said.

### **What’s next for the segment?**

Technology and online tools, such as MyKey—an aggregating site for serviced apartments and hotels—“will make it easier to book a serviced apartment,” Obasa Group’s Doell said.

Korman said his company is seeking to expand to new cities, including internationally. AKA Hotel Residences currently has one property in London. “Growth is ahead of us,” he said.

Looking ahead, Mayock said that the biggest threat to the extended-stay hotel segment’s long-running expansion is the U.S. economy “because there is so much out there that could be a black swan.” The next biggest threats, he said, are oversupply and escalating costs.

With all that, he concluded, STR foresees “decent RevPAR growth for at least the next two years in a fairly strong operating environment.”