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Why Boutique Hotels Are So Big in Not-So-Big Cities

Square Feet

By JULIE SATOW JUNE 13, 2017



Unscripted Durham, a new boutique hotel slated to open this month in Durham, N.C. CreditKate Medley for The New York Times

Jane and Greg Hills were visiting New York City when they grabbed a drink in the lobby bar of the Dream Downtown, a boutique hotel in Chelsea. As the full room pulsed with music and guests, the couple had an epiphany: Dream should run their new hotel in Durham, N.C.

“We had been talking to all the major brands, but we wanted someone innovative, creative and entrepreneurial,” Ms. Hills said of Dream, a relatively small company that operates 16 hotels.

“The banks wanted us to go with someone more well known, but Dream was the right match for us.”

The result is Unscripted Durham, a hotel that will have its soft opening this month and the official opening in July in the center of a revitalizing downtown. With its rooftop pool and five restaurants on the premises — a considerable number given that there are just 74 rooms — it is the latest in a wave of new boutique hotels in the nation’s smaller cities.

The Trump Organization, for example, recently announced plans for Scion, a boutique brand that will open its first location in Cleveland, Miss. And industry giants like Marriott and Hilton have aggressively moved into boutique hotels, sometimes called lifestyle hotels. The hotels usually highlight a property’s unusual architecture or history, have no more than a few dozen rooms and offer special guest services or amenities.



Jane and Greg Hills, the developers of Unscripted Durham. “We had been talking to all the major brands, but we wanted someone innovative, creative and entrepreneurial,” Ms. Hills said of their decision to work with the Dream Hotel Group.

Kate Medley for The New York Times

“In this industry, when one person thinks it is a good idea, everyone piles on,” said Jan D. Freitag, a senior vice president at STR, a hotel research firm. “The industry is firing on all cylinders on the supply side.”

While hotel expansion is fairly typical in big cities when the economy is growing — New York leads the way with 15,470 rooms [under construction](#) — it is less common in smaller areas. In Durham, for example, the number of available rooms grew 5.7 percent in 2016, more than triple the national average, according to STR data. In Cleveland, the number of rooms surged 5.8 percent, while the Albany area of New York had a 5.3 percent increase.

Of all the rooms under construction now, about a quarter are in boutique hotels, according to data from [Tourism Economics](#), a company that forecasts travel trends.

The boutique hotel push is driven by travelers' increasing desire for "genuine" experiences, said Bjorn Hanson, a professor at the Jonathan M. Tisch Center for Hospitality and Tourism at New York University. Many travelers want something fresh and different, instead of the standardization of the large hotel brands.



Unscripted Durham's rooftop pool. Credit Kate Medley for The New York Times

Expanding beyond large areas like New York and Los Angeles largely comes down to cost. In New York, for instance, construction and labor costs have outstripped increases in room rates, making it difficult to generate attractive returns on investment.

Building a luxury hotel in New York costs about \$1.5 million per room, Mr. Hanson said, compared with just \$500,000 in many smaller cities.

"Costs have increased dramatically in gateway markets, and many brands need to continue growing, so they are looking outside the typical cities," Mr. Hanson said.

Many companies like what they see in smaller cities. Downtowns like [Manchester, N.H.](#), and Youngstown, Ohio, are being revitalized as young adults seek out more urban lifestyles, tech hubs pop up and companies relocate there.



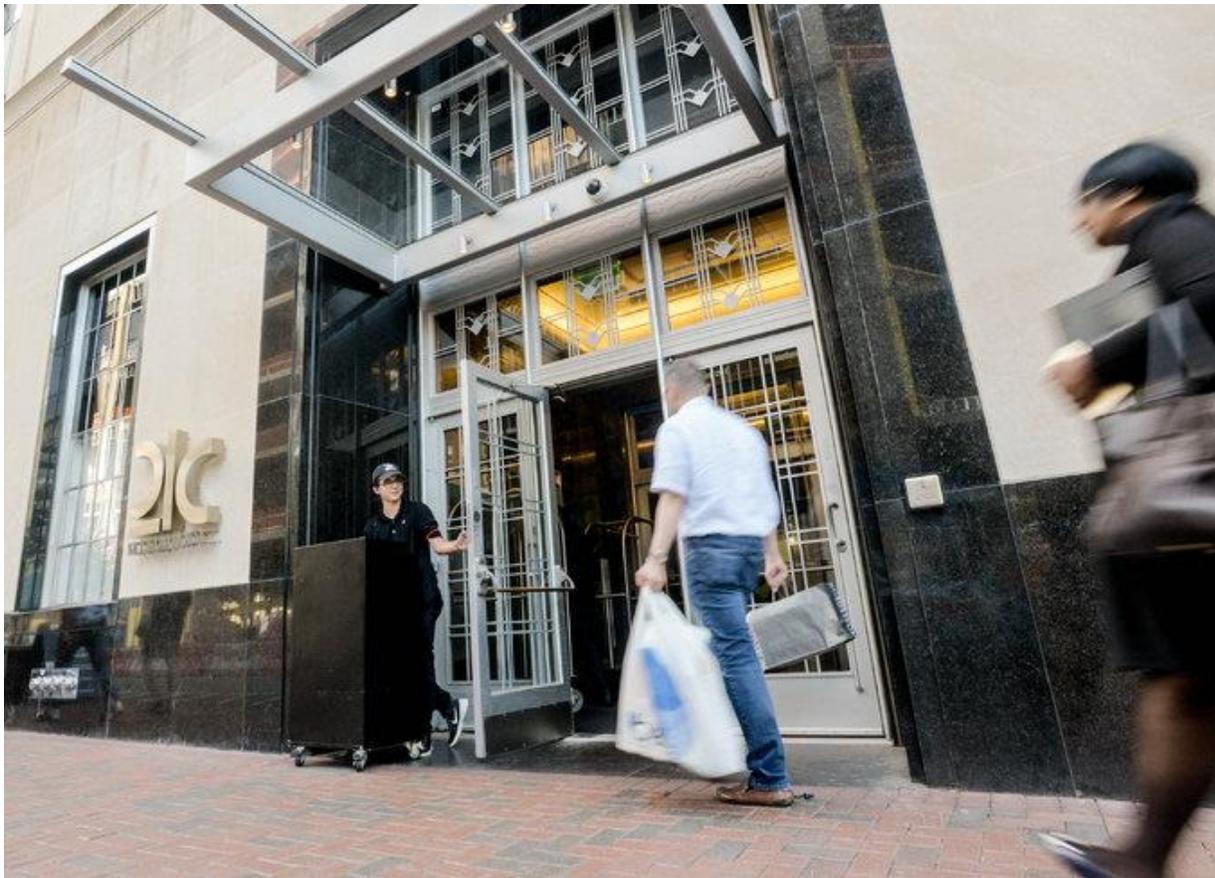
A room in Unscripted Durham. Of all hotel rooms currently under construction in the United States, about a quarter are in boutique hotels. Credit Kate Medley for The New York Times

Websites like Trip Advisor also make it easier for boutique hotels to find and market their rooms to guests. Their reviews and photographs give guests greater comfort in booking these boutique properties, according to Aran Ryan, the director of lodging analytics at Tourism Economics.

“There is also more value in staying at boutique hotels than before, since guests can post their distinctive experiences on Instagram or Facebook,” he said.

Marriott, one of the country’s largest hotel chains, is introducing numerous boutique hotels under its Autograph Collection. Known as soft brands, these boutique hotels have access to Marriott’s booking service and loyalty program, but retain their own identity rather than becoming full franchises. The locations include the Empire Hotel in Birmingham, Ala. and the Elizabeth Hotel in Fort Collins, Colo. The company also has a brand of boutique hotels known as Edition Hotels.

Hilton, which is pursuing the same strategy with Curio, counts among its properties the Asheville Foundry Inn in Asheville, N.C., and the Hoodoo Moab in Moab, Utah.



Across the street from Unscripted Durham is another boutique hotel, the 21c Museum Hotel. Ms. Hills says demand is strong enough to support them both. Credit Kate Medley for The New York Times

With so many new rooms, there are some concerns about oversupply. For instance, the growth in a common industry metric, revenue per available room, is expected to slow this year. After rising 3.2 percent last year, it is expected to grow 2.2 percent this year, according to Mr. Ryan.

The new level of competition is playing out in Durham. Across the street from the Unscripted Durham is another boutique hotel, 21c Museum Hotel, which has historic architecture and a rotating collection of artwork on display.

Ms. Hills, whose company Austin Lawrence Partners is Unscripted Durham's developer, insists that the two properties are distinct and that there is sufficient demand in the city to sustain them both.

Demand in the city, with [more than 252,000 people](#), rose 5.3 percent in 2016, almost matching the increase in rooms.

The Dream Hotel Group hopes Unscripted Durham will be the first in a string of Unscripted hotels. A second property is scheduled to open in Flower Mound, Tex., in 2019, and discussions are underway for other locations including Phoenix; Austin, Tex.; and Long Island City, Queens.

With Unscripted Durham, Austin Lawrence Partners is the developer and managing general partner and will pay the Dream Hotel Group a fee to manage it

“It used to be that boutique hotels worked in the coastal cities like New York, but now the center of the country is also looking toward this lifestyle,” said Jay Stein, the chief executive of the Dream Hotel Group. “We are excited to become part of that.”