

Nines moves opening to October

Despite national economic downturn, developers aren't worried about luxury hotel



BY LIBBY TUCKER

From the twelfth floor balcony inside the under-construction Meier & Frank building in downtown Portland, it's easy to see what developers accomplished with the project's \$148 million budget.

The six-story atrium carved out of the center of the historic building is stunning, stretching from the eighth-floor lobby of The Nines hotel to the roof. Light pours in from the glass skylight above into the windows of the plush guest rooms that overlook the lobby, now nearly complete.

The atrium was by far the project's largest expense, along with hidden structural details and seismic upgrades that contributed to a \$15 million cost overrun, said Ken Geist, a partner at Sage Hospitality, the hotel developer.

But the developer's largest risk still lies ahead as it opens the luxury hotel in the middle of a national economic downturn. Construction delays pushed the grand opening of the hotel, expected this summer, back to October, with the rooftop restaurant Departures scheduled to open in 2009.

"I'm as interested as you are in what's going to happen to that hotel. It was a big investment and it's hard to know if it will pay off," said Dean Runyan, an economic consultant for Travel Portland with Dean Runyan Associates. "Hotel developers have economic models for that but part of that is based on their own predictions of the market. It's also a risk and they could be nailed in part by the economic factors not really predictable after you've made your decision."

Project financing for The Nines was mostly complete before "the mess" of the mortgage crisis fallout affected commercial lending, said Geist. Only a \$3 million loan from the Portland Development Commission and a private \$12 million loan to cover cost overruns were secured this year.

To make its debt payments, Sage needs to accomplish a room occupancy rate of about 60 percent in the first year and 70 percent in the second year, he said. Occupancy hovered around 71 percent in Portland hotels in 2007, with hotels in the central city pulling in 77 percent occupancy, according to Travel Portland. That's compared to a national hotel occupancy rate of nearly 70 percent.

"I'd like the economy to be stronger and the future to be more confident," said Geist, "but if I have to open a hotel anywhere I'm glad it's in Portland."

It's hard to say whether Portland travelers will be willing to pay much more per night for a luxury room, however, said Jason Roskelley, housing and reservations manager for Travel Portland. Room rates at The Nines will start at \$279 a night for a standard room, according to Sage. An average room rents for \$200 a night downtown, according to Travel Portland. "They're probably in a similar category to the Benson and the Heathman boutique historic properties, but The Nines is definitely pushing the envelope in terms of what they're offering," said Roskelley.

The twelfth floor balcony provides a good window for what the hotel owners hope to accomplish – a luxury hotel at the highest price point in Portland. Sage hopes to cater to elite travelers and celebrities with their presidential suites that offer condo-esque comfort with the personal service of a hotel. Even the standard rooms are decorated to the hilt, with modern-classic furnishings, plush chenille fabrics and downy coverlets fit for a movie star.

"We hope to be the No. 1 hotel in Portland," Geist said.

