



THE PLASENCIA GROUP | Market Insights

**NEW ORLEANS HOTELS
PUT LACKLUSTER 2023
IN THE REARVIEW**



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Our firm has been highly active in the New Orleans hotel market and has sold dozens of hotels in the Big Easy over the years. We've had an up-close vantage point of the market's peaks and valleys. While black swan events like Hurricane Katrina and the COVID-19 pandemic had obvious and lasting impacts on New Orleans itself, each in turn nearly obliterating room night demand, the reasons for underperformance in 2023 were less straightforward. It is clear that the market has largely moved on from the struggles it experienced in 2023, with lodging demand steadily improving.

UNDERWHELMING 2023 RevPAR RESULTS

In 2023, particularly brutally hot weather limited leisure travel, especially in the summer months. Further, short-notice misses in booking conventions led to softer than expected group performance coming out of the pandemic. The market also experienced an influx of new supply over the prior couple of years and was in the throes of the absorption period in 2023. These factors, and others, created massive headwinds for a market that, like many, was still stabilizing in the wake of the pandemic. All told the city's Revenue Per Available Room (RevPAR) fell almost 7% from 2022, making it one of the worst performing major lodging markets in the country. That said, the effect in the CBD/French Quarter submarket – which houses the bulk of the market's high-end supply – was less pronounced, with RevPAR down less than 2% for the submarket.



REASONS FOR OPTIMISM IN 2024 AND BEYOND

2024 is proving to be much, much different, with CoStar/STR projecting the market's RevPAR to improve by approximately 5% for the year. Similar growth is expected in 2025. There are several reasons for this resurgence:

Robust event schedule

The festivals and events that New Orleans is famous for, from Mardi Gras to Jazz Fest to Essence Fest to French Quarter Fest to the Bayou Classic to the Sugar Bowl, are back in full swing. In addition to the typical schedule of annual events, in 2024 and early 2025, the city will host the Rolling Stones as Jazz Fest headliner, Taylor Swift's Eras Tour, and Super Bowl LIX. This extraordinary slate of major events positions the local hotel industry for what may be generational performance and is indicative of New Orleans' stature as a global entertainment destination.

Leisure and group recovery

New Orleans benefits from robust leisure and group demand, the most critical segments of the post-pandemic demand landscape. New Orleans' leisure segment, which has a large "drive-to" component, was an early driver of the market's recovery in the immediate aftermath of the pandemic, and it continues to serve as a strong contributor to the market's demand makeup. The group piece, which was slower to recover in the wake of the pandemic, is coming back with a vengeance, with 2024 and future years featuring crowded convention schedules. The Convention Center's ongoing redevelopment and the pending temporary closures of regional competitors in Dallas and Austin will only accelerate group demand across New Orleans.

Limited new supply

The CBD/French Quarter area of New Orleans is a highly developed commercial real estate submarket, with hotel development completely banned in the French Quarter and very few pieces of land available for development in the CBD. The submarket also has a mature hotel landscape, with virtually every major brand already represented. Only 598 hotel rooms, representing 1.4% of existing supply, are under construction in the submarket, indicating a stable operating environment for existing hotels.



New Orleans Annually Recurring Events

Event	Month
Sugar Bowl (NCAA)	Jan
Mardi Gras	Feb/Mar
French Quarter Festival	Apr
Wine & Food Experience	Apr
Zurich Classic (PGA)	Apr
Jazz & Heritage Festival	Apr/May
Rolling Stones Headline Jazzfest	May '24
Greek Festival	May
Essence Festival	Jul
Satchmo Summerfest	Aug
Southern Decadence	Aug/Sep
Taylor Swift's Eras Tour	Oct '24
Voodoo Experience	Oct
Crescent City Blues & BBQ Festival	Oct
Bayou Classic (NCAA)	Nov
New Orleans Bowl (NCAA)	Dec
Saints home games (NFL)	Sept-Jan
Pelicans home games (NBA)	Oct-Apr
Super Bowl LIX	Feb '25



MARKET IMPROVEMENT BEGETS INVESTMENT OPPORTUNITIES

While the aftermath of the pandemic, including 2023, has been tough for hotels in New Orleans, the market is poised for stabilization and continued RevPAR growth. With a healthy demand environment and limited new supply on the horizon, the legendary hospitality destination has a bright outlook. Many owners of hotels in the market have held their assets beyond their initial investment horizons throughout the pandemic and the recovery, making the present window an appealing time for them to consider an exit. We believe that many owners will take advantage of the improving optics in the city and bring their assets to market in 2024 and 2025, some opting to sell into the Super Bowl, some opting to harvest that cash flow and sell after.

If you're contemplating a disposition or looking to acquire a property in the Big Easy, let The Plasencia Group team leverage our over thirty-one years of market expertise and New Orleans know-how. We invite you to get in touch with one of our Investment Sales team members today to discuss how we can help you achieve your investment objectives.

Visit tpghotels.com/services for more detailed information about our full slate of services for the complete asset lifecycle – from acquisition to disposition.

For more valuable hospitality industry news and market analysis, visit us online and opt-in to our communications list at tpghotels.com/company-news

About The Plasencia Group

In 1993, The Plasencia Group was formed to provide hotel and resort owners investment advisory services at a personal level. Thirty years and hundreds of engagements later, we still have the privilege of making our clients successful with the passion, access, and certainty they've come to expect. Our firm offers investment sales, asset management, development and renovation management, debt and equity sourcing, and advisory services to hotel and resort owners throughout North America.

Contact us today if our experienced advisory team can assist you in evaluating your current portfolio and strategizing for the weeks and months ahead. We look forward to the opportunity to serve you.

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