

HVS Monday Musings: Unlocking the Potential of the Extended-stay Hotel Segment in India

NOVEMBER 5, 2023

Extended-stay hotels are one of the fastest growing segments globally, but it remains a relatively niche offering in India. Read on to know more.

Extended-stay hotels are witnessing increasing popularity worldwide. As per industry reports, the global extended-stay hotels market was valued at approximately USD 50 billion in 2022 and is projected to reach USD 166.5 billion by 2033, growing at a compound annual growth rate (CAGR) of over 11% during this period. The extended-stay hotel concept is booming, particularly in the United States, where it targets travelers seeking a "home-away-from-home" experience during their extended stays. These guests typically stay for longer periods exceeding a few days or weeks, and hence, prefer to have additional amenities like a kitchenette, shared laundromat, and a bigger living space, which are usually not available in traditional hotel rooms. Therefore, these hotels essentially become the sweet spot combining the best of both worlds: the comfort of home with the conveniences of a hotel, offering travelers greater convenience at a more affordable price point, without the hassles of getting into residential lease agreements.

Extended-stay properties have typically been preferred by business travelers on long-term assignments, expatriates, tourists on extended vacations, individuals relocating, or people undergoing medical treatment away from home. The pandemic and hybrid work arrangements have recently generated strong demand for longer hotel stays, increasing the popularity of cost-effective extended-stay hotels and making them one of the fastest-growing segments in hospitality globally. Reports indicate that the occupancy rate of extended-stay hotels is 10-14% higher than the overall hotel industry in the US, and this segment also witnessed lower revenue loss during the pandemic compared to traditional hotels. All major hotel operators, including Accor, Marriott, IHG, Hilton, Hyatt, and Wyndham, have diversified and established their presence in this segment, and have a strong development pipeline.





Despite the extended stay hotel concept having a presence in India, it remains a relatively niche offering. With the exception of a handful of brands such as Marriott Executive Apartments, Taj Wellington Mews, Ascott, and The Fern Habitat, the extended stay market in India is predominantly served by unorganized providers. The limited demand for extended stays, mainly driven by expatriates and corporate travelers on short to medium-term assignments, has shown slow growth, which has not incentivized local operators to introduce brands catering to this segment. Furthermore, international operators entering the Indian market have focused more on a one-size-fits-all approach, and largely not actively looked into customizing the product to suit the specific needs of Indian guests. For example, Indian guests prefer a fully functional kitchen and washing machines, as opposed to just a kitchenette and shared laundry facilities. Additionally, there is a shortage of offerings in the midscale and economy segments.

Having said that, with the economy poised to grow rapidly and due to the post-COVID changes in customer behaviour, there is increasing potential within this segment, waiting to be unleashed by customizing the product to cater to specific customer groups. For instance, India is becoming a favored medical tourism destination, presenting an opportunity for hotel chains to develop extended-stay properties near prominent hospitals and medical centers. Similarly, extended stay properties could partner with relocation service providers to target expat communities or be strategically located near educational institutions and campuses to cater to students and their families. Furthermore, with the rise in multi-generational family travel, extended-stay hotels can offer a cost-effective and comfortable home-away-from-home experience for this customer group. As travelers continue to seek flexibility, comfort, and convenience, extended-stay hotels have the potential to play a significant role in the future of travel and hospitality in India.