

Hotel Market Vision



February 2, 2023

National and regional perspectives on hotel construction developments

BCI | BuildCentral

welcome to hotel market vision

We at BuildCentral are excited to announce the first edition of our Hotel Market Vision, a detailed, quarterly report on developments, trends, and market leaders in hotel construction.

With data from our research and HotelMarketData product, this report offers a comprehensive overview of the hotel market, as well as snapshots of individual hotel-scale segmentations like budget, economy, mid-range, upscale, and luxury hotels.

In this report, you'll find that we measure monthly hotel construction starts in terms of rooms that have started construction, which we find to be a more accurate metric for this purpose than project value or number of individual hotels. Additionally, we track planned hotel projects of undetermined scale, which account for a significant market share.

Although we add and update projects for all of our planned construction databases daily, the data in this report can collectively be considered to be up-to-date as of January 3, 2023.

If you or your business think you could benefit from BuildCentral's suite of planned construction database products—or if you'd simply like to learn more—please visit us at www.buildcentral.com.



what's inside

Table of Contents

The Three I's: Inflation, Interest Rates, and Eyes on the Fed by Dr. Anirban Basu.....	3
Luxury & Upscale Hotel Pipelines for 2026 FIFA World Cup U.S. Host Cities.....	4
Hotel Construction Starts.....	5
Luxury and Upscale Hotels.....	6
Budget, Mid-range, and Economy Hotels.....	7
The Cities Building the Future of Lodging.....	8
Market-Leading Hotel Developers.....	9
Market-Leading Hotel Architects.....	10
Project Spotlights.....	11
Acknowledgements.....	12

BuildCentral Marketing

Chris Gibson, Daniel Jenkins,
Jacquie Pirnie, Jackson Satz, &
Marc So

BuildCentral Data Team

Todd Atkins, Kevin Drake, &
Luke O'Brien

Anirban Basu,

MPP, MA, JD, PhD

Sage Policy Group

Executive Leadership

Damian Eastman & Kyle Camp

the three i's: inflation, interest rates, and eyes on the fed by dr. anirban basu

How is it that so many people, including a majority of economists, are so pessimistic about 2023 when the year commences with so much economic momentum? America's unemployment rate ended last year at 3.5 percent, precisely where joblessness stood prior to the pandemic, which was a 50-year low. Despite a number of high-profile layoff announcements, including at firms like Goldman Sachs, Amazon, and Twitter, demand for workers remains high coming into the year. In November, there were 10.5 million unfilled jobs, or 1.8 job openings per unemployed American.

Despite complaining about shortages of available workers, U.S. employers managed to collectively add 223,000 employees in December, extending a monthly job growth streak that stretched to two years. American now supports more than 1.2 million additional jobs than it did when the pandemic undid the economy in March and April 2020. The 4.5 million jobs added in 2022 were the second most ever added in a year, trailing only 2021.

For its part, the nation's construction industry enters 2023 with abundant momentum. Many contractors indicate that they are operating at capacity, enter the New Year with substantial backlog (see ABC's Construction Backlog Indicator, for instance), and expect both sales and employment to climb through at least the year's first half. The leading challenge for these contractors continues to be a structural shortage of sufficiently skilled construction workers as opposed to demand for their services.

In nominal terms, nonresidential construction spending surpassed its pre-pandemic level in August 2022. During 2022's initial 11 months, spending expanded 11.3 percent, easily exceeding the rate of economy-wide inflation. Though weakness in the residential segments and certain nonresidential segments has been well publicized, other parts of the industry continue to manifest strength,

including construction related to manufacturing facilities (e.g., semiconductor plants), data centers, and publicly financed segments.

Despite gloomy forecasts for 2023, there are reasons for the industry to be upbeat. Though contractors continue to face lengthy lead times for switchgear and other inputs, supply chain challenges abated last year. The New York Federal Reserve publishes a Global Supply Chain Pressure Index, which indicates that supply chains are approaching their healthiest level since early-2020. Shipping costs have declined, putting further downward pressure on input prices.

But the outlook is gloomy for a reason. Higher interest rates tend to frustrate real estate development. Indeed, recent months have been associated with dips in the Architectural Billings Index, suggesting that the level of design work is starting to subside. With America's central bank bent on continuing to wage its war on excess inflation, certain contractors may find that demand for their services is waning as the year progresses and as we approach 2024. That may be especially true for the lodging segment.

Leisure travel has come back with a vengeance over the past two years, producing at least partial recoveries in hotel occupancy in the process, but business travel has yet to reemerge with such force. What's more, developers put an abundance of new hotel rooms in place during the five years leading up to the pandemic, resulting in an overhang of hotel capacity.

Lodging-related construction spending expanded during 2022's initial 11 months, rising 30 percent. Despite that, construction spending remains 37 percent below pre-pandemic levels, and that's before adjusting for inflation. Given that the cost of investment capital continues to rise and that recession is likely, recovery in lodging-related construction is set to be sluggish going forward.



About the author

Anirban Basu is Chairman and CEO of Sage Policy Group, a Baltimore, Maryland-based economic and policy consulting firm, which he founded in 2004.

Chair, Maryland Economic Development Commission

2014-21, appointed by Governor Larry Hogan

Distinguished Economist in Residence, Goucher College

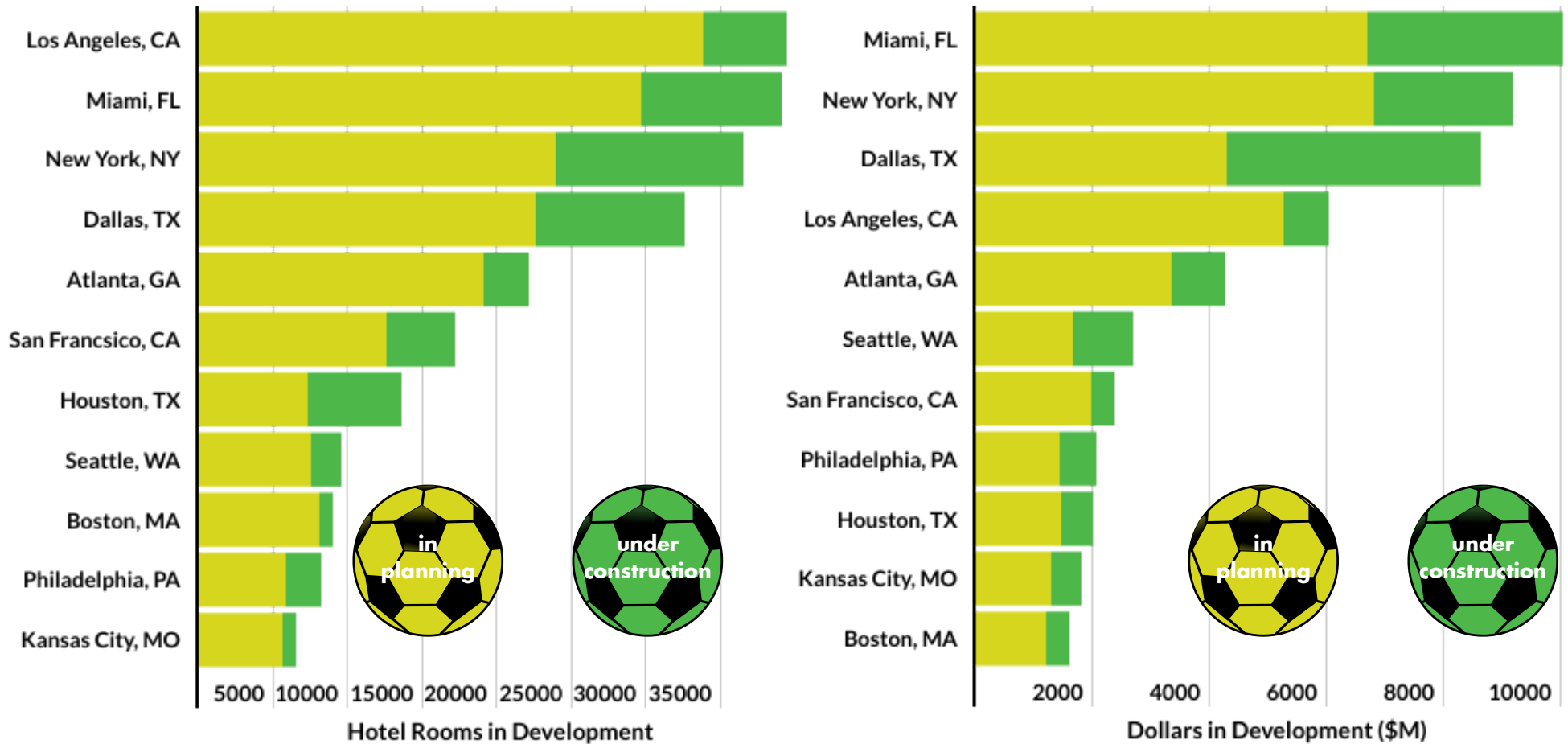
Dr. Basu has taught at multiple schools, most frequently at Johns Hopkins University

You can read Dr. Basu's Sage Economics newsletter [here](#)

30.0%

Lodging-related construction spending expanded 30 percent in 2022's first 11 months.

Luxury & upscale hotel pipelines for 2026 FIFA World Cup™ U.S. host cities



trends

Luke O'Brien

hotel research lead

800+ EV chargers

Holiday Inn has installed more than 800 electric-vehicle charging stations across its locations worldwide as hotels accommodate electric vehicles' proliferation.

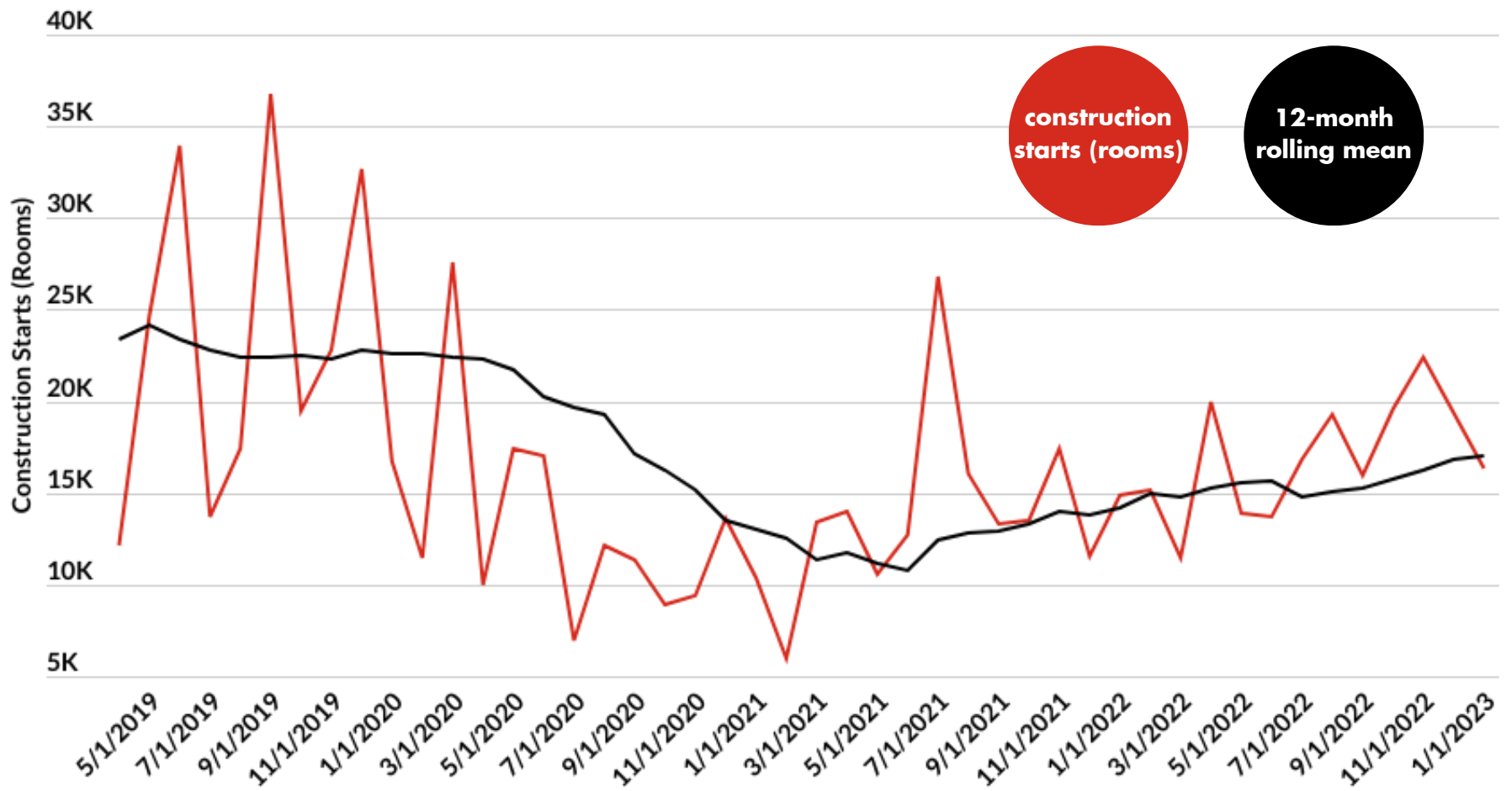
Bread and butter?

Millennials and Gen Zers represent a target demographic for hotels. Keep an eye out for millennial-centric names like Ying'nFlo by Langham and ECHO by Windham.

1 percent, globally

The Sustainable Hospitality Alliance reported that the hospitality industry alone accounts for 1 percent of total carbon emissions globally.

hotel construction starts



Hotel Construction Nationally

Monthly hotel room construction starts have rebounded in a big way since the start of the COVID-19 pandemic, with monthly starts rising over 20,000 before trailing off at the start of 2023. Leisure travel has certainly regained its place in American lives, although business travel, as Dr. Anirban Basu points out, is still slow to rebound.

In this report, you'll find that we identified hotel room starts as the most accurate measure of hotel construction activity relative to project value or number of individual hotels. While national starts are valuable, keep an eye out for nuances within the smaller segmentations of hotel scales.

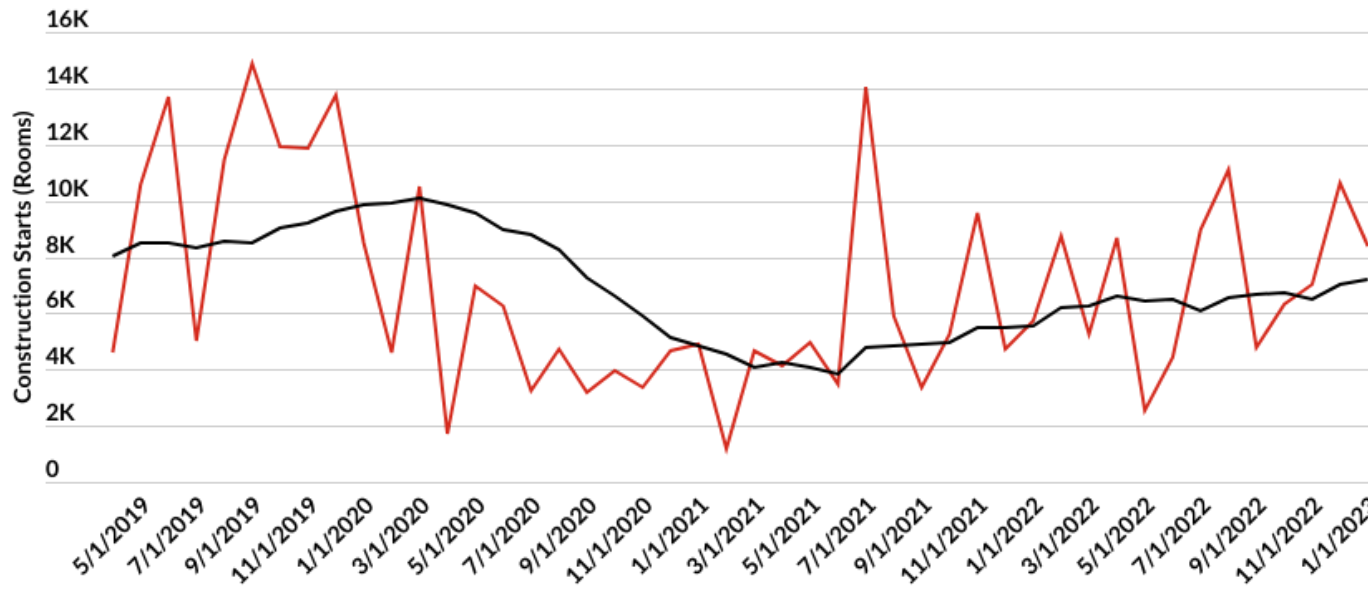
19.3K

Not all hotels in the works are of known scale; over 19.3K "undetermined"-scale rooms started work nationwide in 2022.

upscale and luxury hotels

"Leisure travel has come back with a vengeance over the past two years, producing at least partial recoveries in hotel occupancy in the process, but business travel has yet to reemerge with such force. What's more, developers put an abundance of new hotel rooms in place during the five years leading up to the pandemic, resulting in an overhang of hotel capacity."

— Anirban Basu,
"The Three I's: Inflation, Interest Rates, and Eyes on the Fed"

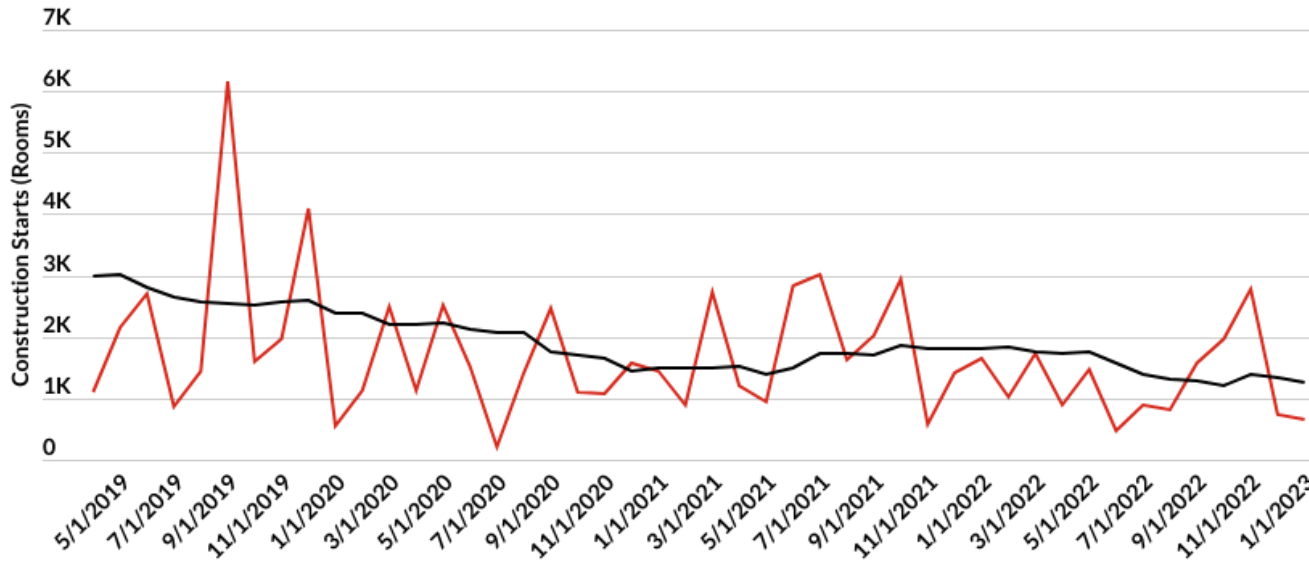


construction starts (rooms)

12-month rolling mean

Upscale and luxury hotels
 Although the largest subsets of upscale and luxury hotels in development are of independent or unknown franchises, Hilton, Marriott, and IHG are the three with the most rooms currently in planning or under construction.

budget, economy, and mid-range hotels

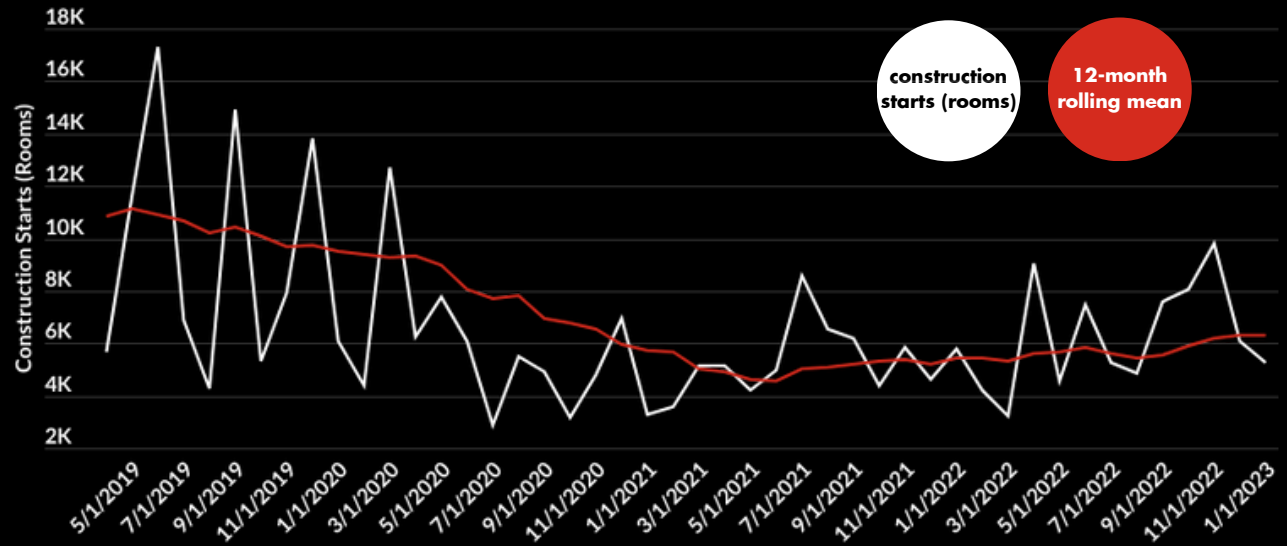


construction starts (rooms)

12-month rolling mean

Budget and economy hotels

The volume needed to sustain budget and economy hotel development has not been reached yet, and it may never do so. The top three budget and economy hotel chains for rooms in development are Home2 Suites, Tru, and Candlewood Suites.



construction starts (rooms)

12-month rolling mean

Mid-range hotels

Small-business sales teams lead the return to business travel, while large-scale businesses are yet to reach travel levels they saw prior to 2020. The need for more business-class, mid-range hotels is driving development. Marriott, Hilton, and IHG are the franchises with the most hotel rooms in development, whether that be in planning or construction.



hotel market leaders: developers

HOTELMARKETVISION

The Related Companies Take Command

The Related Companies have completed multiple large-scale projects with a total value of \$20+ billion over the past decade. Their 250-employee team has worked closely with companies within the Related family as well as with external construction managers. Several luxury hotel construction projects make up The Related Companies' portfolio, including the Equinox in New York, the Hilton in West Palm Beach, and the Conrad hotel in Los Angeles.

10%

The hotel and tourism industries typically account for about 10 percent of global GDP.

Developer	Planning + Construction (\$M)	Rooms Under Construction	Rooms In Planning
The Related Companies	2,294	75	2,219
Hawkeye Hotels, Inc.	2,264	572	1,692
Manchester Financial Group	2,260	0	2,260
Oak View Group	2,250	0	2,250
Landry's Restaurants, Inc.	2,240	0	2,240
Great Wolf Resorts, Inc.	2,225	1,250	975
Hines	2,096	180	1916
RIDA Associates	1,997	1,747	250
The Cordish Companies	1,976	1,776	200
McSam Hotel Group LLC	1,903	1,451	452



hotel market leaders: architects

HOTELMARKETVISION

Going . . . going . . . Gensler!

Gensler is a global architecture, design, and planning firm with 53 locations and over 7,000 professionals networked across the globe. Founded in 1965, the firm works globally with more than 4,000 clients across more than 29 practice areas. Nestled within the grounds of the Walt Disney World Swan and Dolphin Resorts, the Swan Reserve is a 349-key boutique hotel that offers the refined luxury expected of the Marriott Autograph Collection. Hotel owners Tishman Hotel & Realty and MetLife enlisted Gensler to design a premier destination for the business and leisure traveler through an upscale environment enriched with versatile amenities.

12%

Gensler's revenue grew by 12 percent between 2018 and 2019.

Architect	Planning + Construction (\$M)	Rooms Under Construction	Rooms In Planning
Gensler	15,538	3,742	11,796
HKS Architects	11,618	6,457	5,161
Kobi Karp Architecture & Interior Design	5,040	1,733	3,307
Arquitectonica	4,525	1,101	3,424
DLR Group	3,899	1,568	2,331
Base4	3,853	976	2,877
Stantec Inc	3,229	2,597	632
Skidmore Owings & Merrill LLP	3,158	842	2,316
Cooper Carry, Inc.	2,784	1,635	1,149
Gene Kaufman Architect PC	2,722	1,852	870

project spotlights: hotel construction

Waterloo Hotel

Austin, TX 78701

Starts: Q1/2023

Ends: Q1/2024

\$93M



courtesy BOKA Powell

🕒 groundbreaking

Plans call for construction of a 27-story hotel tower with 379 rooms. The hotel will include a lobby, managers office, luggage storage, restrooms, Grab 'n Go Kitchen, restaurant with an outdoor patio, private dining area, 23,676 square-feet of meeting rooms, ballroom, board room, fitness center, offices, laundry room, break room, indoor bar and pantry, speak easy, and a parking garage.

Grand Hyatt Convention Center Hotel

Miami Beach, FL 33139

\$405M



courtesy Turnberry

🕒 planning

Plans call for the demolition of existing structures for the construction of an 800-room, 17-story Grand Hyatt hotel -- including 99 suites -- at the Miami Beach Convention Center. The hotel will include a few pools, a fitness center, spa and business center. A restaurant and lounge are also planned.

acknowledgements

We are proud to add Hotel Market Vision to our growing list of market resources fueled by our planned construction database products. With Multifamily, Medical, and Hotel already underway, we still aim to expand to other market verticals in the near future.

Before we get there, though, we'd love to get in touch with you. What did you like about our report, and what's most valuable to you? On the other hand, we hope you'll also tell us what you didn't like! After all, we want to create an essential resource for you.

come say hello

If you or your business could benefit from BCI | BuildCentral's suite of planned construction database products — or if you'd simply like to learn more — please email customersuccess@buildcentral.com, visit us at www.buildcentral.com, or call us at 866.316.5300. Let's get in touch!



BLOG

