

Research

Boutique quickly becoming fastest-growing segment

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The popularity of the boutique hotel product is exhibited through increases that surpass upscale-class hotels and gain on extended-stay hotels.



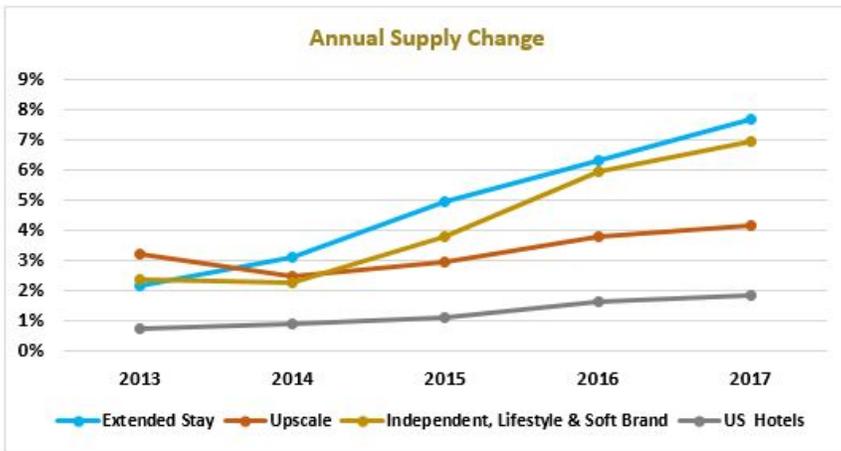
ANALYSIS:
BOUTIQUE HOTEL SUPPLY, DEMAND

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REPORT FROM THE U.S.—Boutique hotels—defined as independent, lifestyle and soft-brand collections—have become increasingly popular.

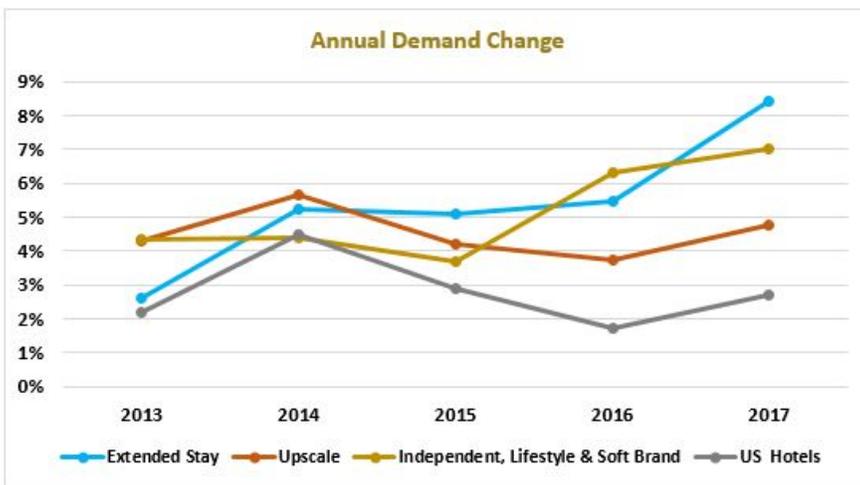
This hotel segment sets itself apart by offering the guest an experience many times immersed within the fabric of a local community while providing unique amenities for a memorable stay. There is opportunity to be a part of this quickly-growing segment in many underserved markets, as well as concepts aimed at a lower price point.

Boutique hotels are achieving stronger increases in supply than upscale class hotels while quickly gaining on extended-stay hotels. These two hotel types are the fastest-growing segments of the lodging industry. Upscale class hotels, as defined by [STR](#) (parent company of Hotel News Now), include the popular Courtyard by Marriott and Hilton Garden Inn brands. The boutique hotel segment increased supply in 2017 by 7%, compared to a 1.8% increase in supply for all U.S. hotels.



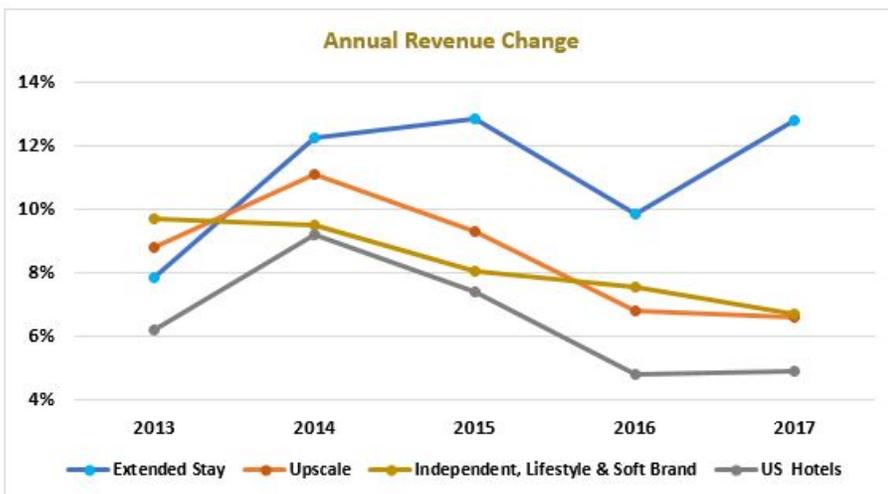
Source: STR Global, The Boutique Hotel Report, The Highland Group

Boutique hotels led in demand increases in 2016, surpassed by extended-stay hotels in 2017. At 7% growth in 2017, boutique hotel demand outpaced upscale class hotels and the overall industry.



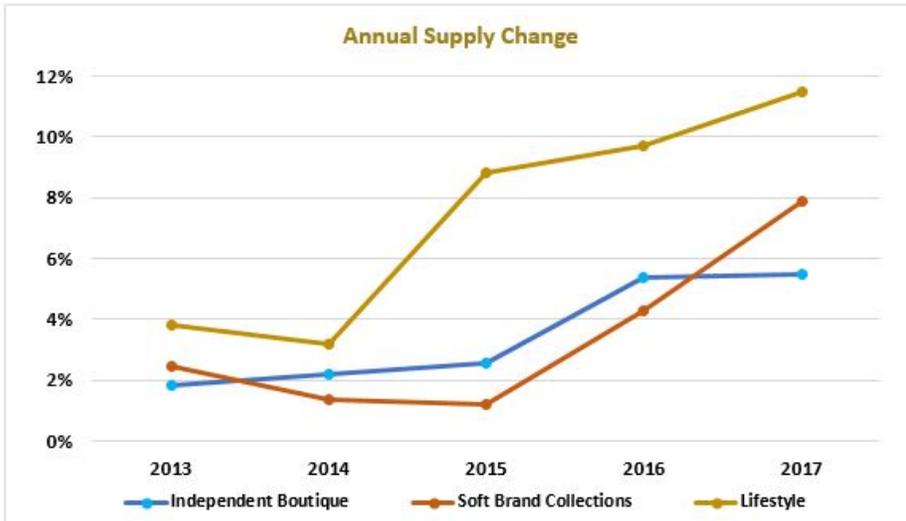
Source: STR Global, The Boutique Hotel Report, The Highland Group

Room revenues for boutique hotels in 2017 increased at a healthy 6.7%, tied with the upscale class for room revenue growth. This hotel product has consistently increased room revenue more than the overall industry.



Source: STR, The Boutique Hotel Report, The Highland Group

Each boutique hotel type has a compelling story to tell.



Source: STR, The Boutique Hotel Report, The Highland Group

Lifestyle hotels have led boutique hotel growth in both supply and demand since 2012, growing at a compound annual average of 7.3% and 8%, respectively. Recent supply growth for lifestyle hotels measured a record 11.5% from 2016 to 2017 with room revenues increasing by 9%. With a total of 63,459 rooms open in the U.S., the Kimpton and Aloft brands lead the charge.

Soft-brand collections have increased in supply at a compound annual average of 3.4% since 2012, while demand increased 4.4%. Picking up traction in 2017, soft-brand collections increased supply by 8% and room revenues increased 9.5% in 2017. Led by the Autograph and Ascend brands, this hotel product has 44,604 rooms open in the U.S. Announcements of new soft-brand collection hotels, such as Trademark by Wyndham, should propel this product through an expansion period at differing price points.

Independent boutique hotels have been established for decades and have a steadier growth trend than its lifestyle- and soft-brand collection counterparts. Supply of independent boutique hotels increased at a compound annual average of 3.5%, and demand increased 4% year over year in 2017. Room revenues for this hotel type increased at 5% in 2017. Recent supply and demand increases of almost 6% respectively in 2017 indicate the popularity of this hotel concept continues to increase awareness for the independent boutique.

Boutique hotels are on their way to become the fastest-growing segment in the lodging industry and there is definite opportunity for development with distribution heavily concentrated in only a handful of markets. In fact, 50% of all lifestyle rooms are represented in just seven MSAs. Largely positioned as a higher-priced stay, there is also opportunity to target a new audience at a lower price point, such as the ROAM brand—a communal living, budget boutique offering. New concepts and potential brand repositioning are expected to grow economy boutique offerings.

Kim Bardoul is Partner with The Highland Group and author of the annual Boutique Hotel Report. Her experience includes feasibility studies and market analysis for all types of proposed and existing hotels, due diligence for acquisitions, impact studies for several major franchise companies and financial analysis. She specializes in the boutique hotel product.

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