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HOTEL BUSINESS TOP 100 Owners & Developers



Gencom Living In The Lap Of Luxury Through Joint Venture Partnerships

Up & Comer

Gencom
Group
Miami, FL

Primary Brand Affiliations:	# Of Hotels Open:
Ritz-Carlton, Wyndham, Summerfield Suites	11
	# Of Rooms Open:
	970

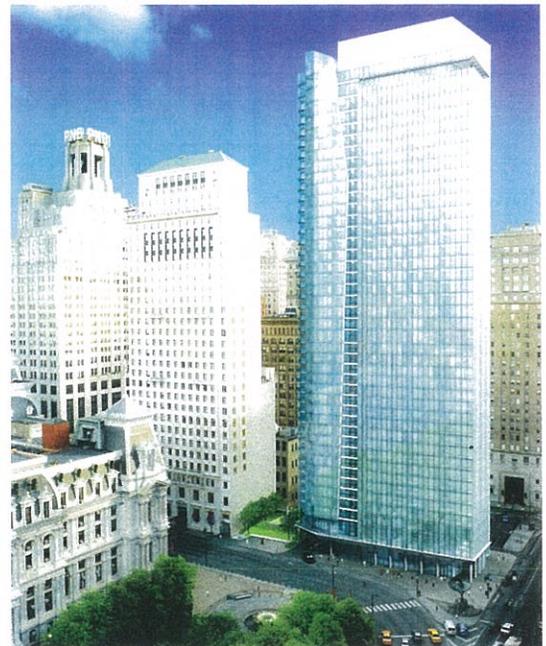
BY CHRISTOPHER OSTROWSKI

MIAMI— Originally formed as a hotel ownership and operating company focused on the likes of Holiday Inns, Sheratons, Hiltons and Radissons, Gencom Group has recently matured into a firm that owns, develops and asset manages Ritz Carltons, Hyatts and other luxury and upper-upscale hotels. Furthermore, the firm, based here, has now become a major player in the joint venture investment game, in which the company has partnered with such prominent investors as Lehman Brothers and Highgate Holdings, among others.

All combined, these evolutionary changes have made Gencom into what its principle, Karim Alibhai, now describes as an opportunistic investor—and one that has many financial institutions proposing lucrative partnerships. “Gencom is an opportunistic investor and

acquirer in the hospitality and related arenas, including residential and fractional components,” he said. “We stay in the niche we know best and take a hands-on mentality for our large upscale developments. And we now stay within the luxury, upper-upscale and upscale resort segments. Since 1999, we have actually done close to \$1 billion worth of luxury projects in which Gencom has been the owner and codeveloper or developer. These projects include the Park Hyatt Toronto; the Ritz-Carlton, Key Biscayne (FL); the Ritz-Carlton, Philadelphia; and the Ritz-Carlton Bachelor Gulch in Vail (CO).”

Regarding the Ritz-Carlton, Bachelor Gulch, Gencom was able to acquire the remaining interest in the asset in December 2004 through a partnership with Lehman Brothers. Gencom and Lehman bought out Vail Resorts’ 49% interest and Marriott International, Inc.’s 15.3% interest in the hotel. Gencom had previously possessed a 35.7% interest in the property.



Gencom Group will soon be adding a residential portion to its Ritz-Carlton, Philadelphia. Gencom is partnering with Philadelphia-based Arden Group on this project.

Also in December, and also in partnership with Lehman Brothers, Gencom was able to acquire a 50% interest in the Summerfield Suites brand along with six existing Summerfield assets from Wyndham International. This venture is now co-managed by Wyndham and the partnership itself, which is committed to grow-



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ing the Summerfield brand through new development, management contracts and franchise development.

Additionally, the Gencom-Lehman partnership plans on building Summerfield Suites hotels throughout the U.S. and has arranged for Lehman Brothers to provide construction financing for potential third-party franchisees that are willing to build new Summerfield Suites, Alibhai said.

This Gencom-Lehman tag team struck yet again in the middle of the summer, when it acquired the 240-room Lodge at Rancho Mirage in Rancho Mirage, CA, from Vail Resorts for \$33 million. According to Alibhai, the hotel used to be a Ritz-Carlton and is currently operated by RockResorts. Going forward, he said that the Gencom-Lehman partnership will commence with a \$150-million redevelopment of the property that will add a residential component and a new luxury flag.

Clearly, Gencom is not shy about joining joint ventures, especially with Lehman Brothers, which it also partnered with in the 2000 acquisition of a 50% interest in publicly held Interstate Hotels & Resorts. Highgate Holdings was also involved in that investor group, which is now the major Interstate shareholder. Alibhai is also on Interstate's board of directors.

"We're very much a believer in joint ventures," Alibhai explained. "We bring a lot of expertise and capital to the table, but on the luxury side, we like to have local partners, which are key to the execution. Many of our acquisitions have been through JVs with financial institutions or knowledgeable local market individuals."

Gencom recently got involved with one of those local market



Gencom Group acquired the Ritz-Carlton, Bachelor Gulch in Vail, CO as part of a joint venture with Lehman Brothers.

partners in the \$250-million development of a new residential portion for the Ritz-Carlton, Philadelphia. That partner, Philadelphia-based Arden Group, and Gencom will begin building the addition later this year, Alibhai said. Gencom also recently partnered with Logwood Development Co. in the development of a Ritz-Carlton boutique hotel in the Turks & Caicos Islands.

These projects will surely boost Gencom's current portfolio count of 35 hotels. And that total may continue to grow because Gencom is in more of a buyer's and developer's mindset, according to Alibhai, who pointed out that the company will mainly focus on adding resorts in such geographic areas as California, Mexico, the Caribbean, Latin America, Argentina and Brazil. In terms of brands, he said that the firm will continue to prefer Ritz-Carltons, Marriotts, Hyatts and Four Seasons.

"We're long-term owners basically," he explained. "But we will also pursue opportunities to sell

down some equity and assets at some point. After all, you can never fall in love with your real estate, we've learned. But we're not currently selling or marketing anything, especially in our luxury portfolio.

"But we're not typically buyers of assets that are doing very well and where there's no value-add opportunity," he continued. "We don't want to compete with the REITs and other institutional buyers. We are interested in deeper, three-to-five-year redevelopment opportunities, so we're not competing with anyone and everyone. I must say that the high prices of assets are making the current acquisition environment less attractive, but our variables are different. The high prices are more relevant to stabilized assets that don't need a turnaround."



Gencom