HVS

MARKET REPORT

HVS: Emerging Hotel Brands

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While numerous lodging brands are available to hotel owners through franchises, new brands continue to emerge. In 2020, several new brands have been introduced, providing unique niches in the marketplace to meet the demands of both hotel owners and guests. This article reviews the brands announced in 2020 and considers how they are poised to operate during the current economic climate.

As COVID-19 was declared a global pandemic by the World Health Organization (WHO) on March 11, the hospitality industry began to experience sharp declines in lodging demand given the cancellation of events and the travel restrictions set by the government, which contributed to the drop in all performance metrics. For example, RevPAR for U.S. hotels was down 65% for the week of May 31 through June 6, compared to the same week in 2019. Nevertheless, franchisees continue to search for brand-growth opportunities. Several new brands, ranging from economy to upscale products across all service levels, are being created to occupy unique niches in the marketplace to meet the demands of both hotel owners and guests.

Extended-Stay Segment Brand Launches

According to STR, extended-stay properties have been able to maintain a premium of approximately 20 basis points over U.S. hotels as a whole during the pandemic, showing the resiliency of the product offering. In addition to strong occupancy levels, extended-stay hotels are able to operate at lower expense ratios, leading to higher house profit margins. Three extended-stay brands have been introduced in 2020, reflecting the historically strong operating performance of the product. The availability of these brands will offer hotel owners additional options to participate in this popular segment of the market.

stayAPT Suites

- New construction, midscale, extended-stay product offering, featuring 500-square-foot guestrooms with a living area, fully equipped kitchen, and bedroom. Public facilities include a courtyard with grill stations and fire pits. In 2020, the brand is expected to open 12 newly constructed hotels, with an additional 30 slated for development in 2021.

Everhome Suites (affiliated with Choice Hotels)

- New construction, midscale, extended-stay product offering that resembles

apartment-style accommodations. Currently, three hotels are under construction in Los Angeles, Chicago, and San Francisco.

Trend Hotels & Suites (affiliated with My Place Hotels)

- Conversion of existing upper-midscale, upscale, and extended-stay hotels coming off of long-term franchise agreements. The first Trend Hotel & Suites is anticipated to open in late July or early August 2020.

While stayAPT Suites and Everhome Suites are focused on new construction, Trend Hotels & Suites has identified a unique opportunity by providing hotel owners a new brand alternative for existing assets that have lost their original flag. Benefits of the Trend Hotels & Suites brand include reduced franchised-related costs, efficient operating models, and effective marketing and revenue-management resources.

Lifestyle Segment Brand Launch

Tempo by Hilton

- A select-service product focused on resting and recharging through partnership with Thrive Global. Hotels will feature reinvigorating and relaxing guestrooms, state-of-the-art fitness rooms, meeting space, informational spaces, and sustainable F&B outlets developed in partnership with Blau + Associates. The first hotel is currently under construction in Louisville, Kentucky, and is slated for completion in 2021. An additional 30 deals have reportedly been confirmed for sites in major cities.

While select-service hotels have been more strongly affected by the COVID-19 pandemic than extended-stay hotels, occupancy and ADR levels are expected to trend upward prior to the opening of the first Tempo by Hilton.

Overall, new brands continue to emerge despite the current pandemic and related economic downturn in the lodging industry. The introduction of three new extended-stay brands reflects the high occupancy levels and efficient operating models typical of this segment, characteristics that have somewhat insulated extended-stay hotels in the current downturn. Trend Hotels & Suites may have the strongest opportunity for growth given its focus on converting existing assets to the new flag. Nevertheless, the additional extended-stay product offerings provide compelling concepts from which hoteliers can select. Finally, Tempo by Hilton will serve a niche in the marketplace with its wellness-focused product offering and strong Hilton brand affiliation.