

## Hostel sector set to thrive as demand grows for low-cost beds

The hostel and limited service hotel sector is becoming one of the most dynamic hospitality investment sectors, with its adaptability and cost effectiveness along with intense competition from both group and independent operators contributing to rapid expansion. A new report published this week by global hotel consultancy HVS, outlines how the cost of hotel accommodation in major visitor locations is keeping the hostel and limited service concept at the forefront of the property market. In addition, flexibility of design and ease with which small businesses can be set up mean that the sector is now providing a viable investment alternative to office space or other income-producing asset classes.

The HVS report, *The Hostel and Budget Traveller Market in Europe ? Gaining Momentum*, released to coincide with the inaugural *Hostel & Budget Traveller Conference* [London, 17-18 November], outlines the fact that larger hotel companies are moving into the hostel and limited service space such as Hub by Premier Inn and Tune Hotels, which is forcing other operators to become more innovative to stand out from the crowd.

The largely risk averse investment market, and a more socially aware corporate market, are also contributing to the rapid innovation of the limited-select-service hotel sector with many operators now having aggressive expansion strategies for Europe and overseas. Economic conditions experienced over the past seven years have lead to a polarisation of the hotel market - with the limited-to-select service segment gaining traction at the same time as the luxury-full-service-segment and much of the full-service mid-market having been squeezed.

?The vibrant hostel and limited service segment now presents the consumer with more options and the investment market with more considerations. As a result transaction activity is particularly healthy in this sector and we envisage this will continue,? commented report co-author Harry Douglass, associate, HVS.

Jin Jiang International Holdings has recently acquired Louvre Hotels ? a substantial international hotel operator with a significant stable of limited-service hotel brands; Accor is investing in additional hotels across Europe; and Goldman Sachs has acquired the Grove Travelodge portfolio in a joint venture for £500m.

In addition, Invesco has spent ?60m on a 23% stake in Generator Hostels giving it a role in expanding on the group's 5,200 beds in eight properties across Europe.

?The limited-service hotel sector is arguably now at its most vibrant because of intense competition and it remains a key investor focus. Operators are also being forced to be more innovative and there is considerable lateral movement into the select-service segment with ?amenity-creep' occurring,? added co-author Christof Bertschi.

?In addition, the liberalisation of the BRIC markets (Brazil, Russia, India and China) has not yet occurred so we await the future with interest.?

A copy of *In Focus: The Hostel and Budget Traveller in Europe ? Gaining Momentum* by Harry Douglass MRICS and Christof Bertschi can be downloaded by clicking

<http://www.hvs.com/article/7145/in-focus-the-hostel-and-budget-traveller-market-in-europe/>

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