

U.K.'s Patron looks long-term with Jupiter

A new JV acquires the 24-hotel Jarvis portfolio and even has an appetite for more distressed assets.



The recently converted Mercure Newbury Elcot Park Hotel

Despite turmoil for U.K. hotel companies, with several troubled portfolios going into administration, Patron Capital Partners sees opportunity. The pan-European real estate investment company, which represents €1.7 billion (US\$2.3 billion) in assets in several funds including 8,700 keys across the continent, is looking to make more long-term hotel real estate investments while U.K. hotel property prices are down.

When the 24-hotel, Ramada-branded portfolio of Jarvis Hotels went into pre-pack administration in September, Patron Capital formed Jupiter Hotels Ltd. — a joint venture with West Register, the Royal Bank of Scotland's administration vehicle — to buy the properties. To make the purchase both companies both put up £40 million (US\$62.8 million) with debt financing of £71 million (US\$110.6 million), provided by RBS, HSBC and the Bank of Ireland.

Patron Capital says it is already looking to expand Jupiter's portfolio if properties "are a good fit and can be acquired at the right price," says Josh Wyatt, investment director, hospitality and leisure, at Patron Capital.

So far the growth plan is focused on the U.K. after the existing portfolio established benchmark numbers in six

months. "There certainly seems to be a myriad of opportunities forthcoming in the U.K.," says Jupiter Hotels CEO Andrew Gill. "Time will tell."

While Patron Capital says it is investing long term in the properties, analysts say RBS may sell its share when market conditions improve.

Wyatt says, however, the Jarvis portfolio is a long-term project for Jupiter. "We are committing significant capital and resources to grow the business and implement operational and strategic excellence and will be looking to grow the business over time."

A long-term outlook may be needed, as Gill, who recently left his position as vice president of development at IHG, says the portfolio's performance remains flat. "The U.K. macro picture remains sluggish to flat. Given that RevPAR growth typically tracks gross domestic product, we are seeing relatively flat performance," Gill says. "However, the Jupiter transition is still underway — the transaction completed at the

end of September, so it is too soon to ascertain specific performance impacts. Our view is that the Mercure flag will improve Jupiter's ability to market and sell its hotels. Accor's powerful reservation system and the strength of the Mercure brand were seen as key factors in our decision to partner with them."

Analysts say the rebranding could prove beneficial for the hotel group. "As Ramada hotels, they didn't seem to strengthen that brand in the U.K. Under Mercure, and with the strength of Accor behind them, they should be able to achieve a more robust brand penetration," says Russell Kett, managing director of HVS's London office.

Jupiter executives say the hotels will focus on personal service to stand apart from other midscale and especially strong budget-level competitors like Premier Inn. "We are obsessed with service and excellence — this is what distinguishes one product from the other," Gill says.

— *By Nathan Greenhalgh, associate editor*



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