

Resilient Extended-Stay Segment Poised for More Growth

Brands Expected To Push for More Extended-Stay Hotels in Portfolios



RLH Corporation in October relaunched its GuestHouse International brand as an extended-stay brand called GuestHouse. Shown here is a rendering of a GuestHouse king bedroom layout. (RLHC)

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Extended-stay hotels in the U.S. performed better than the hotel industry overall in 2020, giving hotel brands the confidence to increase that product offering in their portfolios.

Full-year 2020 data from [STR](#) shows total U.S. rooms revenue declined 49.4%, while extended-stay hotels reported a 32.2% decline. STR is a division of CoStar, which publishes Hotel News Now.

U.S. hotel occupancy overall was 44% in 2020, and 60.5% in the extended-stay segment.

Mark Skinner, partner at The Highland Group, said it's no secret that extended-stay hotels have been "the best performing segment in the hotel industry right now." He anticipates more brands will look to convert traditional hotel rooms into an extended-stay offering or launch extended-stay conversion brands.

Brands Take Action

Sonesta International Hotels Corporation, in particular, is a company that is pushing strongly to grow its extended-stay footprint.

Sonesta [announced on Dec. 2](#) the launch of the Sonesta Simply Suites brand, a focused extended-stay product, according to a company news release. The brand launched with 61 properties.

Scott Weiler, vice president of marketing and communications at Sonesta, who worked closely with the development of the Sonesta Simply Suites brand, said the company has been looking at the evolution of the extended-stay segment as well as new brands for a while.

Coming into the pandemic, Sonesta was disproportionately in the extended-stay segment, he noted. Its core extended-stay brand is Sonesta ES Suites.

"We just have less big-box, downtown, meetings-heavy hotels. We've got a bunch of them for sure, but we have a much lower percentage of them than some of the bigger brands," Weiler said. "We were kind of lucky that [the extended-stay category] has held up."

Short-term business transient bookings evaporated due to the pandemic, but people still needed hotels for other reasons, and those stays tended to be longer term, he said.

When it was announced that [103 IHG hotels](#) and [122 Marriott International hotels](#) would be rebranded under Sonesta's flag after owner Service Properties Trust terminated agreements with each brand, Sonesta recognized an opportunity to launch its new brand, Weiler said. Sonesta's parent companies are RMR Group and Service Properties.

"We wanted to come out with another extended-stay hotel brand that was a little different [but] a good companion in our portfolio to [Sonesta ES Suites]," he said.

Sonesta Simply Suites features purpose-built, apartment-like suites that are similar to those at Sonesta ES Suites but only provide the essentials. For example, pre-pandemic, Sonesta ES Suites served a full complimentary breakfast, whereas Sonesta Simply Suites will only serve hot coffee and grab-and-go options, Weiler said.

Housekeeping is another difference. Pre-pandemic, Sonesta ES Suites had a typical housekeeping model, which included full service between stays and a light touch every day.

“Sonesta Simply Suites, and Candlewood before, that style of extended stay [has never had] everyday cleaning,” he said, adding that the translation of 61 Candlewood hotels, part of the IHG rebranding, to the new Sonesta brand was “100%” straightforward.

Of the 122 former Marriott hotels that Service Properties executives targeted for rebranding, the company intended to sell 33 but only sold 24. The other nine transitioned to Sonesta’s management on Dec. 15.

Weiler said of the remaining 89 hotels that Service Properties is keeping, four will be flagged as Sonesta Simply Suites, effective Jan. 31, “making that our second-largest brand.” The rest convert to other Sonesta brands.

In terms of Sonesta Simply Suites’ pipeline, Weiler said there might be more opportunity for expansion than with Sonesta ES Suites. The challenge with Sonesta ES Suites’ bigger footprint is it’s not conducive for international or large, urban markets. The cost of real estate is high, and space is limited.

For “Sonesta Simply Suites, which is a little bit smaller [than upscale extended-stay brands] ... there might be even more opportunity to either convert non-extended stay hotels [that are] in a good location for us or transition some over like the Candlewoods we did,” he said.

Prior to the Sonesta Simply Suites launch, RLH Corporation in October [relaunched its GuestHouse International brand as an extended-stay brand called GuestHouse](#). RLHC acquired GuestHouse International in 2015, according to a news release.

On Dec. 30, Sonesta [announced it entered into a definitive agreement to acquire RLHC for \\$90 million](#), adding more than 900 hotels to its portfolio.

Prior to the acquisition, Harry Sladich, executive vice president of lodging development and franchise operations for RLHC, told Hotel News Now that October was the right time to relaunch the GuestHouse brand. The company had the idea before the pandemic, but [RLHC was transitioning CEOs](#) and decided to put GuestHouse on hold.

After getting approval to resume the project from CEO John Russell, the next step was finalizing its brand standards.

“The pandemic actually proved out our direction,” Sladich said, adding that extended-stay hotels have shown resilience. “We just didn’t have that in our toolbox. We have a couple of select-service options, we [have] two lifestyle brands ... we [have] your traditional hotels, and we just felt this was a great complement to the suite of offerings we had — and our customers were asking for it.”

He said he’s already received interest from some RLHC owners who own assets branded by other companies with interest in converting to GuestHouse.

There’s also opportunity for dual-branding GuestHouse with larger full-service hotels, he said.

“The two products that are in the one building can be played against each other. The nice thing about the dual brand is the current staff can service it. They can take the existing staff in the hotel and they can easily support and service the extended stay,” he added.

GuestHouse is primarily a conversion brand, Sladich said, and while owners will need to meet guestroom and front-desk requirements, there is no need to change the lobby and exterior if it’s in good condition. At the time of the interview, he said GuestHouse had four developers who were interested in new construction.

He said of the brands that RLHC has launched, GuestHouse has gained the most interest.

“As we look at our growth in 2021, the GuestHouse extended-stay brand is going to be the tip of the spear that is going to lead our numbers,” he said.