

Key Hotel Investment Trends and Opportunities in the Carolinas and Georgia

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The Carolinas and Georgia have long been regarded as strongholds for hotel investments, thanks to their thriving tourism industries, growing business hubs, and strategic locations. Over the years, the region's major cities like Charleston, Atlanta, and Raleigh-Durham have consistently attracted investors with steady demand for hotel accommodations. These markets, known for their rich history, diverse attractions, and dynamic economies, have weathered economic fluctuations while maintaining relatively stable hotel markets.

Today, as economic conditions continue to improve and financing becomes more readily available and affordable, these historically robust markets are poised for even greater growth. Investors are now eyeing not only the well-established urban centers within these metro areas but also emerging secondary markets and resort destinations that stand to benefit from increasing travel and business activity. In this article, we examine select southeastern cities that have remained solid hotel investment markets and explore their potential to thrive going forward.



Charleston, SC

Market Overview

Charleston, South Carolina, is a dynamic destination known for its rich history, antebellum architecture, and vibrant cultural scene, driving a robust lodging market. Key demand generators include the city's historical charm, which attracts year-round visitors, and its acclaimed culinary scene that draws food enthusiasts. Major events like **Spoletto Festival USA** and a growing business sector, highlighted by **Boeing** and **Volvo**'s ever-expanding **Camp Hall** industrial campus, further boost demand. Additionally, the area's proximity to beautiful beaches appeals to both leisure and corporate travelers.

Market Performance

Comprising over 23,000 rooms within 223 reporting hotels, year-to-date (YTD) STR data through August 2024 illustrate a slight pullback in demand for Charleston, with occupancy down 1.1% year-over-year (YOY) to 71.2%. Leisure travel remains the largest demand driver in the market, and this segment has softened across the nation

Summary

Major cities in the Southeast like Charleston, Atlanta, Savannah, and Raleigh-Durham remain strong hotel investment markets due to their thriving tourism, growing business hubs, and strategic locations. Enhanced financing options are expected to boost transaction volumes. Significant construction pipelines and improving economic conditions highlight the region's long-term resilience and investment appeal.

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this year. Average daily rate (ADR) remained relatively unchanged, registering a 0.2% increase to \$175.03, which resulted in a revenue per available room (RevPAR) of \$124.57. This is a modest improvement from the August 2024 trailing-twelve-month period, in which RevPAR held constant at \$119.62. Despite the slight suppression in occupancy during the YTD period, the Charleston lodging market remains strong, supported by record visitor numbers and increasing economic impact, **per the 2023 statistics**. The city's popularity and expanding tourism industry suggest a positive outlook, with future growth likely to drive renewed demand for accommodations.

Construction Pipeline

According to data obtained from **CoStar**, Charleston's hotel construction pipeline is booming, with twelve projects totaling over 1,660 rooms currently in various phases of planning and development, reflecting the city's strong appeal as one of the nation's top tourism markets. These new hotels are located in various submarkets, not only within the popular Peninsula submarket, illustrating the breadth of the market and the potential for compressed demand.

Transaction Environment

Data provided by **MSCI Real Capital Analytics** (RCA) on hotel transactions within the greater Charleston market, which includes the immediately surrounding submarkets, illustrate six transactions in the last twelve months for nearly \$49 million in trades. This is down from eleven hotel sales in the preceding twelve-month period. As the lending environment continues to improve and buyers are able to obtain more affordable debt, it is expected that transaction volume within the Charleston market will surge.

Atlanta, GA

Market Overview

Atlanta serves as a major transportation hub, with **Hartsfield-Jackson Atlanta International Airport (ATL)** regularly ranked as the world's busiest passenger airport. Primary sources of lodging demand comprise local employers and office headquarters, including over 15 **Fortune 500** companies, as well as convention and entertainment venues such as the **Georgia World Congress Center**, **Mercedes-Benz Stadium**, **Truist Park**, and **Georgia Aquarium**. The market should benefit from significant upcoming events, such as the **2026 FIFA World Cup**, for which Atlanta will be a host city. The World Cup matches are projected to generate **over \$500 million in Atlanta from out-of-state visitation alone**.

Market Performance

The Atlanta market is made up of almost 113,000 rooms spread across 976 hotels, with property types spanning from 15-room B&Bs to 1,000-key full-service, luxury hotels. STR's August 2024 YTD data reflect a 2.6% drop in RevPAR (to \$82.00) attributed to new supply additions, including the 976-room **Signia by Hilton** convention hotel, as well as some reduced leisure travel. With ADR remaining relatively unchanged at \$125.58, occupancy is the driver of the RevPAR decline of 2.1%, down to 65.3% for the YTD period. Despite a slower start to 2024, the outlook for the Atlanta lodging market is positive, supported by the city's strong business anchors, major meeting and event venues, and robust visitor activity. These drivers, along with upcoming high-profile events, will ensure sustained lodging demand in the long term that will likely outpace the new supply.

Construction Pipeline

According to CoStar, the Atlanta market has one of the deepest new supply pipelines in the country, with eleven projects totaling over 2,600 rooms currently on the books. While many of these projects are still in the early planning and permitting process, these figures highlight the strong desire for investments in what has been a longstanding U.S. business hub. It will be important to monitor how the greater market absorbs the new supply as it continues to be added at a rapid pace.

Transaction Environment

The Atlanta hotel transaction market has seen a dip over the past twelve months. RCA reported 40 hotel sales totaling \$470 million and 4,536 units sold during the twelve-month period, representing a 19.9% decline in total

volume and a 23.1% drop in the number of properties sold compared to the previous twelve-month period. Despite the slowdown, the average price per room remains strong at approximately \$104,000, which reflects continued investor confidence in Atlanta's long-term growth prospects. The market's resilience is supported by the city's diverse economic drivers, attracting both business and leisure demand.

Savannah, GA

Market Overview

Savannah, Georgia's lodging market thrives on a mix of historical charm, coastal beauty, and year-round tourism, making it a popular destination for leisure and business travelers. Key demand generators include the city's well-preserved **Historic District**, annual festivals, and nearby **Tybee Island** beaches. Business travel is driven by the **Port of Savannah** (one of the busiest ports in the country), **Gulfstream Aerospace**, and nearby military installations like **Hunter Army Airfield**. Major upcoming expansion projects include the \$300-million terminal expansion at the Port of Savannah, which will boost capacity by 50%; the **Savannah/Hilton Head International Airport** expansion; and the \$100-million **Savannah Convention Center** expansion, to be completed in Q1 2025. These developments are anticipated to support leisure, commercial, and meeting/event demand growth in the coming years.

Market Performance

Home to over 18,000 rooms within 214 reporting properties, Savannah's historically significant and resilient lodging market has always been a southeastern staple. Despite a roughly 1.0% increase in supply, market occupancy remained stable at 72.8% in 2024 through July, according to YTD STR data. A slight softening in rate occurred in the YTD period, down 1.6% year-over-year to \$152.43, which resulted in a RevPAR level of \$110.87. With the significant upcoming expansions of key demand generators, there is no doubt the future is bright for this lodging market.

Construction Pipeline

Recent changes in this market include the addition of boutique hotels in the Historic District, catering to the increasing demand for experiential travel. Furthermore, new hotels have been developed near the **Savannah Waterfront** and **Plant Riverside District**, with several upscale brands entering the market. Metropolitan Savannah's construction pipeline, inclusive of twelve projects with over 1,500 total rooms, includes numerous historic conversions and redevelopments of existing buildings, in addition to traditional ground-up construction.

Transaction Environment

The Savannah hotel investment market has experienced notable activity over the past twelve months, with eleven transactions totaling over \$110 million in sales volume, according to data sourced from RCA. The average price per key for these deals was approximately \$118,000. This represents a slight slowdown compared to the previous twelve-month period, which also recorded eleven transactions but with a total sales volume of over \$130 million, roughly 15% higher than this year. Despite the volume decline, the market remains resilient, reflecting steady investor interest in Savannah's hospitality sector.

Raleigh-Durham, NC

Market Overview

The Raleigh-Durham area, often referred to as the Research Triangle, is a vibrant region known for its robust economy and rich cultural scene. Home to major employers such as **IBM**, **Cisco**, and **Duke University**, the area benefits from a diverse job market driven by the technology, education, and healthcare sectors. Raleigh has experienced significant growth, with a steady increase in both leisure and business-oriented hotels. The region's strong influx of visitors for conferences, university events, and tourism has spurred this expansion, leading to an increase in developments and renovations. However, **Apple** has paused construction of its \$552-million campus in **Research Triangle Park**. The plans for this campus created a surge in investments but now remain uncertain.

Nevertheless, the market's flourishing hospitality sector enhances the visitor experience and supports the local economy, making Raleigh-Durham an attractive destination for travelers.

Market Performance

The hotel market in the Raleigh-Durham area of North Carolina has demonstrated solid performance through August 2024 year-to-date, according to STR data. The ADR of \$131.07 reflects a 4.6% increase from the previous year, and occupancy has seen a 1.1% uptick, reaching 66.2%. This positive trend in both ADR and occupancy has contributed to a rise in RevPAR, which stands at \$86.83, marking a 5.7% increase. Overall, these metrics indicate a strengthening hotel market in the Raleigh-Durham area, driven by steady demand and improved financial outcomes.

Construction Pipeline

The Raleigh-Durham area is seeing significant hotel construction, according to CoStar's new supply report for Wake County indicating 27 hotels planned or under construction. These projects involve roughly \$500 million in investment and will add about 4,600 new rooms. This expansion reflects the area's growing appeal as a business and leisure destination, driven by its strong economy and cultural attractions. The new accommodations will enhance options for travelers and support the local economy through job creation and increased tourism.

Transaction Environment

The hotel sales volume in the Raleigh-Durham area has shown a decline over the past four quarters, according to data from RCA. During this period, the number of properties sold reached 17, representing a decrease of 19% compared to the previous year. The average price per unit is now \$77,000, reflecting a 24% drop. Thus far in 2024, total sales have reached \$161 million, compared to the year-end total of \$283 million for 2023. These figures indicate a slower transaction market as hotel performance improves, and property costs are also expected to increase, cutting down the buyer market.

Charlotte, NC

Market Overview

Charlotte, North Carolina, is a dynamic city known for its robust economy and diverse job market. As one of the largest financial hubs in the U.S., it is home to major employers such as **Bank of America**, **Wells Fargo**, and **Duke Energy Corporation**, which play a significant role in shaping the local economy. The city also boasts a growing technology sector, with startups and established companies alike finding a foothold in the area. Recently, Charlotte's hospitality sector has seen an increase in hotels catering to both leisure and business travelers, reflecting the city's appeal as a destination for conferences, events, and tourism. The combination of economic vitality and a flourishing hospitality landscape positions Charlotte as a key player in the Southeast.

Market Performance

The hotel market in Charlotte has recorded positive performance trends through August 2024, per STR data. The market's ADR stands at \$126, reflecting a modest increase of 2.0% compared to the previous year. Occupancy has also improved by 1.4%, reaching 65.9%. The upward trend in both ADR and occupancy has contributed to a 3.0% increase in RevPAR to \$83. Overall, these metrics suggest a recovering hotel market in Charlotte, driven by steady demand and improved financial performance.

Construction Pipeline

Hotel construction in Charlotte is growing notably, as indicated by CoStar's new supply report for Mecklenburg County. Currently, there are 33 active hotel projects in the area, set to add approximately 3,140 new rooms, with total construction costs estimated at around \$810 million. This influx of new hotel inventory underscores the strong demand for accommodations in Charlotte, driven by population growth and increasing tourism. The expansion will not only enhance the city's hospitality offerings but also contribute to the local economy through job creation and business opportunities. Overall, the strong investment in hotel construction reflects confidence in Charlotte's continued popularity among travelers.

Transaction Environment

The hotel sales market in Charlotte has experienced notable activity, according to data from RCA. In the last four quarters, the number of properties sold reached 23, reflecting an increase of over 25% from the previous year. However, the average price per unit declined by 36% from 2023, now standing at \$72,000. Thus, total sales volume for YTD 2024 amounts to \$105 million, compared to \$206 million as of year-end 2023. Overall, these data indicate an active hotel sales landscape in Charlotte, with a strong pace of transactions despite the decrease in average unit price.

Conclusion

The southeastern hotel markets highlighted in this article are well-positioned for continued strength and success, driven by their historical significance and economic growth. Infrastructure developments, business expansions, and stronger tourism are fueling local economies, which, in turn, are bolstering hotel demand and investments. As the lending environment improves and financing becomes more accessible, deal volume is expected to rise, attracting more investors to capitalize on the region's growth. These factors create a solid foundation for long-term resilience and increased transaction activity in the hotel investment landscape across the Southeast. Contact **Ryan Karawan** or **Jack Mahan** of **HVS Brokerage & Advisory** to continue the discussion of this article or address any of your investment sales needs.

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