



First Hospitality CEO Sees Path to Growth Through Churn of Hotels

Industry Has a 'Golden Era of Opportunity' With Low Supply Growth, Recovered Performance



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NEW YORK — The combination of low supply, solid hotel performance and potential distress equals potential for First Hospitality.

In a video interview with HNN at the [2024 NYU International Hospitality Industry Investment Conference](#), First Hospitality President and CEO David Duncan said the third-party management and investment company has several avenues for growth.

In recent months, the company assumed management of the Hotel Ardent in Dayton, Ohio, and the

Lively Hotel in Oklahoma City, and it opened the Tempo by Hilton Louisville Downtown NuLu. Its investment affiliate, First Investors, invested in the Tempo by Hilton Louisville Downtown NuLu and the Hotel Ardent.

Much of the company's work comes through its relationships, he said. Hotel owners have helped the company grow either through direct deals or by speaking on behalf of the company.

"We've been under construction on those projects, actually, for several years," he said, referring to the Louisville and Dayton projects. "Both of them, the formation predated the onset of COVID, and so we delayed construction there and at the right time put the shovel back in the ground and are finally finishing those up."

It's still difficult to get new development financed today, so the pace for growth will be slower than hoped, he said. The silver lining is on the investment side.

"You have fundamentally very low supply growth, and as the economy hopefully — knock on wood — holds up, top-line growth looks pretty good," he said. "I think we're in a bit of a golden era of opportunity where a lot of markets have returned to pre-COVID performance levels and really no supply additions to those markets."

The real opportunity for companies like First Hospitality will be the churn of assets from owners who are selling but don't want to sell, Duncan said. The inability to refinance the existing loans with new loans should generate a lot of opportunities to buy some of those properties. The company's investment partners will likely do the same, leading to more third-party management agreements.

"We're sort of looking for assets that are at a discount from replacement costs, where we can really bring what I call the alpha of the management company to life and really outgrow [net operating income] beyond market norms," he said.

Distress is all over the board, but the underlying market is most likely not distressed, he said. Though a generalization, many hotels are undercapitalized as owners have deferred their capital expenditure projects for years because of the pandemic. The debt markets aren't as liquid as they used to be, so owners will want to hold their hotels for a longer period of time, but some won't be able to.

"I think that's really where the opportunity comes over the next several months and years," he said.

First Hospitality is open to new opportunities for mergers and acquisitions, though it's not aggressively pursuing them, Duncan said. The company's [integration of Hostmark Hospitality](#)

Group, which it acquired in September 2023, went well and is now in the rearview mirror. Both were long-operating, Chicago-based companies with similar workplace cultures, so the merger was relatively easy.

"We got along well, shared similar culture and values and run similar portfolios, so that couldn't have gone better," he said. "That closed in the fourth quarter of last year, and it feels like we've been working together for years."

For more of Hotel News Now's interview with First Hospitality's David Duncan, watch the video above.

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