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2026 UNITED STATES HOTEL DEVELOPMENT COST SURVEY

Luigi Major, MAI
Managing Director, Americas

HVS Houston
+1 (310) 270-3240
lmajor@HVS.com

Other Contributors:
Brandy Bennett
Lizzette Casarin
Stephanie Nettles
Astrid Clough McDowell

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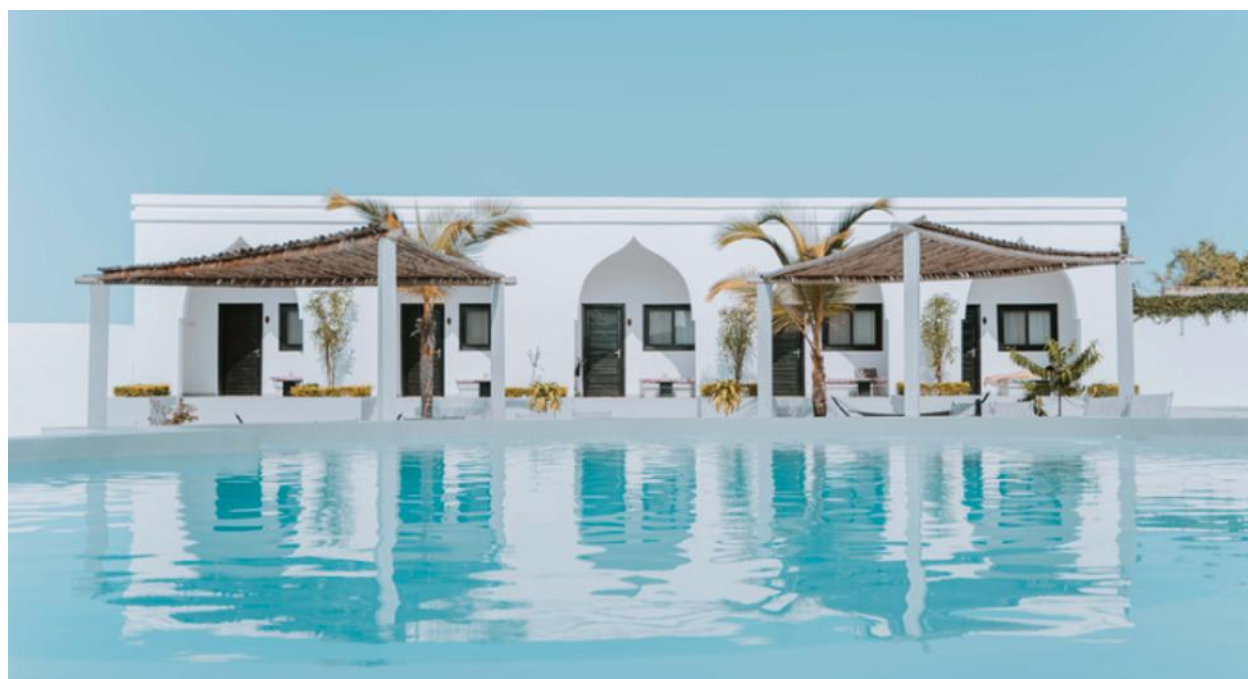
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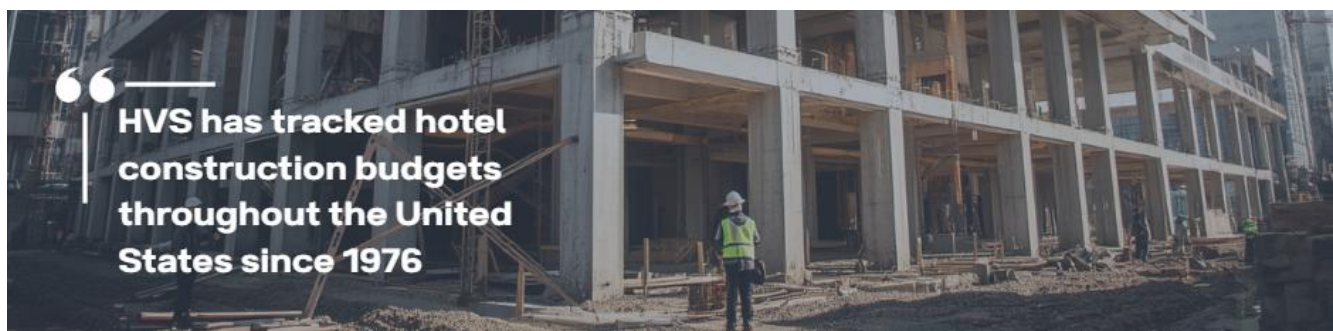
DISCLAIMER

This publication does not constitute investment advice. All potential hotel investors need to complete appropriate due diligence before any investments are made.

Hotels are complicated investments. Determining the optimal development budget for a hotel project requires thorough research and careful analysis by an investor. The information presented in this guide was developed to provide insight into per-room hotel development costs and should not be relied upon by an investor other than as a preliminary resource.

All individual property information used by HVS for this cost survey was provided on a confidential basis and deemed reliable. Data from individual sources, brands, or regions are not disclosed.





Each year, HVS researches and compiles development costs from our database of actual hotel construction budgets. This source provides the basis for our illustrated total development costs per room and per product type.

INTRODUCTION

After relative stability in 2025, the national lodging market has regained its footing in 2026. CoStar reported that 2025 RevPAR declined 0.3% nationally as softening occupancy more than offset modest ADR growth, leaving the industry largely treading water for the year. That pattern has changed in 2026, with occupancy, ADR, and RevPAR all trending higher through the first part of the year and RevPAR growth running well ahead of the modest gains recorded over the previous two years. This improvement has been underpinned by steady group and business travel in primary markets, even as continued inflationary pressure pushes room rates higher. Occupancy remains firmly in the low-60% range, a level the industry has now held for several consecutive years, which suggests the market has settled into a new normal below the pre-pandemic levels.

Despite this improving backdrop, hotel construction remains constrained by the same forces that have weighed on the development pipeline for several years: elevated costs of debt and equity capital, along with construction costs that have continued to rise even as broader inflation has cooled. Lenders remain selective, frequently requiring larger equity contributions and underwriting new projects conservatively, which has kept many otherwise feasible developments on the sidelines. The result is a market in which operating fundamentals increasingly support the case for new supply, yet actual development activity remains muted. Nationwide supply growth has continued to fall well below pre-pandemic norms, and this gap is expected to persist in the near term, leaving the industry in the somewhat unusual position of strengthening performance metrics paired with a historically slow pace of new hotel openings.

HVS has tracked hotel development costs for more than four decades, collecting data from actual hotel cost budgets during our assignments. The 2026 survey reports per-room hotel development costs based on data compiled by HVS from hotel projects proposed or under construction during the 2025 calendar year. The data reflect six product categories: limited-service, midscale extended-stay, upscale extended-stay, select-service, full-service, and luxury hotels.

The *HVS U.S. Hotel Development Cost Survey* sets forth averages of development costs in each defined lodging product category. The survey is not meant to be a comparative tool to calculate year-to-year changes, but rather, it reflects the actual cost of building hotels across the United States in 2025. As will be discussed, the medians and averages set forth in this survey are greatly affected by the types and locations of hotels being developed at this point in the economic cycle. Our goal in sharing this publication is to provide a basis for developers, investors, consultants, and other market participants to evaluate hotel development projects. Given that

development costs for hotels are dependent on a multitude of factors unique to each development and location, this report should not be relied upon to determine the cost of actual hotel projects or for valuation purposes. Instead, it is intended to provide support for preliminary cost estimates, as well as to show a comparison across the various hotel categories.

SUPPLY-AND-DEMAND DYNAMICS AFFECTING HOTEL DEVELOPMENT

In 2025, U.S. hotel occupancy softened from the 2024 level, while ADR continued to edge higher. CoStar reported national year-end 2024 occupancy at 63.1% and ADR at \$159.06, compared to year-end 2025 figures of 62.3% occupancy and \$160.54 ADR. These levels equate to a 1.2% decline in occupancy and a 0.9% increase in ADR for 2025. RevPAR was essentially flat for the year, down 0.3%, as rate growth did not quite offset the occupancy softness. That trend has reversed meaningfully in 2026: through the year-to-date period ending May, national occupancy was up 1.3%, ADR grew 2.7%, and RevPAR climbed 4.0% compared to the same period in 2025, marking a notable step up from the muted growth recorded during the prior two years.

EXHIBITS 1 & 2: U.S. ADR & REVPAR REACH ALL-TIME HIGHS IN RECENT YEARS, BUT OCCUPANCY STILL RECOVERING



Source: CoStar

This improvement has not been distributed evenly across markets. In 2025, primary markets, which comprise the top 25 cities in the United States, actually underperformed the broader market, posting a 0.6% RevPAR decline for the year compared to modest growth of 0.1% in all other markets, as several gateway and convention-driven cities cooled from their post-pandemic highs. That dynamic has flipped again in 2026: through the year-to-date period ending May, primary markets are up 4.4% in RevPAR, slightly ahead of the 3.7% growth posted by all other markets, suggesting urban and primary-market demand has reaccelerated. Performance has varied widely beneath the surface, however; markets such as the San Francisco Bay Area, Minneapolis, and Miami have posted double-digit RevPAR gains year-to-date, while New Orleans, Tampa Bay, and Washington, D.C., have experienced notable declines. These figures indicate market-specific supply, demand, and group calendar shifts rather than a uniform national trend.

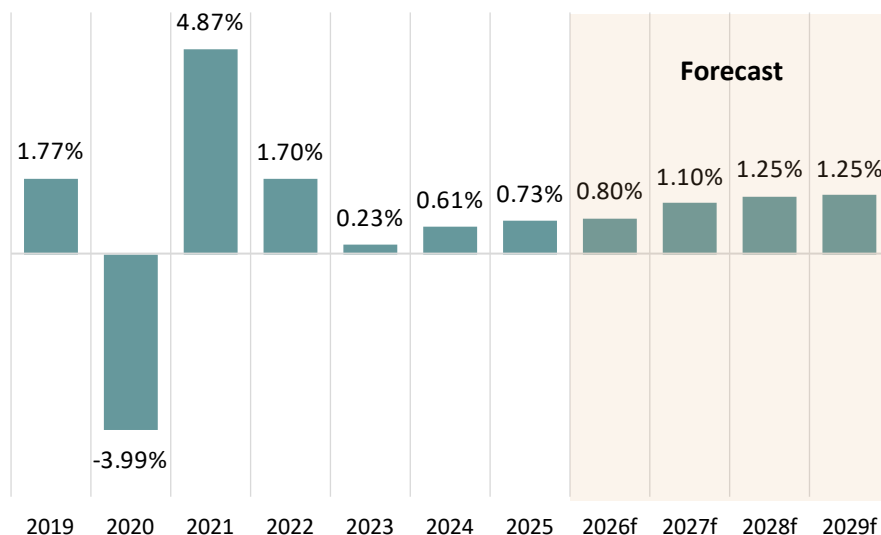
At the same time, the broader lodging industry continues to navigate a complex economic and political environment. The 2025 pause in performance came amid persistent uncertainty tied to the new presidential administration's evolving policy direction, an uptick in unemployment, continued softness in inbound international visitation, and a broader normalization following several years of outsized post-pandemic gains. In 2026, much of the uncertainty began to clear, with travelers and group planners returning to a more typical pattern of demand and businesses resuming travel budgets that had been held back the prior year. Geopolitical tensions and inflation concerns have, if anything, increased in 2026, but new sources of demand, most notably the FIFA World Cup, are expected to provide a meaningful boost to many markets this year. As with previous cycles, shifts in regulation, trade policy, and macroeconomic sentiment continue to shape lodging demand, often surfacing first in the markets and segments most exposed to group, government, or international travel.

Supply growth typically lags the market because of the time it takes for projects to become feasible, obtain financing, and be developed. Since interest rates began to increase in 2023, the addition of new supply has slowed considerably to 0.2% in 2023, 0.6% in 2024, and 0.7% in 2025. This compares to an average supply increase of 1.4% in years immediately preceding 2020. The slowdown has been caused by a combination of increasing construction costs and the rising cost of debt, which have hindered new hotel development in recent years. Going forward, supply increases will likely continue to be challenged by these factors, as evidenced in the forecasts for 2026 and 2027, where supply is anticipated to grow by only 0.8%, and 1.1%, respectively.



Based on available data from STR/CoStar, the following table illustrates historical supply growth, coupled with our forecasts for 2026 through 2029.

EXHIBIT 3: PACE OF U.S. HOTEL SUPPLY GROWTH EXPECTED TO INCREASE THROUGH 2029



Source: STR/CoStar (Historical), HVS (Forecast)

CONSTRUCTION-COST INFLATION

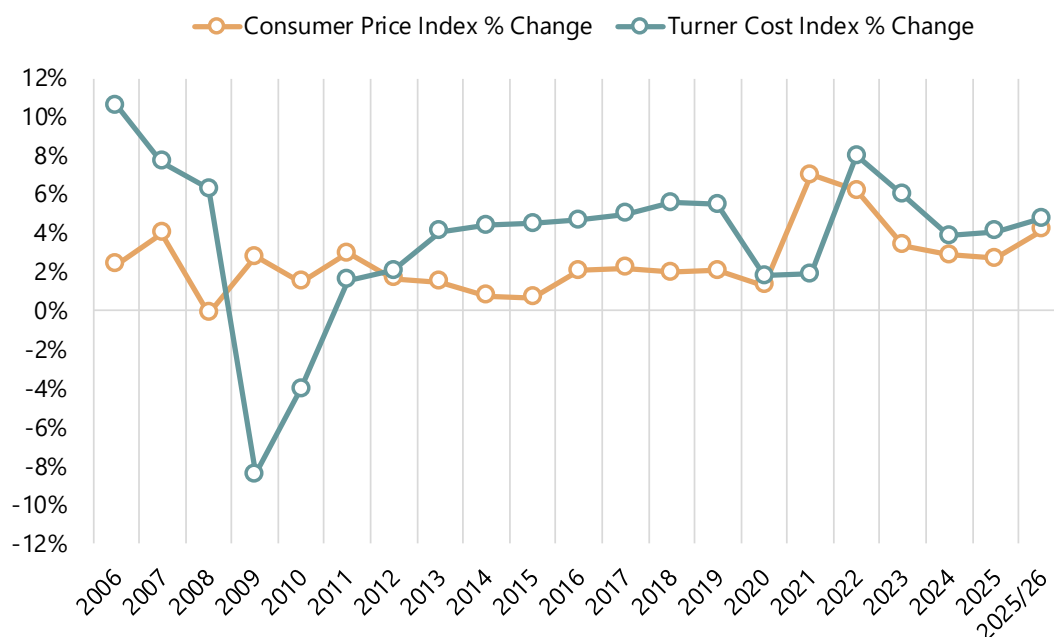
In terms of inflation specifically related to development costs, we present historical information below from the Turner Building Cost Index, which has tracked costs in the non-residential building construction market in the United States since 1967. The Turner Building Cost Index is determined by the following factors on a nationwide basis: labor rates and productivity, material prices, and the competitive condition of the marketplace. After slowing to an average growth of 1.9% in 2020 and 2021, the cost index surged by 8.0% in 2022, followed by an additional 6.0% increase in 2023. Growth of the index fell again to 3.9% in 2024 and has since risen slightly to 4.1% in 2025 and 4.8% in the 2026 trailing-twelve-month period.

As an additional point of reference, Rider Levett Bucknall (RLB), which also compiles a quarterly construction cost report, reported a construction cost index increase of 4.4% for both year-end 2025 and the 2026 trailing-twelve-month period.

The annual changes in the Turner Construction Cost Index compared with the annual changes in the Consumer Price Index (CPI) are illustrated in the following graph.



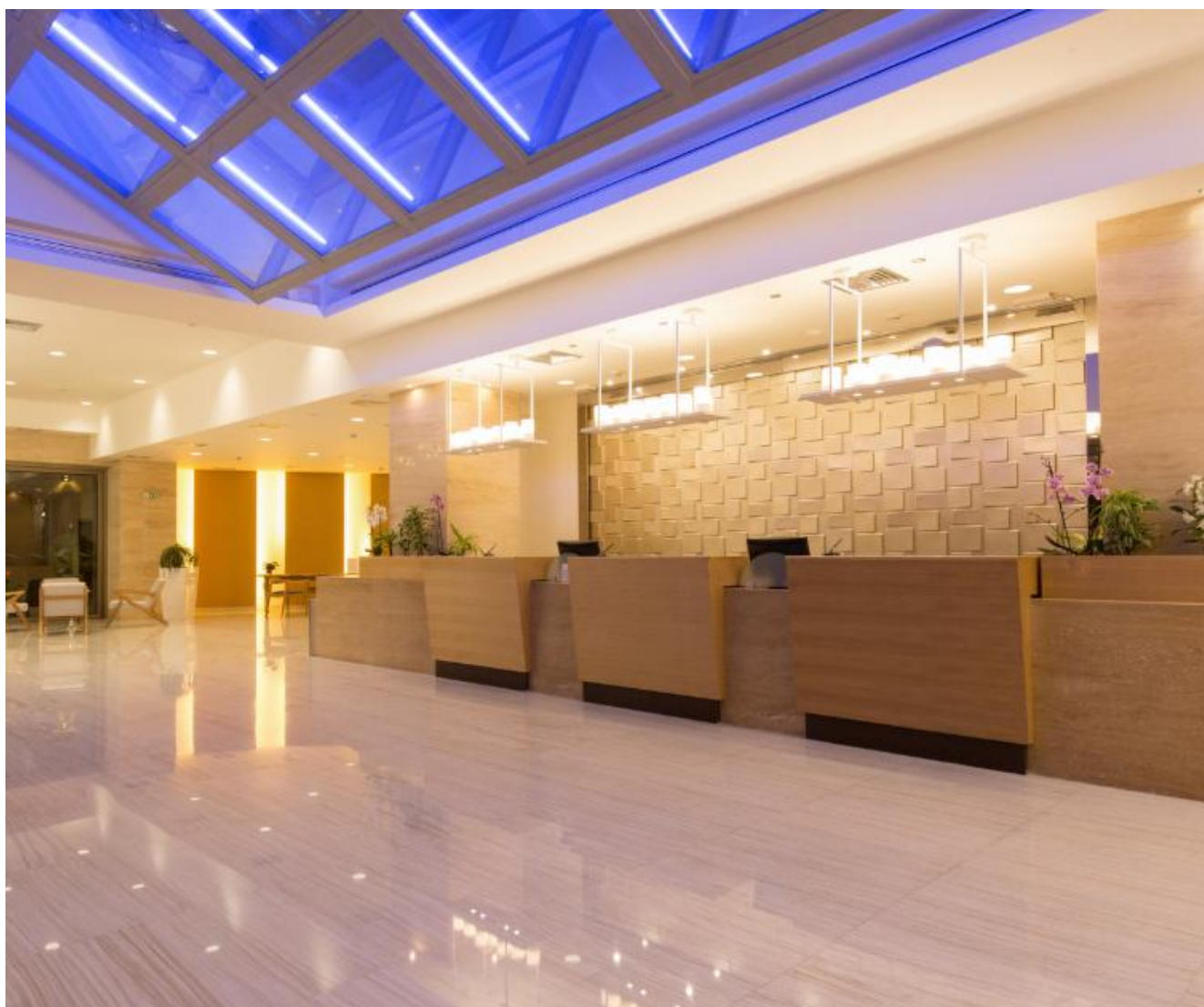
EXHIBIT 4: COMPARATIVE VIEW OF CONSUMER PRICE INDEX VS. TURNER COST INDEX CHANGES



Source: U.S. Bureau of Labor Statistics, Turner Building Cost Index

Thus far in 2026, the deceleration in construction-cost inflation that characterized much of 2025 appears to be giving way to renewed upward pressure. Both Turner and RLB describe the current environment less as a slowdown than a recalibration, with the construction industry settling into a more predictable cost trajectory. Demand remains uneven across sectors: data centers, energy infrastructure, healthcare, and education continue to drive strong contractor activity, while traditional commercial and hospitality construction move forward more cautiously. The primary catalyst behind renewed cost pressure is tariff policy, with duties on imported metals driving the steepest material cost increases, prompting owners and contractors to revisit procurement strategies and budget assumptions. Evolving immigration policy adds a further layer of uncertainty given the meaningful role foreign-born labor plays in the construction workforce. Upstream indicators reinforce this cautious tone as well, with architecture billings softening in early 2026, signaling fewer new projects entering the design pipeline. Taken together, while the cost environment remains more stable than the sharp spikes of 2022/23, developers should expect inflation to persist as a manageable but real headwind through the near term, tempering some of the relief that appeared to be forming in 2025.

While elevated construction and capital costs remain clear obstacles to hotel development, such periods can also present strategic opportunities. Compressed returns and more selective lending have made it difficult to advance many projects, particularly those in early conceptual stages or marginal markets. However, for developers with long-term vision and access to capital, this environment may offer a window to initiate pre-development efforts, such as market/feasibility analyses, entitlements, architecture, design, brand/operator selection, and early-stage site work. With fewer competitors moving forward, those who lay groundwork now may be well positioned to deliver hotels into a less saturated pipeline once capital markets ease. Moreover, as construction-cost inflation begins to moderate and land availability improves in some markets, developers willing to act during this quieter period could gain a timing advantage when the next growth cycle emerges.



HOTEL DEVELOPMENT COST CATEGORIES

Evaluating the comprehensiveness of a hotel development budget can often be challenging, as different line items are used and some components are unintentionally omitted. HVS has been at the forefront of helping developers and industry participants make sense of hotel development costs through the consistent presentation of these costs. Based on our experience reviewing actual developers' budgets, as well as preparing the annual *HVS U.S. Hotel Development Cost Survey*, we have created the following summary format for hotel development budgets, which forms the basis for the presented cost categories. We find that these categories are meaningful for hotel professionals when undertaking an analysis related to hotel feasibility, and they provide a basis from which to analyze proposed projects. The following illustration shows the six categories defined by HVS, as well as the typical items associated with each category.

EXHIBIT 5: HVS HOTEL DEVELOPMENT COST CATEGORIES

Land

Hard Costs and Site Improvements

- Building costs/general contractor's bid
- Building and monument signage
- Building permits
- Contractor overhead
- Engineering costs
- Hard costs contingency
- Landscaping costs
- Parking/parking garage
- Site improvements
- Subcontractors' bids (plumbing, electrical, finishes, etc.)

Soft Costs

- Architectural fees
- Consultants
- Financing costs (construction period interest, interest reserves, loan closing costs, etc.)
- Franchise application fee
- Holding costs before and during construction (taxes, insurance, etc.)
- Interior design fees
- Land closing costs
- Land entitlement costs
- Professional fees including accounting, consulting, legal, etc.
- Soft cost contingency
- Survey

Furniture, Fixtures, and Equipment

- Guestroom/guest bathroom furniture and fixtures
- Kitchen and Laundry equipment
- Public space and meeting room furniture and fixtures
- Softgoods including carpeting, drapes, room accessories
- Technology and telecommunication equipment

Pre-Opening and Working Capital

- Operating reserves
- Pre-opening recruiting, staffing, and training
- Supply inventories (linen, operating supplies, initial purchases, etc.)
- Technical services fees

Developer Fee

Source: HVS

The categories are not meant to be all-encompassing but do reflect the typical items in a development budget. In construction accounting, development budgets are commonly presented in far greater detail than they are in general investment analysis.

DATA COLLECTION AND SAMPLE SIZE

HVS collected actual hotel construction budget data nationwide in 2025. Our selection includes complete and reliable budgets that form the basis for this year's survey. The budgets included ground-up development projects throughout the United States. This year, the states most represented in the survey were Florida, Texas, New York, North Carolina, and California, illustrating where the bulk of hotel development is occurring in the country. Also notable is the heavy concentration of limited-service and extended-stay projects, which together account for more than half of this year's sample, underscoring that these remain the product types most favored by developers at this time. This concentration has also pulled down the overall median cost per room in our survey compared to 2025, as the heavier weighting toward limited-service and select-service hotels skews the blended figure lower even as construction costs continue to rise nationwide. At the luxury end of the spectrum, however, both the average and median cost per room continue to climb, driven in large part by the growing number of luxury developments that now incorporate a mixed-use component, particularly a residential element.

We also examined the lodging product-tier breakdown of our data to further determine the most popular types and brands of hotels that were developed in 2025. In the limited-service category, the top brands were Hampton by Hilton, Holiday Inn Express, Tru by Hilton, and Fairfield Inn & Suites by Marriott. Extended-stay products were again the most represented of all categories, led by Home2 Suites by Hilton, with TownePlace Suites by Marriott, Residence Inn by Marriott, and WoodSpring Suites also among the most active brands. Hyatt's extended-stay offerings, including Hyatt Studios and Hyatt House, also saw a meaningful number of new projects this year. Marriott and Hilton remained the most represented hotel brands overall by a wide margin.



PER-ROOM HOTEL DEVELOPMENT COSTS

The averages and medians below reflect a broad range of development projects across the United States, including projects in areas with low barriers to entry and those in high-priced urban and resort destinations.

EXHIBIT 6: MEDIAN HOTEL DEVELOPMENT COST STABILIZED SINCE OUR LAST SURVEY

	Land	Building & Site Improvements	Soft Costs	FF&E	Pre-Opening & Working Capital	Developer Fee	Total
Limited-Service Hotels							
Average	\$23,162	\$136,162	\$22,370	\$18,020	\$3,690	\$9,789	\$204,149
Median	\$22,213	\$141,143	\$19,896	\$16,079	\$2,900	\$9,453	\$196,975
% of Total*	11%	67%	11%	9%	1%	1%	100%
Extended-Stay Hotels (Midscale)							
Average	\$13,183	\$111,724	\$19,768	\$16,594	\$3,430	\$7,496	\$167,992
Median	\$11,886	\$110,057	\$16,127	\$16,594	\$2,419	\$6,343	\$169,901
% of Total*	8%	67%	12%	10%	2%	2%	100%
Extended-Stay Hotels (Upscale)							
Average	\$20,580	\$170,172	\$25,282	\$24,361	\$6,628	\$8,681	\$250,824
Median	\$18,182	\$190,694	\$19,165	\$25,661	\$4,863	\$7,349	\$264,841
% of Total*	8%	68%	10%	10%	2%	2%	100%
Select-Service Hotels							
Average	\$21,871	\$156,219	\$28,297	\$22,860	\$5,477	\$15,628	\$239,006
Median	\$18,000	\$126,900	\$21,002	\$18,321	\$3,561	\$9,500	\$200,730
% of Total*	8%	65%	12%	10%	2%	3%	100%
Full-Service Hotels							
Average	\$69,655	\$374,355	\$90,105	\$43,928	\$14,075	\$18,228	\$595,252
Median	\$30,300	\$305,266	\$68,842	\$36,752	\$11,842	\$15,857	\$467,244
% of Total*	11%	63%	15%	7%	2%	2%	100%
Luxury Hotels							
Average	\$223,916	\$1,261,653	\$348,518	\$118,359	\$19,674	\$54,594	\$1,961,964
Median	\$129,935	\$916,919	\$371,645	\$138,317	\$20,292	\$33,105	\$1,604,356
% of Total*	11%	64%	18%	4%	1%	2%	100%
Total							
Average	\$51,269	\$304,168	\$71,358	\$29,492	\$5,998	\$10,190	\$472,476
Median	\$16,990	\$145,110	\$24,287	\$20,105	\$2,895	\$3,571	\$212,958
% of Total*	11%	65%	15%	6%	1%	2%	100%

*The percentage of total is calculated based on the total sample of all budgets.

Source: HVS

Limited-service and midscale extended-stay hotels illustrated median per-room costs in the \$170,000 to \$197,000 range and included the popular brands previously highlighted. The median cost for hotels in the upscale extended-stay and select-service categories was around \$265,000 per room and \$200,000 per room, respectively. The cost to develop full-service hotels is noticeably higher than select-service hotels, with a median cost of \$467,000 per room. Lastly, the median cost to develop luxury hotels was recorded at over \$1,600,000 per room. In summary, the median hotel development cost across all surveyed properties was reported at \$213,000 per room, a slight decrease from last year's survey, influenced by the growing number of limited-service and extended-stay midscale projects in this year's survey, as explained previously.

IN CONCLUSION

The budgets analyzed in this survey were provided directly by the developers, owners, and lenders on both ground-up and conversion hotel projects during the illustrated period. The results of the survey combine the data from actual construction budgets organized across a variety of product types. The results also comprise unique hotel projects that cannot be replicated by the inherent nature of hotel development. As such, we would caution developers against relying on the information to estimate costs for a specific project, as a multitude of factors affect a hotel's development budget. Thus, we recommend that users of the *HVS U.S. Hotel Development Cost Survey* consider the per-room amount in the individual cost categories only as a general guide for that category.

Construction and furniture, fixtures, and equipment (FF&E) design and procurement firms are the best sources for obtaining hard costs and FF&E costs for a specific hotel project. It is also advised that developers consult more than one source in their hotel development process to more accurately assess the true cost of development. Additionally, the cost should always be adjusted for inflation over the development timeline given that the typical hotel development process can last three to five years. Lastly, we recommend that the projected performance of the proposed hotel be revisited periodically during the development process.

HVS is available to assist owners and developers in all aspects of the hotel development and ownership life cycle, from initial idea through development, opening, and beyond. For further information, please contact Luigi Major at (310) 270-3240 or lmajor@HVS.com.



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About the Author



Luigi Major, MAI, is a Managing Director with HVS. He has participated in thousands of assignments throughout the United States, Latin America, and the Caribbean. He focuses on consulting, valuation, and advisory for existing and proposed hotels. With nearly 20 years of work throughout the

Americas, he brings a unique perspective that delivers exceptional results for his clients. Luigi earned his bachelor's degree from the University of Houston's Conrad N. Hilton College of Hotel and Restaurant Management.

Contact Luigi at (310) 270-3240 or lmajor@hvs.com.

Other contributors:

Brandy Bennett
Lizzette Casarin
Stephanie Nettles
Astrid Clough McDowell