HVS

MARKET REPORT

Outpacing and Evolving: Metro Atlanta Hotel Supply Growth

MARCH 19, 2024

The hotel supply across Metro Atlanta has grown significantly since the onset of the pandemic, particularly as compared to the rest of the nation. In this article, we provide an overview of notable supply and demand trends, both recent and on the horizon.

According to Lodging Econometrics' Q4 2023 US Construction Pipeline report, Atlanta ranked second nationally in the number of hotel openings in 2023, third in the number of hotels actively under construction, and second in the number of projects in the pipeline. Below, we provide an overview of the market's hotel demand and its notable new supply, both recently opened and on the horizon.

Metro Atlanta comprises the city of Atlanta and eleven surrounding counties, with a vast network of submarkets that include the following:

- The CBD, home to the Georgia World Congress Center, Mercedes-Benz Stadium, and Fortune 500 offices
- The airport area that features Hartsfield-Jackson Atlanta International Airport (ATL), frequently ranked as the world's busiest air hub
- Buckhead, with its upscale residential areas, malls, and corporate buildings
- Decatur, with its collegiate facilities and healthcare network
- Marietta, Perimeter, Peachtree City, and many others, anchored by the film industry, healthcare, and education

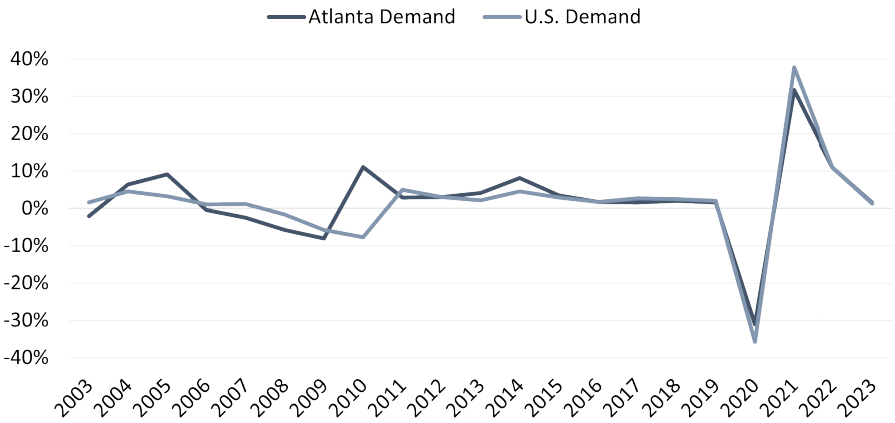
Metro Atlanta by County

Source: Atlanta Regional Commission

As a whole, hotel occupancy in Metro Atlanta was consistently within one point of 70.0% from 2015 through 2019, until the COVID-19 pandemic had a deleterious effect on the historically healthy demand. Recovery to pre-pandemic occupancy levels has not yet been achieved, although demand surpassed the 2019 level in 2022 and RevPAR peaked in 2023 given strong ADR growth. While certain submarkets were hindered by the lagging return of meeting and group demand, the story of Atlanta's comeback can also be told as one of new supply.

New Supply: 2020–2023

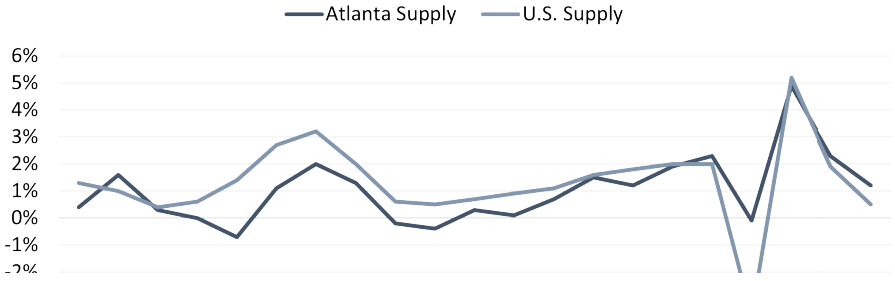
% Change in Demand—Atlanta vs. U.S., 2003–2023



Source: STR Global

As illustrated above, demand trends in Atlanta have tracked consistently with the composite U.S. performance since the pandemic. Demand in both markets increased by over 30.0% in 2021, followed by increases of 11.0% in 2022 and approximately 1.5% in 2023.

% Change in Supply—Atlanta vs. U.S., 2003–2023



Source: STR Global

Meanwhile, new supply growth in Atlanta outpaced that of the U.S. In 2023, growth was a low 0.5% for the U.S., a level that had not been registered since 2012, while Atlanta's room count increased by 1.2%. A selection of hotels that have opened since 2020 is shown below.

Significant Hotel Openings in Atlanta Since 2020

Date	Hotel	Room Count	Submarket
January 2020	AC Hotel Gateway Center	220 rooms	ATL Airport Area
December 2020	REVERB Downtown Atlanta	152 rooms	Downtown
February 2021	Kimpton Sylvan Hotel	217 rooms	Buckhead
March 2021	Hilton Alpharetta Atlanta	249 rooms	Alpharetta
December 2021	Hyatt Centric Buckhead Atlanta	218 rooms	Buckhead
December 2021	Thompson Hotels Buckhead	201 rooms	Buckhead
September 2022	Kimpton Shane Hotel	230 rooms	Midtown
November 2022	Nobu Hotel	152 rooms	Buckhead
December 2023 *	Signia by Hilton Atlanta George World Congress Center	976 rooms	Downtown

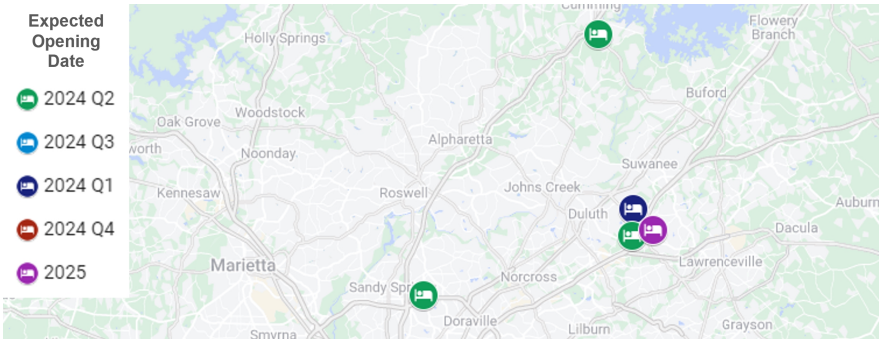
** December 2023 opening is per STR; grand opening occurred in January 2024*

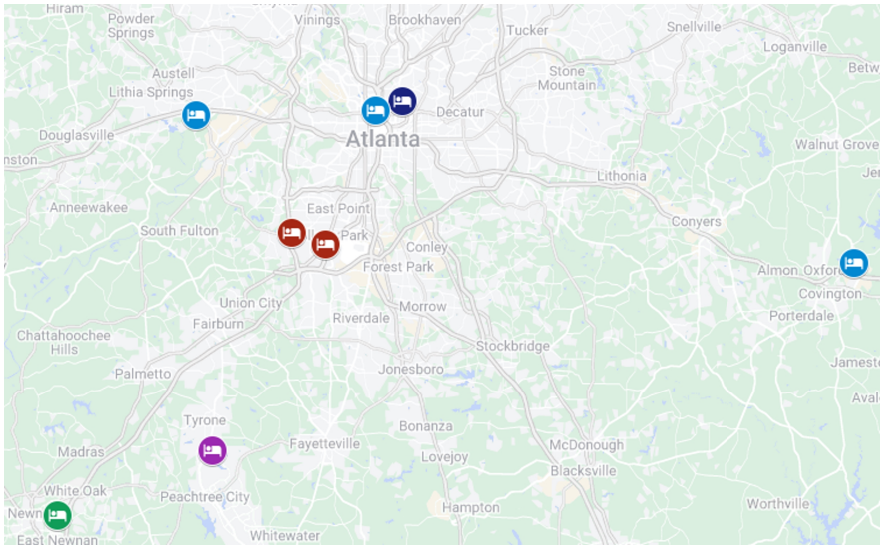
Source: CoStar

According to STR data, other hotels that opened across Atlanta in the three-year period through 2023 include IHG's second EVEN Hotel in the market, 26 extended-stay/all-suite hotels (six of which are branded as Home2 Suites by Hilton), and a variety of other properties across service levels, led by the upper-midscale and upscale chain scale classes. While the significant supply growth has threatened occupancy recovery to some extent given absorption time, these hotels also create opportunities for ADR increases with the improved competitive standard, revitalization and induced demand, and greater market visibility from newly added brands of strong repute.

New Supply: 2024 & Beyond

Hotels Under Construction in Metro Atlanta as of February 1, 2024





Source: MSCI Real Capital Analytics

Noteworthy Developments Under Construction

- Forth Atlanta, 196 rooms, Old Fourth Ward—*Expected opening June 2024*
  This project is noteworthy for its location and visibility from the Beltline and will feature 39 apartment-style suites in addition to its standard guestrooms.

- Wyndham Origin Hotel Atlanta, 124 rooms, Midtown—*Expected opening April 2024*
  This hotel contributes to the transformation of the Underground Atlanta district.

- The Westin Atlanta Gwinnett, 346 rooms, Gwinnett—*Expected opening March 2024*
  Under development near the Gas South Convention Center and Arena, this hotel is planned to include a rooftop bar and approximately 18,000 square feet of meeting space.

- Anthem Hotel, 291 rooms, Downtown—*Expected opening March 2025*
  This hotel is under construction as part of the Centennial Yards mixed-use development, south of the Mercedes-Benz Stadium.

Atlanta's hotel development pipeline is primarily focused on hotspots of growth across the city. Much of the additional supply to the south of the city is aiming to accommodate the anticipated demand generated by manufacturing facilities coming into the area, such as the Rivian electric vehicle plant and the Absolics advanced manufacturing facility. The growing commercial presence from technology giants like SK Battery America and Cisco Systems in Gwinnett and Forsyth have driven hotel development projects to the northeast, while the overwhelming popularity of mixed-use developments like Avalon, Halcyon, and The Battery have continued to stimulate development to the north and northwest regions of Atlanta. The pending renovation of the Cumberland Mall has also proven enticing to developers in that region of the city.

Hotels under development to the south of Atlanta are poised to capture demand from the ever-growing Hartsfield-Jackson Atlanta International Airport. In its Terminal Area Forecast Executive Summary Fiscal Years 2022-2050, the Federal Aviation Administration has forecast a 2.5% CAGR for flight operations and a 2.75% CAGR for passenger volume at ATL between 2022 and 2050. Moreover, the airport is expected to retain its position as the busiest airport in the United States during that period. Much of the sustained growth will be made possible by the fact that the airport is currently

undergoing a $10.8-billion, multi-phase expansion, which is scheduled for final completion in 2042.

One of the largest mixed-use development projects in the city, Six West, is currently in the early phases of development near the airport; the 320-acre site is currently owned by the city of East Point. The city administration is currently seeking developers and has reported a tentative completion date of 2035. The development would incorporate residential areas alongside shopping districts, as well as office spaces and a potential corporate headquarters.

Much of the downtown and midtown hotel development is aimed at capturing the demand associated with office-space users, Georgia World Congress Center, and Mercedes-Benz Stadium. According to the Q4 2023 Atlanta Office report by Moody's Analytics, while the overall Atlanta office market's vacancy rate is forecast to increase in the near term, it should approach the 2019 pre-pandemic level of 20.2% within five years (arriving at 20.3% in 2028). Meanwhile, the Downtown submarket's vacancy rate is forecast to fluctuate, reaching 21.6% in 2028, slightly below the 2019 level of 22.0%.

The Mercedes-Benz Stadium, which was constructed in 2017, hosted the Super Bowl in 2019. The stadium has since been selected to host eight of the 2026 FIFA World Cup soccer matches. As the World Cup is the largest international sporting event on the planet, these games are expected to have a positive effect on the Atlanta dining and lodging industry throughout the first quarter of 2026.

Our strategic positioning within local markets empowers us to conduct primary interviews with key market participants. This approach ensures we obtain real-time insights and current data for each market we operate in. For more information about the Metro Atlanta market or for help making informed investment decisions that align with your goals and risk tolerance, please contact Courtney Vris or Brett Testa with HVS Atlanta.