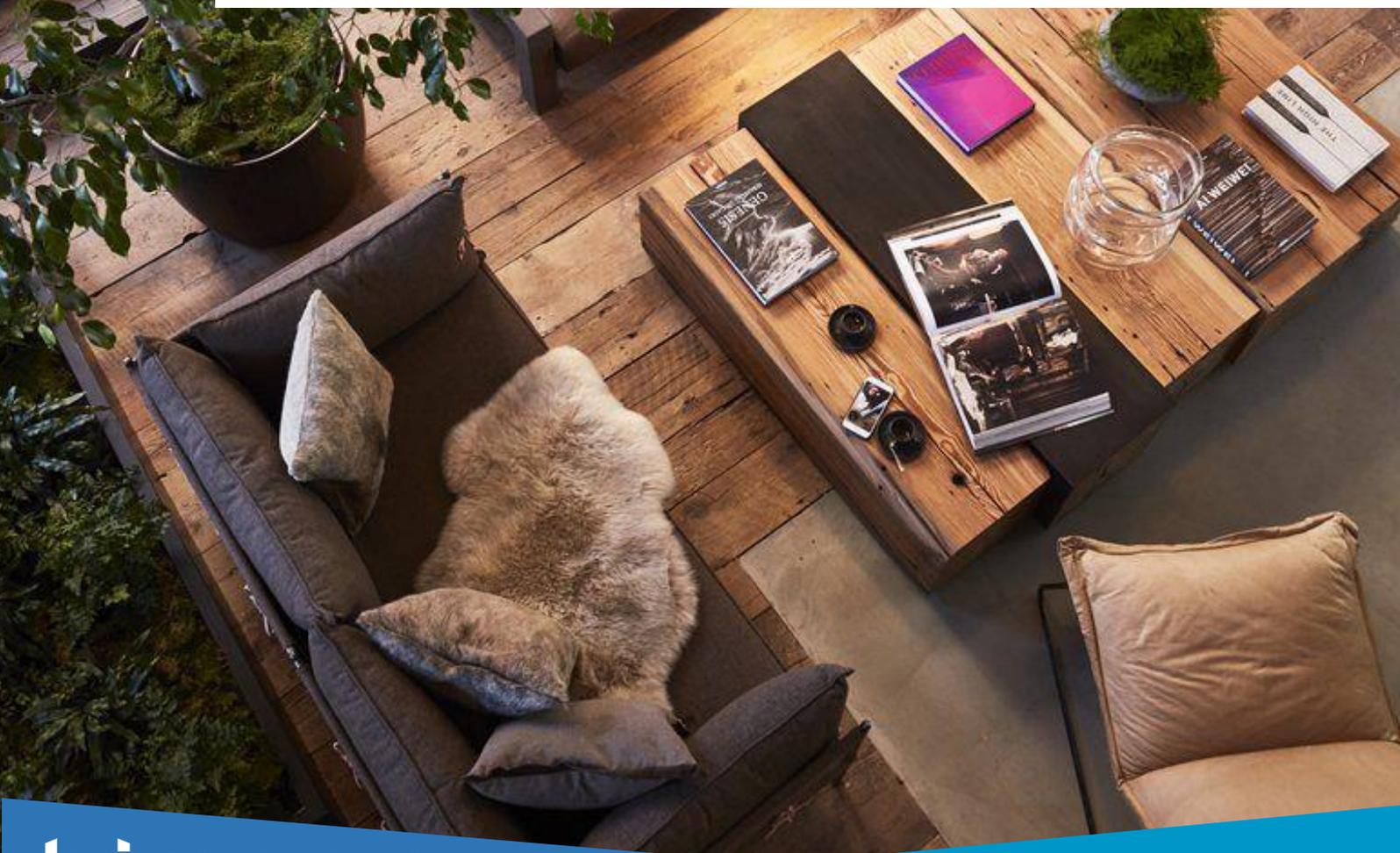




INDUSTRY INSIGHTS

THE RISE OF AFFORDABLE LIFESTYLE HOTELS



THE RISE OF AFFORDABLE LIFESTYLE HOTELS

The global hotel industry has witnessed rapid transformation in the past decade, driven by continual advances in technology, shifting consumer demands and the growing influence of the millennial traveller.

One aspect of this transformation is the growth of lifestyle hotels. Although the roots of the term 'lifestyle' emerged from unique boutique hotels in Europe and the United States, it has now grown to become a key offering within mainstream industry, and a category in its own right.

Most analysts credit Starwood Hotels and Resorts with creating the first lifestyle brand when it launched the W Hotel in Manhattan in 1998. Fast forward 20 years later and every major hotel company has jumped into the lifestyle space with its own version of a lifestyle brand, and there is good reason. According to STR research, in the US (the world's largest lifestyle market), the segment has witnessed a 20% increase in room supply over the past five years, and now accounts for 2% of the total room supply. In terms of performance, lifestyle hotels produced an average rate of US\$ 229 and an occupancy of 76% in 2017, with ADR performance 87% higher than market averages, and occupancy levels – 10% higher.

What defines a Lifestyle Hotel?

Unlike the clear classifications of other types of hotels, lifestyle hotels are not easily defined. The most common elements that incorporate a lifestyle hotel are their inclusion of collaborative spaces, cutting-edge design, strong focus on technology, and that they are locally connected, experience-led and individualised.

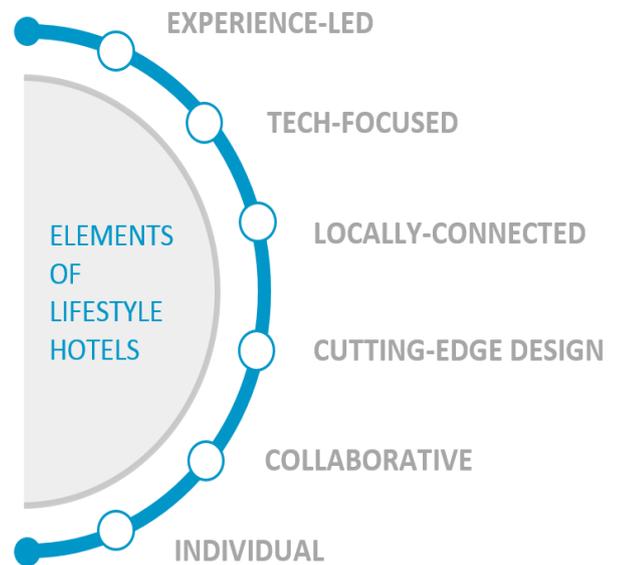
One of the key components of a lifestyle hotel is the sense of community both in and outside the property. The creation of an internal community (amongst guests) is centred around a collaborative space, an area which attracts different types of guests at different times of the day.

This work – live – play concept is a common feature in new lifestyle hotels and breaks down the traditional barriers of space planning in hotels. Instead of compartmentalised zones (lobby, restaurant, bar) these collaborative zones incorporate all three and allow for an open and inviting environment for people to meet, socialise and work.

In addition to creating a community amongst guests, these areas also appeal to people within the local community. They are increasingly popular with entrepreneurs, designers, and start-ups that prefer to work in an untethered environment or do not have the financial capacity for their own office space. This mix of two different groups of people creates an environment that is not witnessed in a traditional full-service hotel.

What is Affordable Lifestyle?

With all the positive elements of new lifestyle hotels, there is one increasing challenge, the cost. Historically, the majority of internationally-branded lifestyle hotels were positioned within the luxury or upper-upscale segments.



REQUIREMENTS OF MILLENNIAL TRAVELLERS



KEY STATS ON MILLENNIAL TRAVELLERS

1980 - 2000 BORN BETWEEN	\$2,911 SPENT ON TRAVEL IN 2017
46% BOOK THROUGH MOBILE OR APPS	97% POST THEIR EXPERIENCES ON SOCIAL MEDIA
78% WANT TO LEARN SOMETHING NEW	98% WANT TO EXPERIENCE LOCAL CUISINE

This may be appealing to higher income baby boomers or Generation X travellers, but for the modern millennial, the cost associated with staying in these lifestyle hotels can be a bridge too far.

As a result, hotel management companies are launching affordable lifestyle hotel brands. These properties retain the key fundamentals of a lifestyle hotel (as mentioned above), but certain aspects have been scaled back to allow for a lower price point. These include a more efficient space design, smaller room sizes, limited services and scaled back technology.

Although the sharing economy (AirBnB) has had a varying degree of impact on the hospitality sector, the growth of affordable lifestyle-orientated properties is helping to attract young independent travellers back to hotels.

Opportunities for Affordable Lifestyle Hotels in Middle East

The Middle East presents excellent opportunities for the development of affordable lifestyle hotels, given the young and growing population, strengthening tourism sector and saturated upper-upscale and luxury segments in key cities.

With over 25% of the population in the region falling under the millennial generation, coupled with 75% of the global workforce expected to be made up with this age group by 2030, investors and hotel operators are focusing on the future with their investment plans.

Although the market has seen the growth and development of both domestic and international brands, the supply of midscale properties remains low. Based upon data from STR, as of June 2017 the midscale and upper-midscale segments only represented 21.2% of the future Middle East pipeline, whilst the upper upscale and upscale segments represented over 60.9% of future supply.

This raises issues of a supply imbalance in the near future where the supply does not match the needs of MENA and millennial travellers, particularly in the midscale segment.

If the industry is going to keep pace with changing demographics and traveller needs, investors and developers will need to move away from conventional design and hotel brands and look towards lifestyle orientated midscale properties.

Not only do affordable lifestyle hotels create a point of difference compared to traditional hotels, but they are also supported by a strong business case. This includes (1) catering to future demand, (2) lower overall capital investment requirements (3) a more dynamic business model (4) a wider consumer base and (5) limited future supply.

Investors are taking note. With a wave of recent announcements and the proliferation of new brands entering the region, we expect the new era of hospitality will emerge in the region and continue to challenge the status quo on how hotels are designed, operated and serviced.

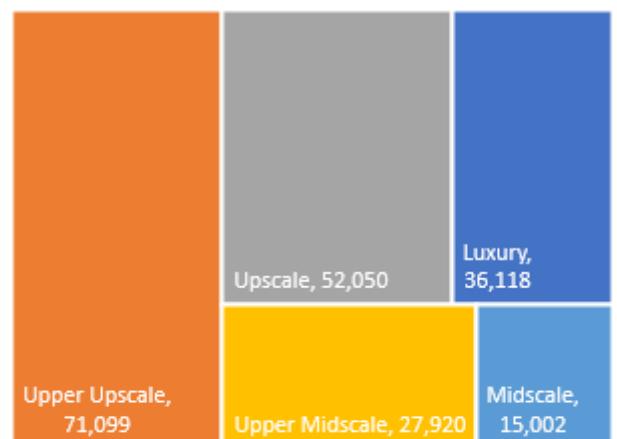
INTERNATIONAL LIFESTYLE BRANDS



UPSCALE & MIDSCALE



MIDDLE EAST SUPPLY PIPELINE



STR Global

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ABOUT TRI CONSULTING

TRI is one of the region's leading management consultancy firms specialising in the fields of hotels, tourism, leisure and real estate. The company was formed in 1995 with its founders establishing the first dedicated hospitality advisory team in the region.

In the intervening decades, TRI has gained extensive experience on projects in 150 countries, including the Middle East, Africa, CIS, Europe, North America, South America and Australasia.

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