OUTLOOK FOR TRAVEL TRENDS

How are tourism trends shaking up the real estate industry?

MEMBERS of UIU's new Travel Experience and Trends Council discuss trends that are changing the hospitality sector and the real estate development industry as a whole, including the rise of urban tourism, the advent of construction innovations and new product types, the challenges of increased labor costs, the opportunities presented by sharing-economy companies, and related issues.

What was the impetus behind creating this council?

BECKY ZIMMERMANN: Most of UIU's councils are product councils. This one is not tied to specific real estate products, so we can focus on talking about the trends and what's on the leading edge. Another thing that's great about the way this council has been set up is that it brings together resort and urban developers and operators.

CHRIS FAIR: The Travel Experience and Trends Council is particularly interesting to me as a futureist who focuses on consumer and lifestyle trends. We look at leisure time and how it's spent, whether that's in resort destinations, established markets, emerging markets, or urban cities. This council is considering tourism and related real estate development across the entire spectrum. And with the rise of urban leisure travel, the council takes into account new players like Airbnb, products like serviced apartments, and a variety of other potential investment opportunities outside of traditional hotel and resort development.

What innovations or trends are you most excited about?

ERNEST LEE: I continue to be excited about modular development. CitizenM is working on our ninth modular project now, on the West Coast of the United States. Modular development is an effort to streamline quality and timing and ultimately lower construction costs, as well as everything else that relates to the financial impact of a development project. There are other interesting innovations in construction, like Katerra, which is disrupting the entire supply chain of construction, not only delivering on site, assembly and coordination, but literally creating and delivering the kitchen sink. That level of vertical integration is needed in the development world today because of rising costs and labor shortages and difficulties in construction logistics. Creating a one-stop shop for construction, from supplying material to finishing the project, makes it a lot more efficient in terms of costs, quality, and timeline.

BRIAN CORBETT: Gamping and tiny houses are interesting trends. For owners of land who want a low-impact use for a period of five to 10 years before they build or decide how to use it, tented or other portable accommodations can allow them to create an entire hotel/resort experience without building anything permanent. It's a creative way to test concepts on land rather than letting it sit idle, and it preserves value for the future while the owner raises money or figures out the best use.

FAIR: Wellness is a big trend. There are potential development models that combine multifamily housing with hotel or resort elements and other uses centered on wellness. For example, in Jacksonville, Florida, one of the council's members is working on a development called the District, a mixed-use project that includes a hotel, for-sale condominiums, and rental housing, but the theme of health and wellness is what's tying them all together.

What are best practices for incorporating technology in the hospitality industry?

CORBETT: Many in the hospitality industry are targeting millennials by moving away from personalized authentic experiences to more technology-enabled experiences. But I think that's not really what people want. They want technology to enhance their lives. Baby boomers are also big consumers of technology—as long as it's simple to use and understand. If you're only targeting millennials, you might miss some opportunities with older generations. And allowing members of different generations to interact in the same place is a good thing.

ZIMMERMANN: The changes in technology are really exciting. Those who are going to be successful in the future have to embrace constantly changing technologies—everything from how you find out about a travel experience or product, to how you book it or buy it, to how you access guest services. But you need to provide technology to the comfort level of your market. One segment of the travel market is very apps driven; they're on their phones, they don't want to interact with a person, they want to just get stuff done. For another segment, the connection to a person is critical. You want the option to call a person and they will take care of everything that you need. It's about adjusting the level of technology to the desire of your market.

What are some of the biggest challenges facing the hospitality industry?

FAIR: Labor is probably one of the single biggest challenges. There are two conflicting trends. One is demographic: over the next decade, fewer people will be entering the workforce than at any time in the last 50 years. So we have a growing demand for labor but a potentially shrinking labor supply. At the same time, technology and automation are likely to eliminate all kinds of jobs in the next decade. So will those people whose jobs are automated, like truck drivers, move into the hospitality space? Or are there jobs within hospitality itself that could be automated, such as cleaning hotel rooms?

LEE: From the operational side, wage increases are outpacing revenue growth. From a construction standpoint, the number of plumbers, electricians, and pipe fitters is not growing at the same pace that it was in the generations before. So as a result, construction costs are rising from these labor shortages. From a development standpoint, planning and building agencies in big cities are understaffed to deal with the huge pipeline of projects, which results in delays with getting approvals.

ZIMMERMANN: It's a challenge for the hospitality industry to find and retain appropriately skilled workers. The guest service ethic is something that most people are either born with or not. But a big part of the hospitality workforce is looking for the
Tiny, portable houses can allow property owners to use their land to provide accommodations for several years while planning its permanent use and raising funds for construction.

How are sharing-economy companies like Airbnb, Uber, and Lyft affecting hospitality?

ZIMMERMANN: Cities need to recognize that they are in the tourism business. Those that do are going to be much more successful in providing a great experience and reducing the tremendous economic benefit and the economic impact from the urban tourism sector. Some cities and resort towns are getting behind the trend of Airbnb. For jurisdictions, the biggest issues with Airbnb are related to health, safety, and welfare, which are the city’s job to regulate. They're trying to figure out how to require that an Airbnb unit be registered with the city and that it is legal. As for the rest of the sharing economy, there are cities that have embraced or are attempting to embrace electric scooters, like Denver and Salt Lake City. But other cities, like Boston, have prohibited them. Having a variety of transportation modes is an important part of the visitor experience.

LEE: Uber and Lyft have allowed hotel brands and hotel owners to consider locations and neighborhoods that they ordinarily wouldn't have considered in the past, when transportation to those locations was more inconvenient. We just opened up a hotel in Manhattan's Lower East Side, which never used to be thought of as an area where business travelers would go. Before ride-sharing, business travelers wanted to stay in proximity to the office areas where most of their meetings were. Now, they are going out of their way to stay in places like the Lower East Side or the Meatpacking District because of the ease and convenience of getting to and from meetings with Uber and Lyft and a preference for staying in neighborhoods with more energy.

CORBETT: Given that Airbnb is so large and growing in home sharing, we follow them carefully. Airbnb is growing because consumers want authentic shared experiences. They want real, local service, not stiff, uniformed robots. Traditional hospitality can offer this as well, and we believe that brands have an advantage with discerning consumers who don't like unpleasant surprises. Brands can deliver a trusted experience, yet also offer authentic shared experiences in homes. Airbnb shouldn't necessarily be viewed as a threat to traditional hospitality; its success should be viewed as an indicator of consumer preferences.

FAIR: Airbnb has been a big disrupter of rental housing in cities, affecting the availability of rental housing. One question the council is looking at is how might Airbnb result in the emergence of a new type of product. There are a couple of examples now of Airbnb-managed apartment buildings—a hybrid between tourism accommodations and a rental apartment in urban environments.

Given the increase in urban tourism, how could local governments support the industry more effectively?

LEE: The big cities, like New York City, could do a better job of spreading out tourists beyond the obvious sites like Times Square. There are many fascinating yet underexplored areas in New York City, like Queens and unique ethnic enclaves in the outer boroughs. Tourism bureaus could do more to help small businesses and neighborhoods that are not flooded with tourists by actively promoting those businesses and neighborhoods through destination programming or coordination with other public agencies (i.e., those offering film and TV tax credits) that may have a hand in influencing an offbeat destination's popularity.

ZIMMERMANN: Making the visitor experience in the urban setting as hassle-free as possible is really important. The city of Denver, for example, has a website for tourists called Visit Denver, and it gives a pretty good idea of what you could do if you're here for a day or two or a week. They do a nice job of representing the different interests that urban tourists might have.

CORBETT: I believe that local governments should be more open-minded about the sharing economy in terms of home rentals. There certainly are legitimate concerns about the impacts on rental markets and affordable housing, concerns about safety and security and about the fabric of neighborhoods. However, I believe there are ways to balance all the interests and create value for communities through increased tax revenues, for homeowners through alternative means to monetize their assets, and for visitors to live like locals.

What other trends are affecting the hospitality industry?

FAIR: The smaller vacation home is taking off. For example, Yotel is working with Replay Destinations to create a product called YotelPAD, which is a condominium-hotel product that they’ve launched in Park City, Utah. They’re planning them in other locations as well. There are also opportunities for Airbnb to change the economics of owning a second home, whether in a city or in a resort location. That could disrupt the management of vacation homes.

CORBETT: With international travel, both in terms of foreign visitors coming to the United States and Americans traveling overseas, there are concerns over tourists feeling welcomed these days. The hospitality industry can help extend a sense of welcome, through lobbying the government, sharing information, and presenting a united front. We can control what happens at our properties and make sure that everybody feels welcomed and included.