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WATCH NOW: Focusing on a niche: Henrico-based hotel operator rapidly growing by opening economy extended-stay hotels

Gregory J. Gilligan
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Jim Darter, left, president and CEO of Sandpiper Hospitality, and Carter Rise, CEO of Sandpiper Lodging Trust and affiliated entities, right, stand outside one of its properties, WoodSpring Suites in Henrico County.

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Carter Rise was quasi retired about 14 years ago when he was looking for different investment opportunities.

The former Wall Street investment banker already was investing his money into apartment communities and getting a pretty good return on that investment. He started looking for other assets with similar characteristics to buy.

That's when he came across a chain of economy extended-stay hotels then called Value Place. (The chain has since changed its name to WoodSpring Suites.)

“I really was just intending to do one or maybe two of these for my own account, but the deeper I got into it and the more due diligence I did, it became clear to me that this was very much an underserved niche business with a significant customer need,” Rise said.

He opened his first extended stay hotel in 2009.

“I never really intended for it to be a business but it became clear to me when I got into it that the opportunity was immense,” he said.

Since then, Rise has created two budding businesses — one overseeing his hotel real estate and the other as a hotel property management company.

His Henrico County-based Sandpiper Lodging Trust and affiliated real estate entities now own 25 WoodSpring Suites in 10 states — including eight in Virginia — and two Candlewood Suites in South Carolina and has an Extended Stay America hotel under construction in Nevada. Two of the WoodSpring Suites are in the Richmond region — one at West Broad Street and Glenside Drive in Henrico and the other off Temple Avenue in Colonial Heights.

Rise expects the real estate business will more than double in size in the next two to three years. At that point, the business should be large enough to take the company public.

“We have a bunch of opportunities that we are looking at,” said Rise, the CEO of Sandpiper Lodging Trust and the affiliated businesses.

“We have enormous equity and debt resources behind this. We have a bank line with an awful lot of money available to us for acquisitions. We have a solid support base in our equity investors where we have raised more than \$130 million over the last eight years.”

His Sandpiper Hospitality management business runs not only his hotel properties but those of three other independent hotel owners. It manages a total of 44 hotels, including the 28 owned by Sandpiper Lodging Trust and affiliated entities.

That hospitality company expects to more than double in size as the real estate investment trust adds properties to its portfolio and as Sandpiper Hospitality takes on new clients to manage other hotels.

“I am proud of what we have accomplished. And I am surprised,” said Rise, who graduated from UVA and got an MBA from the Wharton School at the University of Pennsylvania.

“I didn’t spend a lot of time planning this out. There was no grand plan to build an entity that we may one day take public,” he said. “When you are in investment banking, you are a transactional type person. We just focused on our niche and took it

one deal at a time and over time with a bunch of successful transactions we have ended up where we are.”

Budget extended-stay hotels are growing in popularity and are faring better during the pandemic than most other hotel properties in the current beleaguered hospitality industry.

People stay in extended-stay properties for a variety of reasons: they are relocating to a new city; they are moving from one house to another and need a place to live temporarily; they are traveling nurses; or they are construction workers. Most guests need a place to stay for a week or more.

“We are the best value in the market,” Rise said. “If you need to stay somewhere for a week to six months, you really can’t do better than what we offer. It is safe. It is clean. It may be a little bit spartan but it is very effective for what it is. Our customers are people who are in town generally for work and they are just looking for a clean quiet place to stay with a kitchen that is very affordable for them to stay with us.”

Room rates at WoodSpring Suites vary by time of year, location and length of stay. The rate at the 122-room WoodSpring Suites at Glenside Drive and West Broad Street currently is \$343 for the week or \$69 a night.

“It is a lot of blue collar people and we provide a bridge for them at a time when they need it. That is very rewarding in our business,” Jim Darter, president and CEO of Sandpiper Hospitality, said about the guests staying at WoodSpring Suites.

About 90% of guests at Sandpiper’s hotels stay longer than a week, Darter said, and much longer than a typical stay at Courtyard by Marriott or at a Homewood Suites by Hilton property.

“It is a pretty high percentage,” Darter said. “We really cater to people who are looking to stay for a while. That is our core business.”

Depending upon the location and time of year, anywhere from 30% to 50% of guests stay a month or more, he said.

Owners of budget extended-stay hotels like those properties because they provide fewer services, which keeps operating expenses low. As a result, extended-stay hotels also tend to generate better profit margins and returns than other property types in the hospitality industry.

And extended-stay hotels also are performing better this year during the pandemic while much of the rest of the hospitality industry is suffering.

“We have always knew that our business does better than the hotel industry generally in downturns, but I think we have even been surprised at how well we have done in what is the worst hotel environment that any of us have ever seen,” Rise said.

The Sandpiper hotels saw some weakness in March, April and May but the business recovered quickly after that, he said. “We have been pleasantly surprised at how well our portfolio has performed during this difficult time.”

The company’s total revenue per available room, also called RevPAR, a key performance metric in the hotel industry, has been running in the low \$40-range since June. For all of last year, the Sandpiper hotels had revenue per available room of about \$42.

Occupancy levels also have remained strong, hovering around 77% through November of this year. Last year, occupancy averaged 77.9%.

“We have done marvelously through the whole pandemic. Our strategy of economy and mid-scale extended-stay hotels have performed really well,” Rise said. “Our customers are in the kind of jobs that haven’t been terribly affected by the pandemic and we have had record months the last three months. It has worked out beautifully in an extraordinary difficult environment.”

Rise has been through an economic downturn before. He opened his first hotel in the middle of the 2008-09 financial crisis.

“We still did well in the 2008-2009 recession and so you knew you had a good box and a good product,” said Charles Wills, CEO of Dallas-based Wills Capital Partners, which became a WoodSpring Suites franchise owner in 2008 and sold four of his hotel properties to Sandpiper Lodging Trust in February 2019.

“The neat thing about our business is that when the times get tough, you see that we provide something that people really need,” Wills said. “Relative to our competition, we are really clean and we are really safe and those are always two things that are the cornerstone principles of our brand and people want that.”

Sandpiper Lodging Trust is the second largest owner of WoodSpring Suites properties.

WoodSpring Suites, a brand acquired in 2018 by Choice Hotels, has about 275 properties across the country.

Brookwood Hotels is the largest single owner with more than 100 WoodSpring Suites locations. The company is owned by a Brookfield Asset Management, a large private real estate fund that is one of the nation’s largest mall operators. It owns part of Short Pump Town Center.

Rise, as chairman of the franchise advisory council, spearheaded the rebranding to WoodSpring Suites from the Value Place name. The name change took place in 2017.

The Value Place name didn’t have the cachet that WoodSpring Suites has, Wills said.

“Our branding was pretty weak before that change,” Wills said. “Despite the weak branding, our performance was still strong back then. WoodSpring is a better name and better branding. It looks a little more inviting for the guests.”

Wills also credits Rise and his team for the rapid growth of both Sandpiper Lodging Trust and Sandpiper Hospitality businesses.

“I think Carter [Rise] is the smartest guy in our brand,” said Wills, who also serves on the Sandpiper Lodging Trust board. “He brings a level of sophistication and common sense to everything he has done so far. And he’s proven to be really successful. He always has been one of the top performers in our brand.”

Wills believes Sandpiper Lodging Trust will be able to go public in the next couple of years. “There is no question in my mind they are going to get there. It is just a question of how fast it is,” he said.

“The big challenge is always getting the right people,” Wills said. “Carter has done a great job on the corporate side and the hospitality management side of putting together the right team. People are always the key.”

The Richmond region is home to several large hotel operators.

The biggest is Richmond-based Apple Hospitality REIT Inc., a publicly traded company that operates 235 hotels in 34 states. Most of its properties are Marriott-branded hotels or Hilton-branded hotels.

In the region, Apple Hospitality’s properties include the Richmond Marriott hotel in downtown Richmond, the Courtyard by Marriott and Residence Inn by Marriott in Shockoe Slip, and The Berkeley Hotel, also in Shockoe Slip.

Chesterfield County-based Shamin Hotels is the largest hotel operator in Virginia and in the Richmond region. It operates a total of 62 hotels in six states, including 38 hotel properties in the Richmond area.

Kalyan Hospitality is a Henrico-based hotel company that operates 21 hotels in Virginia, Oregon and Washington, with more hotels planned.

Henrico-based KM Hotels operates more than 20 hotels in five states including seven properties in the Richmond area.

The region also has smaller hotel groups including SMI Hotel Group, which owns The Commonwealth hotel and the Delta Hotels by Marriott properties in downtown Richmond, the Four Points by Sheraton Richmond in Chesterfield County, and the Four Points by Sheraton Richmond Airport in Henrico County.

“There is a lot of talent in Richmond,” Wills said. “Richmond is a great asset for Sandpiper because there are some great people there and it is a great town. People want to be there and want to be involved in sophisticated business that wants to grow.”

Rise moved to the Richmond area in 2000, leaving Manhattan. Both he and his wife went to UVA and they had friends here.

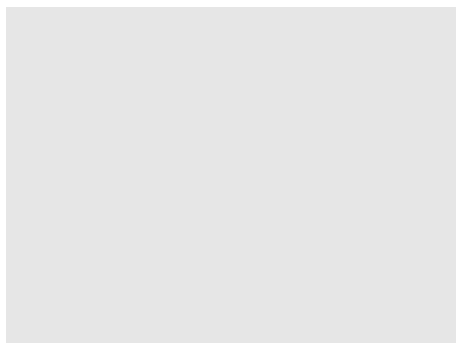
“This was just a really appealing place to be.” Rise said. “It has such a great quality of life.”

Sandpiper Hospitality’s Darter said the secret sauce for the business is finding the right employees.

“If we have strong talent and we’ve got the right strategy in place, things really work well for our hotels,” said Darter, who joined Sandpiper Hospitality in the spring of 2016.

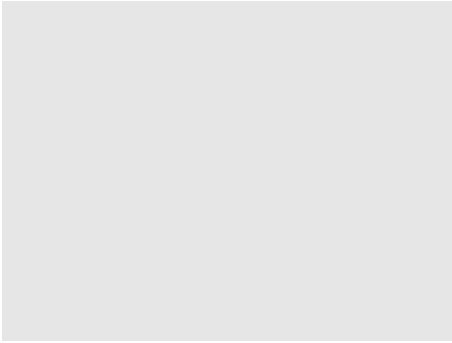
“The strategy piece is making sure that we are focused on the original plan of these hotels and taking really good care of the people who are staying with us for a length of time,” Darter said.

Part of that strategy is having a strong company leader, and Rise fits the bill, Darter said. “He leads us with a high degree of focus and attention and that matters the most.”



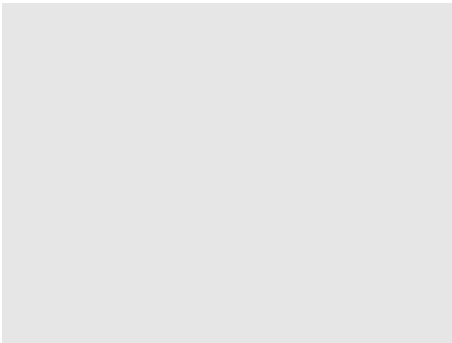
Darter

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Cherelle Bryson, General Manager of WoodSpring Suites in Henrico County.

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John Austin, CFO of Sandpiper Lodging Trust, outside one of its properties, WoodSpring Suites in Henrico County.

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