

COURSE SYLLABUS
PRIVATE EQUITY DEVELOPMENT – HOTELS
SPRING A – 2025
COURSE NUMBER PLA6583
1.5 CREDITS

DAY: Tuesdays, from January 21st to March 4th 2025

TIME: 2-4pm ET

COURSE FORMAT: In Person

ROOM: 209 Fayerweather

Instructor: Rani Gharbié
Email: rani.gharbie@columbia.edu

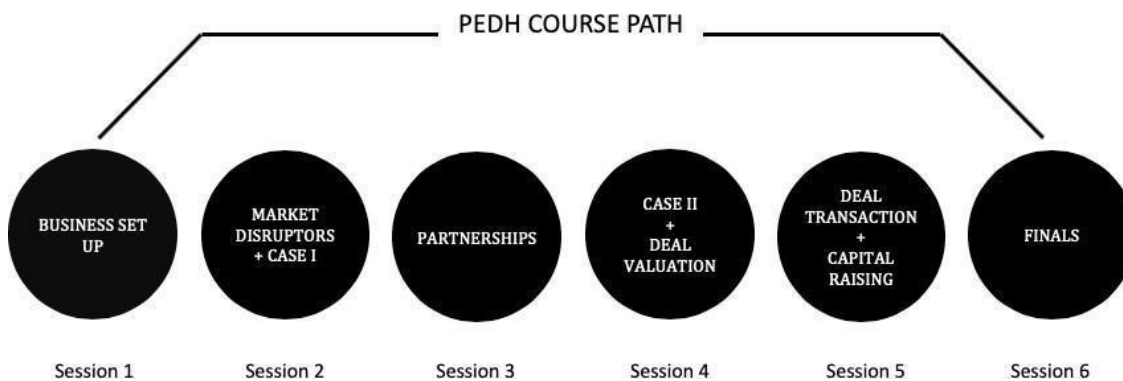
Class assistant: TBD
Email:

I. COURSE DESCRIPTION

“There are new sources of capital, structures and technologies that are beginning to dominate people’s thinking. This is not an evolution to ignore”

The 'Private Equity Development - Hotels' course discusses the rapidly evolving hotel real estate investment and development industry and explores various strategies for deal funding. The course covers major facets of creating a private equity and / or a syndication of capital platform for hotel development or a deep value add conversion. The course also incorporates key industry disruptors driven by technology and the sharing economy - online travel agencies, artificial intelligence, crowdfunding, home / office sharing, and others. We also discuss the growing movement around the next generation of travelers and their impact on future hotel concepts and investment trends.

The structure of the six-session course will follow the typical deal flow of a hotel investment and development opportunity, as illustrated below:



II. COURSE OBJECTIVE

At the conclusion of the course students should be able to:

- Relate to structuring a Hotel Development & Investment Firm – alliances and partnerships, legal and commercial negotiations, team, advisory board and consultants’ selection.
- Understand the context of Hotels as an Investment Asset Class - who invests, share of the investment grade in the market and industry structure
- Understand the basics of Raising Funds (Equity and Debt) - project agnostic vs. project based fund funded by Private Equity, SWF, Family Offices and Crowdfunding
- Negotiate partnership terms – between Co-developer / General Partner and Joint Venture partners, Limited Partner and lending institutions
- Evaluate and Underwrite Investment Returns and Waterfall Structures – accounting for Developer Equity, Preferred Equity, Promote set up, Acquisition loans, Construction Loan Guarantees.
- Understand Crowdfunding – pros and cons of this fund-raising vehicle in developed and emerging markets.
- Explain the Industry Disruptors - Impact of technology / sharing economy on hotel real estate investment (i.e. booking.com vs hilton.com). Impact of AirBNB on Hotel and Residential stock - a NYC/US perspective
- Differentiate between Chains Hotels and Independent Boutique Hotels - Design, Development and Investment perspectives - Asset Heavy vs. Asset Light
- Decipher the creation of a new hotel real estate brand - the next generation of citizen, Pod Hotels, Hoxton, Yotel, Kimpton, Edition, Ace Hotels, Virgin Hotels etc.
- Think of critical industry trends – i) Lending institution’s tolerance of independent hotels ii) hotels as vigorous neighborhood catalysts - impact on design, development and investment and iii) The New Generation of Travelers - A new movement not to ignore.

III. COURSE REQUIREMENTS AND ASSIGNMENTS

The class requires some financial analysis. Accordingly, some previous experience or familiarity with basic real estate and hotel financial analytic methods (direct capitalization and discounted cash flow) is required.

Fundamental Concepts of Private Equity: This course will include lectures on the nature, structure, typical practices of private equity transactions in real estate, specifically hotels: from the initial decision to establish an investment entity, through the details of the allocation of returns and risk between investment partners, to the delivery of the development and the crystallization of value.

Pop Quiz: A pop quiz to be completed individually in class without notice. The quiz is intended to consolidate the student’s advancement in learning the concepts during the course.

Case Studies: This course includes two case studies representing 40% of the final grade. Case preparation guidelines will be provided. Please respect the maximum length established for each case. The first case is to be completed individually and submission will be limited to one pager and in class discussion. The second case is to be prepared and submitted by teams of 4-6 students.

There is an expectation that teams will be diverse and that the individual members will complement each other’s skills.

We will discuss each case in-depth in class on the date the assignment is due. Please have a hard copy of your submissions and/ or working papers available for reference during the discussion. Hard copy submissions are due at the start of class and must be submitted electronically on Courseworks prior to the class on submission date and in hard copy format in class. **Late e-mail submissions will not be accepted.**

Final Exam: Same teams of 4-6 students from the second case study will present an Investment Memorandum for a hotel site acquisition and development opportunity in Manhattan. The presentation will be in class and addressed to a panel of prominent industry leaders. The Investment Memorandum should naturally reflect a thorough assimilation of the material and the deal cycle format discussed throughout the semester. All students should attend.

Use of AI tools: The default is that **AI tools use is not allowed** unless the professor states otherwise. For those assignments and/or specific tasks (i.e., editing) in this course where AI tools use is permitted, **such use must be appropriately acknowledged and cited by the student.** In addition, note that the information produced by AI generative tools may be unreliable, inaccurate, biased, outdated, or copyrighted. If you find yourself uncertain about the appropriate ways and circumstances to employ it, please feel free to seek guidance from your professor. **Please be aware that each student is responsible for assessing the validity and applicability of any submitted AI output, and violations of this policy will be considered academic misconduct.** Refer to [AI Usage Policy](#).

Guests: Total two exceptional industry experts will be invited as guest speakers (marked in green herein). Guest speakers are usually scheduled for a 45 min presentation, followed by a 15-minute Q&A. Also, three industry leaders will form the panel for the Final Exam. Students are requested to review all guests' profiles and be ready for interactions. Students are expected to **thoroughly** research our guests, their companies and recent transactions.

Below is a selection of prior guest speakers and expert panelists since 2016. Their title :

- Tyler Henritze: Senior Managing Director, Head of US Real Estate Acquisitions, Blackstone.
- Gilda Perez-Alvarado, Global CEO at JLL Hotels & Hospitality
- Krystal England, Managing Director at Canyon Partners
- Roger Plourde, Principal at Turnbridge Equities
- Timothy Hodes, Principal at Wheelock Street Capital, Head of Hotel Acquisitions
- Kevin Davis, Managing Director, Capital Markets - Hotels and Hospitality, JLL
- Nicolo Rusconi, President of BLVD Development
- Mark Keiser, Chief Development Officer, EOS Hospitality
- Evan Bailey, Vice President, Asset Management, First Investors
- Alyssa Kidd, Managing Director, Eastdil Secured
- Ken Brunt, Principal at MSD Capital
- Evens Charles, Founder & Managing Principal, Frontier Development
- Ernest Lee, Chief Growth Officer, CitizenM
- Mark Gordon, Managing Director, Tribeca Associates, New York, NY
- Yung Vu, Vice President – Hospitality Finance Group, Natixis, New York
- Alexander Halpern, Senior Vice President, Highgate Capital Investment, New York
- Jane Kim (CBS MBA '13), Vice President, Business Development, Crescent Hotels & Resorts
- Jeremy Cooper, CBS MBA '20, Snr Vice President & Investment Officer, Sydell Group
- Omar Palacios, Chief Operating Officer, Chief Financial Officer and Partner, Geolo Capital
- Eli Silverman, Partner, Z Capital Group. Formerly at Blackstone and Colony Capital.

IV. COURSE GRADING CRITERIA

- 15% Participation
- 15% Pop Quiz
- 20% Case I (Individual / In Class Workshop)
- 20% Case II (Groups of 4-6)
- 30% Final Exam (Groups of 4-6) – Industry Panel

The participation grade will be based on attendance, preparation for class (i.e., completion of reading), and contribution to the exchange and dynamics of the class. Attendance and punctuality at all sessions are prerequisites.

Grades for group Case Studies and Final Exam are normally awarded equally to each student with a Group. The grade is a function of the quantitative and qualitative analysis in the written submission and presentation to the class and to the panel of industry leaders – as applicable.

V. READINGS

The list of readings is included in each session under the Course Outline below. Students will be expected to complete readings in advance of class. The required readings will be posted at least one week in advance. Download the reading materials from Courseworks, Columbia Library and Harvard library, as relevant.

Students should consult Courseworks regularly for new material including assignments, change notices, readings, case guidelines, PowerPoints, etc. Readings have been selected to provide a combination of academic and practitioner perspectives.

Note that the links provided in this outline take Students to websites that they must thoroughly review ahead of the relevant session.

VII. COURSE OUTLINE

Class 1

Business Set-Up: Starting a Real Estate Investment and Development Platform

- This introductory lecture discusses hotels in the context of an investment asset class - who invests, share of the investment grade in the market and industry structure
- The session will also cover real estate development fundamentals via the creation of a development firm ready for institutional scrutiny.
- This class will encourage critical thinking and drive students to reflect, collaborate and formulate a preliminary business plan around building a real estate development business
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Sample of past required readings for reference only:

- Introductory Ready: The Grand Hotel Wars, To Capture Claridge's, by Dana Vachon, August 2014 (Courseworks)
- JV term sheet (Courseworks)

Class 2

Market Disruptors: Sharing Economy, Global Pandemic and their impact on Hotel Real Estate Investing

GUEST SPEAKER: UNDER REVIEW

Class 2 Part 1:

- This session will cover the emergence of industry disruptors ranging from Crowdfunding to trends in hotel brands, design, massing, layouts, amenities
- We will review brand decks and review investment cases of brands such as Pod Hotels and Virgin hotels.
- We will cover the impact of disruptors on hotel operation, addressing subjects such as Online Travel Agencies on the value proposition of hotel chains, their distribution systems and their loyalty programs (*i.e.* booking.com vs. hilton.com)
- Close look at [Airbnb's](http://airbnb.com) quantitative impact on the hotel industry
- Comparative performance analysis of hotel chains vs independent hotels at various stages in the cycle.
- We will also discuss the disruptive nature of the COVID 19 global pandemic

Submission of Case I at the start of the class - Refer to Case I Guidelines Document.

Class 2 Part II will be dedicated for the review of Case Study I:

- Individual Case Study available on Harvard portal - “Structuring real estate deals: an investor’s perspective”, Arthur Segel. This case Addresses the following questions: What are the portfolio-level implications? What are the asset-level characteristics? How do I invest? With whom do I invest? What do I get for my investment? What protections do I have? When and how do I get out?

Sample of past required readings for reference only:

- Selling Sleep – Everything Is Conversing, Morgan Stanley Global Hotels, May 2019
- How Fundrise, crowdfunding’s most celebrated startup, cherry-picks its numbers, The Real Deal, Dec 2015
- Life House Raises \$30 Million for Next-Gen Hotel Management, kift, Jan 2020
- Future of US Millennial Travel Report – Resonance 2018

Class 3

Partnerships: Creating Sustainable Set Up and Credible Framework

- This class will discuss investment niche, partnerships, credibility framework, seed capital, and in-house expertise versus consultants.
- This session will explore options for Partnerships and Joint Venture at a Sponsorship level, and review the different layers of construction loan guarantees
- We will cover the increased appetite of traditional equity and debt sources towards operating

partners (i.e. a hotel development firm)

Sample of past required readings for reference only:

- Cedar Funds Investment Memorandum (Redacted)
- Sample Letter of Intent, Hotel Brand Management Redacted (Courseworks)
- Hotel Cap Rates Hold Steady Values Under Pressure, HVS, Jan 2019 (Courseworks)
- Horizons Report NYC, CBRE Hotels, Q3 2019

Class 4

Case II + Deal Valuation

Submission of Case II at the start of the class - Refer to Case II Guidelines Document.

GUEST SPEAKER: UNDER REVIEW

Class 4 Part I:

- This class will discuss optimal strategies to building the right relationships and sourcing the right deals
- We will revisit financial modeling and discuss optimal underwriting approaches. We will look at technical aspects of private equity structures, construction financing, completion guarantees, risk assessment, and distributions / promote We will also discuss time management and efficient approach to assessing the economic and the strategic viabilities of deals
- We will review a redacted Investment Memorandum for a real hotel development deal.

Class 4 Part II will be dedicated for the review of Case Study II :

In preparation for the Final Exam we will conduct an in-class Case Study review – The case is available on Harvard portal - “Hotel Perennial”, by Denise Akason, Bill Bennett, Franco Famularo. The Hotel Perennial case puts students in the shoes of the CEO of a boutique real estate private equity firm as he wrestles with the decision of whether or not to acquire the distressed Hotel Perennial, a 194-room hotel.

Sample of past required readings for reference only:

- Vicky Ward “The Liar’s Ball”, “The Rigged Bid” (chap 3), 2014
- Executive Summary, Sample Only (Redacted)
- Acquisition Terms Sheet for the development of 60 Water Street, Financial District
- Opportunity Zones Brief, Goldman Sachs, Dec 2018

Class 5

Deal Transaction + Raising Funds: A Deep Dive into Structuring a Capital Stack for a Deal

- We will also discuss residual land value / residual deal value in market opportunities at various stages in the real estate cycle, be it Land Purchase versus Land Lease, On-Market versus Off-Market and Value Add Investment (conversion/ renovation) versus Ground Up Development
- This class will assess a variety of equity and debt sources including Private Equity firms,

Sovereign Wealth Funds, Banks/Financial Institutions and Family Offices.

- In this session we discuss a variety of partnership permutations between the General Partner (business owner / real estate developer) and other potential partners, such as Balance Sheet Partners, Equity Partners, Lenders, EB5 financing etc.
- We will also discuss the changing behavior of equity and debt sources with the real estate cycle and with the rise of alternative hotel products such as micro hotels, independent hotels, co-working/co-living spaces.

And if we have time ...

- We will discuss the sale and disposition of branded vs. unbranded assets, and review Waterfall structures and return on investment for all positions in the capital stack.
- We will also discuss the strategy behind the latest mergers and acquisition in the hotel space
- A look at the record sale of some trophy hotels in NYC, London and Hong Kong etc.

Sample of past required readings for reference only:

- JLL Hotel Investment Banking-Construction Financing Overview, 2020
- Special Report Fund Universe Growing Rapidly late in the Cycle, Real Estate Alert, Mar2019
- Sample GPLP Term Sheet– Cedar Funds
- Waterfall Fee Benchmarks, Real Estate Alert, April 2015
- Frozen on the Rates: Impact of Interest Rates on Capitalization Rates, Paul Mouchakaa, Managing Director, Morgan Stanley Real Estate, January 2014

Class 6

Final Exam: Preparing & Presenting your Investment Case to Senior Industry Experts

Submission and Presentation of Final Exam I at the start of the class – Refer to Finals Guidelines Document.

INVESTMENT PANEL FOR THE FINAL EXAM – Under Review.

Students in groups of 4-6 are asked to prepare and present an Investment Memorandum to raise capital for either a hotel development or a renovation/repositioning opportunity in New York City. Each group is expected to pitch their investment case and defend their investment strategy by thoroughly covering various facets of a private equity development deal including but not limited to project/site acquisition, development costs, concept / value proposition, sponsorship set up, financial analysis, investment offering, promote structure, market economics, risks and sensitivities.

The presentation will be in our class theater and addressed to your classmates and to a guest panel of industry experts. The panel will act as the investment committee for the Final Exam. You are expected to thoroughly research the panelists, their recent activities and their company websites. As in real life, an in-depth understanding of your audience when pitching an investment deal is simply invaluable.

V. PROFESSOR RANI GHARBIÉ'S BIO



Rani Gharbié is an Adjunct Assistant Professor at Columbia GSAPP's Master of Science in Real Estate Development program since 2016, where he teaches Private Equity Development, Hotels. He holds a MsRED degree from the program; an MBA from the HEC Business School, Canada; a Bachelor's degree in Hotel Management from Glion Hotel School, Switzerland; and a Certificate in Hotel Real Estate Investments and Asset Management from Cornell University, New York.

Rani is currently the Managing Director, Investment and Development at citizenM Hotels Group, a global multibillion-dollar asset heavy owner-operator of 40 hotels backed by GIC, APG and KRC.

Prior to CitizenM, Rani was SVP Acquisitions, Head of Urban Growth at Life House, a tech-centric hotel company backed by Tiger Global, Thayer Ventures, JLL Spark and others, where he spearheaded their urban expansion and their strategic real estate venture with Kayak Hotels (Booking Holdings). Prior to that, Rani oversaw development and acquisitions for Pod Hotels / BD Hotels, the largest owner of independent hotels in NYC, and for Richard Branson's Virgin Hotels in North America; he also held key positions at Hyatt, IHG and JLL.

Throughout his career, Rani has overseen the growth of several hotel portfolios and provided strategic guidance on real estate investments worth over \$4B. He also launched Cedar Funds in 2013 in partnership with a New York-based institutional partner, to develop or invest in high-end lifestyle hotel opportunities.

Rani has lived on three continents and speaks three languages. He is a regular guest speaker at key industry conferences and an avid triathlete. He resides in New York City with his wife Alisha and their two sons, Reece and Alexander.