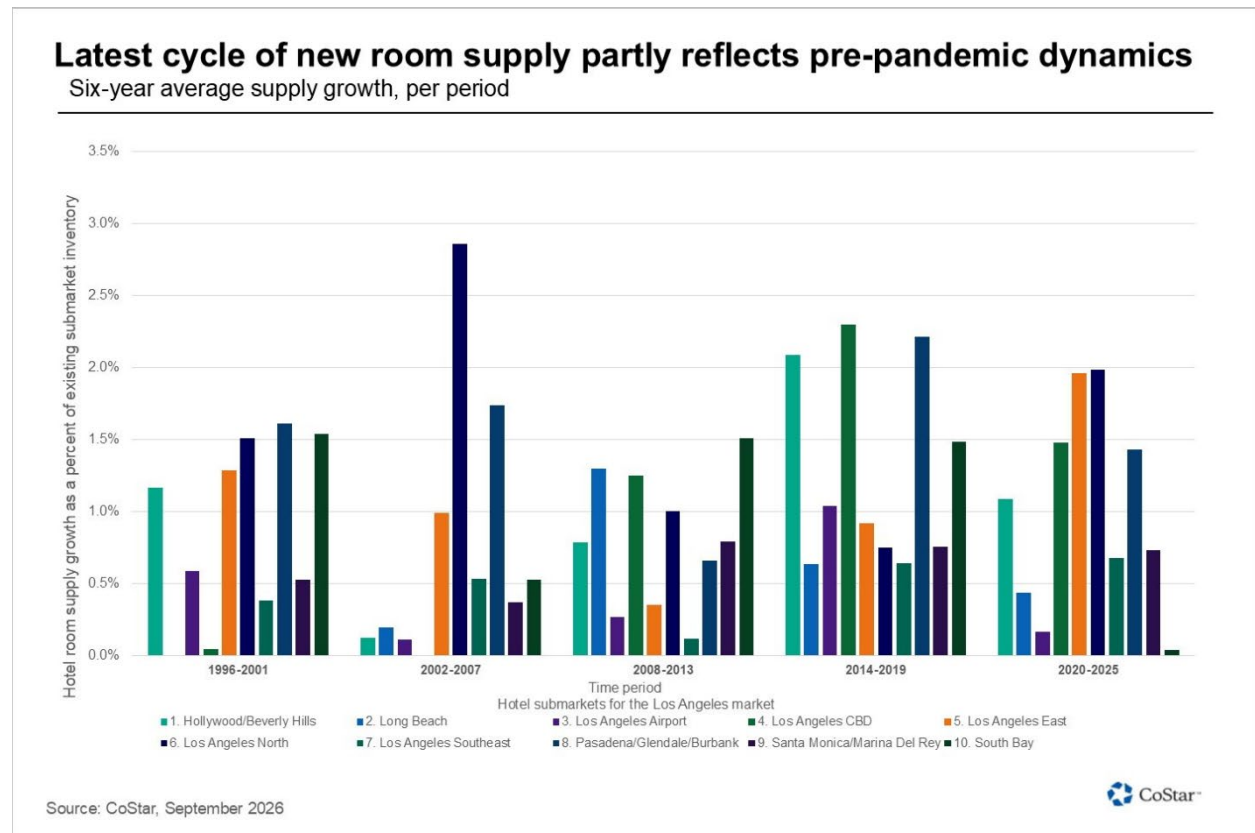


Hotel construction in Los Angeles shifts away from traditional growth centers

Development activity is migrating north and east



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The geography of hotel development in Los Angeles has changed considerably over the past two decades, with the most recent supply cycle reflecting both pre-pandemic investment decisions and a more selective development environment.

While the number of hotel room openings each year has slowed sharply across the market, the locations that continued to add new hotels during 2020-2025 were often different from prior expansion cycles.

The latest six-year period shows the market's most active hotel development areas are located north and east of the city, recording some of the strongest average inventory growth rates in the market during 2020-2025. This marks a shift from the late 2010s when hotel development was concentrated in downtown Los Angeles, as well as the Pasadena/Glendale/Burbank and Hollywood/Beverly Hills areas.

The transition illustrates the lag that often occurs between development planning and hotel openings. Many projects completed after 2020 were conceived during the stronger hotel operating environment of the mid-to-late 2010s, when top-line performance metrics across much of the market were rising. As a result, developers continued to add rooms even after market conditions changed dramatically during the pandemic.

Meanwhile, several areas that had previously attracted substantial hotel investment experienced a slowdown in development activity. Coastal markets such as Santa Monica/Marina del Rey fell out of favor due to elevated land costs and regulatory challenges, while the Los Angeles Airport submarket remains constrained by existing inventory levels, limited development sites and the economics of airport-oriented lodging.

Demand in the Airport area is heavily concentrated among relatively price-sensitive airline passengers, flight crews and short-stay travelers, limiting both pricing power and opportunities to generate ancillary revenue compared with hotels in other areas. The South Bay also moved from an earlier hotel growth phase to relatively limited new construction.

The evolving development patterns across Los Angeles highlight that areas with available land, multiple resilient demand generators and sustainable operating margins continue to attract hotel investment, while areas with more expensive sites or complex approval processes have seen fewer new projects advance.

Looking ahead, even as overall hotel performance is expected to improve, elevated financing costs and rising labor expenses are expected to keep development activity highly selective. As a result, developers will likely concentrate on projects with irreplaceable locations, more streamlined entitlement processes, and, where possible, mixed-use components that enhance a project's economic feasibility and support long-term returns for investors.