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First Hospitality CEO ready to see return on investments

Hotel company has channels to expand with management contracts, development and investors

By Bryan Wroten
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LOS ANGELES — Throughout the pandemic-related downturn, First Hospitality made a lot of investments.

The Chicago-based hotel management, investment and development company kept everyone employed and built a sophisticated tech stack, President and CEO David Duncan said in a video interview with HNN at the Americas Lodging Investment Summit.

"It's time for us to harvest some of those benefits, and so I really think the next couple three years will be very good for First Hospitality," he said.

First Hospitality added several hotels to its portfolio in 2024, both through assuming management contracts and new development.

The company entered the Atlanta market when it assumed management of the DoubleTree by Hilton Hotel Atlanta Airport as well as the Oklahoma City market with the newly opened Lively Hotel on OAK, Tapestry Collection by Hilton. First Hospitality also has its first international property with the opening of the Carnivale Restaurant Paradise Island in Nassau, Bahamas.

It also expanded in markets where it already operated. It opened the new Tempo by Hilton Louisville Downtown NuLu and added another property in Wisconsin by assuming management of the Abbey Resort in Fontana on Geneva Lake.

More recently, First Hospitality opened the Hotel Ardent, Tapestry Collection by Hilton in Dayton, Ohio, in February.

Getting any new-build hotel project financed now is difficult, Duncan said. It takes a creative collection of efforts to develop now.

"The supply additions will still be muted for quite a long time, which makes it a good time to be an investor in hotels generally," he said. "Now, with respect to being able to transact, we really get the opportunity to increase our management portfolio."

That said, Duncan expects hotel transactions will be slow at least in the first half of the year. There was a lot of optimism at the start of the year, but he's less positive than others in the industry.

"I think it'll be fine. It'll be a good year," he said. "But the reality is in the operating environment, a lot of people are looking at [earnings before interest, taxes, depreciation and amortization] being lower in '25 than in '24 — tough proposition to sell a hotel that has declining profitability."

Having a robust transaction market would benefit First Hospitality as it would gain market share, he said. If there ends up not being a lot of shift, the company is still positioned to build its platform and develop good relationships with sophisticated owners.

The vast majority of First Hospitality's growth will be through existing hotels, either through transactions or assuming management contracts, Duncan said. Roughly two-thirds of its portfolio today comprises third-party management contracts.

Its other avenues to grow are through developing for itself through its affiliate, First Investors, he said. The other way is through an affiliation of investors that lean into First Hospitality's management operations to do the underwriting.

"All three of those channels are really looking to be active in '25, and so I think it'll be tough to tell today, but I'm pretty optimistic that we'll add more hotels than we have in '24," he said.

First Hospitality has made some structural changes to itself, creating two new verticals focused on full-service and lifestyle hotels as well as premium select-service hotels.

It’s a simple business, based on owner satisfaction, Duncan said. The company runs hotels for sophisticated investors, and it tries to make clear throughout its organization that it works for the hotels it manages, not the other way around. The new verticals will help First Hospitality concentrate its resources to get closer to the needs of each property.

Premium select-service hotels need efficiencies, and having a clustered group of specialists in this vertical will deliver better outcomes for owners, he said. Full-service and lifestyle hotels have their own needs as well, and they lean into food-and-beverage offerings and working on top-line total revenue per available room.

The third-party operator space is a competitive business as there are a variety of capable management partners, Duncan said, adding that he loves that it is difficult. That means when his company gains a contract, it’s because it’s a better operator.

“We're sort of a relative newcomer to the bigger hotel operating company competitiveness, if you will, and as people understand the quality of our culture, the quality of our tech stack, that we're privately owned and are investing for the next 10, 20, 30 years, it's a really good story, and gives a lot of confidence to the owner set,” he said.

There’s a real movement toward consolidation in the third-party-managed space for a variety of reasons, he said. Many companies that have 10 to 20 hotels find it difficult to sustain momentum and growth. If someone sells five hotels, that’s a big part of the portfolio. Many haven’t taken the opportunity to invest in the technology of their back-office systems they need to be competitive.

That means there are a lot of smaller groups that need to invest or link up with someone else, he said.

For more from HNN's interview with First Hospitality’s David Duncan, watch the video above.

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