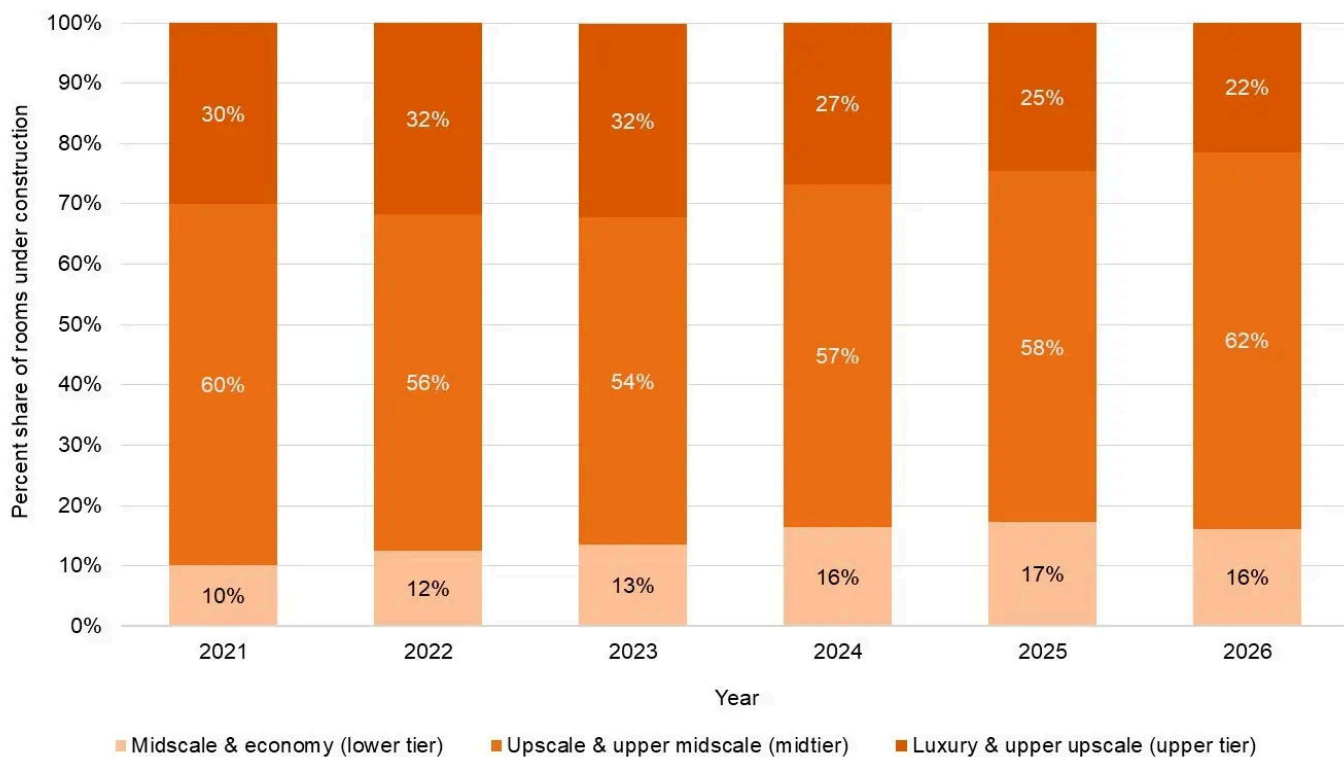


COSTAR INSIGHT

Midtier hotel rooms lead US construction trends

Upscale and upper-midscale segments see steady development amid slower industry growth

Expanding share of midtier room construction



Source: CoStar, February 2026



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Midtier class hotels remain a stable component of the U.S. development pipeline, even as overall construction activity continues to contract.

As of January, total rooms under construction declined by roughly 9%, reflecting elevated financing costs and a cautious lending environment that continues to slow new project starts. Midtier construction, including the upper-midscale and upscale class segments, declined by 2.6%, indicating comparatively steady developer engagement compared with other class segments.

Despite a broader downturn, midtier hotels now represent 62% of all rooms under construction, up from 58% the prior year and consistent with pre-2020 levels. The shift reflects developers' preference for product types with reliable demand

characteristics and development costs that better align with current capital market conditions. Luxury and upper-upscale projects recorded sharper pullbacks, with declines approaching 20%. Midscale and economy segments fell by roughly 14%.

Top 25 market trends

Among STR’s Top 25 markets, midtier rooms represent 57% of rooms under construction, compared with roughly 30% in upper-tier categories.

The distribution has fluctuated over recent pipeline cycles. Between 2022 and 2024, midtier shares temporarily contracted to nearly 40% as developers advanced a wave of upper-tier projects. By 2023, upper- and midtier development represented roughly equal shares at about 45%. As upper-tier projects were completed from 2024 through 2025, midtier’s share rebounded to 56%, reasserting its dominant position. These movements reflect the structural changes in developer strategy and shifting consumer sentiment.

Secondary market trends

Outside the Top 25 markets, 149 secondary regions continue to play a major role in shaping midtier hotel development throughout the United States. Right now, about 68% of midtier hotel rooms under construction are in these secondary areas, reflecting ongoing growth in places with lower entry costs, favorable economic conditions and steady demand.

The share of midtier rooms under construction in secondary markets reached a high of 76% in 2023, dropped to 61% and settled at 66% by January 2026. This change points to a return to typical market patterns rather than a lasting decline. Even though overall construction has fallen by approximately 9% because of higher borrowing costs and stricter lending requirements, midtier projects in secondary markets have remained strong. This resilience is largely because of affordable land, population growth and shifting travel spending.

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