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# ALIS Update: First Hospitality, Outrigger

By Elaine Yetzer Simon · Feb 2, 2023 10:49am

LOS ANGELES—Attendees at last week’s Americas Lodging Investment Summit overwhelmingly shared their optimism for 2023 while acknowledging that there are some factors in play that bear watching.

During the event at the JW Marriott and Ritz-Carlton LA Live, which attracted more than 2,600 attendees, Hotel Management met with a number of executives to check in on what their companies have been up to and what they expect for the year ahead.

In today’s round-up we catch up with First Hospitality and Outrigger Hospitality Group.

## First Hospitality

While hotels are First Hospitality’s main focus, restaurants and bars are taking up a bigger footprint in the company’s portfolio. First Hospitality conceptualizes, builds and manages the outlets, approaching each as an independent operation.

David Duncan, president and CEO, said a restaurant or a bar in a hotel is an extension of the brand and must be treated as such.

“A lot of hoteliers look at it as a cost center but in reality it’s an extension of the front door, especially as you move into soft brand and more luxury,” he said. “We’ve built our portfolio into upper-upscale, full-service and luxury—and having really good restaurants and bars is key. You want to have a cool rooftop bar or a great dining experience.”

Previously, the industry would outsource these experiences, which Duncan said never worked because they weren’t aligned with the hotel. But while aligned, there still needs to be

separation because running a great restaurant is quite a bit different than serving an amazing wedding, and hotels make most of their F&B money in banquet and catering, he said.

The financial aspect carries through to the actual restaurant itself and the inherent risk.

“You spent all the money building [the restaurant or bar]. It's all of your money to build the [furniture, fixtures and equipment] anyways,” Duncan said. “So you have \$7 million into a space. I'm 100 percent at risk and then I outsource that and hope I get paid rent. Well, if it goes great, I get paid rent. If it doesn't, I spent \$7 million and the lease is terminated. It's ours anyways; might as well own it and try to capitalize on that.”

On the hotel side, First Hospitality has 50 hotels with more than 8,000 rooms in its portfolio, comprising independent and soft brands, lifestyle and full-service as well as select-service and extended-stay. Growth last year was one third company acquisitions and two thirds third-party contracts, Duncan said.

Looking to 2023, he said there's a huge pent-up demand for transactions.

“Properties have more debt than they did pre-COVID. They spent all the money on property taxes, not [property improvement plans], so they've deferred capital,” he said. “And up until now lenders have been more relaxed. Then you couple that with, say you had a \$1,000 asset that's \$650 in debt, which is 65 percent normally, you can't get that today and so that same exact thing that normally you could just refinance through, the new debt markets are like 55 or 50.”

That is going to put a lot of pressure on hoteliers to stop kicking the can down the road, Duncan said.

“The next couple of years, I think it'd be fascinating to see how it develops,” he said. “When you get into the urban core, are the offices really going to fill up and what does that mean and how does it change travel patterns? There [are] marathon days in Chicago where it's \$400, \$600 a night. There's also Tuesdays in February that aren't so great.

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