

From the Orlando Business Journal:

<https://www.bizjournals.com/orlando/news/2022/03/28/less-new-hotel-room-construction-slated-for-2022.html>

Fewer hotel rooms are under construction in 2022. Here's why that may be a good thing.

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Fewer new hotels are coming out of the ground this year in Central Florida — a sign that builders are waiting for more recovery from the negative economic impact of the Covid-19 pandemic on tourism.

There are 1,971 hotel rooms under construction — with 900 opening this year — in metro Orlando in 2022, according to CoStar Group. The new activity represents 1.4% of the region's overall hotel inventory of 137,000 hotel rooms.

Yet, this year's activity is 46% lower than the nearly 3,700 rooms that were under construction last year. More than 2,000 hotel rooms were added here in both 2018 and 2019, as well as 4,200 in 2020 and 3,800 in 2021, according to CoStar.

Some hotels that opened in 2021 include:

The 234-room Lake Nona Wave Hotel in Lake Nona
Disney's Flamingo Crossings 273-room Fairfield Inn & Suites and 223-room Residence Inn Orlando

Meanwhile, some hotels that opened or are opening in 2022 include:

Walt Disney World's 100-room Star Wars: Galactic Starcruiser hotel experience opened in March.
The first phase of the new 604-room Drury Plaza Hotel Orlando Lake Buena Vista will open Oct. 27.

Slower construction activity isn't necessarily a bad sign, Daryl Cronk, director of hospitality analytics with CoStar, told *Orlando Business Journal*. "Fewer rooms under construction means there are fewer rooms coming online over the next year or so. That will give the market a little time to absorb the rooms that have been added in recent years."

The average local hotel occupancy rate for the week ending March 12 was 80.6%, up from 55% for the same week last year, according to Visit Orlando — meaning the market still has inventory to fill.

Meanwhile, domestic and international travel has been recovering at a rapid pace in the region, but there still may be trepidation in travel sentiment that is causing new hotel construction to inch forward slower.

Of course, the ongoing economic uncertainty caused by the pandemic continues to have its own effects.

"Construction activity is 'less than robust,' given the cost of labor and materials, as well as an increase in interest rates and the fact that lenders are being very picky about what projects they lend on," said Paul Sexton, vice president with hospitality brokerage and consulting firm HREC in Orlando.

Many people still have a misconception that Orlando was a 'boom-and-bust' hotel market, when it actually has grown at a modest 1% pace since 2009, Sexton told *OBJ*.

In fact, Universal Orlando Resort's recent 6,600-room hotel construction push — which included properties such as the Universal's 2,200-room Cabana Bay Beach Resort (2014 debut), the 1,000-room Loews Sapphire Falls Resort (2016 debut), Universal's 600-room Aventura Hotel (2018 debut) and the dual-property Universal's Endless Summer Resort 750-room Surfside Inn & Suites (2019 debut) and 2,050-room Dockside Inn & Suites (late 2020 debut) — was a major reason the region's hotel room inventory needle moved at all, Sexton said.

Still, he said there may be a drive for more activity in the future. "With Universal Orlando's new theme park Epic Universe coming online in 2025, I don't think we are going to have enough rooms to house everyone who wants to visit the new park."

Nationally, hotel room construction took a dip last year. The number of U.S. hotel rooms under construction was down about 61,000 rooms from the country's all-time high achieved in April 2020, according to STR Inc., a division of CoStar and hotel-market data firm based in Hendersonville, Tennessee. Globally, only the Asia Pacific region has seen an increase in its hotel-construction pipeline between late 2020 and the end of 2021.

In December 2021, there were 158,906 rooms nationally under construction, down 19.2% from the same time in 2020. STR found 185,231 rooms were in final planning, a 20.6% decrease from the prior year.

The Business Journals National Observer's Editor Ashley Fahey contributed to this report.



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New hotel development in Orlando has slowed, but that may let the industry balance out, say experts.

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