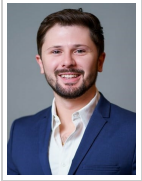


The Dynamic Demand Base Powering the Knoxville Lodging Market

April 5, 2024 / By Marc Greeley



Knoxville's prime location, unique blend of attractions, academic institutions, and natural beauty has always made it a popular destination for tourists and business travelers. The city's proximity to the **Great Smoky Mountains National Park** has benefited the market and region, as this is the most visited national park by a significant margin. Historically, the market mirrored many college towns, with a sturdy base of corporate demand fueled by businesses associated with and benefiting from the **University of Tennessee, Knoxville**. But over the

last several years, growth at the university, the city's location as a convenient stopping point along major interstates, and the region's popularity among outdoor recreation enthusiasts have garnered significant attention from new types of leisure and business demand, boding well for the city's hotels.



The University of Tennessee continues to be the regional economy's major source of demand, and its reputation as a major research university has continued to spread over the last decade. Since 2016, enrollment has increased by roughly 30%, with over 36,000 undergraduate and postgraduate students enrolled in 2023. Major recent and ongoing projects at the university include the new \$129-million **Tickle College of Engineering** building; two new residence halls, which will add 1,900 beds; a new student success building; an expansion to the **Haslam College of Business**; and the new **Croley Nursing Building**. These facilities either have already opened or will open during the next five years.

This growth at the university has led to substantial investment in the neighborhoods surrounding the institution. Many new restaurants have opened over the last several years, while a new stadium for **Minor League Baseball's Tennessee Smokies** is under construction in the Old City neighborhood. Multiple new hotels have also opened in the last several years, including the **Embassy Suites by Hilton**, the dual-branded **Courtyard** and **Residence Inn by Marriott**, and the **Graduate Knoxville**. Despite the new supply, downtown hotel performance has been strong coming out of the pandemic lows. According to **STR**, occupancy registered in the mid-70s in 2023. Complementing this occupancy performance in the Downtown submarket is robust ADR performance, with ADR increasing in 2023 by roughly 40% from the 2019 level. This trend resulted in RevPAR eclipsing \$140 in 2023.

Given the strong performance, multiple new hotels are under development. Plans for the redevelopment of the Andrew Johnson Building are underway; this building will be converted to a full-service hotel dubbed the **Hotel Americana**, opening 2025. Moreover, **an AC Hotel by Marriott and a Tempo by Hilton** are both expected to

Summary

The Knoxville hotel market's recent performance trends are catching the attention of regional and national investors, and for good reason. With a slew of new developments, the city is fast becoming a sought-after destination for both business and leisure travelers.

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break ground later this year. Roughly a dozen other hotels are rumored to be under development, illustrating the continued investor interest in the market. A trend towards boutique and lifestyle hotels is evident in Knoxville, reflecting travelers' growing desire for unique and personalized experiences. With strong cultural influences locally and regionally, these hotels often feature a distinctive design, locally inspired amenities, and a strong emphasis on guest engagement.

The Knoxville hotel market's future appears promising, with sustained growth of both supply and demand expected in the coming years. As the city continues to attract diverse leisure and business travelers, the hospitality sector is poised to thrive. The ongoing expansion of the University of Tennessee and the popularity of East Tennessee as a leisure destination should continue to play a role in the city's long-term evolution and growth.

Our work 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 Knoxville market or for help making informed investment decisions that align with your goals and risk tolerance, please **contact Marc Greeley**, your HVS Tennessee hospitality expert.

Sources:

STR and **CoStar**

University of Tennessee Fact Book 2023–2024

National Park Service

About **Marc Greeley**



Marc is a Senior Director and oversees the HVS Nashville Consulting & Valuation office. He specializes in a variety of hospitality consulting services, including valuations, feasibility studies, and market studies. His expertise extends across much of the southeastern United States, covering primarily Tennessee and Kentucky, as well as Northern Georgia, Alabama, and Mississippi. He graduated in December 2018 from Michigan State University. He holds a Bachelor of Arts in Hospitality Business with a minor in Real Estate Investment. Before joining HVS in February 2019, Marc held internships with Bedrock Detroit and White Lodging Management. Contact Marc at +1 (615) 426-8806 or [\[email protected\]](#).