

Louisville, KY Hotel Market: Room to Grow

AUGUST 17, 2023

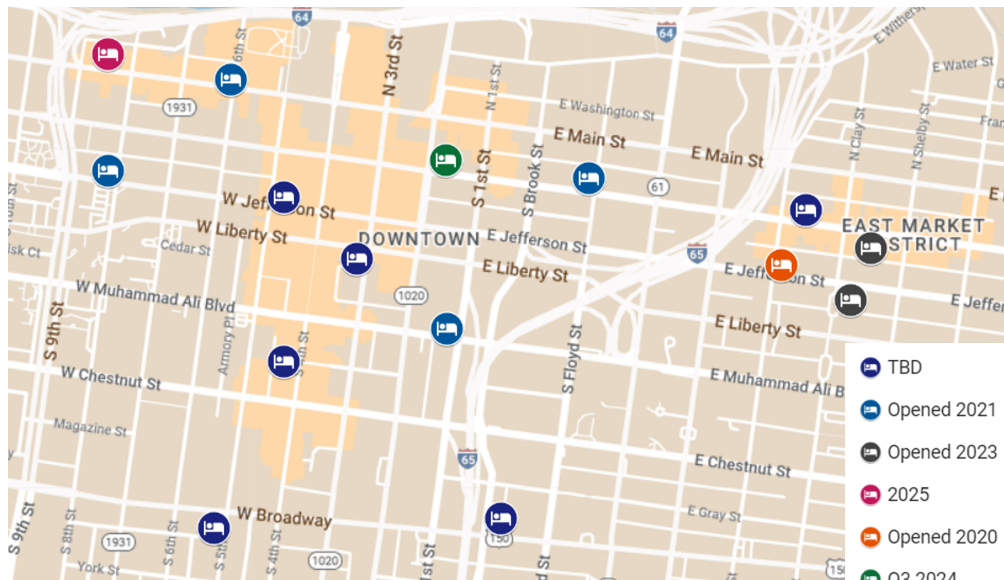
The hotel market in Louisville, Kentucky, has experienced a slow recovery since the peak of the COVID-19 pandemic. While a copious amount of new supply over the past few years has slowed the recovery, ADR has grown steadily. The area will continue to be supported by bourbon tourism, the University of Louisville, and the Kentucky Derby.

Recent Hotel Trends

Since 2020, the Louisville hotel market has seen an increase in leisure travel associated with bourbon tourism, its nearby universities, and the Kentucky Derby. It is because of these large demand generators that the market has been able to recover most of its occupancy-based COVID-19 losses. Commercial travel has also helped to bolster the market. As employees have begun to return to offices and as business travel has increased, demand within this segment has improved.

While some properties were able to recover occupancy faster than others, a large amount of new supply has entered the market over the past few years, hindering some areas. However, because of this new supply, ADR was able to make a bigger improvement during the recovery. As illustrated in the map below, more supply is on the way.

Recent and Planned New Hotel Supply in Louisville



Source: STR

The outlook for the Louisville hotel market is optimistic. The heavy increase in supply will not hinder the area's growth, as the market has already begun to absorb the room supply well. Thus, the momentum of the last few years should continue through the second half of 2023.

Bourbonism

The bourbon industry in Louisville is a vital and thriving part of the city's economy and culture. The state of Kentucky produces 95% of the bourbon sold and consumed in the entire world, and Louisville serves as a hub for bourbon production, distribution, and tourism.

In 1999, the Kentucky Distillers Association (KDA) established the Kentucky Bourbon Trail. This attraction takes visitors on a journey through the heart of bourbon country and showcases the rich heritage and craftsmanship of Kentucky's bourbon industry. Bourbon tourism has experienced a surge in popularity over the years. In 2022, the Kentucky Bourbon Trail achieved record attendance of 2,135,555 total visits, a 38% increase from 2019.



The city of Louisville holds annual events and festivals such as Bourbon & Beyond that drive leisure travel. Additionally, the countless distilleries, including the 42 along the Kentucky Bourbon Trail alone, birthed the term "bourbonism." This word is used to describe bourbon tourism in Kentucky.

Higher Education

The education sector is strong in Louisville. The University of Louisville celebrated its 225th anniversary this April. Moreover, the University of Louisville and University of Louisville Health both sit in the city's top employer list. In mid-year 2022, the University of Louisville Health announced plans for the \$144-million addition of a new seven-story tower on campus. The project is currently under construction and is expected to be completed by the fall of 2024.

Horse Racing

The Kentucky Derby dates back to 1875 with the opening of Churchill Downs, a historic horse-racing complex that brings thousands of visitors to Louisville each May. The 2023 race-day crowd set a record with 54,848 in attendance, a 14.6% increase from 2022.

In preparation for its 150th anniversary, Churchill Downs is currently undergoing a complete renovation. A \$200-million transformation of the paddock that was originally built in 1988 began in January 2023 and is expected to be completed by the 2024 Kentucky Derby. Other projects will include the construction of permanent stadium seating, a sports bar, a VIP

lounge, and multiple dining venues, as well as a 900-machine, state-of-the-art gaming floor.

Looking Forward

The city of Louisville is expected to continue the momentum of 2022 given the recovery of the tourism industry. With a 2023 calendar full of music festivals, conventions, collegiate and youth sports, and cultural and educational group events, the outlook is optimistic for this market. Below is a list of the 16 events this year with the highest projected estimated (or actual) economic impact for the Louisville area.

16 Largest Events in Louisville for 2023

Event Name	Actual or Estimated Attendance	Actual or Estimated Economic Impact
Kentucky Derby	150,335 (Actual)	\$396,000,000 (Actual)
National Farm Machinery Show and Championship Tractor Pull	250,000 (Actual)	\$23,100,000 (Actual)
Mid-America Trucking Show	58,000 (Actual)	\$28,000,000 (Actual)
Kentucky Derby Festival's Thunder Over Louisville	450,000	\$56,663,177 (Actual)
NCAA Division I Men's Basketball Regional	22,000	\$15,000,000 (Actual)
TFN Camps & Clinics "Run 4 Roses"	50,000	\$21,659,586
Equip Exposition	25,000	\$21,024,374
Junior Volleyball Association World Challenge	40,000	\$17,963,149
The Utility Expo	20,000	\$15,017,588
Danny Wimmer Presents - Louder Than Life	160,000	\$14,547,787
North American International Livestock Exposition Annual Expo	200,000	\$13,950,497
KIVA Sports/ Ohio Valley Volleyball Center Adidas Bluegrass Tournament	40,000	\$12,012,989
National Beta Club National Convention	13,000	\$11,140,205
Danny Wimmer Presents - Bourbon & Beyond	160,000	\$11,096,839
54th NSRA Street Rod Nationals	30,000	\$10,806,880
Kentucky State Fair	590,000	\$8,771,603

Source: Louisville Tourism Press Office, 2023

For more information or to inquire about a specific project, please contact Kaitlyn Hennessy of the HVS St. Louis office.