

The middle class in America is disappearing. Hotels have to choose between 2 distinct paths to survive, says the man who invented boutique hotels.

Katie Warren



The middle class in America is disappearing, and hotels need to adapt. Felice Cul-Paulazzo / Getty Images

The middle class in the US is on the decline.

Middle-income Americans represented about 61% of the country in 1971, but only 52% of American adults were classified as middle-income in 2016, according to Pew Research Center data.

And only 44% of Americans said they considered themselves in the middle class in 2014, compared with 53% in 2008, according to Pew.



Pew defines the US middle class as those earning two-thirds to twice the median household income, as Business Insider's Hillary Hoffower previously reported.

The median household income in 2017 was \$61,372, meaning middle-class Americans were earning about \$40,743 to \$122,744.

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This shift has been mirrored in many industries. In the retail world, high-end and budget stores are among the most successful while those in between have struggled.

According to Ian Schrager, the legendary hotelier credited with inventing the boutique-hotel concept, hotels are likely to follow the same path.

Hotels can choose between 2 paths to adapt to the shrinking middle class

Schrager told Business Insider that hotels are "manifestations of popular culture and the people."

According to Schrager, who's behind the hotel brands Edition and Public, "the US is headed in a direction where you have the 1%, and then you have everybody else, with a declining middle class."



"And I see hotels following the same thing," he said.



Ian Schrager pioneered the boutique-hotel concept. Chad Bealke

Reflecting the changing population, hotels are likely to become either ultra-luxurious and expensive or very value-oriented over the next 10 or so years, Schrager said.

Luxury hotels will get much smaller, with only 80 to 90 rooms, but the rooms will be much larger, Schrager said. He added that these more intimate hotels would also be very expensive, with the finest details, "catering to that 1%."



Schrager said he also expects to see a lot of "less expensive, value-oriented hotels, but very sophisticated and very cool," with diverse entertainment and food and drink options.

As Schrager sees it, hotels will have to take one of these two routes to survive.

"I see nothing in the middle," he said.

Schrager's Public Hotel in New York's Lower East Side offers a modern luxury experience with rates as low as \$150 a night, as Business Insider's Noah Friedman and Lamar Salter previously reported. His newest hotel, the Times Square Edition, has 452 guest rooms and nightly rates that range from \$430 to about \$2,800.