



Turner & Townsend

Beyond The Cost Per Key

The Reality of Hotel Development Costs in Africa and the Indian Ocean



Cost per key has become
the industry's universal
language, yet it regularly
obscures the true cost of
hotel development.

What is actually included in the Cost per Key?

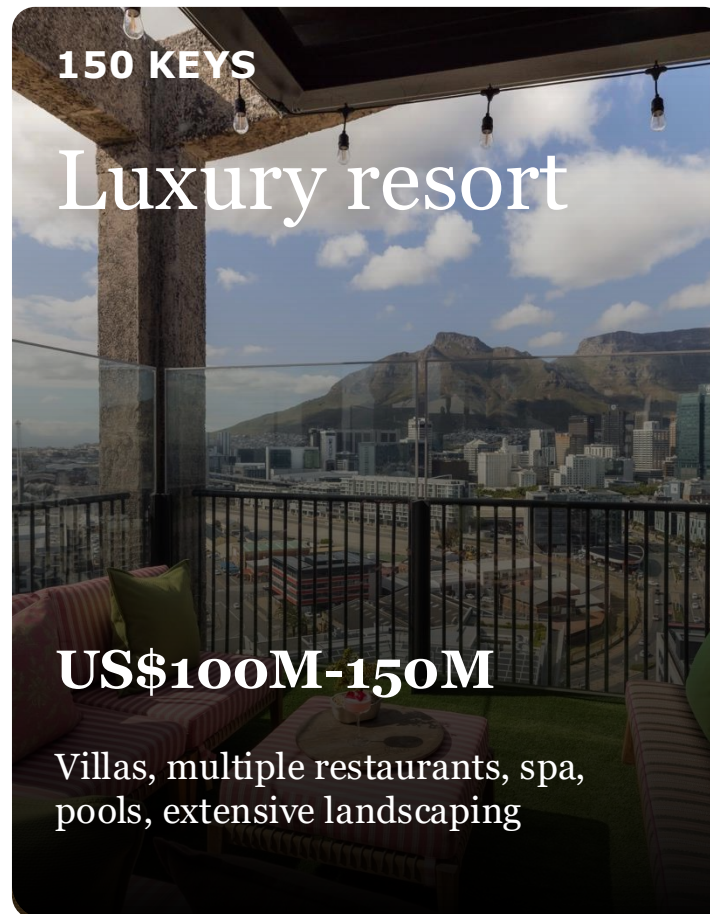
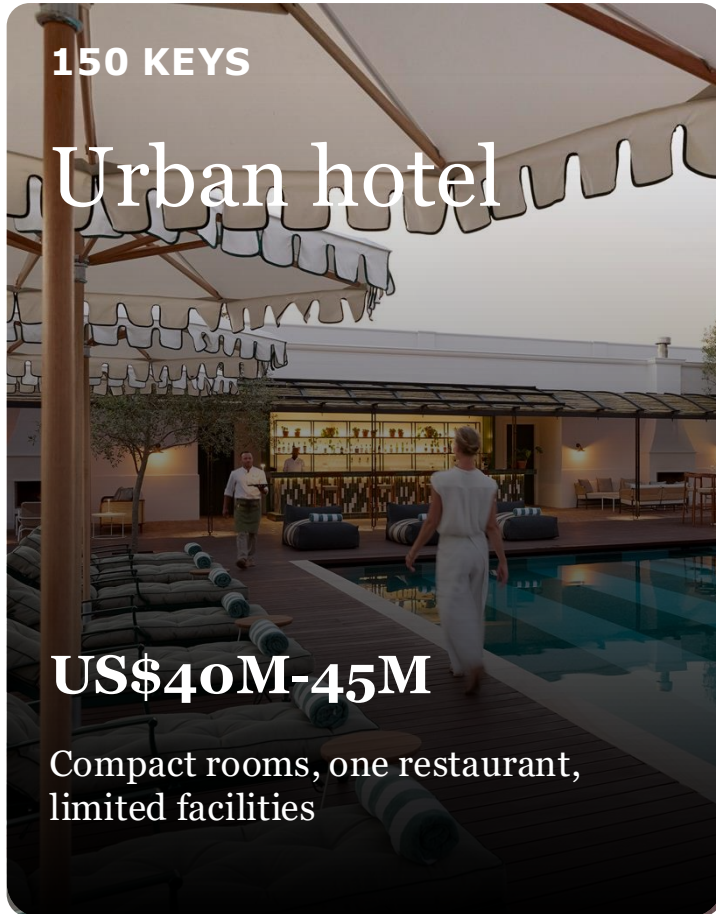


Exhibit A:

- are purely indicative,
- have a base date of July 2026,
- include FF&E and OS&E,
- **exclude professional fees, land cost, working capital, interest payments, development charges, local taxes, finance costs, soft costs, pre-opening expenses, legal costs, attic stock etc.,**
- **exclude site abnormalities,**
- **excluded local inflation,**
- are subject to currency fluctuation,
- are subject to vary, based on number of basements & building heights,
- subject to investors procurement model and based on location, such as city centre with activity, air rights restrictions,
- are tied to the indicated TGFA above, and
- appropriate TGFA of the said project should be considered in extrapolating the final cost.

Preliminaries (Overheads)	FF&E and OS&E
Earthworks	
Structure (Concrete and Blockwork)	
Mechanical, Electrical Water Services	Sometimes 5%
Shopfitting and Joinery	
Builders work Finishes	Contingency
Kitchen and Laundry Equipment	Professional Fees
Landscaping, Pools and Furniture	Escalation
Always 65%	Almost Never 30%

Same keys, different investment



The room count may be identical, but one is selling accommodation while the other is selling an experience. Experiences are significantly more expensive to build.

What are we designing?

Net area per key
26 – 32m² / key

6m² @
\$2,500 / m²

\$ 15,000 / key

\$2,250,000

Development Cost Increase

8%

Impact on ROI

1%

Guests don't pay us for every square meter we build, but we pay to build every square meter.

**UPPER
MIDSCALE
HOTEL**

150 keys



What are we designing?

Gross area per key
50 – 70m² / key

20m² @
\$2,500 / m²

\$ 50,000 / key

\$7,500,000

Development Cost Difference

20%

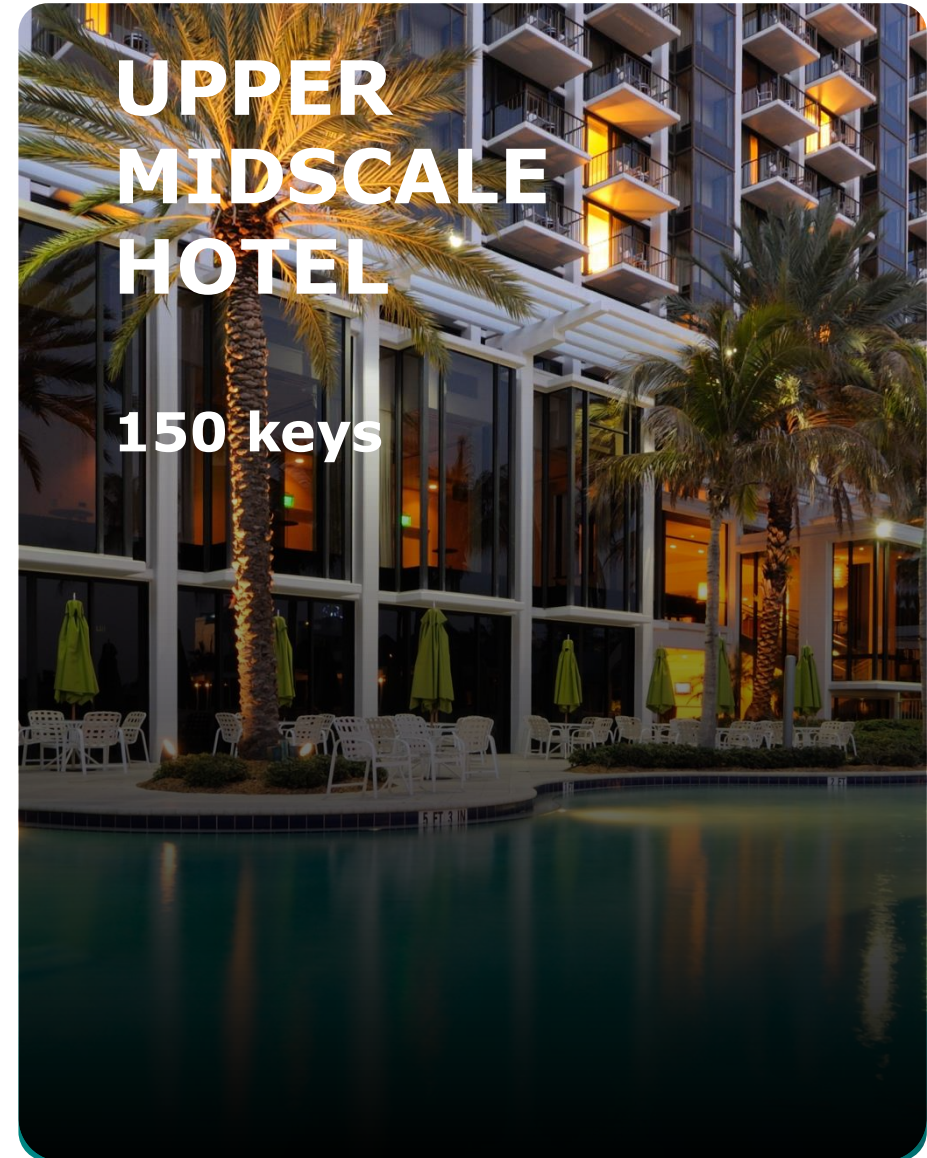
Impact on ROI

3%

If a square meter doesn't create revenue, enhance the guest experience, or improve operations, it should be challenged.

**UPPER
MIDSCALE
HOTEL**

150 keys



West Africa Case Study - 2026

**Benchmark
Budget**

\$ 275,000
Per key

\$ 41,250,000
Total

**Gross Area
Per Key**

70m²
Benchmark

120m²
Actual

50m² @
\$3,500 / m²

\$ 175,000 / key

\$ 26,250,000

Actual Rate Per Key

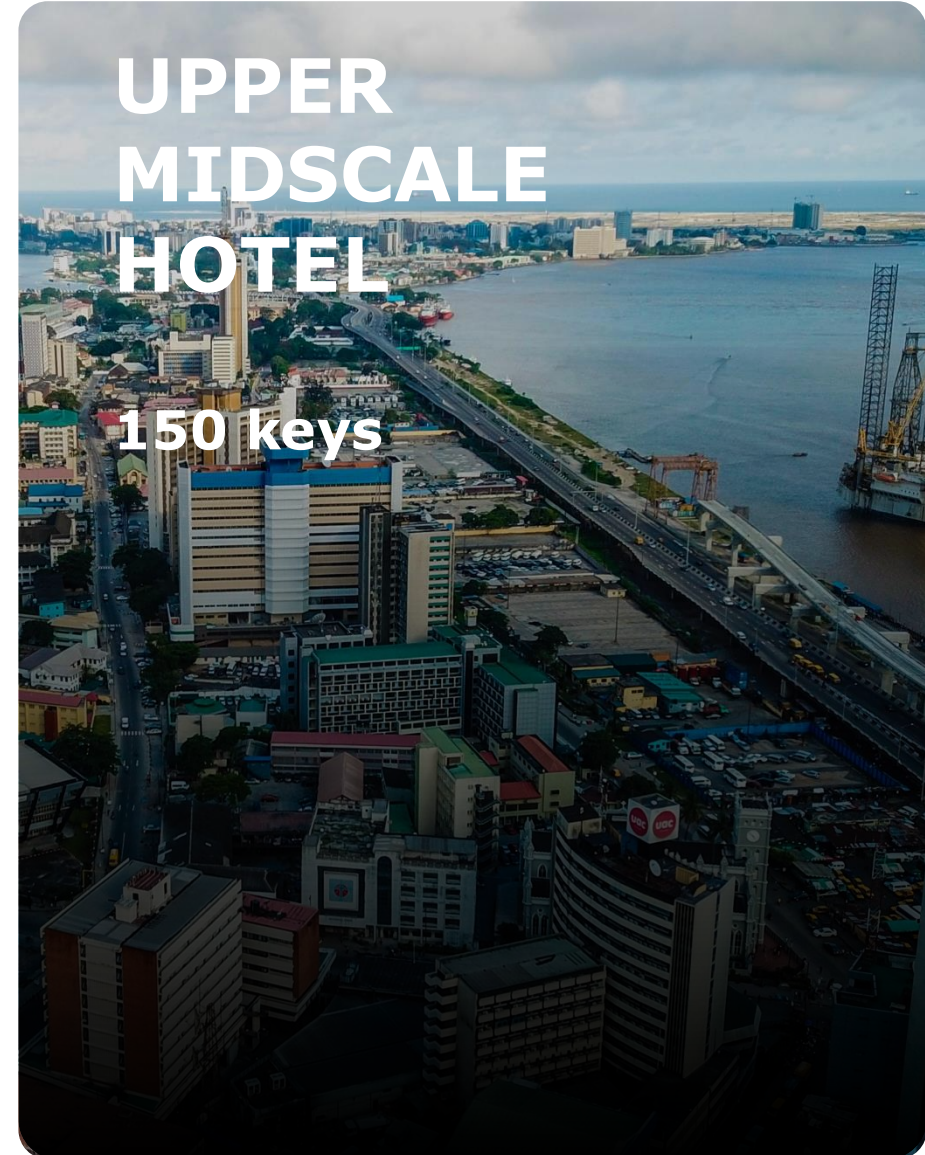
\$ 450,000

Impact on ROI

8%

**UPPER
MIDSCALE
HOTEL**

150 keys



Benchmarks are not budgets

What drives cost increase

1. Larger guestrooms

2. Excessive public areas

3. Excessive BOH

4. Imported finishes

5. Multiple restaurants

6. Infrastructure upgrades

7. Sustainability requirements



The island premium by destinations

1. Zanzibar

+10% to +30%

Close to Dar es Salaam, mainland labour, strong contractor base, shorter supply chains. Challenges: ferry logistics, imported components.

2. Mauritius

+20% to +40%

Mature market, efficient logistics, higher quality expectations.

3. Madagascar

+20% to +60%

Infrastructure challenges, remote locations, longer procurement cycles.

4. Seychelles

+40% to +100%

Import dependency, limited contractors, luxury focus, strict environmental controls.

Where the island premium comes from

Construction is often not the biggest premium. Logistics are.

1.
5 - 15%

Logistics

2.
5 - 10%

**Labour
mobilisation**

3.
5 - 15%

Infrastructure

4.
5 - 10%

**Programme
and risk**

5.
10 - 25%

**Imported
materials and
FF&E**

From common mistakes to better outcomes

Developers often...

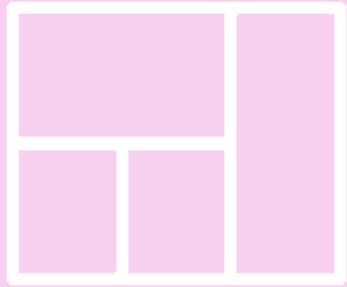
- Use outdated cost data
- Compare different hotel types
- Ignore logistics costs
- Underestimate infrastructure
- Apply mainland benchmarks to islands
- Engage cost managers too late

Success will come from...

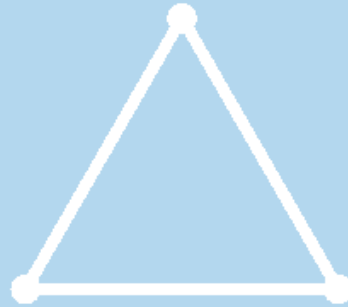
- Better design efficiency
- More realistic benchmarking
- Early cost management
- Smarter procurement
- Lifecycle thinking

Winning formula: Design Efficiency + Cost Certainty + Operational Performance

How do we guarantee accuracy?



**Feasibility
study**



**Concept
design**



**Order of
magnitude
estimate**

Key takeaways

1.



Cost per key is only the starting point.

2.



Area per key matters more than room count.

3.



Design decisions drive cost outcomes.

4.



Island developments require separate benchmarks.

5.



Better benchmarking creates better investments.

The cheapest hotel to build is rarely the most successful hotel investment. The goal is not to minimise cost. The goal is to maximise value.

An aerial photograph of a lodge nestled in a lush, green forest. The lodge consists of several circular huts with traditional thatched roofs. A wooden walkway connects the huts, and a circular outdoor pool is visible in the foreground. Two people are standing near the pool. The background shows a steep, densely forested hill.

Thank you