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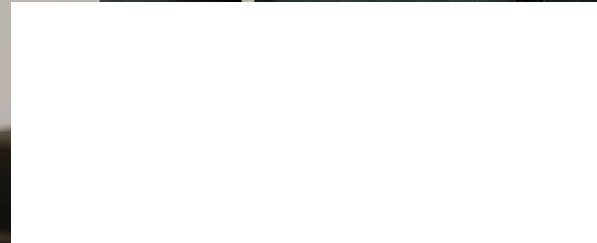


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MANAGEMENT REPORT

RAR Hospitality: A one-man band grows into an orchestra

By Adam Perkowsky
Senior Copy Editor

SAN DIEGO—The RAR in RAR Hospitality is Robert A. “Bob” Rauch, an industry veteran with more than 40 years experience ranging from general manager to consultant to CEO of the management firm which is celebrating its silver anniversary this year. He is also known as The Hotel Guru (or @truehotelguru, as his Twitter handle proclaims), and has run the hotelguru.com website for 20 years, providing insights on all aspects of the hospitality industry. He has also taught at Arizona State University for 25 years.

So, when he forecasts what is to come for the future of his company

and for the industry, people listen. He predicts the U.S. lodging industry “will do very well in 2016, with a solid 5% RevPAR growth. [However,] there are some headwinds ahead, and I’m calling for a soft landing in 2017, driven by some global economic changes, Airbnb supply and new hotel supply.” About his company, which is headquartered here and has an office in Phoenix, where Rauch resides, he said of the near future: “I think we’re going to get to, most likely, 25 properties by the end of this year. Right at the moment, I would forecast we’ll be in the mid-20s.”

The company has already been busy this year, adding three properties to its portfolio over the first two months.

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RAR Hospitality San Diego

gross annual revenue (end of '15)	\$45M
# of hotels (end '15)	13
# of rooms (end '15)	1,503

It took over the management of the Holiday Inn and Staybridge Suites in Carlsbad, CA, which “were built as a dual-branded campus, and they received the 2015 IHG award for Developer of the Year for dual-branded hotels,” said Marc Potash, president and COO. “The properties are gorgeous and, unfortunately, they have been underperforming. So, given the relationship that Bob Moore, our executive VP of operations, has in the Carlsbad market, we were able to secure management of those properties. We also took over the Red Lion Inn & Suites in Tempe, AZ. That is the sister property to a Hampton Inn and Suites that we secured management for in October, and we’re developing that campus-like feel there as well.”

The three additions pushed the portfolio to 16, seven of which the company has an ownership stake in. “We invest in a number of the hotels that we operate whenever we are asked to invest,” said Rauch. “We do so if we believe in the property, and we really don’t want to even run the property if we don’t believe in it.”

Both Rauch and Potash indicated that 2015 was a banner year for RAR Hospitality. The former acknowledged, it was driven by very high demand and very strong ADR increases across our entire portfolio and, frankly, across the industry, particularly in Phoenix and San Diego. Both of those cities did remarkably well last year.”

San Diego and Phoenix, where a majority of the portfolio resides, have figured prominently in the history of RAR Hospitality. The company was founded in the California city as a consulting firm.

“In 1990, we started as a one-person company; it was just me. We called it R.A. Rauch & Associates back then because I was a one-man band and I had industry-wide recognition,” said the CEO. “It was recommended to me to

start with my name, and that’s how we built the hospitality consulting practice initially. We did court-appointed receiverships and we ran hotels, and I would hire people as needed the first five or six years. Then, we decided that the only way to grow the company would be to buy hotels and start managing our own properties and not do just consulting for others. Instead of making everybody else, we started enriching our own corporate wealth. We bought a small hotel by the beach in the San Diego market in 1997. We sold that three years later at a fairly significant profit and then built two Hilton-franchised hotels with the proceeds.”

After emerging from the Great Recession with two owned hotels, “it was time for us to do some third-party management. We had a hundred employees by that point,” said Rauch. “We got our first contract in January 2011, the El Cordova Hotel, and we really became experts in one-of-a-kind boutique hotels.” According to the company, the all-suites independent hotel, located in the Village of Coronado

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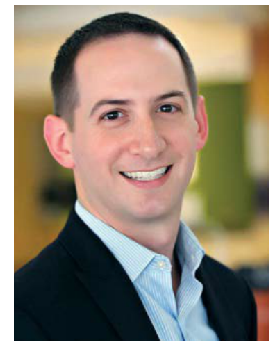
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Robert A. Rauch
RAR Hospitality



Marc Potash
RAR Hospitality

MANAGEMENT COMPANIES

Ranked by gross annual revenue (end of 2015)

n/a = information was not available

Company	Gross annual revenue (in millions)		# of properties managed		# of rooms managed		# of third-party managed	ownership stake
	2015	2014	2015	2014	2015	2014		
1. Interstate Hotels & Resorts	\$3,500.0	\$3,500.0	425	423	75,981	78,681	425	5
2. Aimbridge Hospitality	\$3,037.4	\$950.0	448	276	66,977	36,242	448	225
3. Destination Hotels/Commune Hotels & Resorts	\$1,556.8	\$1,402.7	82	74	18,796	17,670	81	1
4. White Lodging Services Corporation	\$1,400.0	\$1,200.0	165	162	27,753	25,890	144	21
5. Crescent Hotels & Resorts	\$1,176.0	\$964.0	97	92	23,741	21,148	97	0
6. Pyramid Hotel Group	\$1,143.0	\$927.6	71	48	20,108	16,782	n/a	n/a
7. Remington	\$888.2	\$776.1	94	80	18,112	15,991	94	1
8. TPG Hotels & Resorts	\$856.0	\$740.0	64	63	18,263	17,185	63	0
9. Island Hospitality Management	\$761.2	\$525.0	160	132	20,521	17,273	160	0
10. Sage Hospitality	\$758.2	\$565.8	74	63	13,623	11,637	48	26
11. Hersha Hospitality Management	\$750.0	\$675.0	135	132	18,900	15,470	125	10
12. Davidson Hotels & Resorts	\$716.0	\$750.0	37	48	11,288	13,720	37	5
13. Crestline Hotels & Resorts LLC	\$576.0	\$370.0	100	45	15,105	7,860	100	0
14. Benchmark Hospitality	\$563.4	\$561.1	33	32	6,529	5,828	33	0
15. GF Management	\$538.0	\$540.0	85	105	13,688	15,729	65	20
16. Pillar Hotels & Resorts	\$527.3	\$627.8	179	227	16,670	21,468	179	0
17. Outrigger Resorts	\$500.0	\$500.0	38	42	7,808	9,531	27	11
Concord Hospitality Enterprises Company	\$500.0	\$511.5	90	97	12,784	14,205	59	31
19. Evolution Hospitality	\$475.5	\$386.1	30	28	7,142	7,205	30	0
20. Trump Hotels	\$450.0	\$420.0	12	10	4,362	4,322	n/a	n/a
21. Driftwood Hospitality Management	\$347.3	\$300.7	55	50	10,424	9,470	31	24
22. PM Hotel Group	\$312.0	\$247.0	36	29	6,600	5,300	n/a	n/a
23. MCR Development	\$304.3	\$223.8	88	68	10,445	8,055	0	88
24. Marcus Hotels & Resorts	\$303.5	\$298.1	19	20	4,980	5,201	11	8
25. Stonebridge Companies	\$300.0	\$260.0	40	37	6,300	5,800	9	n/a
26. First Hospitality Group, Inc	\$280.0	\$249.5	43	57	6,077	8,119	30	27
27. Spire Hospitality	\$258.2	\$198.2	19	20	5,868	4,999	20	0
28. HVMG	\$254.0	\$232.0	32	39	6,673	7,475	n/a	n/a
29. Real Hospitality Group	\$252.5	\$232.5	64	53	8,695	7,618	64	0
30. OTO Development, LLC	\$252.4	\$200.1	46	42	6,333	4,298	40	6
31. Quorum Hotels & Resorts	\$251.1	n/a	14	n/a	3,459	n/a	12	2
32. Hotel Equities	\$236.9	\$109.4	84	61	8,902	5,963	58	19
33. Urgo Hotels & Resorts	\$227.4	\$217.7	27	28	3,885	4,075	n/a	n/a
34. Pacifica Host Hotels	\$222.3	\$169.2	44	42	6,469	6,274	0	44
35. Regency Hotel Management, LLC	\$202.0	\$189.5	42	43	5,018	5,382	27	15
36. Chesapeake Hospitality	\$201.0	\$190.0	27	23	5,004	4,476	27	0

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**Chesapeake
Hospitality
Greenbelt, MD**

gross annual revenue
(end of '15) **\$201M**

of hotels (end '15) **27**

of rooms (end '15) **5,004**

see full profile on p. 28



Company	Gross annual revenue (in millions)		# of properties managed		# of rooms managed		# of third-party managed	ownership stake
	2015	2014	2015	2014	2015	2014		
37. Trust Hospitality	\$200.0	\$150.0	38	32	3,500	2,500	0	2
38. Hostmark Hospitality Group	\$186.0	\$168.0	30	28	5,410	5,740	24	6
39. LBA Hospitality	\$183.9	\$153.1	61	72	5,903	6,845	60	1
40. Kineth Hospitality	\$180.0	\$175.0	65	68	6,599	7,125	49	16
41. Marshall Hotels & Resorts	\$175.7	\$160.2	46	46	5,353	5,820	46	0
42. Shaner Hotels	\$173.2	\$154.9	40	36	5,302	4,919	6	34
43. The Hotel Group	\$173.0	\$155.0	29	27	4,804	4,141	22	7
44. New Castle Hotels & Resorts	\$171.0	\$185.0	22	25	3,457	4,388	9	13
45. InterMountain Management	\$165.3	\$149.6	53	49	5,373	4,877	53	33
46. Pacifica Hotels	\$165.2	\$117.0	34	27	2,971	2,707	5	29
47. Winegardner & Hammons Hotel Group LLC	\$164.8	\$244.1	17	24	3,705	5,783	7	10
48. Waterford Hotel Group, Inc.	\$163.5	\$152.1	25	27	3,330	3,385	25	0
49. The Dow Hotel Company	\$162.4	\$180.0	12	13	3,540	3,474	4	8
50. Salamander Hotels & Resorts	\$157.0	\$145.0	4	4	1,368	1,368	n/a	n/a

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Waterton Chicago

gross annual revenue
(end of '15) **\$125M**
of hotels (end '15) **12**
of rooms (end '15) **2,997**

see full profile on p. 32



51. Donohoe Hospitality	\$153.5	\$144.7	13	11	2,651	2,469	2	11
52. Linchris Hotel Corporation	\$144.1	\$120.6	36	31	4,689	3,755	9	27
53. Commonwealth Hotels, LLC	\$139.7	\$137.6	38	36	4,583	4,362	13	25
54. Greenwood Hospitality	\$138.5	\$115.0	13	12	2,833	2,452	13	3
55. OLS Hotels & Resorts	\$132.0	\$112.1	17	15	2,440	2,014	16	1
56. Vista Host, Inc.	\$131.7	\$127.4	27	26	3,412	3,333	27	0
57. Waterton	\$125.0	\$122.0	12	12	2,997	2,800	1	11
58. Charlestowne Hotels	\$121.2	\$100.6	41	35	4,109	3,310	41	5
59. Windsor Capital Group, Inc.	\$121.0	\$114.1	10	10	2,299	2,299	10	0
60. Coakley & Williams Hotel Management Company	\$120.0	\$94.0	36	24	4,058	3,146	36	4
61. Hospitality Management Corporation	\$119.0	\$126.0	31	33	3,394	3,750	31	0
62. Prism Hotels & Resorts	\$116.4	n/a	26	27	8,025	7,214	20	6
63. Kokua Hospitality	\$115.0	\$95.0	7	7	2,287	2,287	7	0
Vision Hospitality Group	\$115.0	\$86.0	30	32	3,071	3,150	0	30
65. TPI Hospitality	\$114.0	\$99.0	31	30	2,989	2,951	0	31
66. Portfolio Hotels & Resorts	\$109.3	\$77.0	16	14	2,629	2,229	16	0
67. Fillmore Hospitality	\$108.5	\$112.8	11	11	2,463	2,437	10	10
68. Chartwell Hospitality	\$108.2	\$75.0	22	27	2,855	3,682	13	9

Company	Gross annual revenue (in millions)		# of properties managed		# of rooms managed		# of third-party managed	ownership stake
	2015	2014	2015	2014	2015	2014		
69. True North Hotel Group	\$102.0	\$98.0	24	23	2,813	2,687	15	9
70. Innisfree Hotels	\$101.6	\$75.0	20	20	2,642	2,563	n/a	n/a
71. H P Hotel Management Inc	\$97.8	\$95.3	24	27	3,300	3,496	22	2
72. Boykin Management Company LLC	\$93.5	\$73.7	9	8	1,636	1,406	9	0
73. Peachtree Hotel Group	\$90.7	\$73.5	35	37	4,108	4,021	3	32
74. Silverwest Hotels LLC	\$90.0	n/a	5	n/a	514	n/a	0	7
North Central Management	\$90.0	\$86.0	28	25	3,552	3,139	10	18
76. Columbia Hospitality	\$89.4	\$77.0	25	21	1,261	1,250	22	3
77. StepStone Hospitality	\$85.0	\$70.0	12	10	1,975	1,857	10	0
78. Newport Hospitality Group, Inc	\$83.7	\$92.3	33	34	3,357	3,529	29	4
79. Olympia Hotel Management	\$82.0	\$78.0	16	16	1,800	1,800	5	11
ZMC Hotels, LLC	\$82.0	\$74.5	34	30	3,976	3,064	34	0
81. Valencia Group	\$81.1	\$79.0	6	6	1,098	1,095	3	3
82. Vesta Hospitality LLC	\$80.0	\$47.0	13	12	1,918	1,833	5	8
SREE Hotels, LLC	\$80.0	\$60.0	20	15	2,575	1,795	0	25
84. Stout Street Hospitality	\$76.5	\$69.9	7	7	1,716	1,616	2	5
85. Integral Hospitality Solutions	\$69.6	n/a	28	n/a	2,521	n/a	28	0
86. Marin Management, Inc	\$69.4	\$56.5	21	21	2,145	1,969	21	0
87. Widewaters Hotels	\$64.6	\$52.1	13	11	1,756	1,502	13	18
88. Prestige Hospitality Group, LLC	\$60.0	\$55.0	21	19	2,060	2,037	19	2
89. Paramount Hotel Group	\$58.0	\$50.0	15	15	1,750	1,750	15	1
90. RHW Management, Inc.	\$57.0	\$48.0	18	16	1,887	1,642	2	17



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**RAR Hospitality
San Diego**

gross annual revenue
(end of '15) **\$45M**
of hotels (end '15) **13**
of rooms (end '15) **1,503**

see full profile on p. 44

91. M&R Hotel Management	\$55.0	\$50.0	14	12	1,777	1,370	14	4
92. Good Hospitality Services Inc	\$54.7	\$49.7	23	23	1,974	1,974	23	1
93. Twenty Four Seven Hotels	\$52.0	\$45.0	14	11	1,772	1,417	14	0
94. Paramount Hospitality Management	\$50.7	\$46.5	3	3	1,324	1,324	3	0
95. 3H Group, Inc.	\$50.5	\$38.5	22	21	2,162	2,079	n/a	n/a
96. Generation Companies, LLC	\$50.3	\$47.4	24	24	2,652	2,652	1	23
Synergy Hospitality, Inc.	\$50.3	\$46.5	8	7	1,316	1,165	6	2
98. Presidian Hotels & Resorts	\$49.0	\$46.6	9	7	1,309	1,202	3	6
99. RAR Hospitality	\$45.0	\$25.0	13	8	1,503	678	7	6
AHM	\$45.0	n/a	30	n/a	2,650	n/a	30	20
101. Pacific Inns	\$44.1	\$42.5	22	21	1,811	1,675	15	7

MANAGEMENT REPORT

RAR Hospitality

continued from page 44

Island, was originally built as a retirement mansion house for industrialist Elisha Babcock in 1902. In 1930, it was converted to a Spanish Village hotel and has been updated and expanded several times.

From there, “We started taking on both branded and independent hotels. “We’ve become expert at boutique hotels from 40 to 140 rooms. We like independents and we like leading brands. We think that we’re pretty good at both,” said Rauch, who added, “Rauch & Associates still exists. It is our consulting arm. We still do a lot of consulting, which normally leads to either telling a client that he shouldn’t buy or build a hotel, or we end up managing it. And, then RAR Hospitality gets the contract.”

Potash said that another highlight

for the company was when it assumed management of The Lafayette Hotel, Swim Club & Bungalows in San Diego. “Bob had a relationship with the owners for years and, from a personal standpoint, it was one of the first opportunities I worked on after I came on board,” he said. “We were hired to do an assessment of the hotel because the owners just thought something wasn’t right and, while it wasn’t certainly the intention, ultimately what happened was they ended up asking us to take over management of the hotel. It was a Hollywood go-to [spot] in the ‘50s and ‘60s. It really was a happening place, but the hotel and the neighborhood had taken a downturn over the last 30 years. While the area was undergoing a revitalization, the hotel wasn’t really able to keep pace. Our entire team dove in there and that place is a crown jewel of San Diego and our portfolio.”

The company then headed east to Arizona for expansion outside of California. Potash noted that another highlight for RAR was taking over the management of the Radisson Phoenix North in the summer of 2014. “Bob had lived and worked in Phoenix for many years, and his deep knowledge of the market was something that we always wanted to tap into,” he said. “That served as a catalyst for now six properties in Arizona and corporate presence there—and growing, as we have some additional business development opportunities in the Arizona market.”

Over the 25 years RAR Hospitality has been in business, Rauch and Potash have seen myriad changes the hotel industry, and the company has learned to adapt. First and foremost, Rauch noted, “Conceptually, the hotel industry has completely changed from an art form to science. We are definitely at the forefront of the changes, to include digital marketing, and reputation and revenue management, along with the necessary high-quality customer service and corporate culture. I think we’ve adapted really well to those changes.”

Rauch is excited and eager to see

what the next 25 years will bring for RAR Hospitality. “I think we’re going to grow organically in the next five years. There’s always a possibility that we would join with another firm,” he said. “Once we get to the 40-50 range, we’ll be industry heavy-hitters, and we could do anything from going public to entertaining a merger with another company to scale to 80 or 100. Once you hit that kind of level, Wall Street is interested in you and other companies know that you’re serious and have staying power.”

“One of the differences between our company and others is the leaders of our competitors are way past their prime and are not keeping up,” he continued. “I know the market, I understand the industry inside out, and every one of our executives are now able to do the same thing.” **HB**



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LEFT: The El Cordova was the first property in the management portfolio.

BELOW: The Lafayette Hotel, Swim Club & Bungalows was a go-to spot for Hollywood celebrities in the '50s and '60s.



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