

## Hoteliers Ready To Pounce on Opportunities as Debt Markets Dry Up



From left: Greg Friedman of Peachtree Group, Ken Patel of EV Hotel, Davonne Reaves of Vesterr and The Vonne Group, and Chris Ropko of McNeill Investment Group, speak on the "Views From the Boardroom" panel at the ALIS Summer Update in Atlanta. (Dana Miller)

By Dana Miller

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ATLANTA — Hints of a recession have weighed heavily on hoteliers' minds in the past few years, but when asked what the second half of 2023 could bring, more are focused on opportunities.

During the "Views From the Boardroom" panel at the 2023 Americas Lodging Investment Summit Summer Update in Atlanta, McNeill Investment Group CEO Chris Ropko said the economy has effectively been on the brink for the past two years.

"Oh, well the downturn is going to happen in the back half of the year' — I think we all said that last year and the year before," he said.

But what makes this time different is a scarcity of lending, as the banks — intent on surviving the downturn themselves — signal they are less willing to take risks with capital.

"Where we're at now is, debt capital markets have seized up effectively, certainly in the hotel space. The increase in [bid-ask] spreads, the increase in base rates, you're just going to see capitulation, right?" Ropko said. "Everybody talks about patient capital. Capital is not patient. I think we're now at that inflection point where people are just going to hit the reset button. That's at least how we're thinking about the world."

Ropko said McNeill is focused on getting dry powder ready for the next opportunity it can act on.

About a year ago, the Germantown, Tennessee-based investment group — which also has a management company arm called McNeill Hotel Company — fundamentally changed the way it views its business, he added.

"We've migrated toward more of an investment-management model versus a traditional family office. Further, we've also expanded our reach to touch all hospitality segments: public, private, debt and equity," Ropko said.

Greg Friedman, CEO and managing principal of Atlanta-based private equity management firm Peachtree Group, said this is the time to be optimistic. In this type of environment, he said, he is excited to pursue hotel acquisitions.

"Volatility is where you get the best return," he said. "For groups like us, this is what we want to happen, in a weird way. We don't want to see volatility, but on the flip side, this creates some opportunities for us to get outsized returns relative to the risks that we're taking."

Friedman said he doesn't anticipate interest rates will drop anytime soon, but Peachtree will be leaning into the market to take advantage of favorable pricing.

Davonne Reaves, founder and CEO of Vesterr and hospitality strategist for The Vonne Group in Atlanta, said she's focused on her crowdfunding platform that she launched one year ago.

"When I was raising capital for my first property in 2020, I found it challenging to raise capital outside of friends and family, and I wasn't large enough to get on CrowdStreet," she said. "After I completed [fundraising], I noticed a lot of folks were coming to ask, 'Where can I invest in the next deal?'"

Reaves said she saw an opportunity to create a platform for retail investors and non-accredited investors.

Ropko said McNeill has adopted a similar mentality and is raising capital.

"Long gone are the days of traditional capital raise. I hate this term, but the 'democratization' of finance ... I think it's very real, and I think you'd all be astounded by how much capital is available out there," he added.

For Reaves, her crowdfunding platform also holds an emotional meaning. It was her goal to provide opportunities for communities of different racial backgrounds who never thought they could own a hotel.

"It's been working," she said. "So far, we've probably created over 100 hotel investors, including owners."

Ken Patel, founder and CEO of Atlanta-based, tech-forward EV Hotel, is focused on growing the brand's footprint.

Found inside an EV Hotel are more than 20 in-room smart devices, a cryptocurrency trading floor and a lobby decorated with non-fungible tokens.

Patel said the EV Hotel brand's development is on a global track.

"Right now we have six under construction in the United States and almost 19 global," he said.

Global locations include Milan, Romania, other parts of Europe, the United Arab Emirates and India.

He said hoteliers in those locations want to utilize tech to streamline solutions to challenges such as the labor shortage.

In the U.S., Patel said he sees opportunities to build EV Hotels near sports complexes in locations such as California, Denver and Kentucky.

Friedman said Peachtree currently has 10 hotels under construction across the U.S. and is still active in buying.

"Candidly, we've put more of our capital toward the credit side of our business. We have a lending platform called Stonehill, and we've been very active on lending to not only hotels but other commercial real estate assets," he said. "That's where the majority of our capital is getting invested given that lack of debt liquidity in the markets. We're trying to fill that void."