

Consulting Sep 3, 2019

## Plug-and-Play Hotels

In the future, turnkey buildings will come as modules from factories.



Construction costs have been rising for years now, and 2019 is no exception. According to a study by the German Institute for Economic Research (DIW), this trend is fueled primarily by the ongoing high demand for new buildings. Major cities and recreational areas have an especially great need for new housing, and also for hotels and hospitals. When construction booms, its costs skyrocket and its time frames lengthen. Can a modular construction method help make buildings more quickly, more economically, and with better quality? A Finnish company is convinced it can.

The hotel business in Germany has posted ten consecutive years of growth. In 2018 the German Tourism Federation (BTW) counted a good 477 million overnight stays, a four-percent increase over the year before. It also reported a 71.9-percent room occupancy rate. New hotels are being built everywhere in the world, not only between the North Sea and the Alps. In the USA, for example, around 3,500 hotels have been built over the past seven years, bringing the total number in the country to around 55,900 or 5.3 million beds.

According to the study Hotel Investment Outlook 2019 from Jones Lang Lasalle, last year's total transaction volume in the hotel investment market was nearly 68 billion US dollars. The highest growth was found on the US market, with an increase of around 30 percent to 36.5 billion dollars. The authors of the study anticipate a similarly high rate of growth for 2019.

Investors are concerned about the cost of construction, which has risen at an extraordinary rate in recent years. The costs for building a hotel or hospital depend on developments in the property, construction material, and labor markets. For the latter two markets, companies have spent years searching for innovative concepts and new solutions.

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