Deno Yiankes

White Lodging

White Lodging Services Corporation will celebrate its 30th anniversary next year as one of the industry's leading operators with 166 hotels in its current portfolio, but one look at the company's development pipeline suggests the celebrations will continue well beyond next year.

According to Deno Yiankes, president and CEO, Investments and Development, the company has approximately $798 million of active development underway, including some $500 million currently under construction. Yiankes—who joined the Merrillville, IN-based company in 1990—noted White Lodging expects to open as many as eight hotels in 2015.

Yiankes talked about what's driving some of the company's expansion opportunities. "The vast majority of our growth tends to be institutional owners who recognize what we think is the premium we're bringing to the table. We feel we're well-positioned to create the residual pop that they're all looking for," he said, adding the company has also worked with just about all of the major REITs in the industry.

Yiankes noted that, while the company owns roughly 10% of its portfolio, some 22% of its annual revenue comes from its owned portfolio. White Lodging, which now includes more than 11,000 associates, foresees its managed revenue to be more than $1.3 billion in 2014, and it is expected to jump to $1.4 billion next year.

He further noted that roughly one-third of the company's revenue will come from its owned portfolio in the next 18 months as the result of some large-scale openings, such as the JW Marriott Austin Downtown in Texas, scheduled to open in February. The company will also open the SpringHill Suites Houston Downtown and the Hyatt Place Chicago/Midway Airport, both of which it will third-party manage.

Yiankes acknowledged that development costs are on the rise today, but many of the company's current projects are the result of deals that were signed during the recession from 2009 to 2011. "Because of our ability with our balance sheet and willingness to take the risk during those times, we have these assets opening up in the peak of the market that are at basis that we couldn't reproduce today," he said.

Yiankes acknowledged that, as the company reaches the 30-year milestone, there has been a concerted effort to take an increasingly strategic approach to investing. "That doesn't mean you can't be strategic if you're opportunistic and vice versa; we're trying to do both. We want to remain entrepreneurial and we're always going to move pretty quickly, but we're trying to place some discipline and strategy around how we deploy our equity from a market and project standpoint a little more than we have in the past. That doesn't mean at all that we're going to be pulling back. It just means we're going to be a little more thoughtful about how we deploy it," he said.

While White Lodging continues to have a selective interest in what Yiankes refers to as "high-grade suburban projects," its sweet spot in recent years has been downtown urban development with large-scale, premium-branded assets. The company also maintains a large presence in many of these cities with multiple properties, so it can take advantage of efficiencies and its knowledge of local building and zoning regulations, for example.

"We'll be opportunistic in markets where we can leverage our existing presence. That's why you see us going back and doing multiple brands in those same markets," said Yiankes, who referred specifically to cities like Denver, Austin and Chicago. To help execute this strategy, the company—which has a long history of working with Marriott—has also diversified its brand lineup in recent years, such as adding more Hyatt and Starwood product.

Yiankes acknowledged the company takes a bit of an atypical approach to growth, generally eschewing short-term, third-party contracts that might come about as the result of properties changing hands. "Our platform is one where we don't have to, nor are we interested in, seeking growth for growth's sake. Because of that fact, we have an ownership base that is willing to continue to take development risks. It allows us to be way more selective than our peers in terms of what assignments we take on," he said.

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One assignment White Lodging has taken on quite regularly has been dual-branded developments. In fact, it has become something of an industry pioneer when it comes to these types of projects, having developed and opened nine of them. Yiankes noted the company also has several in development, including one in Denver with Starwood's Le Méridien brand and Marriott's new AC Hotels brand.

"Why I think we've tended to do more of them is two-thirds or more of our equity deployment has been in the urban markets the last five to seven years. So, that causes it because of scarcity of the sites and the cost of entry. You're driven to get everything you can out of premium land value… Often times, we say 'Lets cascade our risk and put a different brand channel in there.' That's really what drives it," he said.

Yiankes emphasized that growth has never been an issue for White Lodging, but reiterated its more strategic approach going forward. "We've always prided ourselves on very strong capital returns on our investment. We're trying to take a more holistic approach and start looking at returns on our available capital because what has allowed us to continue to grow all these years is our balance sheet," he said.

—Dennis Nessler