

REPORT: MILLENNIAL TRAVELERS ARE FUELING A HOSTEL REVOLUTION

Alternative Accommodations on the Rise as 18- to 35-Year-Olds Spend More Money on Travel Adventures

Hostelworld today reveals the primary set of findings from the first ever Hostel Trend Report, commissioned with independent travel research company Phocuswright. The hostel industry has experienced strong growth spurred by millennial travelers (aged 18-35) seeking to spend more money on longer trips and see as much of the world as possible. This travel bug has revolutionized the hospitality industry, as millennials are prioritizing social interactions and shared adventures with newfound friends versus the average traveler 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. The highest revenue growth areas are in desirable markets for millennial travelers, including South and Southeast Asia (13 percent), followed by the Middle East (11 percent), Eastern Europe (11 percent) and Northern Asia -- spearheaded by China - (10 percent). There remains a strong opportunity for growth in major hospitality markets in Europe and the U.S.

This changing traveler profile and new breed of hostel are remaking the market. Even though millennial hostel travelers tend to be much younger and have a lower overall average income, they spend at similar or even greater levels than the general traveler population. One in four expect to be able to book their accommodations on their mobile devices, and 93 percent 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 that cater to a more demanding clientele, such as free WiFi, on-site food and beverage, daily cleaning services, social events, bicycle rentals, libraries and media centers.

Here are some of the report's other key findings.

Understanding the Hostel Traveler

More than 70 percent of hostel travelers are millennials, 15 percent of whom have used a hostel in the last 12 months. Compared to other traveler types, they stand out as being undeterred in their passion for travel. 86 percent of millennial hostel travellers said, "I plan to travel as much of the world as I can in my lifetime," and 87 percent said, "I consider travel a very important part of my

lifestyle.” The research shows that hostel travelers take more trips across markets than any other traveler type, and they are more likely to go abroad. In the U.S., 85 percent of millennial hostel travelers took an international trip in the past 12 months - compared to just 33 percent of all U.S. leisure travelers.

Hostel travelers are the social butterflies of the travel world. The majority of U.S. hostel travelers (72 percent) are solo travelers – seeking social connections. They’re also likely to spend more on trips. Amazingly, on average, hostel travelers spend more on travel annually in absolute terms (\$4,474) than the general traveler (\$3,155). In the U.S., spend is significantly above average - a reflection of their remarkable passion to see the world.

The Market Opportunity for Hostels

Hostels have marked a major transformation of the hospitality industry, and many travelers are now attracted to alternative accommodations. The hostel industry is projected to grow seven to eight percent year-over-year, currently valued at \$5.2 billion in bed revenue. Guests ranked low cost (44 percent), convenient locations (44 percent), high overall value for money (43 percent) and opportunities to meet other travelers (31 percent) as the top reasons to choose hostels. Unlike hostels of the past, today, 9 in 10 have private rooms in addition to dorm rooms or traditional shared rooms – and incredibly, there are now more private rooms than dorm rooms per hostel.

The U.S. (along with Canada) accounts for just three percent of properties and 10 percent of global hostel revenue, whereas the U.S. alone represents 28 percent of global hotel revenue. But, instances of hostel travel among U.S. travelers is roughly equivalent to that of European and Asian travelers, suggesting an opportunity to tap into domestic demand if the supply was available. Emerging markets are seeing the largest expansion in the hostel industry, whereas 4 in 10 hostels in developed markets have been in business for more than 10 years, just 1 in 10 hostels in emerging markets have been around for that long. The largest double-digit revenue growth will be in South and Southeast Asia (13 percent), followed by the Middle East (11 percent), Eastern Europe (11 percent) and Northern Asia -- spearheaded by China - (10 percent).

Online channels are driving the majority of spend -- accounting for two-thirds of global hostel revenue in 2014 (compared with less than 40 percent of hotel gross bookings globally). Online Travel Agents are driving these bookings – in fact more than 70 percent of online gross bookings are made via an OTA.

“It’s astounding how much the hostel industry has transformed in the last five years alone,” said Feargal Mooney, CEO, Hostelworld. “Today, we’re seeing luxury hostel accommodations that are

offering the perfect balance of privacy, amenities and social activities. The millennial travel demographic is perfect for hostels as they're spending more of their time seeing as much of the world as possible. Hostels allow for serendipitous, adventurous things to happen in more places, and let millennial travelers get more value for their money."

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