

Opinions

Poshtels go Houdini, pushing travelers beyond the box

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A new generation of international brands occupying the “posh hostel” space are proving to be a strong investment with wide appeal to travelers.



By **Bill Barnett**

There is something about the term “flash” that somehow absorbs the imagination. Maybe it’s the perception of sheer random glee in the blink of an eye that leads us into the glittering unknown. Remember the pre-Instagram days of instant cameras and how a quick click and flash captured travel moments, giving them that little bit of magic?

Today we have brought the term into a new travel demographic called flashpacking, and while I absolutely hate taglines with a shelf life, the term has indeed found a sweet spot in the hospitality space, particularly with hostels. The late, great Prince turned the world on its ear when he changed names to that mysterious graphic icon, and today we are seeing a broad transformation into an entirely new tier of accommodation christened “poshtels.”

As in much of the boutique hospitality space these days, Europe has been the idea laboratory for the new and improved hostel product. Generator Hostels is perhaps the poster child for the movement that has seen a reinvention of cluttered rooms into an eclectic mix of single, doubles, bunk beds and even group bedding arrangements. Out with the old Ikea-inspired dorm room idea and in with leading creative hotel designers who have created a modern experience like no other.

What poshtels have captured is the relevance of social spaces, focusing on programming, local culture and encouraging exchanges between travelers. Instead of delegating guests to their rooms, it’s now time to get out of the box.

Social spaces are everywhere these days, be it at your local Starbucks, working environments or dog park, but poshtels are now encouraging a wider demographic spanning from young budget tourists to older Gen Y, X and baby boomers who have done it all and now want to get local and authentic.

On the business side, poshtels are a dream, since they are prime for redeveloped spaces. We have seen another European group, Meininger Hotel Group, take the hostel model into a new hybrid space and merge both with a great deal of success. This product works on yield metrics per bed. And while the traditional revenue-per-available-room metric is thrown out the door, the concept of revenue per bed and translating this into real estate return efficiency makes for a strong business case.

There continues to be a misconception that hostels are a down-market product, yet both [Generator](#) and [Meininger](#) have attracted institutional capital that sees a bright future.

Beyond Europe, the Freehand brand in the United States is setting the stage with a trendy market entry. In Asia, the Bangkok-based Lub d (this translates into sleep well) has moved from multiple properties in the country onto a wider platform that is seeing new properties within the region. After producing market intelligence on the sector late last year, I myself was surprised to see the phone ringing a number of times from private equity firms and even hotel groups eyeing the sector and looking at how to capture the upside.

Looking at the numbers, what is clear is that both poshtels and hybrid properties are dynamic yield assets. While per-bed or per-person rates might be below the budget and economy band in their competitive sets, the achieved average rate per room is often on par and in many cases at the upper end of the performance trend.

Hybrids are even more interesting as many hotel owners know the conundrum of suites in many properties sees yield performance of these expansive units on the bottom of the room types. The introduction of bunk beds or flexible options for friends and family traveling together can draw in a new guest profile and also rationalize underutilized space.

When I was growing up in the U.S. my family would take long summer vacations in our station wagon and stay in the typical American roadside motel with two king or queen beds. Yes, we all slept together and it was an affordable experience that was great for families. Today in our world of low-cost airlines, an exchange of new travel destinations online and the quest for local experiences, the past has caught up and taken us to the next cycle.

In my experience, poshtels are one of the truly exciting spaces in hospitality today as they latch onto a key driver of demand: the customer's changing worldview. We no longer need to simply sit in our rooms and be content with the same old television offering, roomservice or disconnected experience devoid of any sense of place. Social, collective, collaborative, authentic, these are just some of the words that are setting the fire in this brave new world of getting out of the box. Harry Houdini would have loved it.

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