

# Developers face stumbling blocks in construction quest

## CHALLENGE

The cost of materials is on the rise, and now the threat of negative effects from tariffs looms in 2019. How are hoteliers expected to budget for a development when the cost to build continues to fluctuate? And how will tariffs change the landscape of the industry?

## SOLUTION

Michael Doyle, managing director and EVP at CHMWarnick, said hotel brands are sympathetic with the plight of both owners and developers, and in many cases they are willing to provide support or pursue alternatives. Doyle said the one factor that changes everything is timing.

“You have to build in the necessary time to allow that type of planning to occur,” he said.

## CHALLENGE

Modular construction can save on costs, but it doesn't work in every situation. How are hotels adapting to combat cost escalation?



A shortage of labor and rising costs are leading some developers to delay or cancel projects, but 2018 was subject to high volumes of hotel construction, including the 290-room AC Hotel by Marriott New York Times Square, which opened its doors in April. The industry can anticipate more to come in 2019.

## SOLUTION

While some hotel companies are loosening up on brand requirements with regard to materials in order to remain flexible on costs, Nate Gundrum, VP of real estate development at Mortenson Development, said dual-build hotels are becoming more common as a way to retain value while providing two distinct products.

“Sharing certain back-of-house spaces such as laundry, offices and even public spaces can help with the economics of development,” Gundrum said.

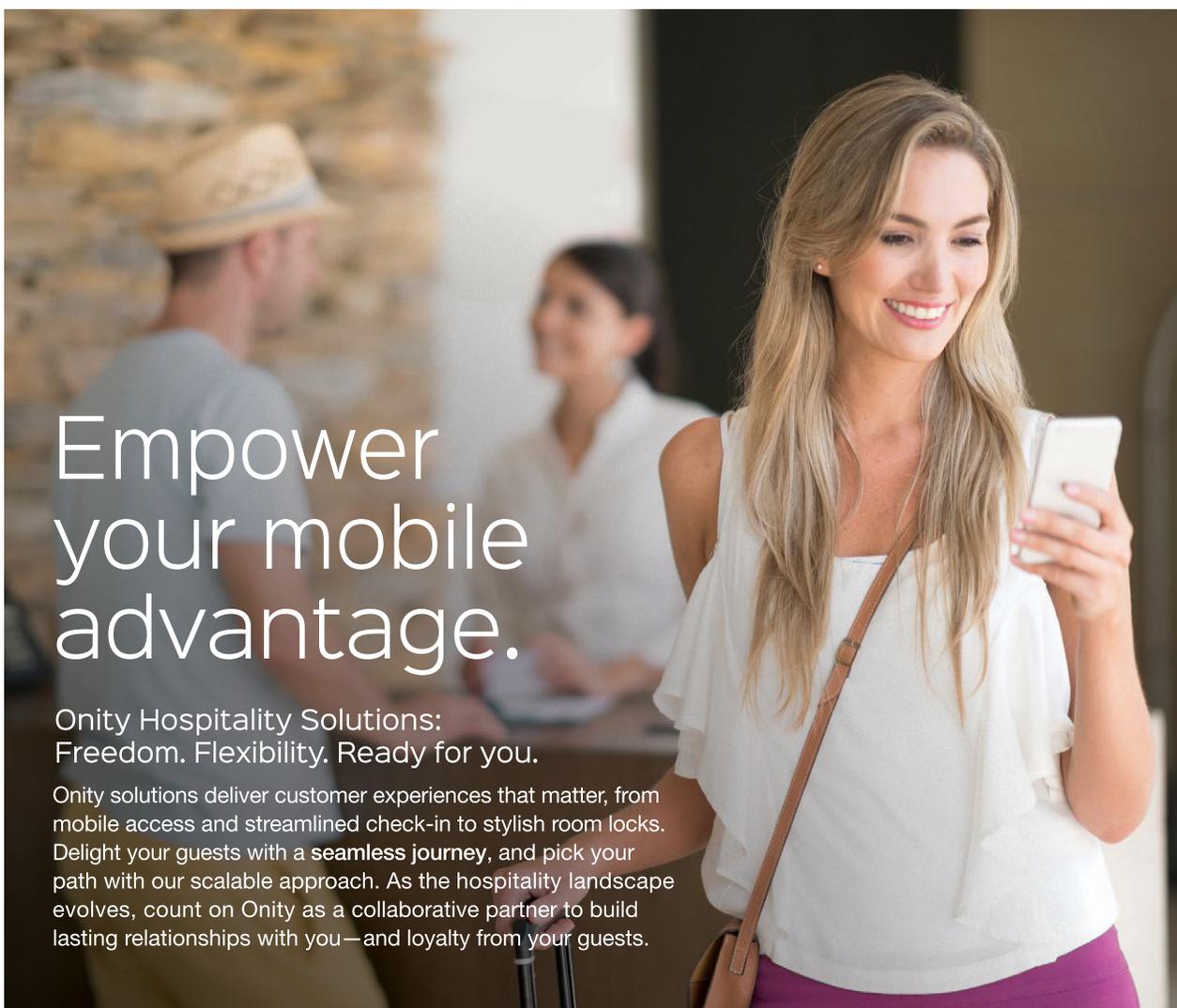
## CHALLENGE

The labor pool remains a challenge for hospitality even outside of the service sector. Doyle pointed to a \$50-million development in Washington state that is encountering challenges due the difficulty of locating skilled construction workers amid a regional construction boom.

## SOLUTION

Stephen Daley, VP of construction and design, East at OTO Development, said an ongoing shortage of drywallers, electricians and plumbers is partly why hotel developers have turned to modular construction and dual-branded development to get the job done.

“We are not seeing a decrease in the cost of labor, but we are seeing a deceleration in the increases that are taking place,” he said. “This is the first year I've seen that... which is positive.” **HM**



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