MARKET REPORT

Destination Wellness Hotels: Real Estate with a Mission

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While destination wellness hotels have existed for decades, they are becoming a more integral part of today's competitive lodging industry. This article will explore their rising popularity and the inherent value proposition of lifestyle and wellness lodging.

Capitalizing on the Trends

Wellness amenities at full-service hotels, along with standalone destination wellness hotels (DWHs), are always evolving. Wellness amenities and hotels both come in a variety of sizes, configurations, and service levels. Historically, DWHs have been independently developed and operated as the vision of an owner who wanted to provide an environment in support of a specific lifestyle or wellness practice. The growing awareness of lifestyle choices makes hotel guests increasingly savvy consumers, and as a result, mainstream hotel companies are aggressively courting them with goods and services targeted toward their sensibilities.

Hyatt Corporation purchased Miraval Resorts, a destination luxury wellness brand, for approximately $215 million in January 2017. As Hyatt Corporation President and CEO Mark Hoplamazian believes, wellness is a "very significant megatrend" and "not a fad." [1] This transaction indicates the growing popularity of this area of the lodging industry even six years ago. "And [wellness] is more and more on the minds of C-suite executives thinking about productivity and effectiveness in meetings and in life," Hoplamazian continued. "So what we ID'd with the Miraval opportunity was an opportunity to accelerate how we care for those customers and guests. [...] And we can do that in a very different way than how hotel companies have approached it in the past."

In the same time period, InterContinental Hotels Group developed EVEN Hotels, a new wellness-focused brand. In 2018, the first EVEN Hotel opened in New York City, targeting business travelers and focusing on healthy-lifestyle options in guestroom design, public space, and food and beverage programming. Their brand promise is "where wellness is within reach." This has proven to be true literally, as the clothes bars in the closets are built to double as chin-up bars. As of early Q2 2023, there were 23 EVEN Hotels in operation, representing 3,385 rooms, and an additional 32 properties in the development pipeline.

Looking to the near future, Hilton's modestly priced, extended-stay brand Project H3 by Hilton will provide a fitness center

almost twice the size of its current industry competitors. The initial rollout of Project H3 is expected to occur in late 2024. Clearly, selling wellness can be addressed in many ways and at varied price points.



A Healthy Industry, Indeed

While wellness destinations and lifestyle hotels existed long before COVID-19, March 2020 was a global watershed moment for the hospitality industry. The COVID-19 pandemic turned the lodging demand faucet off and prompted a greater awareness of the health and hygiene issues related to hotel stays that continues today.

As hoteliers learned to navigate the challenges of the pandemic and travel began to return, the growth of lifestyle and wellness in the hospitality industry has kept pace with this awareness. According to Zippia and the Global Wellness Institute, the wellness industry globally was estimated at approximately $4.4 trillion as of 2022 and was expected to grow at a rate of 5.5% annually from 2021 through 2030. Globally, 79% of consumers believe that wellness is important, and 42% of consumers believe wellness is a top priority. Americans spend a majority of their wellness dollars on products and services to improve their health.[2] Undoubtedly, wellness remains a strong opportunity for hoteliers.

A Competitive Edge

Destination wellness hotels can compete with traditional luxury properties because they sometimes offer luxurious guestrooms, elevated food and beverage options, and one-of-a-kind views at prize locations; however, few luxury hotels can directly compete with destination wellness hotels as they generally lack the wellness programming and amenities unique to DWHs. Guests often come to DWHs with specific health and wellness goals and pay a premium for a comprehensive program that addresses their needs. Many wellness programs are offered in curated environments that support the needs and sensibilities of their guests. Successful wellness hotels sell programs and facilities for personal transformation; the sleeping rooms allow DWH guests to continue their wellness journey for consecutive days or weeks. (This is not unlike a conference center or a casino where the guestroom is an ancillary amenity to another primary revenue generator.)

DWHs have always leaned into a comprehensive lifestyle approach that includes services to nurture the guests' body,

mind, spirit. DWHs offer their guests food, shelter, and spa treatments for the body; information and experiences for the mind; and hope and unexplored potential for the spirit. When performed successfully, guests check out nourished at multiple levels.

Some popular manifestations of this approach include yoga, tai chi, plant-based diets, vibrational therapy (singing bowls), indigenous cultural awareness, and meditation. Many wellness platforms incorporate high-tech, high-touch, and authentic wellness procedures. This eclectic blend of services makes wellness a unique player in the ever-evolving hospitality industry. Also, the DWH paradigm challenges traditional hotel revenue-management philosophies, weekly and seasonal pricing structures, and to some extent, the definition of their competitive market itself.



An Investment, Not an Expense

The growth in wellness hotels has also prompted some philosophical questions of why we travel, what we expect from our traveling experiences, and how we prioritize travel among our life choices given our limited free time and discretionary income. At one end of the lodging continuum, hotel stays are transactional and functional, addressing security and hygiene issues; at the other end of the spectrum, full-service hotels and resorts provide experiences, information, and insight. Wellness travel spans this spectrum.

DWH guests check in seeking a respite from their daily grind and check out empowered, aspiring to become better versions of themselves. The money spent here manifests itself as an investment in their quality of life. It affects the daily decisions made to support their personal well-being. It is reasonable to think of the hotel expense not as a resort fee but as a type of tuition. The destination wellness hotel is an investment that provides personal dividends that justify the initial hotel expense and supports the need for return visits.

It is easy to understand the potential growth in DWHs given the two biggest factors at play:

- Enlightened consumers are embracing wellness as an integrated part of a healthy and well-balanced life.
- In addition to rooms, food, and beverages, DWHs are selling experiences designed to refresh and renew one’s physical well-being and overall attitude.

Thus, DWHs should be considered more of an investment in one’s wellness and well-being than an indulgent spend, as

they provide guests with benefits and tools to use long after they check out.



Wellness Hospitality Consulting at HVS

As the HVS Wellness Consulting Practice Leader with over three decades of high-level hospitality consulting experience, Peter Anderson combines the evolving issues of lifestyle and wellness with the empirical and financial realities of operations and real estate in his advisory work.

His expertise and services include market studies, strategic operating plans, renovations, asset repositioning, and brand messaging. Developing wellness amenities that enhance hotel-wide profitability is a unique service of HVS Wellness Consulting. With his team, Peter evaluates industry trends and their related revenue sources and translates these into economic viability for his clients.

For more information or to inquire about a specific wellness project, please contact Peter Anderson.

[1] Sean McCracken, *Costar*, "Hyatt Buys Miraval, Plans Growth in Wellness." January 18, 2017. Retrieved June 16, 2023.

[2] *Zippia*, "Enlightening Health And Wellness Industry Statistics [2023]: Facts, Data And Trends." March 20, 2023. Retrieved June 16, 2023.