

Hotel Business®

[Twenty Four Seven Hotels head into second decade](#)

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NEWPORT BEACH, CA—In an industry filled with mature brands and companies, Twenty Four Seven Hotels appears happy to be a 10-year-old, jumping from deal to deal and energizing itself with new strategies to keep momentum going in its investment, development and management efforts.

Led by CEO David Wani and President Andrew “Drew” Hardy, the West Coast firm, which marks its first decade next year, made a star turn earlier this year when it opened the first Moxy Hotel in the United States in Tempe, AZ, raising its profile as a player in the lifestyle-hotel space.

Starting with four hotels in 2007, the company is now at 20 properties—with several in development—that are concentrated in Arizona, California, Idaho and Nevada.

Although started in what was a record-breaking year for the lodging industry, Wani indicated the subsequent few years were anything but robust.

“If you look at it year by year, from 2009 to 2012, we were fairly stagnant, with the industry in a pretty precarious state at that point. A large chunk of our growth has happened from 2012 through this year,” he said.

Hardy noted the company has a mixed ownership base of private institutional equity partners, private family office and high-net-worth individuals.

The executives, both previous veterans of Tarsadia Hotels where they concentrated on real estate, stressed meeting the needs of ownership is part of Twenty Four Seven’s DNA. “That’s just the way we approach it,” said Wani. “We’re just looking at all aspects to create the greatest value for the people we have in our portfolio right now and, obviously, to the groups that we’re speaking with who want to get into the hotel industry; we’re focusing predominately on investment.”

In looking to create such value, Hardy last year did more than a half-dozen recapitalizations and several ownership groups took the resultant excess proceeds and invested them into another hotel.

“We had one owner we started out with who had one hotel and, within 12 months, went to four hotels,” said Hardy. Starting with a Hampton Inn, the group went on to add a TownePlace Suites by Marriott, a Hyatt Place and a Comfort Suites.

The Twenty Four Seven Hotels portfolio contains product from Choice Hotels International, IHG, Hilton Worldwide and Marriott International. Interestingly, the one brand it had from Starwood Hotels and Resorts Worldwide—a Four Points by Sheraton—gave the company its highlight this year when it was converted and repositioned as the Moxy Tempe.

“The brand, the reservations, nothing was working there [as the Four Points] so that’s where we actually tried to add value because we had done everything we possibly could operationally to get that hotel to penetrate the competitive set. No matter what we did we couldn’t get past about 60%, 65% on our RevPAR Index versus the comp set,” said Wani. “So, we had a frank conversation with the ownership group about what their vision was for this hotel and what they wanted to do with it.”

Almost two years later, the result of that conversation was the opening this past March 4 of the 186-key Moxy Tempe, which may prove a better fit for the market. Home to Arizona State University, Tempe is evolving in its appeal as a “hipster haven” and as an area also conducive to corporate influx, such as the recently completed

State Farm Insurance Co., regional operations complex, which will be housed in five buildings within the massive Marina Heights mixed-use development on Tempe Town Lake.

“The other appealing factor is you’re only about six miles away from Phoenix airport, so location-wise it’s a great area,” said the CEO.

“We’re already starting to see some of the Marriott Rewards members who are staying at the Courtyard or some of the other Marriott facilities come over [to the Moxy] and saying, ‘Hey, this is awesome. We’re not going back,’” he added.

The opening was a highlight of Q1 activity for Twenty Four Seven Hotels, which had kicked off the year expanding its Southern California distribution by contracting to manage the 128-room Hyatt Place Ontario Mills for Los Angeles-based owners HPO, LP. Located within four miles of the Ontario Convention Center, the hotel is on the grounds of the Ontario Mills Mall.

Two months later, 10 Hospitality, LLC, tapped Twenty Four Seven to manage its Hampton Inn & Suites Carson City in Nevada and to oversee a full renovation.

According to Hardy, the company leans toward a cluster strategy as it enhances its portfolio. For example, it has multiple properties in Ontario, CA; Palm Desert, CA; Boise, ID; and Henderson, NV.

“It only helps to facilitate our desire to have that ease of touch with the properties where we actually have our hands-on, personal contact with each and every deal. In and of itself it’s not driven with a specific ownership. When we do get a footprint in a market, it’s a natural starting point to start expanding, looking for opportunities there for that owner or another owner,” he said.

The company also has been doing campused deals, notably in Palm Desert, CA, where it has a Courtyard by Marriott and a Residence Inn by Marriott on the same parcel, and also outside of Las Vegas, where it has a SpringHill Suites by Marriott and a TownePlace Suites by Marriott on the same site in Henderson, NV.

Twenty Four Seven has more western states, such as Colorado, Oregon and Washington as targets, and also has Austin, TX, as a goal.

As it has evolved, the company has undergone a sea change in its staffing and the executives continue to explore new avenues that bring value in terms of service delivery.

“We’re at a point where we’ve substantially increased our infrastructure. Ten years ago, we had maybe four or five corporate executive-level positions—accounting, operations, sales and marketing—right now we’re at 25, and that number continues to expand fairly rapidly at this point. We’re looking at bringing in a couple of task force GMs, a project manager to oversee some of our PIP renovations. By the end of the year, we’ll probably be 30-plus on the corporate side,” said Wani.

Last month, Twenty Four Seven Hotels promoted 12-year company veteran Isaac Rodriguez to the newly created position of VP/revenue strategies and distribution as part of a restructuring effort to create greater cohesion between its revenue management and sales and marketing teams. “So, now when they’re having their meetings, they’ll all be speaking the same language in terms of what the demand patterns are, what the rate thresholds should be and all the technicalities they deal with; they’ll all be on the same page.”

Wani said the company would remain opportunistic in building its portfolio.

“We’re still at a point where beggars can’t be choosers. For example, we took over the Hampton Inn in Carson City; we had nothing in that area. It’s a difficult little market to get in and out of. It’s a brand-new ownership group that we just started working with and they identified that hotel on their own; that wasn’t anything that we were aware of. We did the underwriting on it and followed up with the analysis for them,” he said. “We’re

definitely opportunistic. Maybe once we have 50 hotels we can be a little bit more strategic, but right now, we'll take what we can get.”

—Stefani C. O'Connor