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*Punit R. Shah,
President & COO*

Exceeding Expectations

How the Liberty Group
of Companies exudes
hospitality excellence

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Exceeding expectations

Why the Liberty Group of Companies name remains synonymous with hospitality excellence

By Michael J. Pallerino

Integrity. Honesty. Knowledge. Ask **Punit Shah** to define what the **Liberty Group of Companies** delivers to today's hospitality industry, and these are the characteristics he offers. Formed by **Raxit N. Shah** more than 35 years ago, the privately held company continues to be a stalwart in real estate investments, hotel and asset management, private equity, and commercial and residential property developments.

To date, the company that Raxit's son, Punit, oversees has invested more than \$250 million in real estate investments and real estate developments across the Midwest and Southeastern United States. Through the years, the company has assembled and retained quality management, suppliers and vendors, and development partners that continue to help it build and establish businesses and effective management practices.

"Relationships such as these allow us to continue to develop, acquire and manage hotels with a sustainable and competitive business model," says Punit, who serves as president and COO. "We continue to distinguish ourselves from the competition through our speed of execution, structuring flexibility, and ability to solve and capitalize on complex situations. It's about exceeding expectations."

The Liberty portfolio includes hotels with brands such as **Intercontinental Hotels, Hilton Hotels, Marriott Hotels, Best Western International, Wyndham Hotels** and **LaQuinta Hotels**.

Commercial Construction & Renovation recently sat down with Punit to get his take on where the hospitality industry is heading and what's next for Liberty. Following is an edited portion of our conversation.

What is the new normal today?

Normal is struggling. It's fighting your way back up to the top. But our short-term aspirations are not to get back to 2006 numbers. I believe those numbers were almost fictitious. They were too good to be true. Today, normal is trying to figure out where the realistic levels of the hotel industry are in terms of financial performance.

We're trying to find an equilibrium – that place where new ground-up development starts

again, and where rebranding and renovation transitions into new development. If you would have asked this question several years ago, the status quo was new construction.

Today, the new normal is the opportunity to buy properties below the replacement cost. The new normal is finding a property and being able to reposition it.

Is there any good news out there today?

We're looking at new opportunities right now – opportunities

we hadn't looked at over the past year or two. Talk to general contractors and they say business is picking up. Things are looking favorable, and people in this part of the industry are a little more optimistic. But I think we still are cautious about the investments we're making – cautious about saying a deal is done until the ink is dry, especially as it relates to contractors.

What does the next 18 months look like?

Renovations and repositions

will continue actively. But I don't think we're going to see a whole lot of new construction. I sit on a lot of boards throughout the real estate industry, and I haven't heard a lot of talk about private companies breaking ground. It's far and few between. If we do, it would be on the outside of 12 months.

Are there some success stories from the past 18 months?

Fortunately, we've been able to buy a lot of distressed assets at very opportunistic acquisition prices.

We've been fortunate to have access to capital necessary to invest in capital expenditures and reposition assets to be competitive and more attractive to our customers.

Virtually everything we've bought over the past 12 months was distressed at some level. Whether it was a distressed loan acquisition or distressed asset acquisition, we were able to purchase really good properties in good locations that met our long-term investment strategy.

By investing in upgrades and enhancing these properties, we are

able to generate additional revenue. We're implementing a lot of cost saving operational items and turning around those properties from a management perspective. From our point of view, we are seeing a real upside in the investments we've made. But we are very cautious about every dollar we spend. Each dollar must produce a very tangible return on the investment.

What have been some of the biggest challenges over the past 18 months?

Punit Shah BioFile

Punit R. Shah knows the power of legacies. As a second-generation hotelier, he immersed himself in the family business, helping to continue the company's mission to provide travelers with the best in accommodations.

As president and COO of the **Liberty Group of Companies**, Shah is responsible for design and development, site acquisition, financing, marketing, and negotiations of construction, architectural and purchasing agreements. Additionally, he maintains overall managerial control over the

development and management divisions of the company.

Over the past six years, he has been responsible for the development and acquisition of more than \$200 million in commercial projects, including hotels, luxury condominiums and assisted-living facilities throughout the southeastern United States. In addition, he manages the acquisition, disposition and operations of real estate assets for Liberty and its affiliates.

Shah graduated with a bachelor of science in hospitality business administration with concentrations in marketing and development from **Boston University**. He also completed an economics honors program at **Harvard University**, as well as political science and executive real estate development programs at **Cornell University**.

BIGGEST ITEM ON YOUR TO-DO LIST

To continue the growth of a sustainable, profitable and lucrative business model that my Father established over three decades ago. We want to get better at what we do every day. My daily focus is to do whatever I can to promote the business and our associates in a positive and meaningful way.

BEST ADVICE YOU EVER RECEIVED

If you enjoy what you do, it's no longer work. I genuinely love what I do and never consider my work a job. It's more like a hobby to me. There's a smile on my face every morning I walk into the office.

BEST THING A CLIENT/CUSTOMER EVER SAID TO YOU

Recently, a guest at one of our destination hotels left a comment card with our general manager that thanked the staff for enhancing a vacation for his family. We sometimes take for granted that many of our guests have several options in lodging, but choose to stay with us as part of their trip. It's our responsibility to provide the best experience we can and add to their journey in a beneficial way. I'm humbled and honored each time a guest gives my team a positive comment about the role they may have played in creating a great memory.

FAVORITE THING ABOUT THE HOSPITALITY INDUSTRY

Having grown up in the industry, I sincerely enjoy creating experiences for our guests. With my background in construction and finance, I continuously am finding new ways to enhance



With the amount of distress in the market, hotels throughout the country are being acquired for a fraction of replacement cost. The concern is that two competing hotels at any particular location may have significant variances in cost basis, thereby allowing one hotel to sell rooms at a much lower rate with higher net profits. It's difficult to justify new development when there's a strong probability that your competitive set may be able to grow market share due to the lower cost basis.

Franchisors continue to increase

their property improvement requirements for existing product. At the same time, capital expenditures are being budgeted very carefully in this market, given the concern with capital markets and financing, and thereby adding pressure to hotel owners.

Owners question the return on investment for capital expenses required to maintain brand standards since most hotels still are in a recovery stage. Seasoned owners understand they must invest in their hotels to continue building market share against their competitive set,

the guest experience through providing the best product at the best possible price point. The hospitality industry truly is unique in that most successful hoteliers have an intimate knowledge in design trends, construction and development, legal matters, financial accountability and cashflow, marketing and promotion, and of course, impeccable customer service. What draws me to the industry is that I can participate in each of these elements and have a different day every day.

FAVORITE PLACE TO VISIT

I have visited Rome many times, and I continue to be inspired and fascinated with the city and its people. It offers a historical perspective of city planning and infrastructure, period architecture, civilization development, and sustainable governmental rule that is a model for the rest of the world.

LAST VACATION YOU TOOK

My wife and I often take weekend trips to Boston and New York City, but the last memorable relaxing getaway was a bed and breakfast in Newport, R.I., with our closest friends.

HOW DO YOU SPEND YOUR DOWN TIME?

I love to cook. I find it relieves stress. I simply tune everything else out and enjoy the task at hand. I'm also learning to play golf. It's the only time I can turn off my phone and enjoy nature uninterrupted for a few hours.

WHAT'S IN YOUR IPOD RIGHT NOW?

Depending on my mood, my music choices are quite eclectic. Right now, it ranges from **Chris Botti** to **Eminem**.

THREE STRONGEST TRAITS ANY LEADER SHOULD HAVE

Intuition – Trust your instinct.
 Perseverance – Successful leaders are those who have the ambition and drive to achieve their goals without getting discouraged with the obstacles along the way. Most leaders have had their share of failures before accomplishing their goals.

Communication – You may be a genius, but if you cannot communicate your ideas clearly and concisely no one will ever know.

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but having the capital available to do so is difficult today.

How will these challenges be overcome?

Until the disparity between acquisition cost and replacement cost is minimized, I believe hotel owners will continue to focus on opportunistic acquisitions that cash flow immediately compared to new development deals that take two to three years to generate stabilized cash flow.

Financing for new development continues to be available to only established sponsors with best-in-market locations/brands at marginal LTC terms. However, financing for existing cash flowing hotel assets with qualified sponsors seems to be more readily available to terms generally acceptable to hotel owners/operators.

Occupancy has continued to improve throughout the industry, but ADR (average daily rate) continues to face pressure and overall RevPar (Revenue per Available

Room) remains largely stagnant in non-core markets.

What's the primary driving force to signal the turnaround and rebound of construction in this industry?

When the hotel industry begins trending consistent RevPar growth, I believe new development will rebound – but in a more conservative manner. Until then, I believe that renovations and repositioning of existing assets will be the primary construction generators in the industry.

What new design and development trends have you seen?

With the decline of the global economy, luxury hotels were forced to reduce rates to maintain revenue and market share. As a result, many consumers who were accustomed to staying in two- or three-star hotels were able to afford to stay in four- or five-star hotels during the down-

turn. Today, as the high-end market recovers, these consumers are being pushed back to the two- or three-star hotels, but with the expectations of four- or five-star hotel luxuries.

Accordingly, their demands and sophistication has increased. Hotel designers are focused on creating an approachable, more upscale design package among all product lines. We also are seeing more social elements being factored into hotel design. The goal is to get people out of their rooms and into the common areas of a hotel for interaction and



socialization. More emphasis is being placed in the lobby and great room areas to encourage guests to feel comfortable in their surroundings.

Hotel franchisors also are getting more specific in their offerings by sub-branding – compared to “bigbox” hotels of 30 years ago, where a single hotel brand catered to virtually everyone. A single franchisor may have a portfolio of 10 different brands, each targeting a different demographic.

Today’s consumers are faced with many options, which means hotels are carefully designed to attract a particular clientele. I believe the days of a “generic” product offering is limited given the specialization that has occurred in the industry.

What eco-friendly initiatives have you implemented into your developments?



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Today, normal is trying to figure out where the realistic levels of the hotel industry are in terms of financial performance.

We've stayed focus on sustainability because it's not just a marketing device, but because it saves us long-term in operation costs. I believe today's consumer is trending toward more eco-friendly offerings. If you look at the overall market, beyond hotels, you will see that consumers want eco-friendly alternatives. If there are two hotels at an intersection, some consumers may choose the one that's more eco-friendly because they believe it's their social responsibility.

The mayor of Tampa (Fla.), **Pam Iorio**, acknowledged our efforts a few years ago by stating, "With the continued help of environmentally conscious businesses such as the Liberty Group, the City of Tampa will be successful in ensuring the beauty of our community is preserved for future generations."

Because we design our hotels to be green, that comment was huge for us. Each of our hotels participates in water conservation programs, including Florida Water Management guidelines and inclusion in the Florida Green Lodging program. All of our cleaning supplies are green. So we firmly believe in the importance of sustainability within our industry and the community as a whole.

How do they impact your ongoing operations?

In each of our new development projects, we identify operating efficiencies during the design-phases. While much of these elements add to the upfront costs, our intentions are to keep these assets in our real estate portfolio, so we consider the long-term

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To conserve power, we purchase Energy-Star compliant appliances, and install CFL or LED lighting throughout our hotels with motion-activated lighting in ancillary-use areas. Our HVAC systems are set up to run only in occupied rooms, and have variable speed motors with the highest seer ratings available. Our thermal systems include insulated windows and reflective roofing coatings.

To conserve water, we install underground retention systems, onsite irrigation wells, and low-consumption plumbing fixtures, including dual-flush toilets. Our hotels each participate in conservation practices that include linen reuse programs, eco-friendly detergents and cleaning chemicals, and recycling programs.

These practices motivate our staff to consider the environment as well as reduce long-term operating costs. Green hotels are more attractive to corporate clients, government clients and environmentally conscious consumers. Technological innovations and operational initiatives work in conjunction to provide a sustainable hotel model

that benefits the environment as well as our bottom line.

What type of environmentally retrofitting can be done for existing hotels at a cost effective manner to help drive same savings?

Simple capital upgrades include replacing incandescent bulbs with CFL or LED bulbs, replacing plumbing fixtures with low consumption faucets (shower and sink), dual flush kits for toilets, installation of motion detection where possible (back of house and secondary use areas), and conscientious operations that include recycling, adjusting HVAC as determined by occupancy levels, and active monitoring of utility consumption.

What projects are in Liberty's pipeline?

Our primary construction projects involve repositioning of hotel assets and property improvements to newly acquired assets. We actively are working on about seven hotel renovation projects, two new development hotel projects, and three repositioning projects in our assisted living division. **CCR**