



# THE NEXT GENERATION

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RENDERINGS: *Courtesy of Generator Hostels*

The aim of Generator Hostels is to dispel the traditional perception of low-cost accommodation by providing urban design hostels that are stylish and contemporary, central, safe and affordable. As Europe's fastest growing hostel brand and the only design-led hostel company with multiple locations, Generator currently has eight properties in operation offering nearly 5,200 beds.



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LEFT & BELOW: Tom Dixon mirror lamps and Marcel Wanders' New Antique stools for Moooi decorate the bar at Generator Venice, alongside bar taps shaped like gondola oars to acknowledge the local area



In the world of hostels it's all about bed-count, not room-count. Take the recent opening of Generator Venice, the latest addition to Generator Hostels' portfolio of urban design accommodation owned by the UK-based private equity fund Patron Capital. Here, just 29 rooms, some of which are dormitories, equate to 241 beds. At the portfolio-wide Average Bed Rate (ABR) of €21 per night, this equates to a healthy ADR when fully booked. Consider also the significantly smaller operational costs associated with the lower service offer expected by hostel guests. Fine dining restaurant? No. Room service? No. Spa? No.

## THE OWNER / OPERATOR: PATRON CAPITAL

No wonder then that Patron Capital took the opportunity to invest in this model. "The hostel market is at a unique point in time in its history," explains Josh Wyatt, Investment Director, Hospitality and Leisure at Patron. It is a time that he likens to the impending explosion of internet shopping back in the late 1990s. "There was a huge demand, but no-one really servicing the customer need. Hostels are now in the same zone," he continues. "Generator is bringing a mix of design, social programming, technology, marketing and style to a customer group that greatly respects and desires unique things."

Patron's hospitality division was started in 2006 by Harvard MBA graduate Wyatt "because no one else wanted to do it." He has grown the business to now represent some 30% of Patron's equity of US\$2.5bn under management. Patron's *raison d'être* is to add value to distressed assets and it now owns

46 total hotels (as at August 2013) including eight properties acquired from the von Essen Group's administration which now forms part of Nigel Chapman's Luxury Family Hotels, as well as a joint venture covering 26 hotels acquired from the receivership of the former Jarvis Hotels now trading under the Mercure brand, and the master development agreement for Staybridge Suites, an extended-stay four-star brand owned by IHG. Patron currently owns Staybridge Suites Liverpool, the brand's first property in the UK.

In the lobby lounge of Generator London, Wyatt – dark, slicked-back hair, smart open-necked business shirt and fresh from a board meeting – leaves little doubt that Generator is the jewel in Patron's hospitality crown. Patron are owner / operators with plenty of skin in the Generator game. The acquisition and conversion programme has so far been funded 100% by Patron equity (with one exception in London where RBSI served as the senior funder). And there is a lot more to come.

"When I first looked at Generator, I ▶





THIS PAGE: Generator Venice (LEFT) and Generator Barcelona (BELOW) OPPOSITE PAGE: The Barcelona property features a dramatic lantern installation in the lobby



► saw how hostels would one day follow the example of lifestyle hotels,” explains Wyatt, referring to the W and Andaz brands. “The critical building blocks are set up properly to build a company that lasts for generations, not just for one turn in a private equity ownership hold. To create long-lasting brand value, Generator had to be built patiently with an emphasis on taking long-term decisions. To have that discipline, one needs capital, and lots of it.” Steady balance sheet growth in prime locations has been the result. “As the Generator brand becomes more mainstream and established, we envisage a time when leasehold or franchise will naturally work. But we want to get the formula, locations, design, operations and ethos completely correct before going to a full asset-light model.”

Patron invested in Generator buying the business of then two hotels (one in London, the other in Berlin’s Mitte) for €25 million in 2007. Today it is the fastest growing hostel group in the world, with eight hostels in operation including recent openings in Barcelona and Venice. There are more properties in the pipeline and a further €150 million is earmarked to fund this expansion

that should see Generator with 15 hostels by 2015 and up to 30 by 2020. In addition to the recently announced acquisition of sites in Paris and Rome, offers have been made in Munich and New York, with negotiations under way in Amsterdam, Madrid and a second property in London.

It is fair to say that Patron is building a business for the future. Yes, new beds were being delivered to London as we spoke, but all-new, double-glazed windows and a new lift are more than a lick of paint. And the significantly more substantial investments in Venice, in particular, speak volumes for this long-term view. “Generator will outlive Patron’s ownership,” explains Wyatt, alluding to Patron’s possible exit strategy. This is likely to take the form of an IPO or a trade sale. Wyatt is bullish about the sector his ‘baby’ occupies. “Whilst the hotel industry remains in growth mode, the reality is that hostels are one of the few hospitality asset classes that actually has an organic, huge growth trajectory over the next ten years. There is no reason why Generator cannot be a \$1bn business,” he enthuses.

## THE DESIGNERS: THE DESIGN AGENCY

“The design for Generator is not taking itself too seriously,” explains Anwar Mekhayech, one of three founding partners at The Design Agency in Toronto who have worked on all Generator projects to-date. “The design is hyper and fun, even if the guestrooms are very basic,” he continues.

In fact, the design is so far beyond the anodyne, institutionalised design of the lowest common denominator normally associated with hostel accommodation, it is a real eye-opener. A delight to see small, and not so small, details reveal themselves – the cheeky Henry VIII door decoration on the gents loo in London, or the Corti Veneziane beer taps shaped like the *forcola* (oarlock) which holds the *remo* (oar) on a gondola, that top the bar counter in Venice.

This localisation of design is about “pounding the pavements” for Mekhayech and his team, searching out cool stores, restaurants and local artists to understand the neighbourhood. Choosing a Canadian-based practice with hospitality experience in the



likes Soho House and Shangri-La is perhaps an unusual choice for a European expansion programme. Yet Mekhayech notes that “having an outside perspective to the cities, almost similar to a traveller, really helped.” Venice saw him hiring vans to go searching for vintage finds and quirky objects in markets such as the Fiere di Parma where an old pharmacy dresser was found, and the connection with local artists is also seen in London where a bespoke piano by the UK duo Goodwives & Warriors and murals by Ed Hicks take pride of place.

“We envision creating loyalty with our backpacker audience and therefore each Generator needs to be spectacularly different,” explains Mekhayech. “So different that they have each felt like a new project to us.” Nevertheless there is something of an iterative approach to the design process; the development of Paris will take some of the learnings from the similar office conversion seen in Barcelona.

And there are some brand standards. “The brand manual was developed by WATG with some input from us,” explains Mekhayech, “It helps us bring the development partners

and local architects / consultants up to speed on the brand ethos but we stick to it loosely.” Specific requirements include dimmable lighting (yes, this is a hostel!) for the ‘private’ twin rooms, en suite bathrooms where possible, the use of reclaimed industrial materials, the ergonomics of the reception and the bar, vertical door numbering, the layout of the breakfast serving area and a ‘G’ sculpture unique to the location. “There is always a creative tension between the designer’s original vision compared to the evolving product,” comments Wyatt, “but we all work well together to maintain a balance where form and function coexist.”

The best example of that ongoing evolution is the Generator bed. Or more accurately beds. Currently there are regular singles, bunk beds, flip-up beds (where the top bunk folds up against a wall, as in Venice) and sliding beds (where a bed slides out from under the other). “Beds have been an ongoing design exercise with the operations team and will evolve further as we explore new room layouts,” explains Mekayech. The key has been durable, stylish, utilitarian and comfortable, he adds, stating that each

## HOSTEL HISTORY

- 2007** Patron acquires Generator London (844 beds) and Generator Berlin Prenzlauer Berg (892 beds)
- 2011** Generator Copenhagen (662 beds) opens in June followed by Generator Dublin (530 beds) in July
- 2012** Generator Hamburg (684 beds) opens
- 2013** Generator Hostels open in Barcelona (726 beds) in March, Berlin Mitte (568 beds) in April, and Venice (241 beds) in June
- 2014** Generator Rome (264 beds) expected to open in Q3 and Generator Paris (956 beds) in Q4



► bed has its own shelf, reading light and power socket, essential for re-charging the portable electronic devices of the ‘flashpacker’ audience.

Whilst the open spaces of the lobby areas are the stars of the show (see the dramatic lantern installation in Barcelona) they have been carefully organised to allow for repositioning on a rotational basis for minimal cost. “This ‘white box’ showcase space allows us to keep the cultural and social programming fresh without spending a lot of money on capex,” explains Wyatt. Taking Copenhagen as an example, here a ground floor gallery space can be used for art, fashion exhibits and parties – “events that bring a lot of colour to the property”. Meanwhile, guestrooms are designed for resilience (and they take a hammering) with a minimal FF&E refresh expected over a seven-year cycle. Public spaces are estimated to require a light-touch refurbishment cycle of five years, with a wider refurbishment over an 8-10 year cycle.

## THE LATEST OPENING: GENERATOR VENICE

On Isola della Giudecca, a short *vaporetto* (waterbus) ride across the waters of the Venetian archipelago from St. Mark’s Square, the 240-bed property is located in a former flour mill and granary store dating back to the 1800s. A youth hostel since 1957, Patron acquired this decrepit – underloved according to Wyatt – structure at the end of 2011 and transformed it into the ‘jewel box’ of the Generator Venice, continuing the brand’s design ethos of injecting new life into old buildings by recycling the urban fabric.

Working closely with the cooperation of the local heritage authorities, *Soprintendenza Per I Beni Architettonici E Paesaggistici Di Venezia E Laguna*, structurally all but the façade, internal columns and wood-coffered ceiling of the ground floor had to be replaced. Additionally the overall spatial layout of the building had to be maintained. Two very wide staircases at either side of the property lead to equally wide, colour-coded corridors, their width being set by the original pillar layouts.

Offering guests a mix of private rooms, penthouses and dorms, the *pièce de résistance*



is the private attic room, which boasts fantastic views of the city. At the canal-side of the warehouse structure are the smaller, en suite rooms including Room 209 with a super-sized, glass-fronted bathroom (yes, this is a hostel!). At the rear are the dormitories, shared bathrooms and laundry with Miele machines. All the mechanical equipment is new (mostly situated under the eaves) and environmentally sound (motion detection corridor lighting, low-flow sanitary devices such as the Dreamspray shower heads from Grohe, etc). Guestroom floors are tiled with the extremely hardwearing and amazingly deceptive wood-effect ceramic tiles from Ceramica Sant’Agostino of Ferrara, an area badly hit by the earthquakes of May 2012.

The public spaces reflect the heavy curation of The Design Agency with a compelling blend of old and new. The vintage pharmacy shelves and marble fireplace line a large, columned space loaded with a mix of wheel-able counter-height tables, lounge seating, even a low four-poster day-bed. Contemporary designers get a look in too. Bronze Mirror Ball pendant lamps from Tom Dixon hang above the island bar fronted with the newly released Antique Bar Stool by Marcel Wanders for Moooi. To one side, the ‘jungle corner’ has faux tiger and zebra upholstered furnishings alongside bold flower patterned wallpaper by Flavor Paper from Brooklyn, all beneath a La Volière (bird cage) pendant lamp from The Conran Shop (yes, this is a hostel!). ►



TOP: Anwar Mekhayech (left) is one of three founding partners at The Design Agency in Toronto, who have worked with Josh Wyatt (right) on all Generator projects to-date



**ABOVE:** Generator Paris will be the brand's largest property, accommodating up to 950 guests, when it opens in 2014 **ABOVE RIGHT:** Generator Rome will accommodate up to 264 guests and include a 405m<sup>2</sup> rooftop terrace commanding breath-taking views across the city

## THE PROCUREMENT AGENT: BENJAMIN WEST

“Josh and Anwar strive to continually find the right balance between safety and a youthful vibe in each of the Generator Hostels,” explains Daniel Engleder, Managing Director of the London office of Benjamin West, who have worked on all but one of the hostels to date. “Essentially, The Design Agency select the pieces that they want and our team’s role is to execute it,” he continues. With Patron recognising the economic benefit of appointing a procurement agency, Benjamin West was able to not only translate the North American suppliers proposed by The Design Agency, but ensure that the products met with EU safety standards and the proposed replacement cycle. “We’re acutely attuned to what Anwar is trying to achieve with the interiors and we source the right products to ensure that the atmosphere retains its excitement and is not diluted,” says Engleder of working within Generator’s design ethos.

## THE FUTURE: THE NEXT GENERATION

In August of this year, Generator announced its latest expansion plans that will see the brand acquire new properties in Paris and Rome with an additional €150m investment from Patron Capital. The expansion will take the company’s total bed stock to in excess of 6,400.

Generator Paris will be the brand’s largest property, accommodating up to 950 guests in a range of dorms, private rooms and luxury penthouse apartments, all of which will be en-suite. The interiors will include a café lounge and a vibrant nightclub bar, all of which will be crafted to reflect the surrounding neighbourhood and the distinct Paris culture. Meanwhile, Generator Rome will accommodate up to 264 guests and will include a 405m<sup>2</sup> rooftop terrace commanding breath-taking views across the city.

“Patron’s additional investment into Generator reinforces our belief in this concept and the strength of the management

team,” concludes Wyatt. “Young travellers are increasingly sophisticated and the combination of exceptional design, atmosphere and great value has turned Generator from a small business to an international market leader in an emerging asset class. Generator is pioneering a blend of cutting edge design, creative events, and exceptional service culture in the most exciting cities across the world. We look forward to its continued growth.” ■