

Alex Suarez of Door Capital Partners/Suarez Law Group

[00:03:39]-Hello, this is Hall Martin with Investor Connect today. We're here with Alex Suarez, co-founder and chief legal officer at Door Capital Partners LLC and managing partner at Suarez Law Group. Suarez Law Group is a private equity firm investing in hospitality assets to increase its value in revenue through efficient management and a passionate vocation to service to their guests. Suarez Law Group provides legal advice to companies, private funds and family offices with their cross-border business and investment projects. Alex, thank you for joining us. My pleasure. My pleasure. Thank you for having me. Right. So what was your background before you started investing in early stage companies?

[00:04:39] Well, I grew up in Mexico and I went to college in Mexico. Then I then I went to law school in Mexico. And when I graduated from law school, I started working for a big international law firm, Baker McKenzie. I think that point at that time, they were the largest law firm in the world. So I was doing a lot of cross-border work between Mexico and the US. And a few years later, I came to Texas to get a law degree here in Texas as well as I'm licensed in both countries. I spend many years studying law. And then when I graduated here, a new law, I got a job at a large law firm based in Minneapolis.

[00:05:39] I have never seen the snow or snowing, I should say, in my life before moving to Minnesota. I had a great experience with this law firm and I was doing a lot of international work with them. I was traveling a lot over all over Latin America, helping companies, closing deals in Latin America.

[00:06:07] And I, I, I spent too much time at hotels and I think that I fell in love with the hotel industry somehow, I guess by using my being a good user of the product, I, I, I fell in love with the hotel industry and three years ago with, with two good friends of mine and now my partners, we started the fund with the idea of investing in hotels, raising funds, raising capital to invest in hotels.

[00:06:44] And a year ago, just just a year ago, January of last year, we we started the capital partners. And we are in the process of raising money, finalizing our first round to start buying hotels.

[00:07:01] Great. So what excites you right now?

[00:07:05] Well, I think I think that the opportunity that this crisis is presenting to everybody.

[00:07:18] I think that I. I moved from. The original feeling of disbelief and sadness when when when this crisis started last year, I think that I have moved to a point that that now I find exciting to see how people, companies and governments are adapting to this new reality.

[00:07:45] If you if you see in the news, if you if you see what what what what companies are doing to adapt to to this reality, it's really exciting. This is triggering triggering a lot of creativity and ingenuity and on everyone. And and I think I think it's exciting to see to see what's how we are adapting and how we are accelerating the things that we wouldn't wouldn't imagine that we were that we would be we'd be doing. So, yeah. So I. I believe it or not, I find excitement in the crises that we're experiencing.

[00:08:27] Ok, great. So you see a lot of opportunities here and deal with a lot of investors. What's your advice for people investing in the startups in the hospitality sector?

[00:08:39] Well, the I think that the the main piece of advice hasn't changed, and it is that you have to love the industry. You have to you have to really like hospitality. Hospitality is about serving guests and and help and making people will have to have a good stay when they are away from home. So there has to be a vocation for service.

[00:09:10] So I've seen people investing in hospitality just just just just looking at the numbers or but but not not so focused on the soul of the of the industry. And they end up living pretty soon some time with with with good results. But but the most successful people in the in the industry are people that are really focused on on the essence of of hospitality, which is serving guests. And I think that's that's that's that's one piece of advice.

[00:09:51] But also during this crisis, again, to keep the eyes open for opportunities, there are there are lots of opportunities. I think that in in the crisis, the the money, the capital change changes hands.

[00:10:08] So if you if you keep your eyes open and if if you are close to the to the right people, you will be able to jump into something, one of those opportunities and be part of that shifting of the capital that that that occurs in in crises like this one.

[00:10:31] Right. And then on the other side of that coin. What's your advice for people running companies in the hospitality sector? What do you tell them to do before they got to raise funding?

[00:10:43] Well, at this point, it's the hotel industry is in a great degree in surviving mode. Hotels are struggling and our restructuring to be able to deal with this crisis that has open opportunity to to fresh

capital. And that's that's that's where we where we play a role. But but at this point, the people in the industry and the hotel owners have to focus on make those those changes to to to stay alive and and to be able to be able to be attractive to investors and get get some some extra capital to to sort out this this crisis.

[00:11:41] Right, and so given the current situation and the reopening that were going into, how do you see the industry evolving from here?

[00:11:53] Well.

[00:11:55] The the it will it will get smaller, definitely it will get smaller. I think that, unfortunately, many hotels will not be able to continue in business, something that we we are an example that we discussed their capital when the crisis started is that we we knew that we were going to start buying hotels soon. So we had to be very careful because this this is like walking on stones on a river or a creek. And you know that some of those stones where it will sink. So you have to be very careful where you step. And this also feels like one of those Indiana Jones movies, you know, that he's in the in the cave and he's stepping on some stone stones. And that is steps in the wrong one. He could die. So investing in hotels right now is like that. So we are we are being very, very careful on what properties we we pick. There are a lot of opportunities coming up. There were a lot of opportunities coming up in twenty twenty. We think that we will see even more in twenty, twenty one. But but we have to be very careful. The numbers that we are looking at right now are two thousand nineteen numbers which look good and and we don't know when, when the travelers will, we'll go go back on the road. So it's we're trying to figure out the future. I mean it's not easy.

[00:13:46] So what do you think the biggest change we'll see coming up in twenty twenty one for hotels?

[00:13:54] Well, as a result of this of this crisis, we will see hotels cutting amenities.

[00:14:05] And this is something that we heard mostly luxury luxury segments or high end segments. We and or capital. Our our thesis is to invest in economy and midscale hotels.

[00:14:21] So so fortunately, we will not be dealing with that issue that much because because the hotels in the economy and midscale sector or segments have have just just a few minutes to just just just doesn't necessary. But that's that's a big change. But but before the crisis, we we were looking at several changes and developments in the in the industry. And I would say that right now they are kind of

past, but they will resume after the crisis. For instance, we were we were we were looking at mergers of hotel chains in the past few years. We have been we have we have seen brands creating new new brands within their portfolio and new new new segments. Now you have brands like Hilton or Marriott with 10 or 15 brands within within their umbrella. There is there is there is a brand for for business traveler. There is a brand for families. There is a brand for business travelers that that that that need long stay. So it just segmentation is something that that we are we were seeing happening in in the industry.

[00:15:57] There's there's also the that the threat to the industry that Airbnb represents and that's Airbnb is going to stay forever.

[00:16:12] So, so, so hotels are adapting to to to that new industry vacation properties. So some families will not use hotels that much to to for for for for family vacations. And they're moving more into into the Airbnb. And even Airbnb was trying to to lure business travelers. And and finally that the the another another trend that we we identified was with boutique hotels and and independent brands, that there was a segment in the hotel industry that was was growing really fast. And they were they were doing really well.

[00:17:04] All right, so what's your investment thesis for this sector? What's what's your criteria post covid.

[00:17:11] We will we will stay focused on our original thesis because because, you know, covid came to prove our thesis, we we are focused, as I said, on economy and midscale hotels in in in in areas that have demand and drivers of proven demand, drivers like universities, government and and other demand drivers. And and that's that's what our thesis. And we will we will we will stick to it, that the hotels that we are that we are buying are in that in that within those characteristics. And we we are not going to change that.

[00:18:10] I think I think, as I said, that the crisis is just just make us made us to confirm that our thesis was it was the right one. We see that luxury hotels, for instance, are really struggling. Some of them are still closed.

[00:18:27] So, yeah, that proves that we our thesis was right. Right. And so what are the challenges in this space for the startup that goes into hospitality? Clearly, it's a different market now, but it seems like there's lots of opportunity.

[00:18:46] I think the. I think the challenges are to try to make the investors feel confident that people will travel again.

[00:19:00] So when we talk to our investors. One of the comments that we hear is, is, hey, when these people going to travel again, if we were buying a hotel. What is what is the minimal occupancy that we need to have to survive for the next one to one or two years? What if it goes beyond that? So that's that's a challenge to to be able to give them the confidence that people will will travel again, that we are picking the right properties. And and and that's it for those properties that we are looking at. Things, things you should go back to normal pretty soon. And another challenge is to to find the properties. As I said a moment ago, the right properties, the properties that that we'll that will thrive this this year, for instance, we we analyze maybe over 50 properties for and we pick one for four for an acquisition. So there's there's a lot in the market. And and the challenge is to to find the right ones.

[00:20:15] Right. OK, so I guess the challenge for the investor is coming through and finding just the right one. What were some of the criteria you were looking for, for that right one.

[00:20:28] Well, we we need we need to see those demand generators in the area. We need to see we focus a lot, a lot on the area. For instance, we we have seen properties coming into the market in Houston, right within the character of the character that we want.

[00:20:55] But when we analyze them, the businesses surrounding the hotel, we see that they are heavily affected and that that's something that makes us walk away from from from from those properties. We right now, we are we are analyzing, for instance, properties on border towns. There's a lot of traffic and border towns right now. The borders are only open for four products, but not not for people. So the occupancies are going low in those in those cities. But but we are confident that the borders will will open as soon as soon it is safe to to do that. And that the flow of of of people through to the border will be the right generators that that we're looking at.

[00:22:01] Great. Well, let me go you mentioned luxury as a subsector was challenged. Are there any good subsectors inside hospitality where you think that part's going to continue to thrive?

[00:22:13] Yeah, I would say that the most the most economic sectors you can think of, the Motel six, the the Travelodge, the roadway in the more delayed right now, it's even hard to find properties for sale in that in that in that segment. Those those hotels have been doing really, really well. They are not focused on tourist or tourism. They are not they are not oriented to business travelers. But but they are oriented to to construction workers, for instance, manufacturing workers. And and and those those

workers haven't stopped during during during this crisis. So so those hotels have good occupancy and good rates and their costs are very moderate. They don't have they don't have a restaurant. They don't have a bunch of amenities and luxury hotels have. So they can adjust their cost, their costs easily.

[00:23:28] Right. Well, in the last few minutes that we have here, what else should we cover that we have in?

[00:23:34] Well, I think not much maybe something that I that I would add is that most of our investors in indoor capital are our fording investors.

[00:23:48] So we wanted to put together a fund from a legal and tax point of view that age that is open to to to foreign investment. And because of my international experience, I have I have been talking to some people and some families in Latin America, mostly in Mexico, that they have they want to invest in the US. They want to invest in real estate in the US, but they don't want they don't know I mean, how how to how to do it would start so so we saw that opportunity. And that's that's one of the reasons why we create the fund and the structure of the fund in the way that we need in order to to attract foreign investors. So so I think all their funds and startup companies should also try to to look for capital outside of the US. There's a lot of appetite outside of the US to to to invest here in America and get a piece of what's going on here.

[00:24:53] Well, that's great. Well, how best for listeners to get back in touch with you. Say it again, how best for listeners to get back in touch with you?

[00:25:01] Oh, it can be by Linkin or also on on by email. My email is as I in Alex. Yes. At Door Dot Capital s at the door dot capital. Right. And our our website is w w w dot dot dot capital.

[00:25:25] Great. Well we'll put those in the show notes. Want to thank you for joining us today and hope to have you back for a follow up soon. Thank you so much. My pleasure.

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