

## The Emergence of Select Service Hotel Product

When one looks at the hospitality properties across the commercial landscape of Hawaii, there is a new infusion of non-resort hotel product with select services offerings emerging. However, among most of the major trade areas across the state, leaving Waikiki out of the discussion, these hotels are either currently represented or actively being contemplated.

### Market Demand for Select-Service Hotels

For purposes of this article we are excluding Waikiki from the discussion except to state the somewhat obvious motivation for many resident centric, business related and price conscious consumers in Hawaii wanting this kind of hotel product spread throughout the state for many years. By example, there are nearly 900,000 residents spread across Oahu but for decades 90% of the island's hotels rooms were located in a two mile peninsula called Waikiki.

For business travelers, those visiting family and people traveling for non-vacation purposes, a complicating factor has traditionally been their need to compete with the typical tourist for rooms and corresponding higher room rates. With Waikiki not being proximal to most of the island and most businesses located in urban Honolulu, this creates inconvenience and commuting challenges. The neighbor islands generally have the same dynamics detailed above but not quite as exaggerated. Interestingly, the first high profile, national flag, non-resort hotel was the Courtyard by Marriott in Kahului, Maui. It opened in 2012 with 138 rooms and was an excellent performer from the beginning. In some ways a confirmation of what everyone knew - this kind of product was well overdue.



DOWNTOWN HONOLULU



223 S. King St, Ste 200  
Honolulu, HI 96813  
(808) 533-BLUE (2583)



### FRED M. NOA (S)

*Principal*

T | (808) 533-BLUE x101  
F | (808) 369-8669  
frednoa@bluerockhi.com



### ANTHONY J. HUNT (B)

*Principal*

T | (808) 533-BLUE x102  
F | (808) 369-8669  
anthonyhunt@bluerockhi.com

Now there is an explosion of these hotels with varying flags on all sorts of site plans, individual parcels and even occupying portions of towers. But what is a limited service hotel or a select service hotel? With the introduction of the new product, there is an introduction of new nomenclature. Here are some brief descriptions and distinctions.

### Hotel Categories

For starters, it is important to note that the industry has a category for "chain scales" which is based on system-wide average daily room rates. This is where the terms like Luxury, Upscale, Midscale and Economy. A separate category used refers to the services provided and they are broadly Full-Service, Select-Service and Limited-Service. Clearly there is a connection between scale and services.

It is fairly intuitive to understand the scale component but, once departing from the full-service category, the realms of select-service and limited-service are less familiar. The easiest way to appreciate the differences is to start at the two ends and work towards the middle. On the top end full-service has a full complement of amenities including elements like banquet facilities, on property restaurants, a pool, spa, retail, vacation ownership, etc. Resort hotel properties are good examples and the product type with which Hawaii is more familiar.

Limited-service hotels are on the opposite end of the spectrum. This is not to say they are run down or poorly operated but simply they have the fewest amenities for their guests. Some of the more notable missing elements are no food & beverage on property and no pool or fitness area. Again, these hotels can be clean & well-run but they address only the essentials.

The gray area by product demarcation is the select-service category. As the name suggests, they offer the fundamentals of limited-service hotels together with a selection of services & amenities characteristic of a full-service hotel. Generally, this means certain offerings are provided, but on a lesser scale or in a more limited format.

Select-service hotels keep operating costs down (and corresponding average daily room rates) because of this approach. Such properties generally do not feature multiple restaurants, expansive catering services or an abundance of meeting space. For example, their restaurant will have a limited menu and may not be open for all three meals and/or perhaps not all seven days a week.

Where select-service hotels have become much more akin to full-service hotels are with the in-room amenities. These amenities give a nod to better function (high speed internet, for example) and nicer furniture packages appreciated by frequent travelers. As business budgets for travel have tightened, demand for this offerings within select-service rooms have increased.

The category has been on the rise since 2007 as these operators have emphasized in-room amenities nearly to the level of full-service hotels while keeping room rates relatively low with the absence of certain product offerings on property. Characteristic of a definitive hybrid, the select-service category is following the larger cultural theme of being price-conscious but still delivering a solid value in terms of guest experience. It is easy as to see why this category is growing so prolifically, it is also easy to understand why the prospects for it in Hawaii are so bullish.



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