

FUTURE-PROOFING REAL ESTATE THROUGH HOTELISATION

THE RISE OF SERVICE-LED SPACES

WHITE PAPER

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INTRODUCTION

“Everybody is demanding more and more flexibility, so services are going to become much more important to tie people in and ultimately allowing owners to deliver what the people and the businesses need. It’s about creating the right environments for the human experience to thrive. That’s the key to what hotelisation is trying to do.”

Christopher Carter Keall
LifeX Aps



Space is no longer one dimensional. Its traditional use is changing beyond recognition, with the simple relationship between landlords and occupiers (or as they are now becoming known as ‘customers’) becoming increasingly complex as the balance of power begins to shift in favour of the customer. Flexibility, which was once a rarity to obtain within real estate leases and rents, is now a standard

demand, and one that must now be met if landlords are to let their spaces to high value occupiers and keep them. What is responsible for this sudden shift in power dynamics? Could it be higher than ever expectations? The shifting priorities of customers, who are now accustomed to technology, and the personalised and convenient service that comes with it?

Over the last few decades, technology has transformed consumer habits and ultimately the businesses and industries who rely on them. From the rise of mobile applications, to machine learning, to IoT, technology has put the control solely in the customer's hand - giving them the power to access and buy services, engage with brands and communicate in an instant. The way these consumers view the spaces they work and live is no different; expectations are now the same if not higher than for any other service. This rise has forced the hand of landlords and developers,

who must now offer more beyond the bricks and mortar. They must now sell an experience. Real estate has typically been two steps behind in the digital game, but with technology continuing to dominate culture, there has been a shift towards embracing the tools that have been at their disposal for many years, and they are now partnering to focus on providing unrivalled experiences from the moment someone walks through their doors. This approach has taken on a name: Hotelisation.



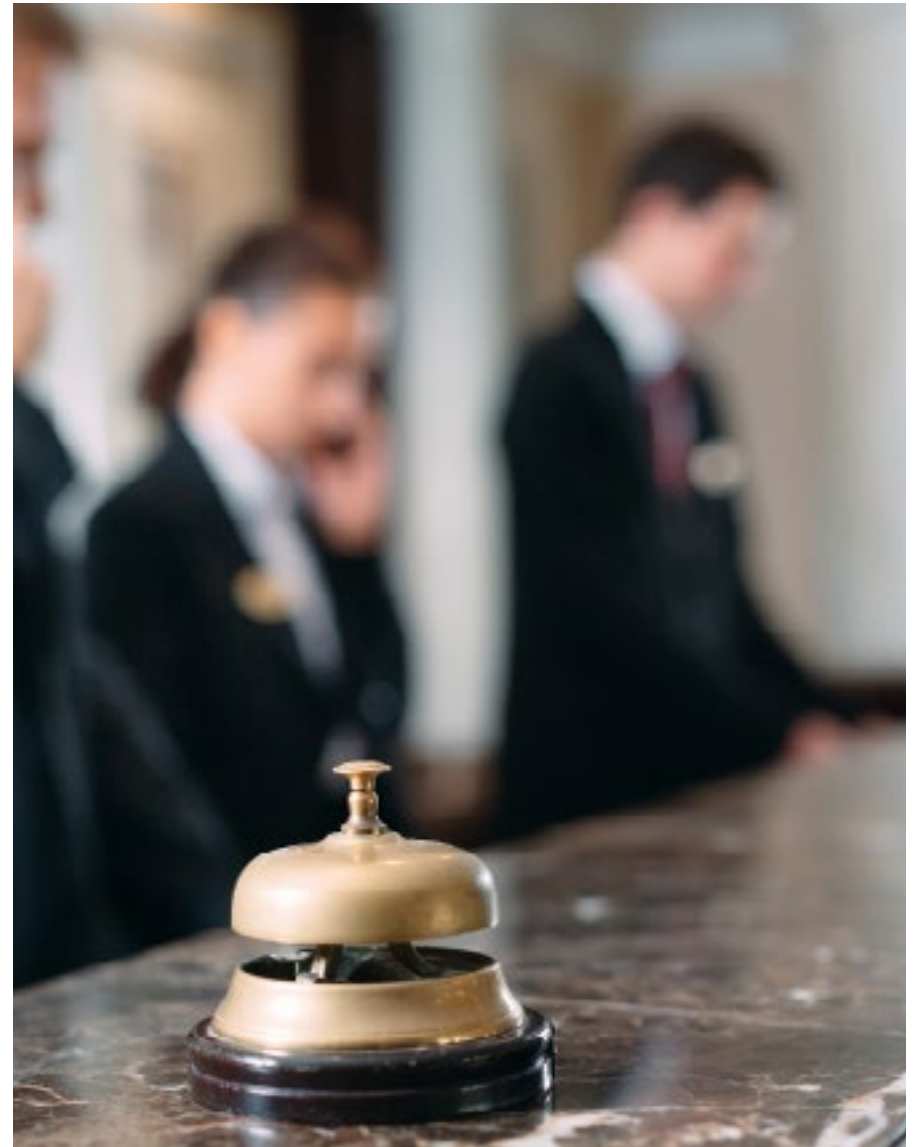
WHAT IS HOTELISATION?

Hotelisation is the application of hotel-type services and the hospitality ethos to real estate classes. While the term itself is relatively new and has many different names, the concept has been floating around for at least a decade. The approach first gained traction within luxury residential estates, as hotel and hospitality professionals began entering real estate, bringing their unique experience and expertise to residential front of houses. This development has resulted in a shift in consumer expectations, with residents now expecting higher levels of service as standard.



72%

have heard of the hotelisation approach according to a Locale Group poll.



For commercial real estate, the demand for hospitality-type services such as a concierge took place around 2015, where building managers began to seek out services to remain competitive. Customers were increasingly expecting a higher level of service from their workspaces, from access and information on desired amenities and facilities such as break-out & fitness areas, shower facilities, cycling hubs, lounges, outside space and more. All of which are reflective of how people live their lives in 2021. Commercial teams quickly identified that they must not only have these in place, but have trained staff and the correct technology to

enhance the use and experience of them to attract (and more importantly keep!) high value occupiers.

Today, Hotelisation is one facet of a bigger trend, and could be the end of single use developments as we know it. Real estate is witnessing a convergence of the best aspects of different asset classes. Not only is real estate changing to meet the requirements of hotelisation, but hotels themselves are evolving their spaces to become more multi-use as well, truly revealing the permanent change of how we view and use spaces.



HOTELISATION WITH TECHNOLOGY

A recent webinar that discussed hotelisation revealed 92% of attendees agreed that spaces have become more service-oriented as a direct result of technology providing the end user with more control.

The rise of communication tools, social media and mobile apps have led to the inevitable that technology will be intrinsically linked with hotelisation, as accessibility is a major pillar in the values of hospitality. Customers don't want to wait to get answers - whether that be opening times of facilities, reporting an issue, or requesting a permit. Uniting a customer service approach with the right tech tools means customers will have a way to instantly get information, as well as engage with the building and their staff.



92%

agree that spaces are becoming more service-orientated is a direct result of technology according to a recent Locale Group poll

Digitising a number of building responsibilities such as helpdesk, facilities management, and deliveries allows for better operational efficiency, a reduction of errors and costs, and ultimately improving the building experience for all that come into contact with it. In turn, the streamlining of these efficiencies provides building staff the time to focus on providing a first-class service whilst reducing costs.

The mentality that technology will replace the role of building managers must be eradicated if developers want their buildings to thrive. It can no longer be an

afterthought when it comes to the development of buildings, and must now be designed with the services and how they will be used in mind from construction. From the outset, the role of technology tools within property management and engagement have only been to serve building staff in automating the menial. By partnering with technology, building management is freed up to engage their customers, play an active role that allows them to stay one step ahead of their expectations, and focus on the larger picture. This in turn fosters a sense of community as it drives a personable touch.



THE RISE OF B2B2C

We have established that the power balance is not what it once was, which has caused a seismic shift on who we see as the primary customer. Is it the managing agent? Or the occupiers? This is particularly important since the COVID-19 outbreak which has further solidified the customer's hand in the spaces they choose to occupy due to the success of remote working. By taking the hotelisation approach, real estate companies are now thinking more about the end user, and how they can create spaces that can compete with the comfort of a home office.

This includes focussing on connectivity, collaboration, wellness, community and experiences - all now important for customers who might be tiring of isolation and yearn for an experience beyond their four walls. Properties must essentially become a beacon of customer service, capturing the attention of customers through curated experience, expected amenities, unrivalled building knowledge, and carving key roles and departments to maintain this high level of service.



56% would prefer staff with hospitality experience according to a recent Locale Group poll.

THE EXPERIMENTATION OF SPACES: TRADITIONAL VS INNOVATIVE

Hotelisation and technology has accelerated the diversification of spaces, with many hybrid models emerging across the real estate classes. This includes the introduction of coliving, aparthotels, coworking spaces, and Space as a Service, all generating new, creative revenue streams for landlords.



While these are major examples of blended spaces, real estate must first find their feet in being able in providing service-oriented, tech facilitated spaces that offer basic amenities and demonstrate an understanding of customer expectations. When it comes to commercial spaces, COVID may have proved that, ultimately, offices are not as essential as one once believed. However this asset class may be saved by taking on the hotelisation approach as a recent poll revealed 48% of attendees believe the pandemic has supported the growth of hotelisation. This optimistically shows that properties can still create competitive spaces by restructuring priorities that shift their focus to the services and the hospitality ethos that customers respond to.

It is evident that the typical 9-5, Monday - Friday will most likely not be returned to, and in its place a flexible hybrid workplace model, one that will affect properties and the surrounding communities. Office design and management will change to incorporate the new working patterns and behaviours, with staggered working put in place to support those who are commuting.

What people want more than anything is social interaction, and once the finer details such as flexible working and building services have been ironed out, it will be down to hotelisation to combat COVID-19's devastating effect on people, buildings, and surrounding communities, with the provision of hospitality based services key to attracting customers back and contributing to their productivity.



48%

believe COVID-19 has supported the growth of hotelisation according to a recent Locale Group poll.

THE RISE OF HOTELISATION

Hotelisation may seem like a daunting strategy, one that will take time as it requires the real estate sector to meet the needs, wants and expectations of the customer through constant communication, high quality customer service and services, and a curated experience from start to finish. It is designed to move away from the traditional robotic relationship of signing on the dotted line and being handed the keys, and towards strengthening relationships between all building stakeholders, and putting people at the heart of decisions to create communities that last.

However those that take on hotelisation will find themselves at a competitive advantage in the long run as investors want to pursue estates that are looking at their future, rather than having an 'if it ain't broke' attitude that leads to outdated processes, tired relationships, and a stagnant community. While customers are demanding more, this has only led to enlivened spaces and decision makers must react for a future of real estate that is diverse, creative, and drives for long-term impact.



76%

agree that both technology and a customer service is needed to build strong customer relationships according to a recent Locale Group poll.



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