



BETA WEST

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RITZ CARLTON – SAN JUAN

KEY FACTS:

- We assisted our client in acquiring a non-performing mortgage loan secured by a long-term leasehold interest in the Ritz-Carlton Puerto Rico.
- Advised our client through bankruptcy and acquired title to the property, at acquisition, the property generated \$60 million in total revenue, but virtually zero NOI
- The acquisition was funded with equity and thereafter a mortgage loan was secured which immediately permitted a distribution of \$10 million to ownership.
- After significant asset management effort, the hotel was sold generating a 36% IRR, profits of \$31.5 million on an initial investment of \$42.8 million



THE STORY:

With the assistance of a local Puerto Rico partner, we were able to assist our client in sourcing a defaulted mortgage loan secured by the Ritz Carlton Hotel located in San Juan. The owner of the loan was an agency of the Puerto Rican government and our client purchased the loan at a significant discount to its face value. After negotiating with the owner/borrower in the context of a bankruptcy reorganization, our client was able to obtain title to the hotel. Thereafter, through aggressive asset management, we oversaw completion of a required room renovation program, a retooling of the management of the casino operation, a change-over of the spa operation at the hotel, and a renovation of the food & beverage operators. By using a labor productivity specialist, we were able to recommend labor savings in excess of \$1 million annually and in a two year period, we were able to generate over \$7 million in NOI. As a result, the property was sold to an affiliate of Goldman Sachs and Caribbean Property Group and generate a profit in excess of \$30 million.

EAST COAST COURTYARD PORTFOLIO

KEY FACTS:

- In May 2007, our client acquired a portfolio of three limited service hotels - Courtyard by Marriott Charlotte (181 keys), the Courtyard by Marriott Princeton (154 keys), and the Courtyard by Marriott Lynchburg (100 keys).
- Over the course of our engagement we oversaw guestroom renovations and upgrades, public space refurbishment, a management company transition, a refinancing of mortgage debt and the eventual sale of the portfolio to a single purchaser.
- Through the asset management efforts, our client achieved a return of 14% and a 2.5x equity multiple despite acquiring the portfolio at the top of the prior cycle.

THE STORY:

Although purchased in 2007, the portfolio was able to remain stable and generate cash flow resulting in favorable financing through the economic downturn, and into a recovery phase after 2010. As part of a strategy to create value, the existing management company was replaced, capital upgrades were implemented, and upgraded personnel were assembled to oversee the portfolio. All three hotels completed the Marriott required lobby upgrade and implementation of the Bistro concept. Through negotiation with Marriott and accelerated timing, we were able to get the brand to contribute significant funds to partially offset the cost of the upgrade. As a result of the ongoing upgrade in the product and better overall property management, NOI at the portfolio improved from \$4.1 million in 2007, to \$6.3 million in 2014. As a result of new supply entering in the Charlotte market, we pursued the available remedies offered by the brand and negotiated a significant franchise fee abatement to offset the impact of the new supply on the hotel. The portfolio was sold in early 2015 resulting in a 14% IRR with a 2.5x equity multiple for a portfolio purchased virtually at the top of the cycle for hotel investment.

