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New Branch Costs Soar Past \$3M: Increased Construction Costs, New Technologies and Consumer Amenities all Contributing Factors Even as Branch Size Remains Unchanged in Recent Years

In 2003, Bancography conducted its initial survey of branch construction plans at U.S. banks and credit unions. We have reprised the study every three years since, pausing only during the lull in branch building following the financial crisis of 2008 - 2009. Each iteration of the survey inquired into four aspects of branch deployment: the number of new branches planned; size and format; cost; and staff and equipment configuration.

As three years have passed since our 2022 survey, we revived the survey for 2025, to learn the latest about branch construction plans in the U.S. The survey panel represented a diverse group of banks and credit unions, with respondents from every region of the nation, and from all asset tiers except the largest national banks. The survey panel included institutions with fewer than five branches and larger banks with assets exceeding \$10 billion and footprints impounding hundreds of branches — providing a robust basis against which to gauge industry trends.

Many thanks to all the bankers who took the time to compile the data and complete the survey. We appreciate your willingness to share your time and information! Primary findings follow.

Branching Plans:

How many branches does your institution plan to add next year?

A survey panel about branch construction plans is biased toward institutions planning expansion efforts; and in any given year, the median and modal branch change numbers are “zero,” as the majority of banks and credit unions will maintain their current

branch networks as-is. But within the subset of the industry planning to expand their networks in 2026, 42% are planning only incremental expansions, anticipating adding a single branch; and 58% are planning to add more than one branch.

For those banks and credit unions planning multiple branch additions, those efforts would equate to a count of nearly 10% in their networks’ total current branch levels. This does not necessarily equate to a net increase of the same proportion in the institutions’ networks, as there could be offsetting closures planned elsewhere in the network; but rather, the planned expansion levels approach 10% of current branch-count levels.

Of the institutions indicating plans to add branches in the next year, 92% plan to add freestanding branches; 27% inline or storefront branches; and 8% in-store branches. These proportions sum to more than 100%, because some banks or credit unions will add branches in more than one of those service models. This represents a trend back toward freestanding models versus the 2022 survey, which found 79% of respondents planning freestanding branches and 44% planning in-store branches. Overall, nontraditional branches (inline, in-store, or other specialty formats) represent 21% of all planned new branch deployments, down from 27% in the 2022 survey.

What is the average square footage of the planned new branches?

There was little change in the response to this question from the prior iteration of the survey, with respondents reporting a planned average branch size of 3,400 square feet for freestanding

branches, with the more telling median at 3,100. In 2022, the survey found a median size of 3,000 square feet for planned freestanding branches.

In the earliest days of our survey, median square footage for planned freestanding branches approached 4,000 square feet, and that level steadily declined through 2016. But in the iterations since, median freestanding square footage has hovered between 2,800 and 3,100 square feet, ticking upward a shade in each of the two most recent surveys. This suggests the industry has settled on the 3,000 square-foot range as a practical minimum – the leanest footprint that would justify the land-purchase and site-preparation costs required to build freestanding branches.

New Branch Size and Cost Medians	2025	2022
Square footage		
Freestanding branches	3,100	3,000
Inline / storefront branches	2,000	2,050
Costs		
Land, freestanding branches	\$1M	\$1M
Construction, freestanding branches	\$2.5M	\$1.9M
Per square foot	\$810	\$630
Construction, inline branches	\$675m	\$700m
Per square foot	\$360	\$340

However, there are outliers in both directions. Nearly 15% of respondents are still planning branches larger than 5,000 square feet. And several of the panelists are planning freestanding branches of less than 2,000 square feet, testing the boundaries of how small a facility can still justify the costs of freestanding construction.

For the planned inline branches, the project scope remained essentially unchanged from the past three iterations of the study, once again showing a median size of 2,000 square feet, with an average size of 2,200 square feet. Yet some banks and credit unions continue to test how compact a branch they can create, with this year's study finding plans for branches as small as 700 and 1,000 square feet.

What is the average land cost of the planned freestanding branches?

This question always yields the greatest variance in responses, because land costs vary so broadly across geographies, both in a market-versus-market context and also in an urban-versus-suburban-versus-exurban context within the same market. The pattern repeated in the 2025 survey, with projected land costs for planned freestanding branches ranging from \$400,000 to \$3.5 million. Across the survey panel, land costs remained unchanged from the 2022 edition, with the median cost reaching \$1.0 million and the average \$1.1 million. Despite the aforementioned outliers, there appears to be a normal range of \$800,000 to \$1.6 million; granted, still a broad spread, but a range impounding about 60% of all responses.

What is the average cost of the planned branches (including building, furniture and equipment, i.e., everything but land)?

Even as land costs remained essentially unchanged from 2022, construction costs increased significantly. The median construction cost for new freestanding branches increased from \$1.9M in the 2022 survey to \$2.5M in the present edition; with a few high-side outliers taking the average cost to \$3.0M. The majority of respondents project freestanding branch costs in the \$1.8M - \$3.0M range, but costs ranged from \$700,000 to several projects planned at more than \$5 million.

As with land cost, planned branch size also varies broadly, so cost per square foot provides a means to examine branch construction costs on a common basis. This measure also showed a significant increase, with all-in costs (construction, equipment . . . everything but the land) for freestanding branches reaching a median of \$810 per square foot and an average of \$890/sf. These statistics reflect increases of more than 20% from the 2022 survey, indicating a combination of increased construction costs – largely driven by raw material inputs – and increased equipment costs, as branches increasingly offer more sophisticated technologies (for example, ITMs versus simpler, less costly traditional ATMs). More than one-third of

respondents cited costs of more than \$1,000/sf, with a few exceeding \$1,200/sf.

Inline branches showed notably lesser cost structures than freestanding branches, with an average cost of \$900,000, up from \$790,000 in the 2022 survey; and a median cost of \$675,000, about even with the 2022 survey. These yielded average costs of \$410 per square foot (median \$360), up only modestly from an average of \$390/sf in the 2022 survey (median \$340). Other factors, such as the condition of the space the branch will occupy, rent concessions, tenant improvement allowances, etc., can all impact construction costs for inline branches, whether implicitly or directly. But details of such arrangements remained beyond the scope of this survey, leaving the inline costs as less definitive than the freestanding costs.

One other reason why inline branch construction costs remained relatively stable, even as freestanding branch construction costs soared, may be that much of the cost increase of the latter reflected raw material inputs, all purchased at current price levels for a freestanding branch. Whereas for many inline branches, the costs will reflect mostly equipment and furnishings (which did not show the rampant increases of raw construction materials) to finish out or refurbish storefront bays built before the run-up in construction-input prices.

What are the planned initial staff levels for new branches?

For freestanding branches, respondents reported an average starting staff of 5.7 full-time-equivalent employees (FTEs), with most responses falling in the 5 - 7 FTE range; the 2022 survey showed an average of 5.4 FTEs. For inline branches, respondents reported an average starting staff of 4.6 FTEs, versus 4.0 in the 2022 survey. Thus, there was little change in planned staffing levels in either type of service model. The slight uptick in inline-staffing intentions correlates with Bancography's empirical observations that bankers are finding the practical minimum may exceed what modeled volume levels may otherwise

indicate – even for the smallest-format branches – simply to provide coverage for security, absence coverage, and other realities of actual branch operations.

The survey also addressed various equipment, configuration, and design elements:

- **Teller cash recyclers** are now the norm in U.S. branches: 82% of respondents plan to deploy TCRs at all new branches, and 95% in at least some new branches (up from 80% and 85%, respectively, in the 2022 survey).

Yet some institutions are using TCRs to gain processing efficiencies, but not necessarily to enable the flexibility of an

- **Interactive teller machines** continue to gain traction in the industry. In our 2022 survey, 33% of respondents cited plans to add ITMs at all new branches; but that reached 37% in this year's study. The proportion of respondents planning to use ITMs in at least some of their new branches also edged up, from 50% in 2022 to 54% this year.

Of the respondents planning ITMs, 74% are planning to use them in the drive-in only; while 26% plan to use them in both the lobby and the drive-in (or in the lobby only in the case of a storefront branch with no drive-in). Every respondent planning ITMs at their new branches plans to drive them from a central call center location,

% Including in Some or All Branches	2025	2022
Teller cash recyclers	82%	80%
Safe deposit boxes	20%	46%
Interactive teller machines	37%	33%
Traditional teller lines	42%	41%
Non-retail business lines	86%	60%

open floorplan design. Twenty-six percent of respondents still plan to offer a traditional teller line at all new branches, and 42% in at least some of their new branches; leaving 58% eschewing the traditional teller line at all new branches (essentially unchanged from 59% in the 2022 survey).

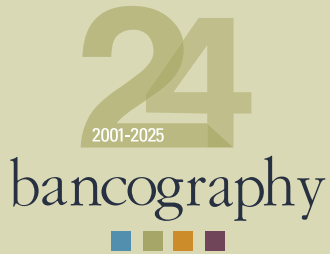
For those intending to use a model with integrated teller/CSR workstations, 87% also plan to cross-train all employees at those functions as universal bankers.

- The **safe deposit box** may finally be meeting a point of obsolescence as consumers migrate valuable documents to online storage vehicles; with only 20% of respondents planning to install safe deposit boxes at their newest branches (no telling where their clients store valuable jewelry).

whereas in the 2022 survey 21% planned to use in-branch staff to drive the ITMs, replicating the typical drive-in experience. This year's results confirm the efficiencies of centralized operations (where one agent can support multiple branches) as winning out over using the ITM as a substitute delivery mechanism for the pneumatic tube.

- One reason why branch square-footage levels appear to have reached a practical minimum is that even as in-branch transaction levels continue to wane, bankers are emphasizing the sales function of the branch.

Toward that end, 58% of respondents intend to allocate space for **specialty line-of-business officers** (e.g., commercial, mortgage or wealth officers) at all of their new branches, and 86% in at least some of their new branches.



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- Correspondingly, only 14% of respondents are considering **micro-format branches**, defined as branches with no live cash handling, where basic deposits and withdrawals occur only via ATMs or ITMs. This may again reflect a realization that even as bankers strive to minimize transaction costs, they remain reticent to test the removal of functionalities consumers and business owners may deem essential prerequisites for considering a branch for their primary banking relationships.
- Thirty-five percent of respondents expect to outsource at least some proportion of branch construction projects to **design/build firms** (turnkey providers managing all aspects of the construction process), while 65% will hire and manage their architects and general contractors internally. Of the respondents intending to utilize design/build firms, most will use those firms for all branch projects; though a few will use both methods (i.e., design/build firms for some branches, internal management for others). These proportions remain similar to those found in the past two survey iterations.
- Finally, 61% of respondents reported plans to add **amenities for community use**, with free Wi-Fi connections the most prevalent such offering, but numerous respondents also providing conference rooms for community use. Other amenities noted by multiple respondents included a tech bar/charging station area, a coffee-house

subtenant, office space for non-branch employees seeking a remote-work location, and work-desks available for client use.

In sum, the past three years have seen significant increases in new branch costs, mostly attributable to higher construction costs and greater use of technology; but not significant increases in underlying land costs for freestanding branches.

Further, branch-size levels remain similar to the levels of three years prior, as a trend toward smaller footprints that progressed from 2000 through 2020 appears to have stabilized, with footprints reaching an empirical minimum relative to the functionality and capacity a branch needs to provide.

Most interesting, bankers continue to pursue an array of strategies for branches, rather than coalescing around a single model. Freestanding branches remain predominant, but inline/storefront branches are also part of the delivery mix at many institutions, along with in-store branches. Some institutions have migrated exclusively toward dialog banking stations (i.e., teller pods), but a sizable cohort of banks and credit unions continue to add branches with traditional teller lines, too. The ITM continues to gain acceptance, but still has not reached the ubiquity of its less sophisticated ancestor, the ATM.

The variance in service models reflects not only the diversity of institutions forming the nation's banking landscape, but also the diversity of markets within. Thus, decisions around branch size, square footage, technology, staff levels and amenities may reflect more than just the beliefs of the executives charged with branch-planning tasks; they likely also reflect the specifics of the individual markets each planned branch will serve. This is manifested in the sizable proportion of survey respondents planning multiple branches in the year ahead, and employing multiple formats (e.g., some freestanding, some inline; some with teller lines, others without). Therefore, bankers should develop a portfolio of potential service models, each mapped to respective market types, so that institutions can then deploy the model best aligned with any specific target market's characteristics; versus imposing a single invariant monolith across all new branch pursuits. ■ ■ ■ ■ ■