

HOTELS

PASSION FOR HOSPITALITY

AUGUST 2016

Investment: Understanding pulse and spirit

[Facebook](#) [Tweet](#) [LinkedIn](#) [Email](#) [ShareThis](#)

[Comment](#) [email editors](#) [Print](#)



AJ Capital's Ben Weprin

By [Guest Contributor](#) on 8/31/2016

Note: For HOTELS 50th anniversary issue in September, the editors called on industry leaders to offer their ideas about the current state of multiple industry disciplines, ranging from design and F&B to technology and investment. We will present these to you over the weeks ahead. Today, we start by presenting AJ Capital Founder Ben Weprin's take on hotel investment and how to view it through a fresh lense.

At a time when Airbnb's valuation rivals Marriott and Hilton, Uber is the world's largest transportation company, and hoteliers and restaurateurs are scrambling to accommodate Pokémon Go users as legitimate demand drivers, hotel investment can feel obsolete as quickly as ever.

Much is written about accommodating the millennial traveler, which accounts for over 90 million consumers with US\$200 billion in purchasing power. By now we've all heard that millennials are possession light and experience heavy, they choose access over ownership and minimalism over materialism. Millennials have a lower sense of privacy and see sharing as a practical virtue. They are highly educated, constantly connected, racially diverse (40% minority ethnicities), predominantly single (75% unmarried), and have a shifting perspective on what constitutes social currency.

However, while the millennial generation spawned the "living like a local" and "craft culture" movements, are we really seeing a demographic shift or a fundamental psychographic shift in the way guests consume and utilize hospitality real estate?

Potential guests have thousands of choices and are very well-informed while making their decisions of where to stay. They are looking for a personalized experience that reflects their personality, just like the clothes they wear and car they drive. They are very cautious about each decision they make because it reflects their "brand," which is memorialized on their social media. As the world shrinks through the proliferation of social media and the intimate and immediate access to social events and lifestyles, consumers are no longer blind to what they previously had been missing. Fully, 78% of Americans have a social media profile, up three-fold since 2008. Each individual person is now a brand.

Living like a local has become easier and easier through technology. Before we visit a new city we already know the best bars and restaurants, how to experience the various neighborhoods and where best to spend our time.

With constant and immediate access to information, the consumer demographic is becoming more efficient in their decision-making and far more specific in their qualifying criteria. The flight to quality experiences and discernment will continue as consumers grow in their travel literacy and sophistication – this is more than a demographic trend; it is a staying shift in consumer dynamics.

Hospitality real estate must participate in and add to the consumer's story. The hotel itself must become the destination – whether through an ultra-unique food and beverage offering or truly spectacular communal space, the real estate should provide a platform for the collection and sharing of memories and become an experience that cannot be aggregated otherwise.

The future of hotel investment is incredibly exciting. Successful hotels are now part of the "three Cs" of a community – creativity, commerce and culture – and in this ecosystem will actively participate in the broadcasting of good taste. Taking cues from the past but also integrating new experiences, hotel investors can unmask the true essence and spirit of a place and engage with the consumer like never before.

Place-making has become a new buzz word for retail centers looking to carefully curate their tenants and social engagement, but it's been done in hotels since the days of salons and inns, and how they communicate to the community. What is programmed in your lobby, rooftop, etc., speaks to what your hotel stands for and will have a halo effect on your room product. Our goal is to create the living room experience in each market where people are comfortable, relaxed and at home. There is no substitute for actually submersing yourself in each market where you are developing an asset and getting your finger on the pulse and spirit and reflecting that in your asset.

The successful hotel investor must be more creative and unique than ever before to serve this highly informed and sophisticated psychographic - or be prepared to embrace the boring and bland and the limited pricing power inherent therein.

Contributed by Ben Weprin, founder and CEO, AJ Capital Partners, Chicago