hotelworks

HOSPITALITY CONSULTING

Southeast Asia

Hostel Market Update

January 2018

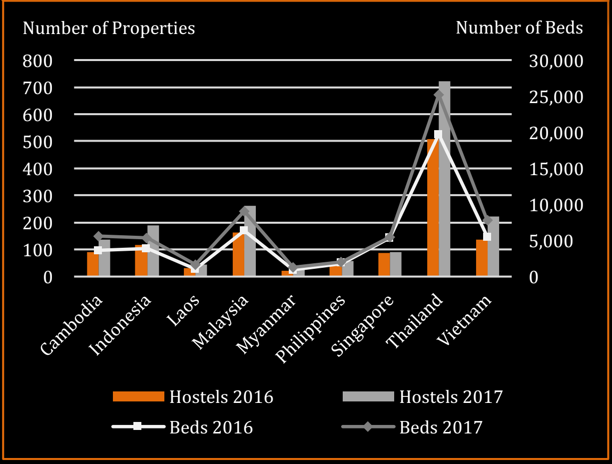
With 30% growth in bed supply within a year, hotel chains and investors eye hostel offerings

Segment on way to becoming key competition to budget hotel market

"The hostel market last year experienced skyrocketing growth of 32% in bed inventory, amounting to 63,632 beds in 1,766 properties across Southeast Asia. Thailand, with its prolific tourism numbers, continues to lead the sector with a 41% share. With mounting demand in the sector, there is no sign of deceleration as investment is being embraced by an increasing number of hospitality groups and institutional investors.

In past years, hostel developers maximized profits by developing properties with high bed inventory and no private rooms. However, micro-private rooms in hostels are becoming essential and impactful to rate yields. This can best be seen in the growth of hostels with private rooms in Indonesia, Thailand and Vietnam which now exceed 50% of overall room inventory.

Hostel Market Size by Country



Source: C9 Hotelworks Market Research

Despite an elevated growth of supply, one considerable complication to the hostel market is the ambiguous rules and regulations; these have become a major concern in leading destinations such as Thailand, Malaysia and even Japan. While government regulation is starting to evolve, this remain a key sector issue."

Bill Barnett, Managing Director, C9 Hotelworks

Trends

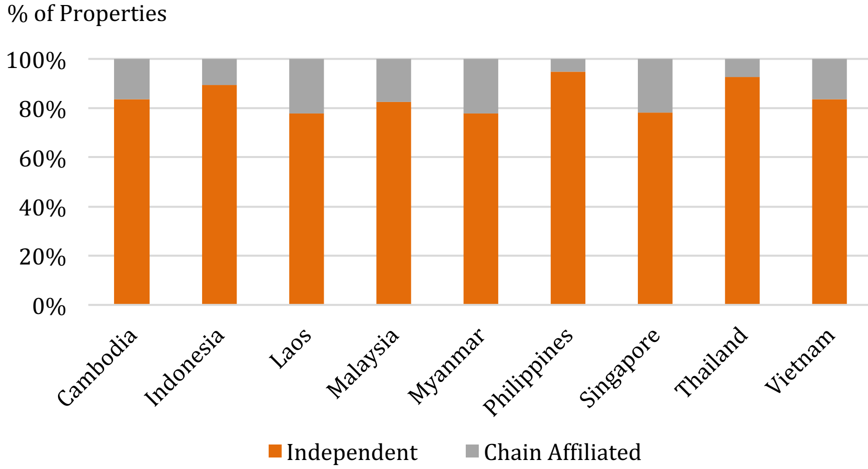
- Laos leads regional supply growth with a 58% increase in bed inventory y-o-y, followed by Cambodia and Malaysia at 52% and 43%, respectively.
- Conventional hotel companies investing into the hostel sector, highlighted by Lub d which is region's largest/fastest growing hostel group.
- Despite influx of capital into branded hostels, independent properties remain predominant in the market with soaring y-o-y growth of 87%.

Forward Outlook

- Current government rules and regulations for opening hostels are not clearly defined but are increasingly coming under scrutiny due to growth of shared economy products (i.e. Airbnb).
- Growth of hostel supply in leisure destinations reflecting high demand for budget travelers and changing taste for experiential accommodation.
- Micro accommodation is shifting products, as privacy is becoming indispensable for hostels, and exponential growth in private rooms.

MARKET OVERVIEW

Chain vs. Independent Hostels



Source: C9 Hotelworks Market Research

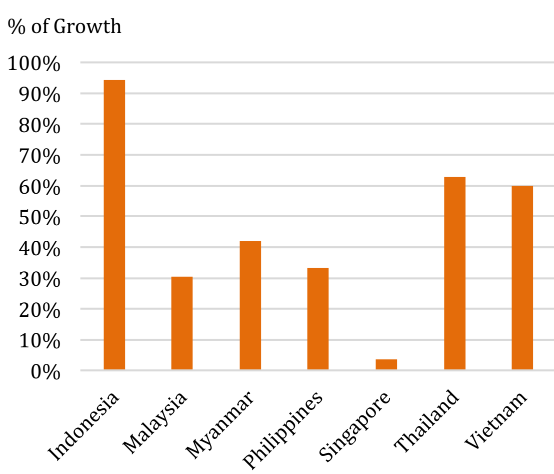
Independent hostels dominate the regional market, with 1,532 properties representing 87% of total supply

Leading Nationalities Booking Southeast Asia Hostels Online

Data: Full year 2016

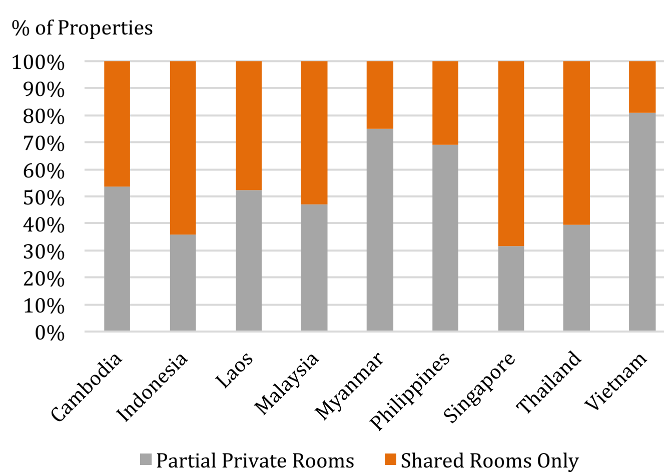
Source: Hostelworld

Growth of Hostels with Private Rooms



Source: C9 Hotelworks Market Research

Private Rooms vs. Shared Rooms Mix

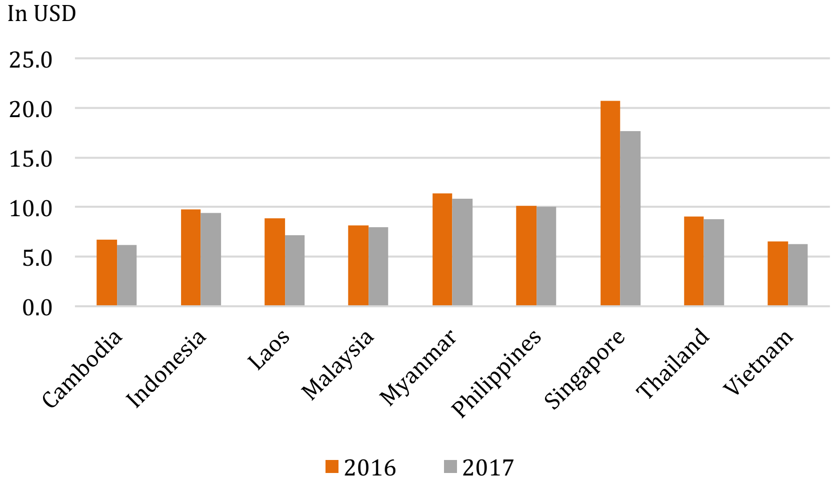


Source: C9 Hotelworks Market Research

PERFORMANCE INDICATORS

Average Daily Rate per Bed (ADRB)

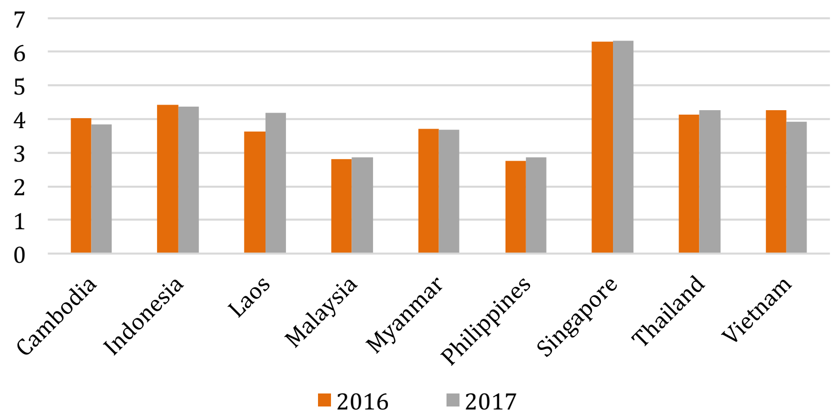
Year-on-year market-wide ADRB declined as new properties rose sharply. Singapore has highest ADRB followed by Myanmar and Philippines



Source: C9 Hotelworks Market Research

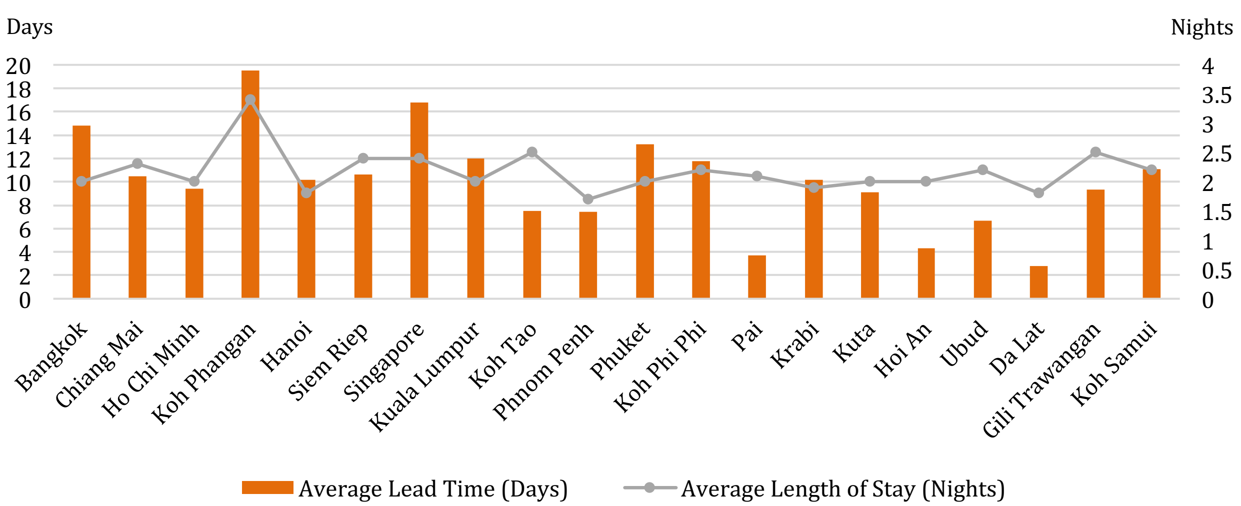
Average Beds per Room (ABR) Ratio by Country

ABR across region is 3.9, with Singapore having the highest ratio at 6.3



Source: C9 Hotelworks Market Research

Select Average Booking Lead Times and Length of Stay by Destination



Data: Full year 2016

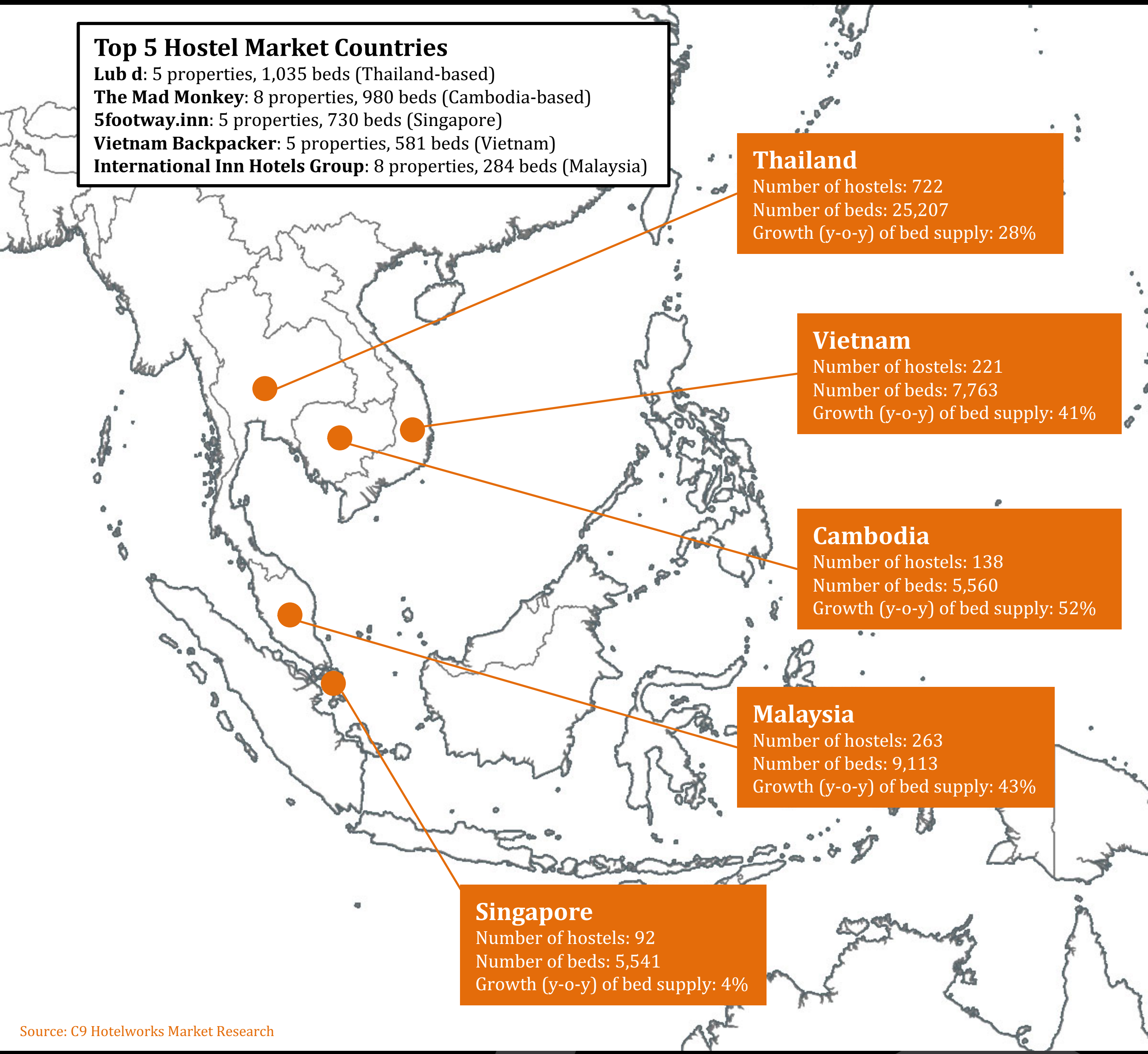
Source: Hostelworld

Top Five Hostel Market Leaders

Southeast Asia

Top 5 Hostel Market Countries

Lub d: 5 properties, 1,035 beds (Thailand-based)
The Mad Monkey: 8 properties, 980 beds (Cambodia-based)
5footway.inn: 5 properties, 730 beds (Singapore)
Vietnam Backpacker: 5 properties, 581 beds (Vietnam)
International Inn Hotels Group: 8 properties, 284 beds (Malaysia)



Source: C9 Hotelworks Market Research

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