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MARKET REPORT

New Memphis Hotels Raise the Bar for Rate while Extending Occupancy Recovery

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With the pandemic generally in the rearview for the market, Downtown Memphis hotels have yet to recover to occupancy levels realized in 2019. This is attributed to a slow recovery in both corporate and group demand, coupled with significant growth in new supply. However, rising average rates at new hotels have become the saving grace for market RevPAR levels.

The last eight years were an active period for Downtown Memphis hotel development. Prior to 2015, no new hotels had opened in Memphis since 2010, most of which were in the midscale or upper-midscale chains. Beginning in 2015, Memphis experienced notable supply growth, and although some of this development was in suburban areas, several new downtown hotels opened between 2015 and 2019, including the Hilton Garden Inn; Central Station Hotel, Curio Collection by Hilton; Moxy Hotel; and ARRIVE Memphis. Moreover, during this period, some existing hotels were renovated and repositioned to higher-tier products, including the DoubleTree by Hilton and Hotel Indigo. This new development was spurred by strong demand fundamentals and supported strengthening market performance, with RevPAR reaching new peaks prior to 2020.

During the first years of the pandemic, the Hyatt Centric and Caption by Hyatt opened as part of the One Beale development, while a Grand Hyatt was under development but has been put on hold indefinitely. The market also welcomed the Hotel Napoleon, Ascend Collection and the Canopy by Hilton around the same time.





Moreover, the city's Renasant Convention Center closed in 2018 for a two-year, multimillion-dollar renovation and reopened during the peak of the crisis in 2020. Given the growth in supply, significantly reduced convention demand, and virtually no new induced demand, market performance remained depressed in 2021 and 2022.

While Downtown occupancy in the year-to-date 2023 period remained 15–20% below the 2019 level, the new high-rated supply and robust leisure demand have buoyed overall rates in the market, increasing the market rate ceiling. Market ADR has eclipsed the 2019 level, in turn aiding the recovery of RevPAR. According to STR data, the Downtown market is achieving RevPAR only 5–10% below the pre-pandemic levels, an encouraging sign for a market still seeking to recoup lost corporate demand and attract new groups to the renovated convention center.

While the long-term outlook is generally optimistic, the recovery and growth of convention demand will be a key component of full occupancy recovery, as well as the success of various developments planned in the area. Although occupancy could take several more years to recover to the levels recorded prior to the pandemic because of the new supply, the quality of the supply should continue to bolster rate growth, pushing RevPAR beyond pre-pandemic levels in the near term.

To learn more about the long-term outlook for the Memphis hotel market, please contact Marc Greeley with HVS Nashville.

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Sources: STR Data, HVS Research