

Chapter 11

Forces Shaping the Hotel Business

THE ECONOMICS OF THE HOTEL BUSINESS

When hotels are in the planning stages, developers must consider:

- Available financing (can be difficult)
- Lifespan of the hotel (30–40 years)
- Length of construction phase (<1 year to >3 years)
- How supply and demand will change over time

THE ECONOMICS OF THE HOTEL BUSINESS

- Not all hotels that are planned are actually built
- One primary reasons that hotels do not get built is due to lack of financing
- Hotels are a capital intensive business and can cost hundreds of millions of dollars to build