

HVS Market Pulse: Southeastern U.S. Hotel Markets Poised for Strong 2019

February 27, 2019 / By Rodney G. Clough



I recently checked in with my five Directors that oversee our five offices in the Southeast to see how their hotel markets were holding up as we head further into 2019. Overall, the pulse of each area was positive, with some expecting some softening in occupancy this year, which mirrors our overall national sentiment. However, ADR growth should keep overall RevPAR change in the positive column. Here's what each Director had to say.



Mallory White, Director of the Tampa – St. Petersburg HVS Office

A record-breaking spring season in 2018 allowed for strong rate growth; however, the toxic algae bloom known as "red tide" invaded St. Petersburg-area beaches in September 2018 and lingered for nearly three months, causing a softening in overall occupancy for the year. Going forward, the Super Bowl in 2021 is anticipated to induce demand and draw international recognition to the Tampa Bay area, and the multi-phase Water Street development, which includes Sparkman Wharf, is expected to deliver nearly 1,200 new hotel rooms to the Tampa market by 2025. Thus far in 2019, market participants report strengthening market conditions; however, the large influx of new supply in the greater market area is likely to soften overall occupancy, while average rate is expected to increase steadily as this high-rated new supply ramps up toward stabilization. Overall, the market outlook is positive.



Don Stephens, Director of the Orlando HVS Office

Orlando's 2018 hotel inventory increased 1.5% over 2017 and now offers 486 hotels with a total of 124,866 guestrooms. Deliverables in 2019 will introduce 2,798 rooms within twelve new hotels and increase supply by 2.2%. Orlando's occupancy level finished 2018 at 77.5%, down 1.8 percentage points over the prior year, while ADR increased 4.8% to reach an all-time high of \$127.32. After 108 consecutive months of positive RevPAR growth, market participants appear confident that RevPAR increases going forward will be in the form of modest ADR gains through aggressive yield-management amid steady growth in room-night demand levels and a minimal amount of new supply entering the market. We expect the Metro Orlando hotel market to breach the \$100 aggregate RevPAR level for the first time in early 2019 and enter unfamiliar territory.



Janet Snyder, Director of the Atlanta HVS Office

The Atlanta hospitality market continues to thrive, with RevPAR gains in 2018 driven by ADR improvement; demand growth kept up with the pace of new supply, resulting in a stable occupancy level for the year. While RevPAR gains have slowed in recent years, Super Bowl LIII (held in Atlanta in February) is anticipated to contribute to further growth for the market in 2019. Increasing revenues and a strong local economy should bode well for another year of healthy sales activity in 2019, although the average price per key may stabilize as expense levels keep pace with NOI growth.



John Lancet, Director of the HVS Miami Office

In 2018, transaction volume of individual hotels (non-portfolio) for Miami-Dade County totaled \$768 million, with 84.0% of the volume (\$645 million) attributed to full-service hotels and 16.0% of the volume (\$123 million) to limited-service hotels. Hotels located in Miami

Summary

Overall, the pulse of each area within the Southeast region was positive, with some expecting some softening in occupancy this year, which mirrors our overall national sentiment. ADR growth should keep overall RevPAR change in the positive column.

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Beach drove 83.0% of the transaction volume, with slightly over 9.0% of the volume driven by hotel assets located in the CBD. For year-end 2018, the top three submarkets for RevPAR growth were Miami Beach, Surfside/Bal Harbour, and North Dade, with increases of 11.8%, 11.7%, and 11.5%, respectively. Overall, Miami's RevPAR increased by 6.3% last year, influenced by ADR growth of 6.1%. The outlook for 2019 suggests that occupancy declines related to the absorption of new supply will likely erode ADR gains, resulting in a slight decrease in RevPAR.



Heidi Nielsen, Director of the Charleston Office

The Charleston market remained strong in 2018, with the sale of the dual-branded Hyatt House/Hyatt Place Charleston Historic District being the largest transaction at \$121 million in 2018. The buyer was a German-based company, which illustrates that international interest is growing in the market, as Charleston continues to be ranked the number one U.S. tourist destination by Condé Nast Traveler magazine readers. Despite, a significant amount of new supply entering the greater Charleston market, occupancy and ADR levels remain strong. The January 2019 opening of the Hotel Bennett will allow Charleston to further compete with larger markets in the luxury segment.

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About Rodney G. Clough



Rod Clough, MAI, President - Americas, oversees strategy execution throughout 40 Americas locations. He recently brought together all US Valuation Consulting offices under common ownership, and has revolutionized the way the company is led and managed. This group of offices represents over 120 hotel industry professionals and executes over 4,000 assignments a year. Rod has been working in the hospitality industry for 30 years and is a graduate of Cornell's School of Hotel Administration. He is a Designated Member of the Appraisal Institute (MAI) and a state-certified general appraiser. Contact Rod at (214) 629-1136 or [\[email protected\]](#).