

## Hospitality's New Vocabulary: Flashpackers, Yotels, and Luxury Tree Houses

February 26, 2014 | By Adam Ducker, Managing Director, and Trish Kennelly, Associate

As the broader real estate industry looks for strategies or inspiration regarding how to evolve and innovate, the hospitality sector provides a fascinating case study in addressing one of its key existential questions: how to adapt to, attract, and take advantage of the high-tech Millennials as they roam the globe more rapidly and more often than any previous generation. One interesting answer to this complex question lies in an unlikely but simple place: embracing the realities, and in fact the desirability, of budget travel.

Historically characterized by scruffy college kids and backpacking nomads, budget travel is now a driving force behind the hospitality industry's sexiest new trends. Features that were once considered "budget" are now becoming the drivers of demand in the rapidly transforming hospitality industry.

### Who's Driving the Trend

A new study<sup>1</sup> shows that \$217 billion, or 20% of international tourism spending, came from youth travel last year. And this growing segment of travelers exhibits some unique characteristics, such as a rising number of self-identified "flashpackers"—backpackers with more technology and heftier budgets than their traditional counterparts. They also want to "live like locals" and be immersed in social situations and cultural experiences that are regional and real.

Some of this demand is being met with the import of European ideas, such as hostel-style accommodations, while new and innovative homegrown travel tools such as Airbnb, an online service to facilitate short-term room rentals by owner, are also catering to the market's insatiable demand for fresh and real. These trends are growing rapidly internationally and in top U.S. markets, and are likely to continue gaining speed,

with Millennials expected to outnumber Boomers by 22 million by 2030.<sup>2</sup>

### How to Embrace the Change

These once "budget" travelers are beginning to represent a sought-after, lucrative market segment with the potential to transform the hospitality industry. Below, RCLCO dissects four ways to capitalize on the transformation, whether through fully embracing innovative ideas or subtle tweaks and improvements.

- 1. Efficient Configuration: Small personal space, large social space.** Channeling traditional hostel configuration—small private and dormitory bedrooms with large, communal living spaces and kitchens—will enable Millennials to satisfy their needs to connect with others. Configuration can also be a revenue booster by creating space for in-house bars and restaurants.

*Case in Point: Yotel, NYC.* With a standard size "cabin" at 170 square feet and 20,000 square feet of flexible entertainment space, guests at Yotel have a 1:120 ratio of personal to social space. And this flexible entertainment space isn't just meeting rooms, it includes the largest hotel terrace in the city.



Source: [Yotelnewyork.com](http://Yotelnewyork.com)

<sup>1</sup> World Youth Student and Educational Travel Confederation (WYSE) report.

<sup>2</sup> According to the United Nations Department of Economic Social Affairs, based on millennial birth years 1977-1995.



Source: [Yotelnewyork.com](http://Yotelnewyork.com)

*Make It Work: Commune Hotel & Resorts.* Commune's new brand, Tommie, set to hit New York City in 2015,<sup>3</sup> will include private spaces called "crash pads," and public lounge areas called "reading rooms" to create a communal and social experience for guests. In a press release Commune co-chair Jason Pomeranc says, "We are creating hotels that will appeal to youthful, design savvy, connected, and discerning travelers seeking responsible and immersive experiences. Tommie will be a choice not of economy, but of desire."

- 2. Cultural Experience: Innovative connections with the community, culture, and others.** Travelers are looking for a way to become immersed in a local culture. The growing need for experiential travel involves amenities far beyond On-Demand movies and room service. Providing the bridge to attach guests to local culture will continue to grow as a driver of demand in the industry.

*Case in Point: The Freehand, Miami.* As the first upscale hostel in the U.S., The Freehand provides a cultural experience with everything from local guides



Source: [Miami.com](http://Miami.com)

telling guests "Where to Brunch" to events such as Saturday morning yoga, live music, and art classes at the hostel. While most development in Miami Beach's South Beach is luxury in aspiration, the reality of its visitation pattern is far more diverse, and some young travelers find the hospitality offerings non-diverse even if they can afford them.



Source: [Thefreehand.com](http://Thefreehand.com)

*Make It Work: TRYP by Wyndham.* As the first U.S. hotel to partner with a social media app, TRYP by Windham will feature LobbyFriend,<sup>4</sup> an app that will facilitate guests connecting and socializing during their stay.

- 3. Meaningful Designs: Unique and sustainable designs add value to the travel experience.** As travelers look for more deep-exposure experiences, providing a one-of-a-kind design will help drive interest and demand. Historical context or connections to the environment and local culture will provide guests more than a place to sleep.

*Case in Point: Firehouse, Austin, Texas.* On top of its superior Austin location, Firehouse Hostel is set in the city's oldest standing fire station, built in 1885. Adorned with pictures of the building in its original use, Firehouse gives guests an authentic experience and a place to relax.

*Make It Work: Luxury Frontiers.* Luxury Frontiers uses innovative designs of luxury tented and tree house products that provide memorable, enriching experiences to guests across generations. Proof that travelers crave these unique ideas? The product has achieved price premiums of 20%-40% over traditional rooms overseas.

<sup>3</sup> Trejos, Nancy. "Marriott imports a new hotel brand for Millennials." USA Today, June 3, 2013.

<sup>4</sup> Becker, Jill. "The makings of a modern hotel." CNN Travel, November 4, 2013.



Source: *Luxury Frontiers*

4. **Powerful Technology: Convenience and comfort, at the click of a button.** As the first generation to be raised with technology at their fingertips, Millennials expect a high-tech experience, and the ability to stay plugged-in throughout their stay.

*Case in Point: CitizenM, Europe.* CitizenM, soon to be appearing in major U.S. cities, provides self check-in computers and handheld electronic mood pads that control lighting, colors, music, digital art, temperature, window blinds, and mood-enhanced wake-up calls in every unit. When guests venture outside of their personal rooms, iPads and Wifi are available throughout the hotel.

*Make It Work:* Both AC Hotels, Marriott's new mid-priced brand imported from Europe, and Aloft are beginning to use apps for smart check-in, as well as for booking spaces within the hotel.<sup>3</sup> Millennials are sure to take advantage of these convenient options.

As Millennials continue to grow their purchasing power and travel the globe, there is no doubt they will transform the hospitality industry. Their unique preferences offer opportunities to appeal to an entirely new segment, as well as the ability to capitalize on

small, but meaningful, changes. Regardless of the market and location, Millennials are coming. Are you ready? Have you evolved your core product as much as these pioneers believe is necessary given the structural shift in lifestyle and product preferences that is coming our way?

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