INSIGHT

Why the lifestyle sector is seeing growth in branded residential

Laura Powell | 12 November 2021

SLS Hotel and Residences Dubai - United Arab Emirates. (Accor)

For more than 20 years, branded residential projects have mainly fallen within the purview of traditional luxury hospitality brands like Ritz-Carlton, Four Seasons and Rosewood. But during the past five years, some new names have entered the branded residence scene, evolving out of the ever-expanding hotel lifestyle marketplace.

That marketplace has been exploding for more than a decade, as hotel companies have sought to expand their footprints by developing new products, originally dubbed as "millennial brands," serving up cool, innovative lifestyle experiences. Although such hotel brands have moved beyond serving solely millennials, that generation is certainly the sweet spot in terms of buyers for a new wave of lifestyle branded residential developments.

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As a result, growing percentages of branded residential pipelines are landing in the lifestyle land. The hotel industry's largest players in the sector, Marriott and Accor, report exponential year-over-year growth in recent years. EDITION, W and Autograph Collection branded residential schemes make up 24 percent of Marriott's current pipeline, and brands falling under the Ennismore lifestyle platform make up one-fourth of Accor's branded residence projects currently under development.

"Lifestyle brands have been waiting to be leveraged in this space," said Piers Schmdit, a London-based luxury brand consultant. "If a brand is strong and has a group of consumers that understands its value, who says a branded residence has to be solely the domain of the ultra-wealthy?" Or as Ian Schrager, a pioneer of the lifestyle/boutique hotel space, has been quoted as saying, "Luxury is now accessible to everyone who wants it..and it should be. It's egalitarian and democratized."

This idea of hospitality luxury for the masses started with Schrager's design hotels, a segment once thought of only as an upscale proposition. But as hotel brands such as Citizen M and JO&JOE have brought high end design at affordable price points to the wider market, big hotel companies and developers are seeing where the appeal might cross over to branded residences. That said, for the time being, the vast majority of the action in the lifestyle space sits at the very top end of the market, in luxury or upper/upscale categories.

According to Jeff Tisdall, Accor's SVP of Development for Residential and Extended Stay, Accor started bringing lifestyle properties online in 2017-18 with the opening of Hyde Resort & Residences and SLS Lux Brickell in Florida. Since then, the focus has been on developing more branded residential projects under the SLS, Hyde, Mondrian, Delano and SO/ banners. Currently, there are eight branded lifestyle residences open, with another 18 under development.

Likewise, one of Marriott's fastest growing portfolio categories (on a percentage growth basis) is made up of luxury and luxury adjacent lifestyle brands like W, EDITION and Autograph Collection. In fact, the EDITION brand has proven so popular, according to Dana Jacobsohn, chief development officer, US luxury brands and global mixed-use, that units sell for a price premium above what Savills deems is average for traditional ultra-luxury branded residential units. In part, she attributes that to the value EDITION devotees put on the "cool factor".

Thus, while the price tags of residential units may not be all that different between the traditional luxury and lifestyle branded sectors, the attributes consumers are paying for are not necessarily the same. The traditional luxury consumer, said Tisdall, "places an emphasis on exclusivity, privacy, service and security. On the flip side, for the person who wants to live in a vibrant, high-energy urban community with plenty of social animation, a lifestyle branded residence might be a better solution." Additionally, he noted, lifestyle residences might be more in the wheelhouse "for those residential buyers who are seeking design-led brands, with unique personalities that celebrate modernity, creativity, F&B and experience."

As the development pipeline becomes increasingly crowded with lifestyle brands, some experts expect the range of brands available at less-than-luxury price points may broaden. PKF hotelexperts predict, "The next wave of developers will seek to tier branded residences by engaging operators with boutique or even midscale brands."

Chris Graham, author of the comprehensive Branded Residence Report 2021, suggested "If you look at the pipeline numbers, there's a lot of money in the upscale and upper mid-market categories" of the lifestyle space. Tisdall has hinted that within the next year, Accor will be announcing new brand entrants in the space.

Still, not every lifestyle brand can or should translate to branded residential. First, the brand needs to be associated with a certain level of service, which may suggest you won't be seeing Moxy or TRIBE branded residences anytime soon. Furthermore, buyers of branded residences generally identify with the lifestyle the brand promises to deliver. In order for a branded residence to be viable, "the lifestyle brand must appeal to a specific demographic," said Tisdall, "with a specific aesthetic and amenities and offerings around which to animate a project." It's the developer's job to find the brand partner that resonates with the intended purchaser and aligns with their lifestyle aspirations.

While the lifestyle market is expanding, it doesn't mean the market for traditional luxury branded residential is shrinking. "We don't see the lifestyle trend taking away from classic luxury," said Tisdall, "but rather that lifestyle brands address previously unmet or under-served needs and appeal to new segments of buyers. What remains true of both segments is that buyers seek brands that appeal to them on a very personal level, yet also want to be assured the operator has a long track record of delivering hospitality services to private residences."

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