

EMERGING ACCOMMODATION SEGMENTS
February 2017



Emerging Accommodation Segments 2017

Edited by Sue McKenney



The investment case for the
emerging accommodation segments
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Emerging accommodation segments

INTRODUCTION

This report investigates the range of alternative accommodation providers that are increasingly competing with hotels for the same guests, real estate and investment funds.

It takes an in-depth look at sectors from second-home ownership to capsule hotels, hostels and serviced apartments, and demand generators such as Airbnb and Housetrup.

Reading this report will enable hospitality professionals and investors to make informed decisions based on a fact that might at first appear surprising – that while these sectors initially seem very different, they actually share many factors in common.

First is their ability to provide a serviced place to stay for the guest: many compete with one another for the same guests. Another factor is that many are competing for the same real estate opportunities and some compete against each other for investment funds.

The report also demonstrates how specific guest demand is being better catered for by more focused products, such as hostels for the traveller market and serviced apartments for families.

For ease of reference this eclectic range of sectors has been grouped under several headings:

Hotel Alternatives: These include serviced apartments, capsule hotels, hostels, student accommodation and temporary accommodation.

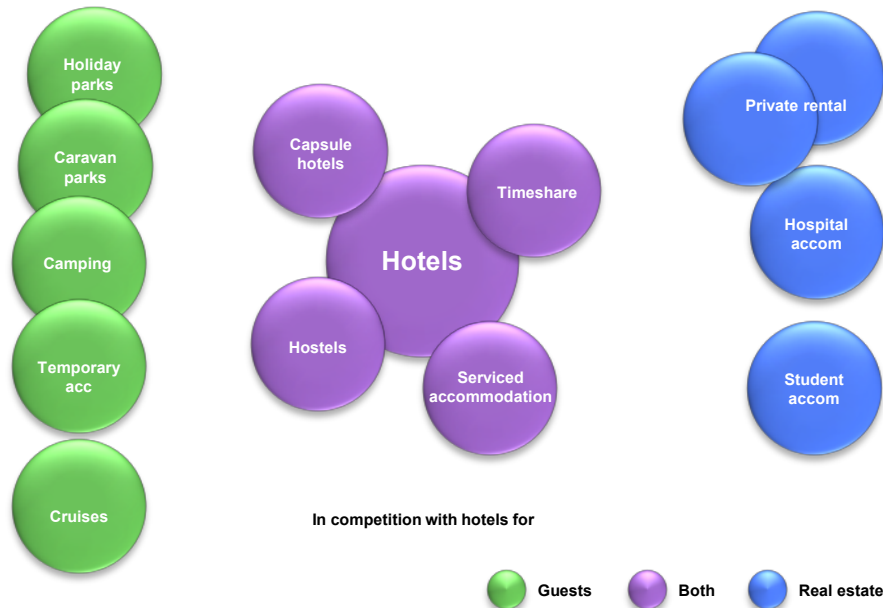
Second Home Ownership: The spectrum of holiday home ownership ranges from timeshare resorts to fractional ownership, and private residence clubs which provide longer accommodation periods of several weeks of ownership, and condo-hotels, which allow the owner more usage and a share of the rental revenue. It also includes the growing market sector of urban short-term private rental.

Care Giving: Senior living and Hospital accommodation come under this heading.

Alternative holiday accommodation providers: Cruises, as an alternative to resort hotels. These can be either at sea or river cruises. Holiday parks, such as Center Parcs, an alternative to hotels for a family week-end away. Caravans parks – similar to holiday parks but with more basic facilities, aimed at family market. Camping is often provided together with caravan parks and as an add-on to holiday parks as well. The report also looks at the concept of glamping.

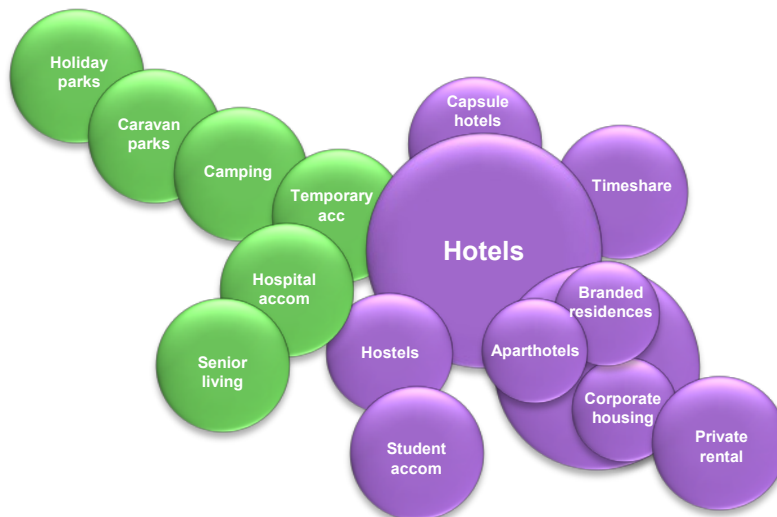
A key threat to the hotel industry from these alternative providers is principally in the area of investment as each of these sectors, while many are still in their infancy at present, can potentially draw investment funds from the hotel industry, as each becomes an established asset class in its own right.

Chart 1: Competitive analysis of alternative accommodation providers



It becomes apparent when looking at the various sectors, that they overlap one another, as the chart below illustrates.

Chart 2: Illustrating the overlaps between the different alternative accommodation providers



Source: McKenney Research

Market share of the accommodation market

Branded and unbranded hotels accounted for two-thirds of the accommodation market revenue share in 2014. Non-hotel accommodation sectors which accounted for nearly a quarter of the revenue are short term home rental (17%) and cruises (10%)

As expected the branded hotels market has been the fastest growing market segment at a CAGR of 5.1% between 2002 and 2014, however the short-term home rental, cruises and timeshare sectors have also recorded strong growth at CAGR of c.4% over the same period.

Table 1: Accommodation market rooms revenue share and growth

Type of accommodation	Market share (%)	CAGR (02-14)
Hotel accommodation		
Branded hotels ¹	32	5.1
Unbranded hotels ¹	34	2.9
Non-hotel accommodation		
Short-term home rental ²	17	4.1
Cruises ²	10	4.0
Timeshare/vacation ownership ²	2	3.7
Serviced apartments ²	2	Na
Other ³	3	na

Note: ³ = predominantly hostels and campsites

Source: IHG presentation 2016 ¹ = Smith Travel Research; ² = Euromonitor, IHG estimates and company reports

Some markets, such as serviced apartments, hostels and student accommodation have experienced changes year on year with regards to investment and development. Others, however, have remained stable, with very few changes to ownership or structure, for example timeshare, temporary accommodation and hospital accommodation. Private rentals are recording high levels of growth due to the impact of the sharing economy and websites such as Airbnb, HomeAway etc.

HOTEL ALTERNATIVES

Serviced accommodation

Serviced apartments are a hybrid of two different asset classes: the residential apartment sector and the hotel market. Their aim is to fill the gap between a short hotel stay and longer-term rental accommodation.

The concept is well established in the US and Asia Pacific, and, despite still being a relatively unfamiliar concept to both investors and customers in Europe, the industry is growing and is now becoming an acceptable accommodation option.

One of the keys to its success is being able to generate a higher gross operating profit and net operating income than the average hotel. This is achieved through lower guest turnover because the length of stay is longer than that of regular hotels and lower operational costs are achieved by providing fewer and less frequent services¹.

While there is no official definition, the term 'serviced apartment' encompasses the three sub-categories: aparthotels, branded residences and corporate housing.

Categories of serviced apartments

Aparthotels/Extended Stay hotels

These extended stay hotels are mainly studios, one bedroom or two bedroom apartments usually found in urban locations, ranging in standard from budget to deluxe. All are fully furnished and include:

- Ensuite bathrooms
- Fitted kitchen or kitchenette
- Lounge/dining area sometimes including a sofa bed or pull-down bed
- Working area, desk, office chair, internet access and direct telephone line

The hotel services usually available from extended stay hotels include:

- Reception desks – some manned 24hrs, others on limited hours.
- Daily or weekly cleaning and laundry service.

There are typically no restaurants, bars or lounge areas, although the level of services is generally higher than those hybrid aparthotels, which are usually a leisure- or resort-based product, and also come in standards of accommodations and range of services from budget to deluxe².

Key players

Regardless of being considered a relatively new sector, there has been significant movement in Europe in the aparthotel sector over the past ten years. Multiple new, large international brands have entered the

¹ HVS, Here to Stay – An Overview of the European Serviced Apartment Sector, July 2013

² The Global Serviced Apartments Industry Report 2013/14, 4th Edition

market, such as Residence Inn by Marriott (2011) and Staybridge (2012); there have also been a number of re-brandings, such as Suitehotel to Suite Novotel.

For the purpose of this report the focus will be on the key players in Europe.

Hotel brands

Adagio / Adagio Access

- A joint venture with Accor and Pierre & Vacances.
- The company acquired 100% of France's second largest operator, Citéa, in 2011 and is now the largest player in France.
- At mid-2016, the brand had 100 aparthotels with 10,864 apartments in eleven countries.
- Aparthotels Adagio, offers modern, spacious apartments with a fully equipped kitchen, as well as hotel services in urban locations for extended stays, based on tiered pricing from fourth night onwards.
- First established in 2007, the brand provides three product ranges: Adagio; contemporary midscale aparthotels in Europe's leading cities, and Adagio Access; economy range, functional aparthotels, which are only located in France and Adagio premium.
- Its development strategy is firmly focused on international expansion. Among the 31 projects with 5,147 apartment, the company is currently working on, some 1,115 apartments are in Europe. It is looking to develop in prime and secondary locations in international capitals, key cities and resorts and in just prime locations in major domestic destinations.
- Has started to franchise its concept, aiming to have 30% of its stock as franchises within three years. A master franchise agreement has been signed with Accor in Brazil which will enable Adagio to set up a network of 40 establishments.

Element

- Launched by Starwood in 2008 as an eco-friendly, lifestyle-driven extended stay brand. The first European property opened in 2014 in Frankfurt and another in Amsterdam in 2016.
- There are currently 22 Element hotels worldwide. By 2018 there are expected to be 46. Some of the development will be dual-branded hotel developments with both the Element and Aloft brands
- Since the Marriott takeover of Starwood, the brand has attracted much attention and it is thought that the development of the brand will continue apace.
- Some of the Element properties opening in the next few years include Element Dar Es Salaam (January 2017); Element Dallas Love Field (February 2017); Element Austin Downtown (August 2017); and Element London Tobacco Dock (September 2017)³.
- With business and leisure travellers looking for more unique spaces, Element is piloting a new guest room design that will feature a communal room in the centre of four guest rooms, allowing travellers to share a kitchen, dining room and lounge area. This will provide more collaborative space for groups who would like to spend time together in a more private setting⁴.

³ <https://skift.com/2016/04/22/despite-marriott-merger-starwood-isnt-easing-up-on-element-hotel-rollouts/>
Retrieved 04/01/2017

⁴ <http://news.marriott.com/2017/01/marriotts-first-ever-pop-innovation-lab-evolves-cutting-edge-aloft-element-hotel-brands/>

- Ascott continuously looks for strategic alliances with leading developers and business partners to propel growth in key markets. Its latest coloration with Quest Apartment Hotels offer 150 apartment hotels across Australasia strengthening Ascott's presence in Australia.
- Has a target to have 80,000 apartment units globally by 2020
- In 2015, Ascott entered into a 50:50 joint venture with Qatar Investment Authority to set up a USD600m serviced residence fund with an initial focus on the Asia Pacific and European regions.

Urban Villa

- Urban Villa was developed by Union Hanover and its backer EquityBridge Asset Management.
- The group opened a 100 unit Urban Villa in Brentford at the end of 2014.
- In mid-2014, it signed over two sites from its UK pipeline to rival brand, Accor. The transaction, which is understood to entail some form of long-term lease-style agreement, sees two development sites signed over to the Adagio flag.
- There has been no further development under this brand.

Vision Apartments

- A privately owned company with operations in Europe (Berlin, Lausanne, Mallorca, Munich, Vienna, Warsaw, Zurich) and it also has a growing global network based on official serviced apartment partnerships
- It currently has 1,040 units in eight locations.
- The focus is on architecture and design. Buildings are mostly developed, fully owned and operated by VisionApartments.
- New openings include Vevey (Switzerland) and Frankfurt (Germany) in 2017.

Zoku

- Zoku was developed by Hans Meyer, co-founder of CitizenM Hotels and Marc Jongerius, former partner of a mid-sized private equity buy-out fund. The holding company Zoku and Beyond BV is backed by the Dutch families.
- It currently has one location with 133 units in Amsterdam and is looking to grow into a global chain within the next decade. It recently won two sites in Paris and other targeted cities include large international creative hubs such as London, Paris, Barcelona, Vienna and Berlin.
- Zoku is a re-invented apartment hotel brand facilitating global living and working. It is a hybrid between a home and an office with the services of a hotel topped off with the social buzz of a thriving neighbourhood.
- The concept drastically reduces the GFA/room by combining hybrid-living (living and working) with spacious micro-living in the same space. It encourages social connections with cool social areas and connects locals and internationals.

Branded residences

Even though the concept of branded residences is not new, it has, over the past ten years, rapidly evolved globally. Branded residences are an amalgam of a typical real estate investment grouped with the concept of 'lifestyle'. They tend to fall into the upscale and luxury category and attract cash-rich and time-poor individuals who are constantly travelling.

Branded residences are characteristically managed by well-known hotel operators such as Ritz Carlton, Four Seasons and Jumeirah, and are therefore usually located adjacent to a hotel. This allows the resident owners to benefit from the use of hotel services, facilities and amenities.

Source: The Apartment Service

Europe

In terms of supply, Europe is the second largest global region for serviced apartments with some 114,000 apartments, although the relative maturity of individual country markets varies considerably.

The principal concentrations of serviced apartments in Europe lie in the business hubs of London, Paris, Geneva, Dublin, Brussels and Berlin. Yet, like so many of the global regions, the serviced apartment product in these locations varies according to the respective national standards.

The investment hotspots include Berlin, Munich, Frankfurt, Paris, Amsterdam, Barcelona and Rome.

Across Europe, Savills estimate that international branded supply accounts for 50% of existing serviced apartment stock.

Some industry commentators believe that the region's serviced apartment sector has reached a crossroads "between niche and mainstream", pointing to significant development, acquisitions and branding as evidence that the extended stay sector has marked out its territory.

The Global Serviced Apartment Industry Report (GSAIR) research has highlighted 114,012 serviced apartments in 1,889 locations in Europe compared to 57,856 serviced apartments in 593 locations in 2013/14. This represents rises of 97% in units and over three-fold in terms of locations served.

The top three brands are all French, not surprising considering that France has the longest standing serviced apartment sector in Europe.

Table 4: Leading European serviced apartment operators 2016/17

Brand	Locations	Units
Pierre & Vacances	226	20,020
Adagio & Adagio Access	97	11,200
ResidHome + Sejours et Affaires (France)	65	5,233
Park & Suites	55	4,937
Citadines	40	4,727
Suite Novotel	29	3,570
Derag Apartmenthotels	16	2,812
ResidHotel	33	2,437
Maeva	31	2,232
ATA Hotels	8	1,601
Total (incl others)	1,889	114,012

Source: The Apartment Service

France: the serviced apartments market in France is well-established, as evidenced by the number of branded operators, who make up roughly 50% of all supply. The sector is growing

Germany: the German market boasts around 470 apartment developments with more than 15 units, equating to roughly 23,000 serviced apartment units, of which 10% are managed by international brands.

will also help to foster more interest from developers and lenders as operating performance can be more easily compared and benefits thereby become clearer.

Standardisation of serviced apartments

Despite the fact that the demand for the serviced apartment industry is growing faster than new supply in many European markets, the industry continues to face a lack of standardisation in both product and distribution.

- **France:** Unlike the rest of Europe, the French serviced apartment market is characterised by a significant number of brands, rather than private operators. Given the slightly more advanced stage of serviced apartment lifecycle in France, it is not surprising that a relatively detailed classification system for serviced apartments exists. This certification is known as Résidence de Tourisme.
- **Germany:** The German serviced apartment market is the second largest in Europe, and has over the past ten years made significant progress in developing a certification scheme for serviced apartments. In 2014 a new seal was created, namely the Certified Serviced Apartment. The success of this new classification system remains to be seen.
- **The UK:** Unlike Germany and France, the UK has lagged behind, as no such classification system for serviced apartments currently exists. Efforts are being made to rectify this by HVS and another scheme is offered by the Association of Serviced Apartment Providers, which is broadening the scope of its quality assurance programme beyond immediate members. The rollout follows a successful launch across member properties. The scheme has also been adopted outside the UK, by a major serviced apartment operator in Amsterdam²⁹.

Changing of terms

A recent new development has been the number of companies moving away from the term serviced apartment in their branding in favour of aparthotel or apartment hotel.

Examples include Australia's market leader Quest spent AUD\$10m on a rebrand in 2015 changing its name from Quest Serviced Apartments to Quest Apartment Hotels. BridgeStreet Global Hospitality has added an aparthotel brand, Mode to its stable.

In the US, Jack DeBoer, known as the founder of the extended stay sector, has launched WaterWalk Hotel Apartments, having launched and sold Residence Inn, Summerfield Suites, Candlewood Suites and Value Place.

Entrance of private equity

The entrance of private equity funds into the sector, e.g. Patron Capital and EquityBridge Asset Management, and their level of committed resources, means that the expansion of purpose-built stock will be significant.

Barriers to Entry³⁰

Planning and zoning issues are another major hurdle for the extended stay market. Research by HVS revealed that many mixed use developments, for example, consider the inclusion of a hotel and/or apartments, but do not tend to entertain the possibility of having onsite serviced apartments. Therefore,

²⁹ Hotel Analyst Daily, 30/09/2014

³⁰ HVS 2014 Here to Stay – An Overview of the European Serviced Apartment Sector, July 2013

COMPACT/ CAPSULE / POD HOTELS

Concept

Tokyo was famously the launch location for the first capsule hotel, which in 1979 provided small sleeping spaces measuring just 2x1 x 1.25 metres, too small to stand up in, and stacked one on top of another.

Originally, located in and around international airports, capsule /pod hotels are micro rooms or nightly rental pods that provide minimally sized accommodation, with most offerings typically under 200 square feet. For the purpose of the report, the terms capsule, pod and transit are used interchangeably.

In recent years, the concept of transit hotels has expanded outside of Asia to other major international cities in Europe and Americas.

Main characteristics include:

- Limited room size
- Unique luxury design
- High-tech gadget features characterize all pod hotels, whether located in an airport or urban setting.
- Majority of pod hotel designs have a futuristic style and offer multiple innovative, technologically advanced amenities – features not found in a traditional hotel such as free wifi and automated self-check-in³².

Luxury qualities are accomplished by sacrificing space for price. Pod hotels can be an excellent alternative in locations where traditional hotels cannot be built, such as in airports and in the heart of major urban cities, where land available for development is limited and expensive, and high density projects are permitted. Transit hotels offer guests cheaper rates while simultaneously allowing owners to minimise costs by limiting the amenities offered.

While the capsule phenomenon itself has not gained much traction outside Japan, others have taken up the compact challenge, though generally they all offer a room guests can stand up in. Operator Yotel has made a virtue of its small rooms. At its airport locations, they are called “cabins” and likened to something that might be found on a cruise liner, measuring just 7 or 10 square metres for singles or doubles, respectively.

Yotel still calls the rooms in its Manhattan hotel cabins, albeit they are a little larger at 17 square metres each. Upcoming European brand citizenM has squeezed its room footprint down to 14 square metres, and Marriott’s new Moxy is built around a 17-square metre room; while Whitbread’s Hub rooms, developed for urban sites in the UK, absorb just under 12 square metres of floor space.

Within capsule/pod hotels, there are two main variations:

Urban pod hotels: these are located in urban cities and provide a cheaper alternative to traditional hotels by trading a smaller space for a lower price. Many of these pod hotels only provide the minimal amenities and communal bathrooms in tight spaces to cut down on costs such as labour.

³² <http://www.4hoteliers.com/features/article/7859>

These pod hotels attract younger travellers who do not want to sacrifice design for price, as well as middle-aged travellers on a tighter budget. Because of their environment/ surroundings, these properties focus on accessibility and proximity to increase convenience.

An ideal development location would be close to lively city centres that contain business, nightlife, restaurants, and entertainment. Additionally, these locations should be well connected by public transportation and be close enough in proximity to main points of interest that are within walking distance.

Airport pod hotels: are located right next to the airport and are aimed at travellers who need a place to take a quick nap or shower before connecting to their next flight, so are often rented by the hour.

Some of these airport pod hotels, such as Yotel, were actually inspired by first-class flights on regular airplanes. Although there are differences between countries, amenities, and services offered, it is clear that the pod hotel is a trend that is gaining popularity.

Properties at airport locations target travellers dealing with the inconveniences of modern air travel, thus the features are created to make their stay more comfortable while dealing with travel hassle. Yotel's airport hotel pods can be booked in 4-hour blocks, allowing travellers with semi-short layovers to grab a quick nap in a comfortable, yet convenient, environment.

Offering 4-hour blocks allows Yotel to turn more beds within a 24-hour period. These room rates are offered at a lower rate than overnight rates. Because these hotels are directly connected or in close proximity to the airport terminals, travellers can use an automated check-in system within the terminals for convenience. Airport pod hotels usually have a small food outlet and may contain a bar.

citizenM, Amsterdam Airport, has a 24-hour food outlet called canteenM. Airport pod hotels are characterized by their convenience to the exact location of arrival and departure by air for their guests.

Table 6: Examples of airport pod hotels

Airport	Hotel	Product
Amsterdam Schiphol	citizenM	<ul style="list-style-type: none"> Has 230 rooms 4 mins walk from Arrivals Hall 4 24-hr food outlet - canteenM
Amsterdam Schiphol	Yotel	<ul style="list-style-type: none"> located in the 'airside' or 'transit' area of the main terminal 'Cabins' are bookable by the hour with check-in and check-out times totally flexible
Sheremetyevo Airport Moscow	Sleepbox	<ul style="list-style-type: none"> offers single and double pod rooms available by the hour
London Heathrow	Yotel	<ul style="list-style-type: none"> Cabins, let in 4-hr blocks Direct terminal access
London Gatwick	Yotel	<ul style="list-style-type: none"> Cabins, let in 4-hr blocks Direct terminal access
Narita Airport, Tokyo	Nine Hours	<ul style="list-style-type: none"> 129 beds Access to showers, wifi, storage lockers and a shared lounge
Munich Airport	NapCab	<ul style="list-style-type: none"> Sleeping cabins with beds and desks, charged by the minute
Malpensa Milan	Moxy	<ul style="list-style-type: none"> Located at Terminal Two 152 rooms

Source: McKenney Research

HOSTELS

Concept

In the early 20th century, hostels emerged as a budget-friendly alternative to the traditional hotel, offering inexpensive accommodation to young travellers at the expense of decreased amenities.

However, modern hostels no longer solely attract the budget-conscious traveller. They also appeal to those seeking an interactive, socially driven accommodation experience by offering amenities such as extensive public space, group events, vibrant design and high-tech capabilities.

Hostels can be defined as a type of budget accommodation where typically guests rent a bed in a dormitory and share facilities, although there are more emerging that offer individual accommodation. However, since hostels are shared accommodation, there is less privacy for guests, which may be one reason why they are particularly favoured by teenagers and young adults rather than older travellers.

Hostels also appeal to the younger generation because they offer value for money, as well as a range of accommodation options, from dormitories of up to 20 beds, to single and double rooms with ensuite bathrooms. Another major attraction offered by hostels is the opportunity for social encounters with like-minded travellers from around the world.

Hostels encourage social interaction between guests and most provide common areas for them to mingle and socialise. Many also stage events or offer local tours to enhance their attractiveness to the nomadic bands of young adults who constitute their core customer base. Hostels are also generally located closer to city centres than comparably priced hotels, tend to have a more casual atmosphere than hotels and often promote adventure travel.

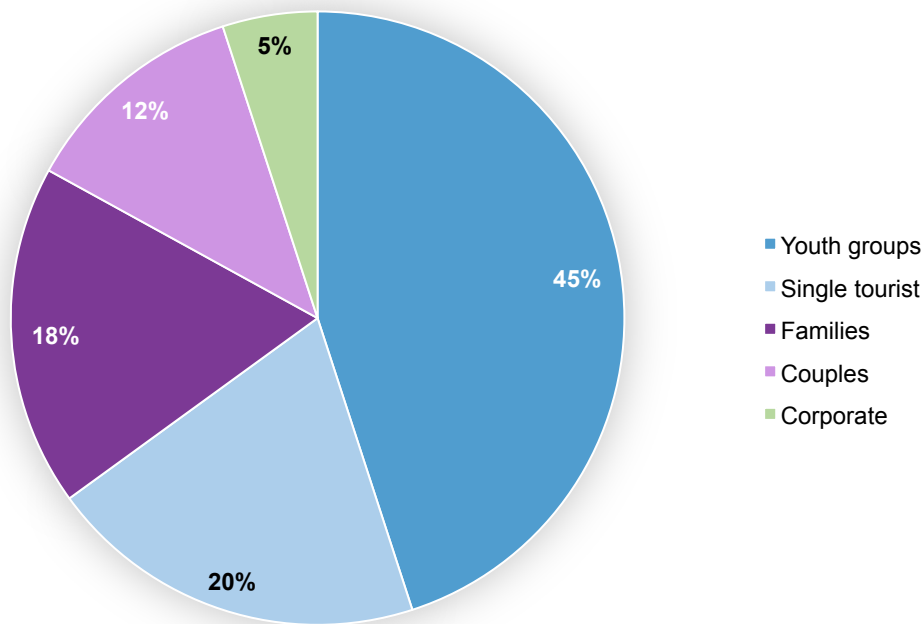
The European hostel sector has undergone significant changes and segmentation over the last couple of decades. The hostel sector is growing across Europe, as a new generation of travellers are prepared to share accommodation, in return for a great urban location. Many hostel offerings are now far from the basic youth hostel, providing a degree of luxury that elevates the accommodation into competition with good budget hotels. The generation that makes up the many hostels' clientele are prepared to share rooms with friends, affording them greater disposable income to spend on having a good time.

The hostel industry has experienced strong growth spurred by millennial travellers (aged 18-35) seeking to spend more money on longer trips and see as much of the world as possible. This travel bug has revolutionised the hospitality industry, as millennials are prioritizing social interactions and shared adventures with newfound friends versus the average traveller population.

The hostel itself is undergoing its own transformation to take a larger slice of the hospitality market. Private rooms and designer hostels are now the standard (9 in 10 hostels have private rooms), replacing the dormitory hostel image of the past.

This changing traveller profile and new breed of hostel are remaking the market. Even though millennial hostel travellers tend to be much younger and have a lower overall average income, they spend at similar or even greater levels than the general traveller population. One in four expect to be able to book their accommodations on their mobile devices, and 93% used their phone while traveling. As such, they can easily compare and contrast experiences on the go. Hostels have risen to the occasion by offering amenities

Chart 3: Segmentation profile of a hostel



Source: HVS – The Sharing Market – Commercial Hostels in Europe, July 2013

Investment

Traditionally present in Europe and Asia, hostels are today gaining traction in other global regions among both travellers and institutional investors. In the US, financing for hostel development has materialised in key gateway cities, including Chicago, Los Angeles, New York and Miami.

Having been under the radar for decades, the hostel industry is now beginning to attract investment, for example private equity player Patron Capital is involved in Generator, Moorfield Funds in Safestay and TPG Real Estate acquired A&O.

The hostels market is attractive to investors for a number of reasons.

- The spending power of backpackers has increased significantly
- The number of trips has risen dramatically
- There are many operators just providing a basic product. This gives new investors an opportunity to compete, with (at the very least) a higher standard of accommodation.

Hotel groups straddling both the hostel and hotel markets are likely to emerge as new investment opportunities and become viable alternatives to the budget hotel market.

The takeover of Meininger by Cox & King is an example of the movement by large operators into the hostel segment, with hostels sitting alongside their more traditional hotel offer. The acquisition was designed to create a leading hotel group across the hotel and hostel market.

Parella Weinberg Real Estate has invested EUR150m in Amsterdam-based The Student Hotel group to help with its expansion throughout Europe. Similarly, Patron Capital, owner of Generator brand completed a minority sale of the brand to Invesco Ltd of up to 23% in exchange for EUR60m of growth capital.

STUDENT ACCOMMODATION

Concept

Student accommodation is provided by:

- universities themselves, in halls of residence
- operators that are in partnerships with the universities running on-campus residences
- private rentals
- purpose-built student accommodation provided by the private sector

This report is not looking at student demand for accommodation during term time, but will focus upon the renting of student accommodation to the general public, out of term time. However, it is important to note that investment in the purpose-built student accommodation (PBSA) sector is in competition for hotels as an investment class.

The main changes to this market over recent years are the advent of purpose-built student accommodation in university cities, many of which are not university specific but aimed at providing accommodation for all students. The other change is the letting out of student accommodation - halls of residence and PBSA – outside of term time.

Student accommodation is obviously located in cities and towns with large student populations. Its guest profile is, as the name suggests, students during term time, but during holiday periods when students must usually vacate their rooms it is looking to attract tourists and travelling students.

Supply

Research for this publication has shown that the letting of out-of-term student accommodation (OOTSA) is quite a British phenomenon as many of the European universities do not offer this service.

Of the Russell Group Universities in the UK, only 25% did not offer some form of OOTSA, and of 75% that did, the majority offered their services via a third party website (such as universityrooms.com).

Key players

Universities themselves in halls of residence

The universities in cities such as Oxford, Cambridge and Durham are tourist attractions in themselves, and part of that attraction can be sleeping in Oxford colleges or in the castle at Durham University.

- Some 20 out of the 31 Cambridge Colleges offer out-of-term accommodation.
- Durham University offers accommodation in a number of its Colleges over Christmas, Easter & summer vacations. Whilst the university has over 6,000 bedrooms it does not offer all of these for business during vacations. During Easter vacation it offers 370 en suites & 430 standard bedrooms (with shared bathrooms.) During summer, it offers approximately 600 en suites & 1500 standards.

Table 9: Largest owners of student accommodation by number of beds (2016)

Operator	Owner/ Investor	Beds (approx.)	Summer lets
Unite Students	Operator	46,000	Yes – only to students
UPP	Operator	30,000	na
Vero (formerly IQ & Prodigy)	Operator	23,500	Yes – only to students
Liberty Living/CPPIB	Operator	19,800	Yes
CRM Students	Operator	18,000	Yes
Sanctuary Student Housing	Operator	13,000	Yes
Fresh Student Living	Operator	12,000	Yes – only to students
Campus Living Villages	Operator	8,700	Yes – under Summer Stays UK
Student Housing Company	Operator	7,200	Yes
Curlew Capital	Institutional	6,400	na
Empiric Student Property	REIT	6,100	na
Downing Students	Operator	3,000	Yes, but not at all sites
urbanest Student accommodation	Operator	2,000	Yes

Source: Savills Research/McKenney Research

CRM Students

Previously traded as Corporate Residential Management, became independent in 2003 following a management buy-out from Savills. CRM Students is the one of the UK's leading independent student accommodation managers. It has the expertise in both student care and property management.

With 18,000 beds, the company has been managing modern purpose-built student accommodation blocks for over seven years. It now operates a range of quality sites located throughout the UK.

It also offers summer lets in its student accommodation.

Campus Living Villages

Campus Living Villages (CLV) is a global student accommodation provider with services in finance, design, development, project management and operation of student housing. CLV is one of the largest higher education student housing providers in the world. At August 2016 CLV owned, managed or was developing over 40,000 beds at 61 properties in Australia, New Zealand, the UK and the US.

The Campus Living Villages Fund (the CLV Fund) is a specialist student accommodation wholesale investment vehicle comprising four stapled Australian managed investment schemes.

Established in January 2007, the CLV Fund is managed by the trustee Campus Living Funds Management Limited (CLFM), an internalised Fund Manager owned by the current investors of the Fund. CLFM is ultimately responsible for attracting investment, managing the CLV business and setting its strategic direction.

TEMPORARY ACCOMMODATION

Concept

The portable hotel is a self-contained accommodation product that is easily transferable and prefabricated. This type of hotel emerged in response to major demand generators and can be seen throughout the world near airports, railways, hospitals, offices and highly trafficked locations.

Given their relatively short set-up time and transportable nature, portable hotels offer immediate, temporary accommodation in areas lacking hotels, such as near remote TV and film shoots, music festivals, sporting events, disaster and emergency relief areas and military bases⁶².

Key players

Snoozebox: Snoozebox was the brainchild of Robert Breare, formerly of Malmaison and Arcadian hotel chain. The product was launched at the British Grand Prix in 2011, then the company listed on AIM in 2012.

Snoozebox provides comfortable, secure accommodation which is portable and does not require mains services such as power, water and waste drainage.

Snoozebox's products are based on ISO steel shipping containers with 9'6" height. Rooms within a container are typically fitted out to include an ensuite wet room, a double and a single bed, air conditioning, wifi, TV and a room safe.

Snoozebox has two principal markets:

- Events, such as motor racing, horse racing, golf, tennis and sailing; music festivals; county shows; and cultural events
- Contracts: accommodation required for longer periods of time, such as military deployments and civilian construction projects

A new substantially more efficient and flexible model – Next Generation Portable Hotel – has been developed to cater for the demand at short-term events. It was brought to market in late 2014. The first generation product will continue to be used to cater for the demand for longer-term deployments.

The projected build cost of the next generation rooms is c.GBP40,000 per room, compared with an average capital cost per freehold room at UK Premier Inn of c.GBP65,000⁶³.

The Snoozebox product is also well suited for semi-permanent or longer-term deployments, notably in workforce accommodation and consumer hotels. The company has stated that it is renting more its room stock on longer term contracts, looking to semi-permanent sites for expatriate workers or for local authorities with a shortage of housing. Around 300 units are now let on this basis. It is also launching new additions to its range, including a Snoozy pop-up room.

⁶² E&Y, Global Hospitality Insights: Top thoughts for 2014

⁶³ Edison Investment Research, Snoozebox Holdings, August 2014

Second home ownership

VACATION OWNERSHIP / TIMESHARE

Concept

Timeshare was originally a European idea but has proved to be a concept that developed faster in the US. In fact, predictions of explosive growth for timeshare in Europe have not been borne out, despite the fact there are 1.5 million timeshare owners in Europe compared to 460,000 in 1990⁶⁸.

Timeshare can encompass a number of different concepts, these include:

Classical timeshare schemes – the essence of which is that the user purchases an interval – typically in multiples of one week – in a holiday property with the right to use the unit each year, typically for a fixed term of between 20 and 80 years. Such weeks can be for fixed dates, floating dates or sometimes on a split-week basis depending on the precise terms of the deal. In addition, the owner pays an annual maintenance charge and generally acquires no equity interest in the unit purchased (although early versions of timeshare, especially in southern Europe, were sold in perpetuity). Other than where a deeded interest in property is sold, if the owner wishes to dispose of the unit during the period of his or her lease, they can only sell the time period for the residual number of years left on the original lease period.

Fractional ownership: a concept also associated with the acquisition of business jet aircrafts or boats – under the terms of which the purchaser acquires part-ownership of the equity in a unit within a given property. Typically, the fractions purchased are divided into larger proportions of a year than with timeshare, often between 1/6th and 1/10th of a year. The initial cost is therefore far greater than in the case of timeshare, as are the regular maintenance fees, and the target market is more affluent and often the quality of the property in which the fraction is acquired is higher than the mass market timeshare.

Private Residence Clubs: this concept is akin to the fractional ownership model and operates at its most exclusive end with costs to match. In the US, hotel groups such as Ritz-Carlton and St. Regis are active in this area. The investment, which is for a fixed number of days – usually somewhat fewer than traditional fractional ownership (averaging 1/7th – 1/8th fractions of a year – i.e. six to seven weeks in the US) operates in a manner similar to membership of an exclusive club. These developments – again, as with fractional ownership – tend to be smaller and in ultra-attractive destinations. The target market is those with high incomes and high liquidity. Sales and marketing costs are quoted as representing about 30% of costs, compared with 50% for traditional timeshares.

Points Clubs: whereby the purchaser acquires rights through a points system to the use of holiday properties which are priced according to season and location, and confer the right to occupy properties in multiple destinations as a result. Initially, points were awarded as a form of “currency” to holders of an interval – whether fixed, floating or split – but a later US model is now available in Europe from companies such as Macdonald where points can be purchased directly without the need to buy any interval, and can then be used either to buy time in a company’s timeshare units or hotels, or traded through exchange companies for other resorts or indeed for an increasingly wide range of travel services.

⁶⁸ PwC, Hospitality Directions Europe Edition, issue 12, September 2005

SHORT-TERM RENTAL MARKET

Concept

Short-term rentals of second homes (Urban): This is where furnished self-contained apartments are rented for short periods of time, usually by the month as opposed to annual rentals in the unfurnished apartment rental market. They are seen as an alternative to hotels. The apartments will vary from studio apartments to luxury apartments. 'Short Stay' rental is an offshoot of the corporate housing market. Popular uses include vacation rental and relocation.

Facilitated by online intermediaries, a growing number of second home owners are seeking to rent out their properties as an extra income stream, and, more recently, city residents have begun offering space in their primary residences for short-term let. However, the sector is often less clearly regulated than other forms of commercial accommodation and, in this most independent of travel sectors, companies often bear little responsibility for the quality of the holiday experience other than providing a channel between owner and renter.

The issue with the rise of short-term letting in urban environments is that private landlords are competing in the corporate housing market. For example, London agents like Foxtons are offering short-term lets (less than six months) with the focus on tapping into private landlords.

Holiday home rentals: Holiday/leisure destinations for shorter time periods – a week or two. The number of second homes overseas owned by households in England is estimated to have trebled from 129,000 to 389,000 through the course of the last decade, the most conspicuously affluent manifestation of the UK's love affair with Spain, France and other overseas holiday destinations.

However, in recent years, overseas holidays have been eclipsed by staycations, and the property market has been impacted heavily by the harsh economic climate.

In spite of the increase, second home transaction volumes remain low but consumer search activity is high and gathering pace – although prices are still falling in many locations and buyers are wary of getting their fingers burned.

Holiday properties abroad are properties owned by UK citizens that are used for personal or commercial purposes, or a mix of both.

There were an estimated 9.9 million holidays taken in rental property during 2013, either in the UK or overseas. Privately owned accommodation has entered the tourism mainstream, competing alongside hotels, holiday resorts and cruises.

Growth in European real estate markets

The growing interest in residential retreats comes at a time when urban real estate has been the biggest growth story of the last five years. City property defied the credit crisis, even in some European countries that it hit the hardest. Strong price growth was seen, especially in world class cities, while many out-of-town markets languished and fell in value.

But while cities may have been the growth story in the last five years, it is likely to be city getaway locations that reveal the most promising growth in the next five years. With many first tier world cities now looking fully valued, real estate buyers are casting around for alternatives. Some may find what they want in secondary markets and second tier cities, but others will spot the immense buying opportunities that now exist in the

Care giving

SENIOR LIVING

Concept

There are several types of senior living. These are:

Retirement housing: defined as accommodation where older people have their own dwellings and front door but share communal areas, such as lounges and restaurants, with facilities and staff on hand to provide round-the-clock support.

Assisted Living: a name used by some private sector providers as an alternative to very sheltered housing; also for a US model of hotel-style care facility for older people who can no longer live on their own at home but don't need 24-hour complex medical supervision.

Care homes: a residential setting where a number of older people live, usually in single rooms, and have access to on-site care services. Since April 2002, all senior living homes in England, Scotland and Wales are known as 'care homes', but are registered to provide different levels of care:

A home registered simply as a care home providing personal care will indeed provide personal care only - help with washing, dressing and administering medication.

A home registered as a care home providing nursing care will provide the same personal care but also have a qualified nurse on duty 24-hours a day to carry out nursing tasks. These homes are for people who are physically or mentally frail or people who need regular attention from a nurse.

Some homes, registered either for personal care or nursing care, can be registered for a specific care need, for example dementia or terminal illness.

The reason this sector is included in the report, is that the development of these types of living accommodation are in competition with hotels, both in terms of investment finance and development opportunities. Also the investment by US REITs in this sector in the UK could eventually transform care for the elderly here, as US-style retirement villages and five-star-hotel type accommodation grow in popularity.

Supply

- The size, ownership and residents of elderly care homes have changed during the past 30 years.
- Around 500,000 elderly and disabled people live in long-term residential care in the UK, but only one in 10 are now in council or NHS-run institutions.
- Voluntary and not-for-profit companies account for 57% of the independent sector compared with only 5% in 1989, according to the latest figures from market analysts Laing & Buisson.
- The newer, purpose-built homes are much bigger, and residential care is increasingly focused on people with complex conditions such as advanced dementia or Parkinson's.

HOSPITAL ACCOMMODATION

Concept

Some hospitals manage a range of accommodation for staff, visitors, relatives and outpatients to the hospital.

Many provide accommodation blocks for staff and some hospitals – the larger ones or those as recognised centres of excellence – may offer accommodation to patients and their families.

For example, if the team caring for a patient feels that they do not need to stay on a ward during their treatment, but that they still need to be nearby in case of needing medical attention, they may refer the patient to accommodation provided by the hospital.

This sector is deemed an alternative accommodation provider as previously patients and their families would have stayed in local hotels, whereas now they can stay in purpose-built accommodation for their recuperation period. Some developments have been equipped with specialist facilities needed by patients – wet rooms, hospital beds etc. This sector obviously overlaps with care homes as well, as some elderly patients may stay in care homes whilst they recover from operations or procedures.

Supply

Examples of hospital accommodation on offer in the UK:

- Guy's and St Thomas' have several properties set aside for this purpose.
- Great Ormond Street Hospital offers two types of accommodation: patient accommodation is located in the Patient Hotel in Weston House. This provides accommodation for a child and their parents/carers before their admission to GOSH for an inpatient stay, day case procedure or after their discharge. Priority is given to families who live outside of London. Family accommodation: the hospital has family accommodation in various locations in and near the hospital. GOSH guarantees accommodation for one parent only.
- University College London Hospitals: There are two options – The Cotton Rooms and Paul's House. All patient accommodation is arranged by a patient's clinical team. The Cotton Rooms, a new patient hotel, is available for patients who need ongoing hospital treatment but are well enough to not need a hospital bed overnight.
- Paul's House provides a 'home from home' for children and young people and their families coping with cancer. It is run by the UK's leading cancer charity for children and young people, CLIC Sargent.
- Papworth Hospital - For friends and relatives who wish to stay nearby, the hospital offers rooms in a fully equipped, shared house which is within a few minutes' walk, in the centre of Papworth Everard village.
- Addenbrooks Hospital – Short-term and overnight accommodation is available on the campus for visitors.

Ownership – by charities and NHS Trusts

Investment

Either by NHS or private individuals.

Alternative holiday accommodation providers

HOLIDAY PARKS / CARAVAN PARKS / CAMPING

Concept

Holiday parks refer to parks or villages that are made up of purpose-built chalets/lodges. However, many holiday parks diversify their product offering to also include apartments, static caravans, pre-pitched tents and pitches for touring caravans and camping tents.

Camping and caravanning refers to holidays that use tents, trailer tents, touring caravans, caravan holiday homes (statics), park homes and motorhomes as accommodation. Holidaymakers may own or rent their equipment, and can travel to their destination carrying their tent or towing their caravan or trailer tent. Alternatively, they can stay in caravan holiday homes or tents that are already in place at the camping or caravanning park.

As there is so much overlap, for the purpose of this report, holiday parks, camping and caravanning will be discussed together.

Supply

Whilst some major companies are involved in the holiday park segment, the majority of parks are family owned and managed.

The main campsite operators are Eurocamp, Key Camp and Canvas Holidays. Originally established to provide pre-pitched tents in Europe, now their product offering not only includes tents but also chalets and static caravans.

However, holiday parks/villages (with just chalets) and holiday parks offering a full range of accommodation options are more developed.

Key players

Table overleaf highlights how many of the leading operators no longer focus upon one area, but in order to retain customers and meet the needs of the new customers, have invested in and diversified their accommodation product.

DEMAND

THE SHARED ECONOMY

Concept

With the global economic downturn and increasing trust of the internet and online payments, there has been a major shift towards access of goods over ownership of them. The travel industry is the sector most affected by the meteoric growth of sharing and collaborative consumption.

The concept of the sharing economy is not a new one, but it has exploded in recent years thanks to increased consumer awareness to the idleness of their assets. Peer-to-peer holiday rentals and car-shares have been around for years, but efficient online payments and trust in ecommerce have made sharing into a viable alternative for the mainstream. Start-ups like Airbnb, Carpooling and Lyft have seen strong growth. They are now operating on such a scale that they are matching mainstream hotels and transport companies in convenience, and usually beating them on price.

The growth of collaborative consumption is not just about budget conscious travellers settling for a cheaper option, however. In fact, it is growing in popularity for high-end consumers. Trust in strangers and desire to travel like a local rather than a tourist are also on the rise. Sharing and communing with locals is the best part of participating in collaborative consumption.

While this trend has implications for the hospitality industry, it does not mean that they cannot incorporate the best of the sharing economy and stay relevant⁹⁵.

The main drivers of the shared economy have been identified as technology, cost consciousness, environmental concerns and a resurgence of community.

Differences between holiday rentals and peer-to-peer hotels

Renting out another person's home is nothing new. Prior to the internet, classified ads and listing services compiled rentals based on destination. Now online, for an annual subscription, homeowners can meet potential renters and negotiate directly online. When the buyers and sellers, or renters and landlords agree, the former sends the latter a direct payment.

The major difference between holiday rentals and sites such as Airbnb are the type of owners that use them.

Companies such as HomeAway (offers vacation rentals) allow people to do something with their second asset. For example, some people buy property as an investment for retirement and rent it out until that time. The majority of second homes are rented for most of the year while the owner is only there a few weeks a year. Most inventory for holiday rentals is located in tourism locations near beaches and mountains.

Airbnb, by contrast, is more popular with travellers and hosts in big cities. As the business matures though, there are less private couch surfing-style deals available and more rentals are available in either entire apartments or a private room in an owner-occupied home.

⁹⁵ Skift Report, What the Sharing Economy means to the Future of Travel, 2013

Bleisure Guest

While tacking a few vacation days onto a business trip is hardly a new phenomenon, what is different is that the practice has certainly become more prevalent in recent years.

The hospitality industry has taken notice, too. In targeting customers who combine business and leisure, hotels and destinations have even coined a new term: bleisure. The word might not have entered the general lexicon just yet, but it is popping up in hotelier conclaves, on social media platforms and in innovative marketing campaigns.

According to a survey conducted by online travel booking giant Expedia, of some 8,535 global business travellers, the mixing of work and leisure during business trips is widespread and particularly favoured by Millennials -- the generation spanning ages 18 to 30. The survey, released October 2013, found 62% of Millennials had extended a business trip into a personal vacation, compared with 51% of those between ages 31 and 45, and 37% in the 46 to 65 age range.

For example, some hotel companies have strategies in place to market to this segment:

Accor announced a new branding strategy in May 2013 for its upscale Pullman Hotels & Resorts, which included a new motto, "Work Hard, Play Hard," and the company has since begun to promote Pullman as a space for both meetings and short weekend breaks.

The brand's new attitude is built entirely around bleisure. "To differentiate ourselves in this market, it is imperative that we offer our guests emotion," said Gregoire Champetier, the company's global chief marketing officer, in a statement. "Every trip must be an enriching experience that enhances performance and creativity at work without losing sight of the enjoyable and social dimension of travel. We have rethought Pullman's positioning to respond to this fundamental trend."

To help convert business travellers to extended leisure guests, Pullman has launched a Connectivity by Pullman promotional package at more than 50 of its hotels, which includes features such as discounts at its bars and restaurants, on-demand television programmes, a complimentary breakfast buffet and free Internet access.

Westin Hotels & Resorts rolled out a weekend package in 2013 that includes late checkout, extended breakfast hours, and in-room information about local attractions and events, all aimed at enticing business travellers to add leisure time to their trips.

"Extending the group rate pre- and post-meeting is actually the number-one request of our groups," says Bob Jacobs, vice president, brand management, Sheraton & Westin North America. "Millennials in particular extend their stay to personal time. But we are also looking at adding more activities and amenities for any attendees who bring their families along, because it is such a hot topic right now. I would say to stay tuned."

While Westin was the first of parent company Starwood Hotels & Resorts Worldwide's nine brands to respond to the bleisure trend, **Sheraton Hotels & Resorts** is also getting into the game. In 2012, the brand launched a wine-tasting social hour at 240 participating hotels around the globe. Typically, the social hour is held three to four times during the work week, but many properties are extending it through the weekend to cater to business guests staying on.

¹⁰⁶ <http://www.telegraph.co.uk/travel/travelnews/11086679/The-rise-of-multi-generational-holidays.html>. Retrieved 03/11/2014

Some numbers

The rise in bleisure travel — mixing business with pleasure or “leisure” — improves job satisfaction and loyalty and is more common among younger rather than older workers, according to results of a new worldwide survey.

The latest survey from BridgeStreet Global Hospitality polled 640 international travellers and found that most bleisure travellers tack on an average of two vacation days to their business trips.

More than half of respondents also said they’ve brought family members or their other half with them on such trips and most (78%) agreed that adding vacation days adds value to their work assignments.

The most popular bleisure activities are sightseeing, dining, arts and culture.

The survey also found that an overwhelming majority of younger traveller’s — aged 35 and under — are more likely to take advantage of a business trip to soak in the sights: 94% of travellers in this age group said they’re likely or more than likely to take a bleisure trip in the next five years. That compares to the worldwide average of 60%.

Meanwhile, a similar survey of 2,020 American travellers released earlier this month found that about half (49%) of American adults used their business trips to discover a new destination.

The Hotwire.com survey also found that younger travellers — defined as 18 to 34 — were more likely to mix business with pleasure compared to their older counterparts (aged 35 to 44) at 56% and 37% respectively.

For those who don’t take advantage of bleisure trips, the online booking site points out that hotels drop their room rates once corporate groups leave and conventions end — typically Thursdays, to offer visitors an incentive to stay longer¹⁰⁷.

THE FUTURE

Despite the growth in popularity among international travellers, some alternative accommodation products present key challenges for the traditional hotel user and accommodation investor.

From an investor standpoint, these products are often viewed more as a temporary fad rather than a long-term investment, although evidence shows this may be changing.

Historically, the quality and services provided have been perceived as inconsistent by guests, especially in hostels and serviced apartments. As a result, owners have found it difficult to ‘brand’ these segments and have turned to capital investment in renovations or ground-up development to better ensure consistency among properties.

Nonetheless, despite certain challenges, the alternative accommodation sector offers great potential for development, as the changing tastes of travellers, the limited accommodation supply growth and heightened travel activity continue to drive demand for alternatives to the traditional hotel¹⁰⁸.

¹⁰⁷ <http://www.themalaymailonline.com/travel/article/bleisure-travel-a-growing-trend-among-youngsters>.

Retrieved 01/12/2014

¹⁰⁸ E&Y, Global Hospitality Insights: Top thoughts for 2014