

### Memphis Leads the Mid South with Robust Occupancy Growth

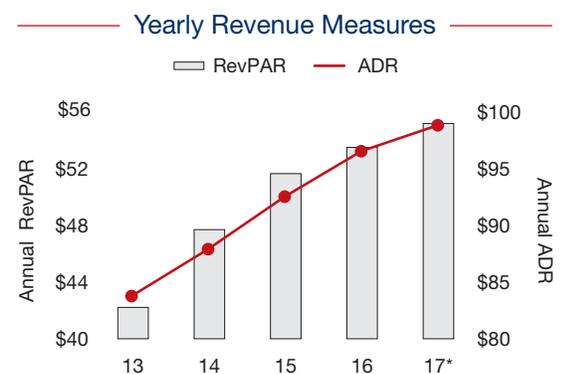
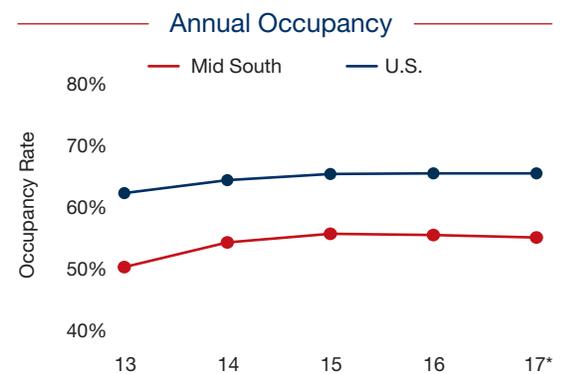
**Supply pressures weigh on occupancy.** Deliveries in the Mid South region, which is made up of Kentucky and Tennessee, placed downward pressure on occupancy and slowed the pace of RevPAR and ADR growth during the year ending in June. Of the major metros, Memphis recorded the only occupancy improvement as room nights jumped more than 6 percent. The Nashville metro succumbed to supply pres-

ures, plummeting occupancy and slowing ADR and RevPAR growth significantly. Moving forward, Nashville has more than 4,900 rooms under construction and an additional 6,000 rooms will break ground in the next 12 months. The increased supply will lower occupancy by year end and may limit improvement into 2018.

**vestors.** In Kentucky, buyers are increasingly targeting limited service hotels primarily in the cities of Louisville and Florence. The majority of transactions remained in Tennessee, which registered an uptick in the number of upper class assets that changed hands. Steady job growth and an expanding population in the Nashville metro may generate additional demand moving forward.

**Diverse for-sale inventory attracts in-**

- **Each state contributes to decreasing occupancy.** Regional occupancy fell 90 basis points during the year ending in June to 72.1 percent as an influx of new supply outpaced demand. The state of Tennessee led the decline as room additions in Nashville nearly doubled from the prior year, placing downward pressure on metrowide occupancy. Here, occupancy plummeted 210 basis points to 81.4 percent and statewide occupancy dropped 90 basis points to 73.2 percent during this time. On the other hand, guests increasingly absorbed rooms in Memphis, vaulting occupancy 180 basis points to 72.6 percent metrowide. Occupancy in Kentucky rested at 70.3 percent in the second quarter after registering a 60-basis-point decline year over year.
- **RevPAR and ADR moderates.** Revenue metrics continue to rise, albeit at a slower rate than one year ago. During the last 12 months ending in the second quarter, RevPAR and ADR in the Mid South region rose 2.5 percent and 3.7 percent, respectively. Tennessee led ADR growth with a 4.0 percent increase in the rate to \$114.89 in June. Nashville largely contributed to the statewide gain as the average daily rate in the metro climbed 4.7 percent year over year. Memphis posted a 1.3 percent increase in ADR during this same time. In Kentucky, ADR rose 2.9 percent during the previous four quarters, building on last year's 4.8 percent climb. RevPAR in the state edged up 2.0 percent to \$68.25 in the second quarter.
- **Demand remains stable.** Transaction velocity has held steady during the previous four-quarter period ending in June, with more upper midscale and economy hotels changing hands. Hotel properties in Kentucky were increasingly targeting during the last 12 months as buyers sought opportunities for relatively steady performance. Most sales, though, were located in Tennessee as revenue metrics in the two major markets continued to improve. Additionally, secondary locations in Tennessee were also targeted, with sales in Chattanooga nearly doubling from the prior year.



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