

Flexibility fuels Richfield's expansion

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By Jeff Higley
Editorial Director
jeff@hotelnewsnow.com

Story Highlights

- Richfield has added 16 properties to its lineup since Greg Mount became president in November 2009.
- With the backing of a US\$1.5-billion real-estate investment trust in Singapore and a US\$200-million fund of its own, Richfield has numerous growth options.
- "We're getting almost a deal done a month, and that's unusual to be closing them that quickly," Mount said.



The 282-room DoubleTree by Hilton DFW Airport North is one of four hotels that Richfield Hospitality assumed management of with its latest contract.

PHOENIX—In their ongoing quest to fuel rapid expansion for Richfield Hospitality, executives are using multiple platforms to add hotels to the Denver-based company's portfolio.

The grand plan is to have more than 60 hotels in the portfolio by the end of 2015. Richfield currently has 34.

Greg Mount, president, said during a break at last week's Lodging Conference that not only does Richfield fill its traditional role as a third-party management company, but it also has funding sources that allow it to provide equity for acquisitions.

Richfield's parent company, [City Developments Limited](#), is a global real estate, hotel investment and technology conglomerate with a market capitalization exceeding US\$6 billion. More importantly, the company also owns Singapore-funded real-estate investment trust CDL Capital Hospitality Trust, which has approximately US\$1.5 billion to acquire hotel assets and is turning its attention to the United States, Mount said.

"We'll help that REIT leverage deployment in the U.S.," he said.

A nimble approach

Richfield has another US\$200 million to do equity deals and to provide financing.

"That makes us more nimble when opportunities are presented," he said. "It gives us flexibility that most operating companies don't have."

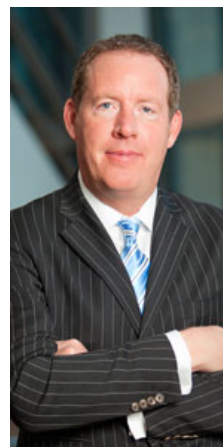
Mount noted that when the company uses its capital to provide debt, it writes the debt to itself at about an 8% yield.

"That's not our core business, but we'll do it when needed," Mount, who joined Richfield as president in November 2009, said.

He said Richfield has no shortage of U.S. equity investors who want to do deals. "It's finding the deals that's the tough part."

Richfield tends to take 25% to 50% of equity when it does invest. It has put equity in five of the 16 hotels it has taken into its portfolio since Mount assumed the president's role.

Recent growth



Greg Mount
President, Richfield
Hospitality

The company has added 11 hotels to its portfolio this year, including four third-party management contracts with a private equity fund—a deal that was announced last week.

Bill Linehan, the company's chief marketing officer, said Richfield targets select-service, full service, luxury lifestyle and luxury independent hotels. The four most recently added properties include:

- the 270-room Crowne Plaza Melbourne (Florida) Oceanfront Resort and Spa;
- the 282-room DoubleTree by Hilton Hotel Dallas-DFW Airport North in Irving, Texas;
- the 190-room Four Points by Sheraton Philadelphia Northeast; and
- the 193-room Crowne Plaza Pittsburgh Airport Hotel in Coraopolis, Pennsylvania.

The properties will undergo differing renovation and repositioning programs for a combined total of approximately US\$12 million in additional investment. The DoubleTree by Hilton Dallas-DFW Airport North hotel was recently rebranded, and the Crowne Plaza Pittsburgh Airport Hotel will convert to Starwood Hotels & Resorts Worldwide's Sheraton brand.



The 193-room Crowne Plaza Pittsburgh Airport will be rebranded as a Sheraton hotel.

While one of the company's specialties is providing value to turn around underperforming hotels, Mount said it is not interested in getting into managing distressed hotels.

"We don't want to be distracted from our core mission," Mount said.

Richfield's growth pace has been a pleasant surprise for Mount, who said he clearly underestimated the company's capabilities to quickly expand.

"We're getting almost a deal done a month, and that's unusual to be closing them that quickly," Mount said. "The deals we find tend to be off-market deals. That's where we (provide) value to our partners."

The biggest challenge has been ensuring the company's infrastructure is able to handle the demand created by such rapid expansion, he added.

He didn't rule out the possibility of acquiring other management companies as a way to grow Richfield's business.

Overall, Mount is confident the industry is in the midst of a recovery. He said the company isn't worried about the uncertainty in the market because the industry's metrics remain strong.

"People need to start becoming more aggressive in the need to raise rates," Mount said. "It's creating opportunities for us, especially as pricing becomes more reasonable. "We're not seeing the same doom and gloom that some others are seeing."