HVS Market Pulse: Portland, Maine

February 27, 2019 / *By Brian F. Bisema*

Hidden Gem of the Northeast

While much of the tourism in the area takes place in the city's historic Waterfront and Old Port neighborhoods, hotel development in these areas has largely slowed in recent years due to the lack of vacant land available. Downtown hotel development has shifted primarily to the northeastern and southwestern ends of these neighborhoods. Additionally, recent hotel developments have been part of larger mixed-use developments.

Portland's Key Performance Indicators

	Occupancy	ADR	Size of Market	New Rooms Planned
Downtown	High 70s	Low 200s	2,800+ rooms	900
	Occupancy finished 2018 at record-breaking levels in the high 70s. Despite the amount of new supply entering the market, occupancy will likely stabilize in the mid-70s, and ADR will continue to see growth in the near term.			
Top Employers	Maine Medical Center Unum Mercy Hospital		10,501 - 11,000 Employees 2,501 - 3,000 1,501 - 2,000	
Unemployment	Declining, now at 2.5%			
Airport	Passenger activity up 15% in 2018; approaching 2 million			

Sources: HVS, Maine Department of Labor, U.S. Bureau of Labor Statistics, City of Portland

A notable hotel opening in 2018 was the 178-room AC Hotel by Marriott in the northeast edge of the Old Port neighborhood. The opening of this hotel led to a nearly 12% increase in room supply among upscale, upper-upscale, and luxury properties in the market. Despite this increase in supply, these product classes still finished the year at record occupancy, average daily rate, and RevPAR levels.

AC Hotel by Marriott Portland Waterfront/Downtown
Source: Marriott.com

Despite the limited impact of the AC Hotel by Marriott on market key performance indicators, new supply will become a growing threat in this market. Over the next three years, Downtown Portland's hotel room supply will increase over 30%. Upcoming supply in this market will include both branded and boutique hotels, such as

Summary

Since Portland's Old Port revitalization in the 90s, the city has become a bustling regional summer leisure destination. Portland's two primary employment sectors—hospitality and healthcare—support the area's strong economy and low unemployment rate.

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To maintain this staggering amount of growth and development, the City of Portland recently introduced impact fees on January 1, 2019, to fund infrastructure improvements and other municipal services. While these impact fees apply to any new development or expansion from residential to industrial developments, the new fees will add a cost of over $3,000 per key to development and permitting costs for hotels. While this may taper some future new supply development in the Downtown Portland market, the revenue from these impact fees will allow the City to fund necessary upgrades to handle the over eight million visitors annually.

Conclusion

Portland will likely experience another record-breaking year in 2019, especially after being named Bon Appétit Magazine's Restaurant City of the Year; however, new supply will remain a threat to this market after 2019. Aside from Portland's tourism industry, driven by the market's numerous hotels, local breweries, restaurants, and cruise-ship port, entities such as Maine Medical Center, Unum, and Mercy Hospital, among other smaller medical centers, will continue to support Portland's vital healthcare sector.

About Brian F. Bisema

Brian Bisema is a Managing Director and Partner with HVS Boston. Brian brings over 15 years of hotel expertise, delivering appraisals, valuations, and consulting services that provide clients with credible results to make confident investment decisions. He has completed hotel valuations and appraisals on hotel real estate with an aggregate value of over $20 billion. For more information, contact Brian at +1 (781) 454-8930 or .