

# Hotel Market Analysis

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According to the Daily Journal of Commerce (DJC)<sup>1</sup>, the occupancy rate of Portland's hotels has fallen 12 percent in 2009. So far this year, the overall occupancy rate stands at 63 percent. The hotel market supply expanded by more than 979 rooms downtown alone during the boom with the addition of several new hotels: the 173-room Hotel Modera, the 331-room Nines, the 256-room Courtyard by Marriott, the 140-room Fifty, the 79-room Ace Hotel plus suburban hotels like the 136-room Aloft Hotel at Cascade Station to name a few. Nationally, revenue per available room (RevPAR) is down 18.3 percent.



The impact of the new supply, coupled with reduced travel due to the Great Recession, has exacted a toll on hotel owners and operators. According to the DJC<sup>2</sup>, Hilton has made plans to close the downtown Hilton Hotel for over four weeks, one week in November, one week in December and two weeks in January, in order to cut costs. Hotwire.com<sup>3</sup> ranked Portland's hotel market as experiencing the fifth largest decline nationally in hotel prices. As of the first week in September, room rates are down 20% compared with last year, to an average three-star rate of only \$57 per night. Due to these problems in the hotel market, local firms are concerned that distressed hotels may be purchased by so-called vulture investment firms.

The depth of the recession in the hotel market, coupled with its accelerating costs and required public subsidies, have stymied plans to develop a 600-room Westin headquarters hotel at the Oregon Convention Center<sup>4</sup>. The hotel was to have been part of a plan to bolster events at the Oregon Convention Center (OCC) on land acquired by the PDC to the east of the OCC on N.E. Martin Luther King Jr. Blvd. The 23-story, \$200+ million project would have been paid for in part by funds from the Portland Metro Visitors Development Fund, funded by hotel room taxes. The Portland Mayor, Metro president and Multnomah County Chair decided in September not to extend a development agreement with the hotel's developers.



The CoStar Group<sup>5</sup> reports that some hotel chains are looking to raise money in order to acquire properties in distress. Hyatt Hotels Corp. and DiamondRock Hospitality Co. are both making moves to raise capital in order to add hotels to their portfolio. Hotel executives

<sup>1</sup> "Portland hotels: plenty of rooms available", Daily Journal of Commerce, October 7, 2009.

<sup>2</sup> "Union: Downtown Hilton plans shutdown", DJC, September 1, 2009.

<sup>3</sup> "Hotel rates falling fast in Portland", Portland Business Journal, September 23, 2009

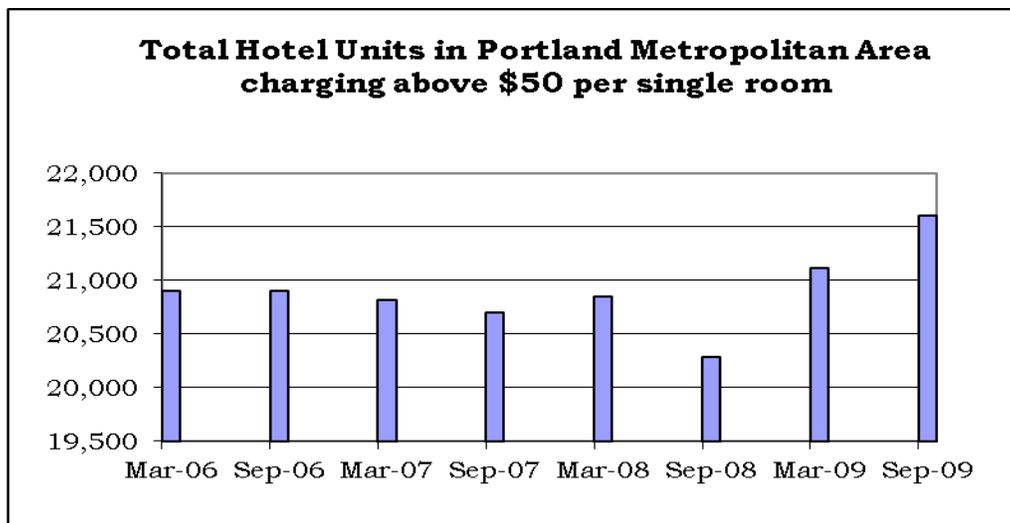
<sup>4</sup> "Falling demand sinks HQ hotel", DJC, September 21, 2009.

<sup>5</sup> "Hotels: Don't Buy Them Now, But Start Looking", CoStar Group, October 21, 2009.

interviewed for the article expect to see more transactions in 2010, with over \$30 billion of hotel collateralized mortgage-backed securities' (CMBS) debt coming due through 2014 and with \$8 billion already unable to meet debt service.

Local hotels may have some relief from the weak market as attendees of the upcoming supercomputing convention in November will reportedly be accommodated at 31 different hotels in the area.

A preliminary report by The Dundon Company shows an increase of four hotels in the Portland Metropolitan Area since March. One hotel was deleted due to a decrease in price. Three hotels are currently under construction and four more are in the planning stages. Since March of 2009, 92 hotels are quoting a higher nightly rate with an average increase of \$14.33. Sixty-three hotels are quoting a lower corporate rate averaging \$10.66 less per night. Eighteen hotels maintain the same rate, for a total of 176 hotels in the area that charge a corporate rate of more than \$50 per night.



Source: "Portland Hotel Survey, March 2009", The Dundon Company, LLC

<b>September, 2009</b>	Number of Hotels	Total Rooms Available	Rooms Under Construction	Rooms Planned for Development	Rooms Closed for renovation	Rooms Added/ Deleted
Suburban Westside	46	4,941	-	366	-	124
Downtown	31	5,510	-	66	-	256
Suburban Eastside*	40	3,914	-	-	-	-25
Int'l Airport	26	3,407	370	-	-	-
Vancouver WA	22	2,139	-	-	-	132
Rose Quarter/Lloyd Center	12	1,693	-	-	-	-
<b>Metropolitan Total</b>	<b>176</b>	<b>21,604</b>	<b>370</b>	<b>432</b>	<b>0</b>	<b>487</b>

Source: "Portland Hotel Survey, September 2009", The Dundon Company, LLC

\*Suburban Eastside, 25 rooms deleted due to drop in price

Suburban Westside: Beaverton, Sunset Corridor, Hillsboro, Lake Oswego, Tualatin, Tigard, & Wilsonville.  
 Downtown Portland includes Downtown, John's Landing, Uptown and Northwest Industrial  
 Suburban Eastside includes Jantzen Beach, Gresham, Troutdale, Clackamas, Oregon City and Milwaukie  
 Source: "Portland Hotel Survey, March 2009", The Dundon Company, LLC