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MARKET REPORT

When Hotels Become Ecosystems: The Real Impact of Mixed-Use Development

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Mixed-use is no longer a design experiment - it is quietly reshaping how hospitality assets are financed, programmed, and experienced. Increasingly, the hotel serves as the connective tissue within a broader ecosystem. The winners will not be the projects that simply add uses, but those that deliberately align design, operations, and recurring revenue into a cohesive, durable platform.



Over the past several years, I have watched mixed-use developments evolve from a nice-to-have concept to a defining factor in the success or failure of hospitality assets.

In my work with owners, developers, and operators across the hospitality landscape, this shift is playing out in real time. The projects that outperform treat mixed-use as an integrated ecosystem. The ones that underdeliver often approach it as simple adjacency.

Neighborhoods where people live, work, and play were once aspirational. Today, they are expected. Retail, dining, fitness, entertainment, and residential components are increasingly designed to coexist within a single network, reducing friction, maximizing convenience, and encouraging daily engagement.

Hotels are central to this shift. In many developments I see, the hotel is no longer just another component of the site plan. It is often the element that determines whether the broader environment feels alive or merely assembled.

Hotels are increasingly anchoring mixed-use developments that support how people live, travel, and interact with place. Guests want more than a room. They want access to food, culture, wellness, and community without leaving the environment they have bought into, even temporarily.

This movement toward fully integrated ecosystems is not unique to hospitality - it is emerging across industries that depend on deep consumer engagement.

As David Kuperberg, SVP of Development at UMusic Hotels, notes, the goal is to capture both artists and their superfans, who drive roughly 80% of music industry revenue. “The vision is everything in one defined environment - media, retail, and live experience - creating a hub that goes well beyond a place to stay.”

As traveler expectations continue to blur with residential and lifestyle preferences, mixed-use developments are quietly redefining hospitality itself.



The Luxury Segment Is Leading the Shift

While mixed-use adoption is broad-based, the luxury segment continues to set the pace for innovation. High-end travelers increasingly expect environments that feel curated, frictionless, and deeply integrated into their lifestyle rather than isolated hospitality experiences.

Luxury and upper-upscale hotels have led RevPAR recovery in the post-pandemic cycle, supported by resilient affluent demand and experience-driven travel patterns. Mixed-use environments naturally support these expectations by surrounding the guest with retail, wellness, residential, and culinary touchpoints that extend the brand beyond the guestroom.

Astute luxury developers recognize that the hotel is not simply an accommodation component. It is a brand amplifier and traffic engine for the broader ecosystem.

The Rise of Mixed-Use Hospitality

Why Mixed-Use Accelerated Post-Pandemic

Mixed-use development predates the pandemic, but recent years have seen materially accelerated adoption. Remote work, flexible travel patterns, and a heightened focus on wellness and community reshaped how people evaluate space. Single-purpose assets have proven particularly vulnerable during periods of disruption.

As the Urban Land Institute noted, mixed-use developments offer greater resilience by diversifying revenue streams and activating space across multiple demand drivers. Hotels embedded within these environments benefit from built-in foot traffic, broader market appeal, and year-round relevance.

Another dynamic I see frequently in mixed-use underwriting is the compounding effect of complementary uses. Well-composed projects are rarely evaluated in isolation. Residential, office, and retail components often enhance the feasibility of the hotel itself, while also creating opportunities to reduce overall basis through early monetization.

Just as important, mixed-use planning allows developers to more efficiently utilize larger land parcels. Rather than forcing density into a single asset type, a balanced program might support a smaller key count alongside residential and retail elements, lowering the per-square-foot basis while diversifying risk across the capital stack.

Hotels as Anchors Within Larger Developments

In many mixed-use projects, the hotel is no longer a passive component tucked into the site. It functions as connective tissue, animating public spaces, activating food and beverage venues, and setting the experiential tone for the broader development.

Lobbies spill into plazas. Rooftop bars double as community gathering spaces. Wellness may open the door, but in the highest-performing projects, resident engagement extends well beyond the spa to restaurants, co-working, social programming, and other spaces that keep the ecosystem consistently activated.

According to HospitalityNet, this anchoring role elevates the hotel's strategic importance while increasing operational complexity.

Real-world projects illustrate this clearly. Denver's Union Station demonstrates how hospitality can help catalyze an entire district when thoughtfully integrated. What was once an underutilized transit hub has evolved into a highly activated mixed-use destination where the hotel, food and beverage programs, retail, and transportation flows reinforce one another throughout the day.

At the destination scale, projects such as Deer Valley East reflect a different but equally important model: mixed-use not as urban infill, but as deliberate ecosystem creation. In these environments, hospitality helps establish the experiential tone early, shaping residential demand and long-term positioning of the broader resort community.

Insights from ULI illustrate that well-executed mixed-use districts can outperform single-use assets in both dwell time and cross-spend.

Market-Specific Approaches

The expression of mixed-use hospitality varies by market. Urban projects often integrate hotels with office towers, luxury residences, and transit hubs. Resort and destination markets blend hospitality with branded residences, retail promenades, and experiential programming.

Increasingly, secondary and tertiary markets are adopting mixed-use concepts at smaller scales, recognizing that integrated environments are no longer limited to global gateway cities.



How Mixed-Use Is Changing Hotel Design

Designing for Multiple Audiences

One of the most significant design shifts involves serving multiple constituencies simultaneously. A single hotel lobby may host overnight guests, residents, office tenants, and local community members at the same time.

Designing for these overlapping audiences requires intentional zoning, intuitive wayfinding, and flexible layouts that support different behaviors throughout the day. In practice, this is where many otherwise well-conceived projects begin to experience friction. The design challenge quickly shows up in traffic flow, noise bleed, and competing user expectations.

The Blurring of Public and Private Space

Nowhere is this shift more evident than in the modern hotel lobby. Once a transitional space, the lobby has evolved into a living room, co-working area, café, and social hub often shared with the surrounding community.

This reinforces the hotel's role as a communal anchor rather than a closed enclave, aligning hospitality more closely with daily life.

Shared Amenities vs. Hotel-Only Spaces

Mixed-use developments force critical decisions about which amenities are shared and which remain exclusive. Fitness centers, pools, spas, and meeting spaces can drive incremental revenue and activation when shared, but they also introduce complexity around capacity, privacy, exclusivity, and brand expectations.

Clear delineation and thoughtful scheduling are essential. In one mixed-use project I observed, the hotel delivered strongly on its internal brand standards, but inconsistent lighting, signage, and service levels in adjacent co-owned areas created a perceptible break in the guest experience. Guests rarely distinguish between ownership boundaries; they experience the environment as a whole.

Without tight cross-stakeholder alignment, even strong individual components can feel disjointed.

Vertical Complexity and Circulation

Many mixed-use hotels stack functions vertically: retail at street level, lobby and food and beverage above, guest rooms higher, and residential or office components elsewhere in the tower.

This vertical complexity introduces challenges related to circulation, acoustics, privacy, and security. Elevator zoning, back-of-house separation, and sound mitigation become fundamental design considerations rather than operational fixes.

As Spencer Kallick, real estate and land use attorney and Operating Partner at Allen Matkins, cautions, "Mixed-use projects often break down when they fail to anticipate shared uses. Seemingly simple elements - amenities, restrooms, and elevators - must be thoughtfully planned from the outset."

Operational Implications for Hotels

Staffing and Service Models

Operating within a mixed-use environment requires staff to manage a wider range of interactions. Front-of-house teams engage with residents and locals as frequently as overnight guests. Security teams must balance openness with controlled access. Engineering and housekeeping teams often coordinate with non-hotel stakeholders.

Traditional service models frequently require recalibration. Staff at all levels must be prepared to interact with guests, residents, and unaffiliated visitors, and equipped with the judgment to manage a wide range of situations.

In luxury mixed-use environments, expectations are even more nuanced. Staff must seamlessly shift between guest, resident, member, and local interactions without visible seams in the experience. HospitalityNet's insights share that cross-trained teams and integrated service models are increasingly essential to maintaining consistency across user groups.

Managing Brand Standards in Shared Environments

Brand consistency becomes more difficult when spaces are co-owned or co-used. While the hotel operator may control the lobby experience, adjacent retail or residential areas may fall outside direct control.

Aligning materials, lighting, branding, and service philosophy requires early coordination and clear governance. Municipal regulations can further complicate alignment, particularly around signage and public realm requirements.

Revenue Management Complexity

Mixed-use hotels benefit from diversified revenue streams, but managing them requires more sophisticated coordination. Parking, wellness memberships, retail leases, and experiential programming often involve revenue-sharing structures or independent operators.

Luxury mixed-use assets are also expanding the definition of hotel revenue. Leading projects increasingly underwrite:

- Wellness memberships
- Private club access
- Brasserie and rooftop activation
- Branded residential service fees
- Experiential programming

What is increasingly reshaping the underwriting math is the introduction of recurring revenue tied to residential and membership components. In several luxury mixed-use environments I have reviewed, the initial residential sale provides immediate capital recovery, while ongoing club dues, service fees, and amenity memberships generate highly predictable long-term income.

Just as important, these ecosystems rarely monetize only the primary owner or traveler. Residents and members bring friends, family, and business associates into the environment, expanding dwell time, cross-spend, and overall lifetime value well beyond the original buyer.

Private residential resort models such as Yellowstone Club demonstrate the power of this approach. The combination of high-margin real estate sales followed by recurring membership revenue creates a fundamentally different financial profile than a standalone hotel asset.

JLL notes that mixed-use luxury developments that successfully monetize shared amenities can generate meaningfully higher total revenue per square foot than standalone hotels.

Notably, the economics of mixed-use are also reshaping where these projects pencil most effectively.

Kuperberg also points to the broader market forces at play. “Public companies often face pressure to scale quickly through acquisition,” he notes. “At the same time, rising labor costs and union dynamics are making certain gateway markets more challenging. We’re seeing real momentum shift toward secondary and tertiary markets where projects can be more economically viable.”

Governance and Stakeholder Alignment

Successful mixed-use projects rely on clearly defined governance structures between hotel operators, residential HOAs, office tenants, and developers. In reviewing assets across the market, governance ambiguity remains one of the most persistent sources of long-term friction.



Brand, Experience, and Identity

The Rise of the Lifestyle Ecosystem

Global luxury groups have spent the past decade building closed-loop ecosystems designed to capture greater share of wallet across multiple lifestyle categories.

Consider LVMH. Within a single corporate family, a consumer can purchase luxury goods, dine at branded restaurants, stay at affiliated hotels, and engage with adjacent experiences. More than ever, mixed-use hospitality developments are pursuing a similar objective through physical space rather than brand portfolio alone.

The strategic question is no longer simply, “How do we fill rooms?” but rather, “How much of the guest’s lifestyle can we thoughtfully capture within one environment?”

Maintaining a Distinct Hotel Identity

One of the greatest risks in mixed-use environments is brand dilution. When a hotel becomes overly integrated, it can lose its sense of arrival and emotional resonance.

An increasingly important question is whether design should tell the story or whether the story should dictate the design. In my experience, particularly with historic assets or irreplaceable natural settings, allowing the physical context to lead often produces the most authentic result. Over-programmed storytelling can feel imposed, while design that responds organically to place tends to create a more intuitive guest experience.

Kuperberg sees meaningful opportunity in the current landscape, but with an important caveat. “There is whitespace emerging as many boutique brands have been absorbed by larger platforms,” he says. “But success requires agility and creativity. These concepts have to feel organic - they can’t feel forced.”

What Owners and Developers Are Getting Right… and Wrong

Early Planning Pitfalls

Despite the momentum behind mixed-use hospitality, many projects still stumble during early planning. Common missteps include underestimating operational complexity, oversharing amenities without proper capacity modeling, and prioritizing aesthetic cohesion over functional separation.

Several first-generation U.S. mixed-use projects struggled when shared wellness and pool facilities became oversubscribed, creating friction between hotel guests and residential owners. According to the Urban Land Institute, inadequate upfront planning around user flow, permissions, and peak demand management remains a frequent source of post-opening tension.

I have also seen numerous instances where a well-intentioned local sponsor carries a compelling vision but lacks the fully formed development infrastructure to execute at the required level. Mixed-use projects are unforgiving when the core team is assembled too late. Early decisions around zoning, utilities, and municipal negotiations can inadvertently constrain what the project ultimately becomes. The entitlement and advisory strategy established early in the process often determines long-term success.

Kallick emphasizes that assembling the right advisory team early is critical. “Hiring the right architect, engineers, and land use attorney with local market knowledge can materially reduce risk and accelerate delivery.”

He adds that entitlement strategy must prioritize flexibility: “When entitlement applications are submitted, the final hotel or F&B operators may not yet be known. Flexibility at this stage is essential to delivering a successful mixed-use project.”

Kallick also notes strong municipal support for well-conceived projects, particularly those anchored by hospitality, given their ability to generate transient occupancy taxes and activate districts throughout the day and evening.

The most successful developments bring together a multidisciplinary team early: operator, residential sales, interior design, architecture, landscape, wellness, and technical consultants. Having the right voices in the room from day one surfaces conflicts early and materially improves long-term feasibility.

The Importance of Operator Involvement

One of the clearest differentiators between high-performing mixed-use assets and those that underdeliver is the timing of operator engagement. Projects that bring the hotel operator into planning early consistently demonstrate stronger operational flow and guest satisfaction.

In my experience, early operator involvement is one of the strongest predictors of whether a mixed-use hotel will feel seamless at opening or spend its early years working through avoidable friction.

Designing for Flexibility

Perhaps the most overlooked success factor in mixed-use hospitality is long-term adaptability. Rigid designs optimized only for opening conditions often struggle as consumer behavior evolves.

Developers getting this right prioritize:

- Modular public spaces
- Infrastructure that supports future wellness or club programming
- Back-of-house layouts that allow staffing models to evolve
- Technology systems that can integrate future tenant needs

According to JLL, assets designed with flexible programming tend to demonstrate stronger long-term performance and liquidity.

What This Means for the Future of Hotel Design

Hotels are no longer being designed as isolated destinations, but as experiential connectors. Design decisions made today must account for how assets will evolve over the next 10 to 20 years.

The Road Ahead

The convergence of luxury branding and mixed-use planning will only accelerate. Developers are underwriting projects based on system-wide value creation. The hotel serves as the emotional front door, residential drives long-term stability, and retail and wellness create daily activation.

From my vantage point working with owners, developers, investors, and operators globally, the organizations getting this right are treating mixed-use not as a design exercise, but as an integrated strategic discipline.

The complexity of these environments is on the rise, and so too is the premium being placed on leadership teams who understand how to operate in this new landscape.

In a mixed-use world, design is no longer just about aesthetics. It is about strategy, execution, and having the right leadership in place to bring these increasingly complex environments to life.

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