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MEGATRENDS
TRAVEL

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THE CHANGING HOTEL, TOURIST AND DESTINATION

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Keeping up with the trends

Europe is the most visited tourist destination in the world with five EU countries among the world's top 10 destinations. Over half of the EU population take at least one holiday per year with an estimated 1.2 billion tourism trips made in 2014. Tourism plays an important role in the EU with over 35 million people employed in the tourism industry and the figure expected to rise 1.2% annually. The hotel industry is having to adapt rapidly to in order to keep on top of the emerging trends and changing demographics.

In our fifth issue of Megatrends in European Real Estate, we look at the changing demographic trends, traveller behaviour and destination choices and how they are shaping the future of the hotel and travel industry.

> " Last year, the 65+ age group spent €401 on a domestic holiday and €934 when travelling abroad "

World Tourism Organisation (UNWTO)

The
2030 Tourist

What impact will the changing tourist have on the tourism industry in 2030?

THE SILVER TRAVELLER

Over the past decade, the number of silver travellers (travellers aged 65+) has been rising and with 48.1% of EU citizens aged 65+ travelling abroad. Europe will be the preferred destinations for senior travellers from Asia and the Middle East due to advanced infrastructure and transport links, and a hotel and travel industry.

Improving health and greater disposable income means that silver travellers are more likely to indulge in holidays than previous generations. During the 2008 financial crisis, the 65+ age group contributed significantly to their travel sector which counterbalanced the cuts to the travel budget Millennials (aged 21-34 today) and Generation X (aged 35-49 today) were making during this time.

The silver travellers are a goldmine to the travel industry with the time and finances to travel more than the Millennials and Generation X so the tourism sector is tapping into the changing demographics by increasingly catering holiday packages towards Baby Boomers and Generation X.

Previously, off-season would be a quiet time for the holiday hotspots, however, with the freedom to travel out of the peak season, the industry will target the time and money rich silver travellers to fill the quiet seasons. Organised tours will still appeal to the older generations but with alternative destinations and activities being the preferred choice.

The European tourism industry will target the silver traveller with experienced based getaways such as sports holidays and retreats in off the beaten track locations.

Furthermore, the mature traveller is likely to take several holidays per year so likely to try different activities and locations on each trip. By 2030, due to changing holiday demands from the silver traveller, we will see a greater crossover of generations visiting the same holiday hotspots.

THE SINGLE TRAVELLER

As well as an increase in silver travellers, holiday companies will be targeting the rise of single travellers. According to Skyscanner, single travellers accounted for 24% of all travellers in 2015; up from 15% in 2013. A greater mix of generations from female travellers, silver travellers and the young backpacker are looking for holidays with like-minded people without having to compromise on dates, location and activities.

The travel industry is becoming more accommodating to single travellers so will reduce the single supplement and target more deals to solo holiday makers. All generations, having been accustomed to using online booking services for over ten years, will find planning, booking and amending the holiday a smooth process thanks to digital advances in online booking.

Blogs, travel alerts and travel apps will enable solo travellers to tailor trips around their travel preferences and the sharing economy will further remove the fear of spending a lot of the holiday time without friends or family. A family or a group of friends holidaying together will be more inclined to undertake solo activities thanks to increasing sharing platforms and chance to meet other interested travellers. Europe will continue to be the favoured destination for solo travellers thanks to improvements in infrastructure and fewer safety concerns.

THE BUSINESS TRAVELLER

The needs of the business traveller will change very little by 2030 but hotels are already altering their layout and design to ensure the business traveller has a stress free and relaxing experience whilst at the hotel. Business travellers were able to check in and update their travel preferences on their mobiles and tablets; by 2030 facial recognition software will be increasingly in use across hotels, limiting interaction between the hotel guests and staff, speeding up the check in process, and further personalising the hotel experience.

Travellers will no longer be willing to wait having been accustomed to 10 years of fast paced automation at airports and hotels. Therefore hotel loyalty programmes will adapt so that travellers' preferences are stored and updated with each trip creating a personalised experience.

New technologies in 2030 will change the way we experience the business hotel. Interactive motion detectors and sensors will react to hotel guests' movements enabling hotels to cater the facilities around the guests' preferences. 3D motion technologies will create an interactive business environment in on-site business centres where the business traveller will be able to interact in real time with colleagues in other cities in order to create an authentic meeting environment.

The layout of the hotel lobby and hotel room is already changing to offer more social spaces. As most business travellers will be travelling alone, the hotel lobby will become more of a social space as well as a work space whereas the hotel guest room will continue to shrink in size. Hotels, trying to compete with the Airbnb model, will aim to become a home away from home with a comfortable lounge and bar area, creating an informal environment to work or relax.

THE ETHICAL AND GREEN TRAVELLER

Leading Eco Hotels Europe
- Hi Hotel – Nice, France
- Qbic – London, UK
- Treehotel – Harads Sweden
- Starhotels E.c.h.o. – Milano
- Inspira Santa Marta - Lisbon
- The Scarlet Hotel – Cornwall, UK

Source: Savills Research

Ethical, philanthropic and green travel will be an even greater part of our culture in 2030 with ecotourism being one of the fastest growing sectors in the travel industry. Millennials and Generation Z (born after 2000), having grown up in an era where the "Go green" motto was prevalent, will want to continue their ethical and green lifestyles when away from home. About 73% of the Millennials and Generation Z are willing to pay more for sustainability, compared to 51% of Baby Boomers.

Ethical and green travel will no longer be a niche area of the travel industry but will be increasingly intertwined with our everyday travel choices. Tourists will be better informed, and therefore, more demanding when choosing sustainable hotels and travel options. Just as hotels have a star rating, by 2030 hotels we could see hotels display their carbon footprint.

Hotels simply requesting guests to conserve water and reuse towels will not be enough to attract the environmentally aware tourist; travellers will expect hotels to make as little impact on the environment as much as they have come to expect online bookings and free WIFI, yet they will not want hotels to compromise on comfort and amenities.

The green traveller will still expect delicious food but will expect the food to be locally sourced, and they will still expect charging pods for their devices but will expect the electricity to come from an energy saving medium such as solar panels.

A hotel advertising itself as "eco" will no longer be a selling point to the savvy traveller in 2030, nevertheless, tourists will be more likely to choose a hotel advertised as "ethical" over a rival hotel providing the price is the same. In order for hotels to market themselves as green and ethical, they will need to demonstrate they use renewable energy, waste is at a minimum, they are giving back to the local community, and, hotel staff are being paid a living wage.

Airlines passengers will not be willing to forgo the convenience of air travel in order to label themselves a green traveller, but they will choose airlines who invest profits into environmental causes to offset their carbon footprint. Airlines will increasingly offer incentives to passengers who choose to purchase carbon credits when booking flights and will take greater steps to recycle onboard waste.

The ethical and green traveller will be more willing to choose restaurants where the food is locally sourced and tourists will experience the destination as a local. The new generation of ethical travellers will still be willing to participate in conservation and voluntary projects. Most of the ethical and green tourism will be around restoration as heritage sites become more popular and see an increase in visitor numbers and are slowly becoming more damaged.

Ecotourism is the fastest growing sector of the tourism industry expanding by 20% to 34% every year

(World Tourism Organisation (UNWTO))

In 2014, 11.4 % of the total number of trips were for professional purposes

Eurostat

Accessing
the inaccessible

Social media will continue to influence where and how we travel in 2030

40% of the world's total international tourist arrivals in 2016 were to EU countries

The tourist in 2030 will be less fearful of new destinations than previous generations thanks to improved transport links, better connectivity and social media sharing platforms. Our holiday destination choices will be based on fellow travellers' recommendations, further removing the usual holiday risks and allowing travellers to move beyond their comfort zone.

By 2030 virtual reality will allow holiday makers to experience their potential destination, hotel, airline, etc before committing to their preferred holiday choice. They will spend more time visually observing their destination through digital portals uploaded by holiday makers with sounds and scents to complement what they are viewing.

Written reviews will appear alongside the virtual review meaning the 2030 holiday maker will spend less time researching but thanks to the virtual tours and reviews, they will feel more comfortable to choose a location on a whim and remove the fear of an undesirable destination.

> " By 2030, being disconnected, even momentarily, will become a novelty "

There will be very few untapped destinations in Europe by 2030 so the traveller will be more interested in showing off what they are doing on holiday via social media. The tech savvy Millennials and Generation X, having grown up with online sharing platforms, will choose destinations based on what they see shared by their peers and celebrity idols on social media.

Holiday beach snaps will no longer be enough, the new traveller will need to choose extreme destinations and activities in order to gain recognition. Travellers will be partaking in more ostentatious activities in order to share with their peers and gain status. The more unusual the location and activity, the more acknowledgment so Millennials and Generation X will increasingly resort to extreme sports and thrill seeking experiences.

Thrill seeking holidays will have economic benefits as the extreme traveller will be more likely to spend more on activities and tour guides while exploring off-the-beaten-track destinations. The thrill seeking sports traveller may have to search out new destinations by 2030 as governments begin to feel the effects of climate change and previous hotspots will need to limit visitor numbers.

EXPERENTIAL LOCATIONS

By 2030, the traditional holiday package will not be enough to entice Millennials to choose a particular hotel or destination. The new generation will travel to experience their surroundings as a local and have information on hand to create a personal and unique holiday experience.

The hospitality industry will not only be offering guests a room with all the usual add-ons, but will be creating personal experiences mixing comfort with local cuisine and becoming a gateway for the traveller to feel at home while having the comfort of a hotel. The hotel industry will be increasingly trying to compete with the home-sharing platforms on offer to tourists so will increasingly attempt to become a home away from home.

Hotel rooms will complement the personal touch holiday-makers are seeking with guest preferences being accommodated from the film selections on TV to their favourite drink in the mini-bar.

The new generations of travellers will want to explore deeper into the local culture and avoid the organised tours aimed at tourists. The new tourist will visit the city hotspots but will make more of a conscious effort to find the hidden gems in each city and live the city like a local. Increasing connectivity will make this easier than it was for previous generations.

The generational digital divide, while still prevalent, will narrow further by 2030. The silver travellers will also choose their holiday destinations based on online reviews and virtual portals. They will also be willing to venture beyond the tourist hotspots thanks to improved connectivity while travelling.

While the majority of travellers will use a holiday as a chance to live stream the sites they are visiting, a select number will use their holiday time as a rare chance to disconnect from life online.

A strong polarisation will occur between those who want to broadcast every

experience abroad and those who want their travel time to be a sanctuary away from the online world.

The traveller in 2030, from all generations, may rebel against the use of facial and voice recognition technology as they will see it as an invasion of privacy and potentially a security risk.

By 2030, being disconnected, even momentarily, will become a novelty - unable and unwilling to compete with the tech hotels - will target the nomad traveller who wants to live life as a backpacker the way the Baby Boomers and previous

generations did without the need to be connected 24/7. The sanctuary away from the online world will further increase the opportunity to recover and promote self discovery.

NO UNKNOWN DESTINATIONS

With the increase in tourists, very few destinations in Europe will be unexplored. There will be no new destinations by 2030 so the Millennials and Generation X will seek out destinations and places which are not yet open to the average traveller. The thrill seeking adventurer will travel to areas previously out of bounds due to conflict or lack of suitable infrastructure.

While all generations will be searching for the latest untapped hotspot, by 2030 we will see a polarisation in destination hotspots and travel choices.

While many tourists will be avoiding the classic sites because of the crowding, an increase in travellers from outside Europe (2%-3% annual increase in outbound tourists forecast from 2017 according to the UNWTO) will mean historical sites will need to limit numbers resulting in an increasing urgency to visit before the sites become restricted.

The previously accessible sites will now become inaccessible so the new generation of travellers will not have the access to destination hotspots previous generations enjoyed. ■

FIG 1: Europe's Fastest Growing Destination Cities by visitor spend (bn) (2016)

HAMBURG	$1.5
BERLIN	$5.0
ISTANBUL	$7.5
COPENHAGEN	$0.9
LISBON	$1.4
BUDAPEST	$1.0
DUSSELDORF	$2.0
BUCHAREST	$0.3

Source: Mastercard

FIG 2: Top European Cities - International Overnight Visitors (m) (2016)

LONDON	19.88
PARIS	18.03
ISTANBUL	11.95
BARCELONA	8.20
AMSTERDAM	8.00
MILAN	7.65
ROME	7.12
VIENNA	6.69

Source: Mastercard

The
impact on property

How operators and investors will adapt to the changes

Evolving consumer preferences are and will, have a significant impact on tourist accommodation demand. This is reflected in the number of brands targeted at specific traveller groups that the large hotel groups have launched in recent years. It is also being reflected in the type of overnight accommodation being developed. While hotels will continue to account for the bulk of tourist accommodation in 2030, the market share of 'alternative' hospitality accommodation sectors, such as serviced apartments/ apart-hotels and hostels, will have increased. The benefit to investors and developers is that this will further widen the property solutions available to them.

The recent focus has been on developing brands that appeal to the 'millennial urban traveller', however the number of affluent 'silver travellers' that will exist in 2030 means we will see more brands targeting this demographic. Yet, the 'silver traveller' of 2030 will be very different to that of 20 years ago. In fact we suspect a significant majority of this group will have more in common with the urban millennials of today both in terms of where they want to visit and what they want from their accommodation.

For developers and investors the real impact will be apparent in the built structure and internal servicing required by operators. The hospitality industry is already driving improved sustainability standards across its operational

> **The real opportunity for operators and investors will be the broader range of destinations travellers will want to visit across Europe in 2030**
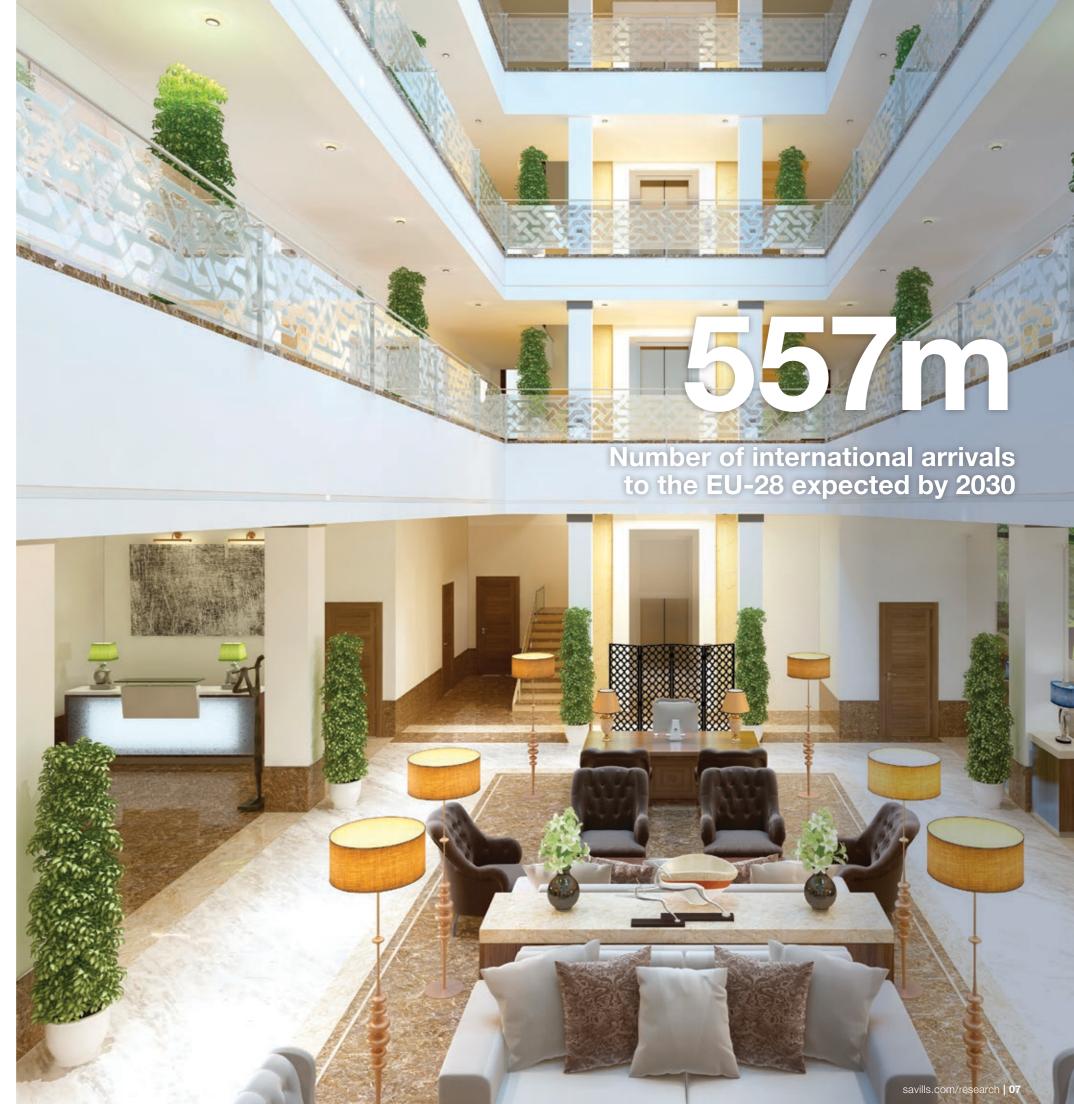
business, such as reducing waste and water usage, which has associated operational cost benefits.

By 2030 we expect there will be a greater onus on developers and building owners to deliver a more sustainable and energy efficient building to operators as guests will be increasingly demanding of brands environmental credentials. Operators greater technology and software requirements will also place more importance on the broadband speed available to a particular property.

What an operator wants to do within a building envelope will also have implications both in terms of build and potentially investment performance. For urban hotels the greater intensity of use of communal areas is a trend that will be more widespread in 2030. This use will be focused around co-working and food and drink amenities, not only for use by residents but also those within the vicinity of the building.

For the 'urban traveller' the 'buzz' these activities can generate will be an added attraction. While some operators will look to directly manage these add-on facilities, we expect leasing to specialist operators in these spheres will be more common by 2030, effectively generating an additional income stream and in turn potentially enhancing returns to building owners. We also expect some specialist co-working operators will launch their own hotel brands in the future.

The real opportunity for both operators and investors will be the broader range of destinations travellers will want to visit and stay across Europe in 2030. While the key gateway cities will continue to attract the bulk of overnight visitors, the appetite to visit lesser known destinations will provide new investment and operator opportunities. ◼

557m

Number of international arrivals to the EU-28 expected by 2030

MEGATRENDS
in travel

The key takeaways

■ Hotels will remain the favoured choice of travellers in 2030. However, the share of 'alternative' accommodation sub-sectors, such as serviced apartments/apart-hotels and branded hostels, will have increased.
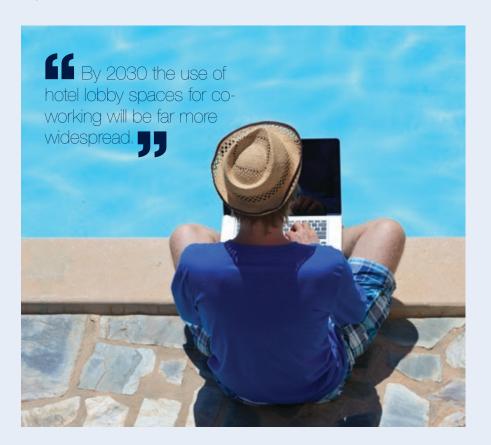
■ Urban hotels will include more social areas as room sizes become smaller. These are likely to be centered around F&B concepts managed directly by specialist operators.

■ Co-working operators will increasingly lease/manage space within urban hotels helping to generate a 'buzz' and support onsite F&B operations. We may even see some co-working operators launch their own hotel concepts.

■ Guests will be more demanding of hoteliers sustainability credentials, which in turn will place greater onus on developers and investors ability to deliver hotel properties that meet these requirements.

■ Hotels will need to stay on top of the evolving technology changes; free wifi and speedy check-in will no longer be sufficient for the tech savvy traveller.

■ The 'silver traveller' will be a much larger traveller segment in 2030. They will be more affluent than their younger counterparts, yet, the locations and what they want from their travel accommodation is unlikely to be hugely different.

■ Europe's key gateway cities will remain the primary destination markets for overseas visitors in 2030. There will, however, be a broader range of lesser known destinations travellers will want to visit. These 'new' destinations will provide new investment and operator opportunities. ■

> " By 2030 the use of hotel lobby spaces for co-working will be far more widespread. "

Savills Research team: please contact us for further information

Alice Marwick
European Research
+44 (0) 20 7016 3833
amarwick@savills.com

Marie Hickey
UK Research
+44 (0) 20 3320 8288
mlhickey@savills.com

Eri Mitsostergiou
European Research
+40 (0) 728 205 626
emitso@savills.com

Lydia Brissy
European Research
+33 (0) 1 44 51 73 88
lbrissy@savills.com

George Nicholas
Global Head of Hotels
+44 (0) 20 7409 9904
gnicholas@savills.com