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

The middle class in America is in decline.

Middle-income Americans represented about 6% of the country in 1980, but only 2% of Americans who were classified as middle-income in 2014, according to Pew Research Center data.

And only 46% of Americans said they considered themselves in the middle class in 2014, compared with 53% in 2008, according to Pew.

Few define the US middle class as those earning two-thirds to 1.5 times the median household income, as Redfin Insider’s Hilliard Milken previously argued.

The median household income in 2017 was $63,196, meaning middle-class Americans were earning about $42,134 to $96,394.

Read more: Why the $50,000/year income is the middle class — and why the middle class actually is in the $25,000-$75,000 range

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

According to two strategists, the legendary boutique concept with delivering the boutique hotel experience, hotels are likely to follow the same path.

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

Schroeder told Business Insider that hotels are ‘manifestations of popular culture and the people.’

According to Schroeder, who helped launch Marriott’s Edition and Moxy, “You’re looking at a dimension where you have the 1% and then you have everybody else, with a shrinking middle class.”

“Now I see hotels following the same thing,” he said.

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, Schroeder said.

Luxury hotels will get much smaller, with only 60 to 90 rooms, but the rooms will be much larger, Schroeder said. He added that those more boutique hotels would also be very expensive, with the finest details, “unbelievable prices.”

As Schroeder sees it, hotels will have to take one of those two routes to survive.

“I see nothing in the middle,” he said.

Schroeder’s Project on New York’s Lower East Side offers a modern luxury experience with rooms as low as $20 a night, as Business Insider’s Noah Friedman and Lamber Faber previously reported. His newest brand, the Three Kings Edition, has 402 guest rooms and nightly rates that range from $425 to about $8,600.

Schroeder said he also expects to see a lot of “less expensive, value-oriented brands,” that are more ‘superlative’ and ‘very real,” with diverse entertainment and food and drink options.

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