

Hotels and Resorts

BetaWest has extensive experience developing and implementing real estate strategies for hotel and resort properties. With a wide range of experience in everything from the select service category to luxury resorts, we have overseen brands such as Hilton, Marriott, Ritz Carlton, Kimpton, Joie de Vivre, and independent brands.

Our Approach

- Conducting a detailed analysis on operating and financial performance
- Developing and implementing action plans to address critical issues impacting value
- Negotiating key agreements with third parties
- Overseeing operations for new or partially complete development projects

Hotel Operations

The first step in improving bottom-line performance for our clients is assessing and potentially overseeing all aspects of hotel operations. Our detailed assessment helps to identify opportunities for improvement in revenue and expense areas, as well as brand effectiveness.

Additional areas of review include:

- Staff capabilities and efficiency
- Labor issues
- Management controls
- PIP or other capital expenditure plans
- Departmental expenses and profit margins

Hospitality Management Evaluation

Our experience with more than 11 hospitality management companies allows us to bring a high level of knowledge and background to any hotel investment. This unique perspective provides BetaWest the opportunity to:

- Recognize strengths and weaknesses within a management organization, and suggest actions for improvement
- Identify expertise and capabilities among the leadership team
- Evaluate data systems a company employs to manage various departments (sales, reservations, procurement, information technology)
- Track corporate shared expenses among related entities to ensure proper allocation for specific properties

Franchise and Management Analysis

Making the proper decision for a management company, franchise affiliation or independent relationship can mean the difference between creating and destroying value. Our extensive experience in this arena—with keen understanding of key issues and economic terms—allows us to guide you in the right direction in order to maximize value.

CASE STUDY: 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.

CASE STUDY: 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.