



4.91%
National YOY Escalation Rate



9%
YOY Increase of U.S. Hospitality Projects New Construction Pipeline¹



Top 5 Markets New Construction Pipeline¹

1. Dallas, TX
2. Atlanta, GA
3. Inland Empire, CA
4. Nashville, TN
5. Phoenix, AZ

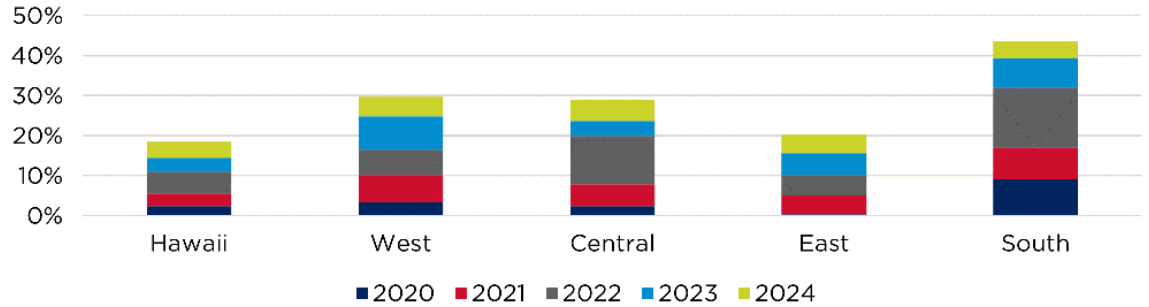
¹Lodging Econometrics

HOSPITALITY MARKET INSIGHT



HOTEL INDICATIVE COST CHANGE BY REGION

The chart below illustrates the annual changes in the average RLB Indicative Construction Costs for new hotel builds across U.S. regions from 2020 to 2024. Each bar represents a region with the colored segments showing the relative cost escalation for each year.



WHAT THIS MEANS FOR THE HOSPITALITY SECTOR

RLB's construction cost data highlights a strong post-COVID recovery in the U.S. hospitality sector driven by robust domestic travel demand. Hoteliers and developers have responded with new projects despite inflation and supply chain disruptions. The Southern region has seen the greatest rates of construction cost escalation, but remains more cost-effective for development compared to Hawaii and the East, where costs per square foot are still higher despite slower escalation. This requires project owners to weigh lower building costs against premium market opportunities, balancing long-term profitability with both rising and absolute construction costs in different regions.

HOSPITALITY CONSTRUCTION COST DRIVERS

SELECT MATERIALS	APPROX. CHANGE Q2-Q3 2024	APPROX. CHANGE Q3 2023-Q3-2024
Structural Steel	▼ -1.0%	▲ 1.3%
Ready-Mix Concrete	▼ -1.1%	▲ 5.9%
Copper	▲ 15.3%	▲ 17.9%
Vertical Transportation	▼ -0.1%	▲ 1.5%
Aluminum	▲ 7.5%	▲ 2.8%
Glass	▼ -0.4%	■ 0.0%
Metal Panels	▲ 3.5%	▲ 7.9%
Metal Roofing	▼ -0.8%	▼ -2.3%

YOUR HOSPITALITY EXPERTS

RIDER LEVETT BUCKNALL

At Rider Levett Bucknall (RLB), our approach allows us to deliver successful outcomes to property and construction projects by tailoring our services to match client goals and needs. Our team specializes in creating, evaluating, and managing project controls that address the critical issues of time, cost, scope, and quality in the built environment.

[RLB.com](https://www.rlb.com)

DON'T MISS OUT ON FUTURE INSIGHTS!

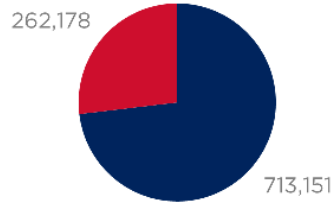
SCAN TO SUBSCRIBE



HOSPITALITY MARKET INSIGHT



HOTEL CONSTRUCTION PIPELINE GUESTROOM VOLUME



- New Construction
- Renovations & Conversions

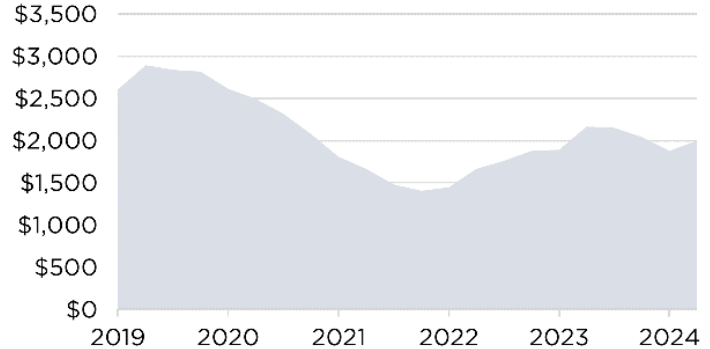
RECORD PIPELINE SIGNALS STRONG INDUSTRY CONFIDENCE

At the end of Q2, the pipeline for new hotel construction projects reached a historic high with 6,095 projects and 713,151 rooms, reflecting a 9% year-over-year rate of growth². Despite near-term economic headwinds, the investment in the future supply of guestrooms highlights owner optimism about long-term opportunities, positioning the industry for substantial growth once market conditions stabilize.

² Lodging Econometrics

³ U.S. Census Bureau

U.S. LODGING CONSTRUCTION SPENDING MILLIONS OF DOLLARS



STRATEGIC PATIENCE PAVES WAY FOR FUTURE CONSTRUCTION BOOM

Lodging construction spending in the U.S. has not recovered to 2019 levels³, signaling that hoteliers and developers are strategically holding off on major builds due to high interest rates that pose financing hurdles. This cautious approach sets the stage for a construction surge as analysts project that lower interest rates may soon unlock a wave of projects transitioning from planning to active construction.

CONVERSIONS FUEL SHORT-TERM GROWTH AND FLEXIBILITY

While new construction projects remain in the planning and design phases, a 4% year-over-year increase in hotel conversions and renovations are contributing to the current activity surge². This trend demonstrates how owners are capitalizing on opportunities in the current market, ensuring steady progress in the sector while awaiting more favorable conditions to start new builds.