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REAL ESTATE

Hard times don't daunt hotel flipper

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Executive Vice President of Driftwood Hospitality Carlos Rodriguez poses in the hallway of a Dadeland area Ramada Inn Express which his company is revamping and turning into a hotel called Indigo.

About Driftwood Hospitality

- **Headquarters:** Recently moved from Jupiter to West Palm Beach. Carlos Rodriguez, the company's dealmaker, will keep his Coconut Grove office.

- **Top executives:** David Buddemeyer, president; Peter Walz, head of marketing; Charles Diaz, head of operations and administration.

- **2007 Revenue:** \$250 million

- **Some South Florida hotels in its portfolio:**

Hampton Inn, Doral Ramada Inn, Florida City

Holiday Inn Express, Kendall Crowne Plaza, Sawgrass

Marriott Courtyard at Flagler Station, Miami (to open January 2009)

RONNA GRADUS / MIAMI HERALD STAFF

Carlos Rodriguez flips hotels, and he says he's had a great run of it this decade.

From his Coconut Grove office, the executive vice president at Driftwood Hospitality has helped assemble a portfolio of nearly 60 hotels in the past nine years, and he has helped sell 14 of them for more than \$250 million.

"Usually by the time it starts making good money, we're out," he said.

Rodriguez and his partners have had the good fortune to bound into the hotel development business during a boom cycle, with room rates on the upswing and deep-pocketed investors chasing lodging.

But now they face a far more hostile landscape: Wall Street's credit crisis has banks fearful about making big loans, an economic slowdown has cut into hotel values, and the real estate collapse has left fewer buyers interested in the lodging sector.

"We've seen a time when occupancy has gone up every year, rates have gone up every year," said Scott Brush, a hospitality consultant in Palmetto Bay. "Now it's a little more difficult to get guests in the door."

TOUGH TIMES AHEAD

In short, the coming years likely will present Driftwood and its affiliated acquisition funds their toughest tests since the 2001 terrorist attacks threw the lodging sector into turmoil.

Still, Rodriguez doesn't scare easily: 12 years ago his start-up company, Cardel Hotel Development, built its first hotel using money Rodriguez raised from selling his house and furniture. He and his wife were down to their last \$500 before the Holiday Inn finally started generating cash.

Now with nearly 9,000 rooms under management from Costa Rica to Colorado and a stable of wealthy investors, Rodriguez said Driftwood has the cash reserves and profit stream to weather a recession without worry.

He also sees an upside to the economy's current woes: fewer competing buyers for acquisitions, lower construction costs as the building boom retreats and more developers desperate to unload property at fire-sale prices.

MAKING BOLD MOVES

"After 9/11, nobody was buying. We were," Rodriguez said. He predicts the company will buy 10 hotels this year, with the goal of selling them five years later. "In down times, that's when better deals come up."

Driftwood often looks for hotels in decline. "Lehman Brothers calls us their Gepetto," Rodriguez said. "We fix their broken toys."

On a recent morning, he toured the gutted rooms of a dated Ramada Inn near the Dadeland Mall. Workers were hauling out the glossy maple armoires and floral-print bedding in favor of a sleeker white-on-dark-wood decor.

The changes, part of a \$3 million redo, will let Driftwood relaunch the hotel as an Indigo, an Intercontinental brand targeting younger business travelers. Rodriguez expects to raise rates as much as 60 percent.

Driftwood acquired the hotel in May as part of a y portfolio that included a 69-room Hampton Inn on Miami's Brickell Avenue. Hampton Inn soon kicked the property out of its chain because it no longer met the company's standards.

AIMING FOR BOUTIQUE

Driftwood is planning a \$2 million renovation there as well to reposition the property as a contemporary boutique hotel. That may be something of a hard sell -- the motel's rooms open up to the parking lot, a no-no given modern hotel security concerns.

But Rodriguez says the real appeal will come from rates. Because Driftwood acquired the property for a low price -- it was part of a five-hotel portfolio the company bought for about \$50 million -- he says he can undercut the fancier hotels on Brickell and still ``make a ton of money."

He's trying to win zoning approval for a 12-story hotel there, designed to compete for business travelers in Brickell and vacationers drawn to nearby Key Biscayne.

DRUMMING UP MONEY

Rodriguez chases deals for the Driftwood partners, presiding over the investor funds that generate the cash needed to secure properties.

For the funds, Rodriguez recruits wealthy individuals -- including many heavy-hitters in South Florida whom he declines to name -- in exchange for a guaranteed 10 percent return on their money.

He said that gives him and his partners enough cash to move quickly on deals. They typically rely on big institutional investors like Lehman Brothers and the Carlyle Group to put up two-thirds of the 30 percent cash required by lenders. Rodriguez said the funds allow him to put up all the equity himself. That option frees him to pounce on deals in the hope he can convince the "big boys" to sign on later.

"We're doing this. You're invited," Rodriguez said, describing the relationship with Lehman Brothers and others. ``If you want to come in, great."

"It's a nimble organization," said Dan Carlo, a commercial broker in Miami who sits on the board of another fund with ties to Driftwood, Rodblu. ``They react quickly. It's not hierarchical."

Even so, that approach can ratchet up risks. Rodriguez said his funds, which carry the name of his original company, DVI Cardel, own three projects where no institutional investor signed on, leaving them owning 30 percent.

The more investor dollars Rodriguez commits to a project, the more profit he ultimately must generate to keep his backers happy.

"The more equity you put in, the more return you have to generate," said Brush, the consultant.

WAITING IN WINGS

Rodriguez hopes to use his dealmaking nimbleness as he picks through the rubble of the real estate meltdown. And though developers are eager to use Driftwood as a financial lifeline, Rodriguez said he's waiting for the market to go further south.

"We're seeing a lot of deals shown to us from potential condo developers who want to convert and do a hotel," he said.

"At some point in time, the cost basis will come down low enough that it becomes interesting," he added. `` But not at this time."