hotelworks

HOSPITALITY CONSULTING

Southeast Asia

Hostel Market Trends

December 2015

Fast growing segment erupts into mainstream accommodation market

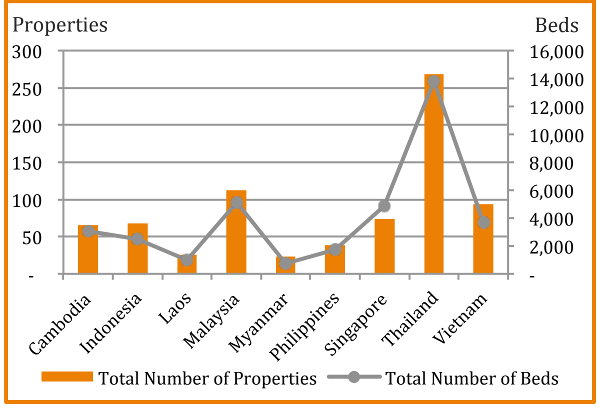
Domesticated travel sectors key to hostel supply expansion

"Skyrocketing growth of low-cost airlines and an evolving middle class in Asia are leading a second generation of new hostel offerings. At the upper end of the product range poshtels and hybrids are now becoming a competitor to the traditional budget and economy lodging sector.

The market-size of international level hostels in Southeast Asia stands at 770 properties with 36,480 beds. Hostel owners compete through incorporating innovative designs and accommodating facilities to create greater appeal.

Our methodology for market research into the sector has been to filter out guest houses, B and B's and homestay accommodation to establish a market-wide metric to benchmark data in this emerging segment.

Market Size by Country



Source: C9 Hotelworks Market Research

Our forecast calls for owner/operator groups to consolidate inventory in order to capture economies of scale and to tap into a rapidly growing demographic of emerging consumer class travelers in Southeast Asia."

Bill Barnett, Managing Director, C9 Hotelworks

Market Trends

- Market-wise the Average Daily Rate per Bed is US $10 but the Average Daily Rate per Room is US $40.
- Properties in proximity to CBD areas or locational demand generators are travelers' preferred choices.
- Rising demand from friends and families traveling together as well as school and sporting groups.

Forward Outlook

- More hostel operators are trading in both hostel and conventional hotel space to capture expanded target markets.
- Domestic inter-country travel within most SEA nations is the most prolific growth segment in the budget and economy tier.
- Further regional integration such as the AEC will propel growth of more cross-border hostel investments.

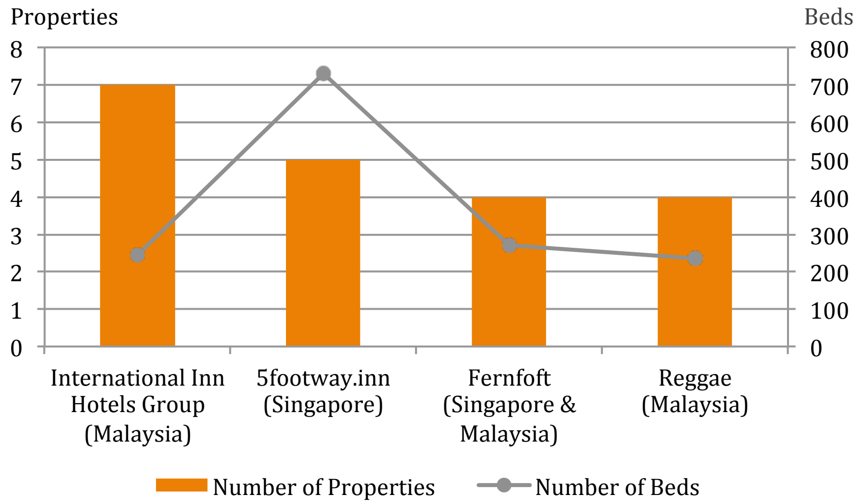
MARKET OVERVIEW

Highlights on Regional Operators

- Most hostels are owned by individual investors and generate income by means of conversions versus new-build properties. There is an increasing trend of chain hostel operators such as Thailand based Lub.d.

Malaysia and Singapore leaders in multi-hostel groups

Top Regional Hostel Operators

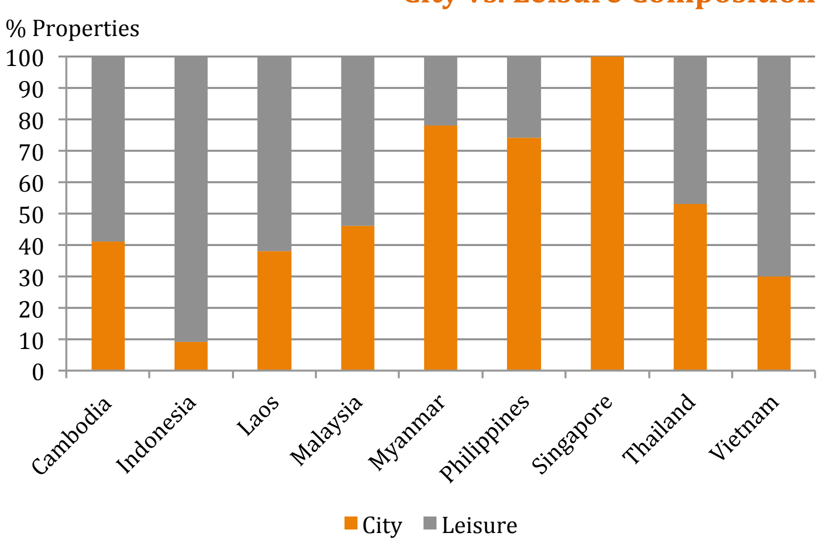


Source: C9 Hotelworks Market Research

City and Leisure Market Comparison

- City properties offer a significantly larger number of beds compared to leisure hostels which is a reflection of high land value.

City vs. Leisure Composition



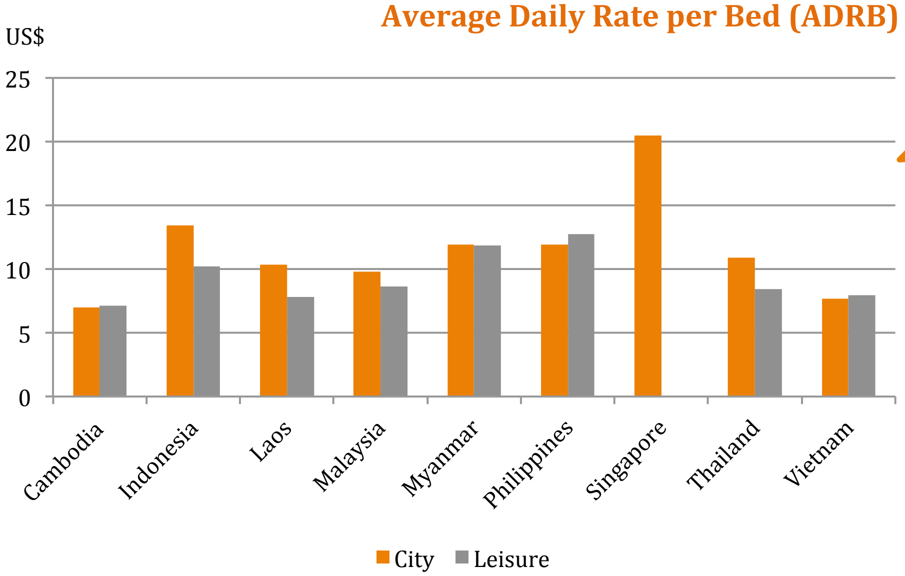
City properties typically offer more facilities than leisure products

Source: C9 Hotelworks Market Research

Key Characteristics

- The pricing drivers of hostel offerings is relevant to operating costs, real estate and the quality of the product.

Average Daily Rate per Bed (ADRB)

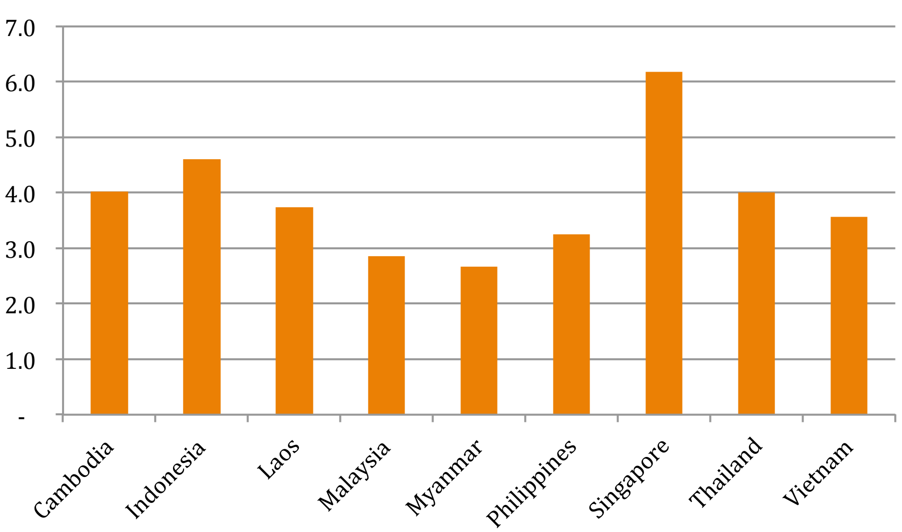


Average entry rate per bed in region is US $10

Source: C9 Hotelworks Market Research

- Whilst shared rooms with common bathrooms continue to be the legacy hostel model, operators are now increasing the number of private rooms with individual bathrooms as well as design-led facilities in order to attract a wider clientele which puts hostels increasingly in competition with budget and economy hotels.

Average Beds per Room (ABR) Ratio by Country



Average ABR across SEA markets stands at 3.9

Source: C9 Hotelworks Market Research

About C9 Hotelworks

C9 Hotelworks is an internationally recognized consulting firm with extensive experience in the Asia Pacific region. Its core business focus includes:

- **Hotel and Resort Development**
- **Asset Management / Ownership Representation**
- **Project Feasibility and Analysis**

Key competencies include international hotel operator search, selection and contract negotiation, mixed use hotel and residential planning and operation reviews.

A wide range of both institutional and private developers and a comprehensive portfolio of completed projects give C9 the skill set and background to focus on key issues, evaluate complex ones and assist clients in achieving solid results. Based in Phuket, Thailand and led by Managing Director Bill Barnett, who has 30 years of experience in Asia Pacific, the firm is well positioned to serve an increasing demanding marketplace.

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