

HVS Market Intelligence Report: Downtown Portland

October 15, 2007 / By Marcus Coleman

The "City of Roses" boasts one of the most diversified downtown areas in the country, blending the quintessential big city high rises with towering bridges, waterfront views, an award-winning public transportation system, and a multitude of breweries and coffee shops. Festivals also contribute to Portland's welcoming atmosphere, and the Pioneer Courthouse Square, a one-block plaza at the core of the shopping district, hosts over 300 events each year. As with much of the Northwest, Portland has experienced a surge of population and infrastructure over the past decade and stands as a champion of healthy urban development. As such, this puts the city in a position to climb the ranks as a prime lodging market as well.

Downtown Portland generally marks the area extending west from the Willamette River to Interstate 405, with W Burnside Street and the Portland State University campus forming its respective northern and southern boundaries. The recent transformation of the Pearl District and several other large-scale development projects have stimulated downtown Portland's leisure, group, and commercial appeal, leading to a stout and highly competitive hotel market over the past six years.

Occupancy levels in downtown Portland's hotel market experienced positive growth from 2001 to 2004, stabilizing in 2005 and 2006 at 74.4%.^[1] Year-to-date data through August reflect an improvement at 84.0%, up from 82.0% last year. Greater corporate and leisure travel is primarily responsible for bolstering occupancy levels, as construction occurring downtown and the renovation of the Sheraton Portland Airport Hotel have driven more price-sensitive groups elsewhere. A recent report from Hotel Information Systems reflects that, between June 2006 and June 2007, the DoubleTree Hotel Lloyd Center and the Hilton Executive Towers dropped from the first and second positions to the third and fourth, respectively, with the Embassy Suites Portland Airport and the Sheraton Portland Airport Hotel taking their places at the top.

Summary

As hotel developers bring new supply, revitalization efforts in downtown Portland hope to draw more demand.

[Comments](#)

FILED UNDER CATEGORIES

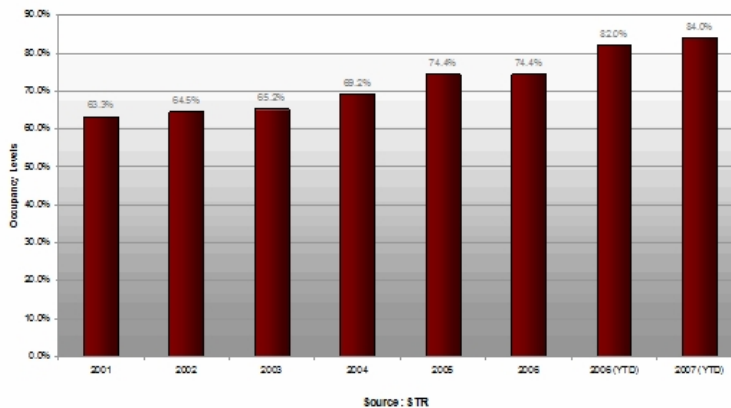
Lending

Valuations & Market Studies

Economic Trends and Cycles

North America

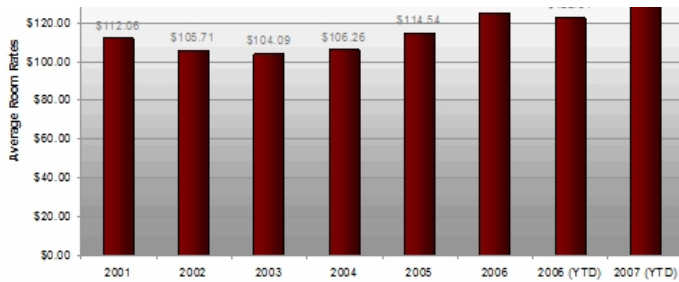
Occupancy Trend



Average rate has climbed an average of 5.9% each year since 2003 and is up 8.0% thus far into 2007.^[2] Corporate hotel rates in downtown Portland finally broke through the \$200 benchmark in 2006.^[3] These rates have risen on a tide of economic success and strong products and are expected to increase through the remainder of 2007.

Average Rate Trend





Source: STR

An estimated 589 new rooms are expected to enter the market over the next two years. The Nines, a 331-room “Luxury Collection” property of Starwood Hotels & Resorts, is currently under development by Sage Hospitality. The Nines, scheduled to open in late summer/early fall of 2008, will occupy the top nine floors of the historic Meier & Frank Building. A 258-room Courtyard by Marriott will be developed by JER Partners and Sage Hospitality and occupy the former TN Building, at the intersection of Oak Street and SW 6th Avenue; this hotel is slated for completion during the spring of 2009. The Days Inn located at the intersection of SW 6th Avenue and Columbia Street is expected to close and undergo a major renovation from November 2007 to June 2008. Posh Ventures LLC will reopen the property as the Hotel Bridgetown, a 176-room upscale property in an already fiercely competitive boutique hotel market.

Hotel Development and Conversions 2006-2009

Hotel Name	Year	Type	Capital	Rooms
Hotel Deluxe	2006	Conversion	\$8,000,000	130
Hotel Monaco	2007	Conversion	4,000,000	221
Ace Hotel	2007	Conversion	N/A	79
Hotel Bridgetown	2008	Conversion	6,000,000	176
The Nines	2008	New	118,000,000	331
Courtyard by Marriott	2009	New	36,000,000	258

A new MAX light rail line will run a north-south route across the mall, connecting downtown Portland to Clackamas County, and Union Station to Portland State University. This “Green Line” will not only facilitate transportation through the city, but bring many improvements along with it. Planned revitalization projects along 5th and 6th Avenues will refurbish streets, sidewalks, and intersections, as well as provide new lighting, trees, art, and street furniture. This makeover will enhance the already attractive aura of the downtown area, which should have a positive effect on retail business. The renovation of the Meier & Frank Building will place a premier 250,000-square-foot Macy’s retail store on its lower floors and The Nines hotel at its peak. These projects have spurred local retailers and real estate developers to seek opportunities within the mall district, and the upsurge of revitalization shows no signs of waning.

This weave of new developments is expected to bring in new strands of visitors and thereby ease hotelier’s anxiety about penetration levels even as the Hotel Bridgetown, the Courtyard by Marriott, The Nines, and other new supply comes to the verge. Additionally, RevPAR in the Portland hotel market should receive a boost as long as hotel managers focus on rate integrity. Although some near-term occupancy instability is inevitable with the introduction of new supply, hotel managers who stand their ground and remain aggressive with their rate structures will keep their properties healthy and poised for growth.

[1] Smith Travel Research

[2] Smith Travel Research

[3] Survey conducted by The Dundon Company, LLC