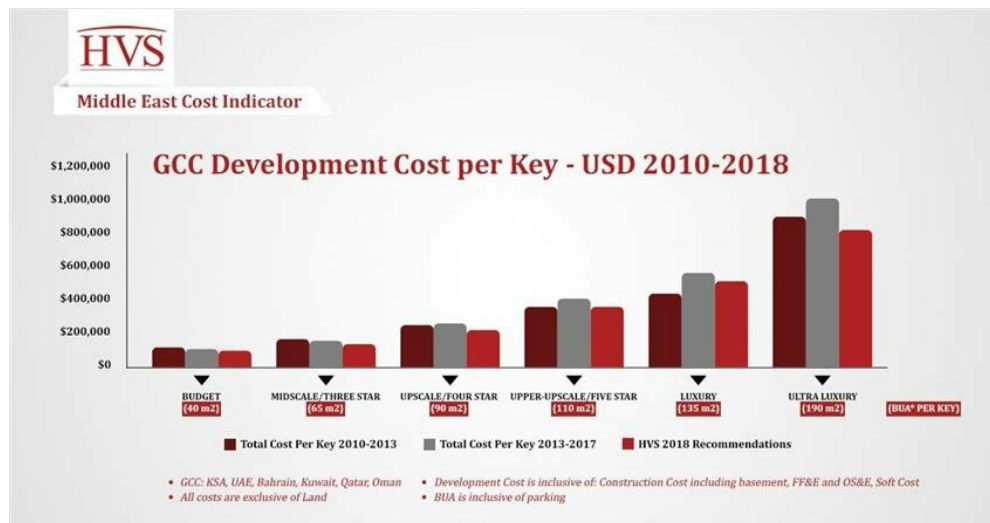


GCC Hotel Development Cost Trends

October 10, 2018 / By HVS Dubai

Analyzing historical trends, the key reason behind escalating costs per key continues to be low in efficiency and utilization of space. Price per sqm of total built up area remains largely the same and therefore it is crucial that any design optimizes the turnover per sqm of built areas. HVS provides an indicative reasonable range of BUA per asset type.

Hotel Development Cost



Source: HVS Research

With the exception of Budget & Midscale Hotels which focus on efficient & flexible design, development cost per key for all other hotel classes have increased between 10%-20% since 2013, resulting in lower project returns. We consider that further reduction in development costs "HVS 2018 Recommendations" is achievable through increasing efficiency per key, design flexibility, and alignment between the intended positioning/achievable average rate and project investment.

Serviced Apartment Development Cost



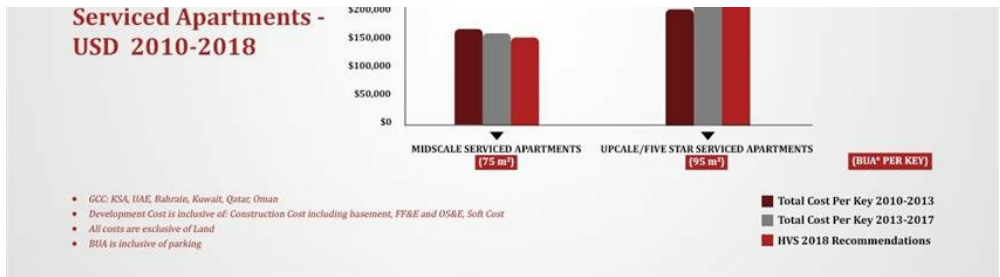
Summary

Analyzing historical trends, the key reason behind escalating costs per key continues to be low efficiency and utilization of space. It is crucial that any design optimizes the turnover per sqm of built areas.

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Source: HVS Research

Development cost per key for Midscale Serviced Apartments in the GCC dropped by approximately 5% since 2013, and increased significantly for Upscale/Five Star Serviced Apartments during the same period, resulting in lower project returns. We consider that further reduction in development costs “HVS 2018 Recommendations” is crucial in order to achieve an alignment between the target market/achievable average rate and project investment.