

Resilience Renewed: The Transformation of Portland's Hotel Market

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In 2023, Portland's hotel demand faced setbacks from public safety concerns and absorption of new hotel supply. However, initiatives like the Hotel Security District and a government task force addressing homelessness signaled change. The opening of the Ritz-Carlton Hotel & Residences and several upcoming events contribute to a cautiously optimistic 2024 outlook.



Source: news.marriott.com

Although Portland hoteliers' hopes for 2023 were high due to a more robust convention calendar at the **Oregon Convention Center (OCC)** and a positive outlook for leisure demand in the summer, the year was challenging for the metro area. The difficulties were mainly attributed to a significantly underperforming leisure demand segment during the summer months, typically a peak visitation time, following a promising first quarter. Negative media coverage regarding public safety concerns in Downtown Portland, including a front-page article in *The New York Times*, coupled with the continued absorption of a substantial amount of new supply (roughly 1,500 hotel rooms added to the market since 2019) resulted in less performance growth for the market than anticipated. Continued heightened office vacancies and outmigration of businesses due to strong taxation pressures contributed to a lagging recovery in the commercial demand segment. In addition, following the \$45-million sale of the **Heathman Hotel** in February, hotel transactions in Downtown Portland ground to a halt. With mounting calls for action, **Downtown Portland Clean & Safe** and **Oregon Restaurant & Lodging Association (ORLA)** presented the **Hotel & Restaurant Safety Summit** in July 2023. This event hosted nearly 50 hospitality industry members voicing concerns and working toward a community-driven solution to rejuvenate the city's urban core and its public perception.

In the wake of the summit came some recommendations and solutions. In August 2023, **Governor Kotek** formed a **city task force** to address the issues of homelessness, cleaning up the streets, reducing crime and vandalism, and staying competitive with taxes. Additionally, in the fall of 2023, the **Portland Metro Chamber** and **Downtown Portland Clean & Safe** formed a public-private partnership known as the **Hotel Security District**. This district comprises two hotel zones that encompass Portland's largest hotels and tourism demand drivers. Nearly \$1 million in funding for this partnership comes from various major stakeholders, such as the **Multnomah County District Attorney's Office**, **Multnomah County**, the **City of Portland**, **TriMet**, and

Summary

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downtown businesses, including hotels. The funds have been used to staff two additional security patrol shifts in the two hotel zones, totaling eight additional public-safety coordinators on staff between 3:30 PM and 2:30 AM daily. As a result, hoteliers in these two zones reported a notable improvement in the walkability of the urban core by November 2023. The opening of the new **Ritz-Carlton Hotel & Residences** in late October also provided a much-needed bright spot and positive publicity for the City of Roses, with the 251-unit property setting a new luxury and pricing standard in town.

While the 2024 hotel outlook for Portland is one of caution due to a tentatively soft convention calendar, positive local community engagement and public-safety collaborations signal that positive change is underway. Future bright spots include the return of large-scale outdoor concerts to **Providence Park**, with the Foo Fighters headlining one of the first events, as well as the planned May 2024 reveal of the new main terminal at **Portland International Airport**. The new year is also expected to herald the arrival of the highly anticipated membership-only **Soho House** on the Central Eastside, as well as the **Cascada by SolTerra**, an ultra-luxury, sustainable, urban destination property featuring nearly 36,000 square feet of spa and wellness offerings and a hotel, located in the **Alberta Arts District**.

We are confident that the Metro Portland market will rebound given the resilience of the market, the diverse and expanding presence of major employers (such as **Nike**, **Adidas**, and **Intel**), and the surrounding natural beauty that remains a key aspect of Portland's appeal.

Our strategic positioning 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 Portland market or for help making informed investment decisions that align with your goals and risk tolerance, please **contact Eileen Bosworth**.

Sources:

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