

Making an Impact

**An Interview with Jonathan Wang,
Founder and President, EOS Investors**



Living room of the L'Ermitage Suite at the L'Ermitage Beverly Hills

EDITORS' NOTE Jonathan Wang founded EOS Investors in 2017 after having served as Managing Director of Northwood Investors. He earned a BBA degree in business from the University of Michigan Business School, now named the Stephen M. Ross School of Business.



Jonathan Wang

FIRM BRIEF EOS (eosinvestors.com) is a fully integrated investment firm dedicated to identifying and creating value within the hospitality sector. EOS utilizes a highly selective investment approach focused on high-quality, differentiated assets with attractive risk-adjusted returns. Headquartered in New York City, EOS seeks investment opportunities across the United States, with an emphasis on major urban markets and resort destinations.

What was your vision for founding EOS Investors and how do you define its mission?

The bottom line is that I have always wanted EOS to be about making an impact. Originally, we were primarily focused on making an impact on the industry. One thing I observed early in my career is that many investors are too far removed from the real estate and that operators are similarly removed from the investment rationale. We felt there was some real competitive advantage to bringing those strengths together and intentionally built the company differently than some traditional platforms. We wanted to prove that by doing this, we would be able to make more thoughtful investments and manage them better than anyone else in the industry. We're still young, but I think this is broadly proving out and that both our team and our investors are proponents of the results.

As EOS gets set to celebrate its fifth "birthday," I'm increasingly conscious that our growth and our business model provide us with a unique opportunity to make an even broader impact across our employee base, the communities we're part of, and the guests who trust us with some of their most important life moments. Starting from a couple of us sitting around a coffee table in 2017, we have now grown to approximately 3,000 employees who together welcome nearly 2 million guests per year, which means we have a lot of opportunity to show up in new and exciting ways for each of those groups. We take our responsibility to

all these groups very seriously and I'm spending more of my time recently encouraging everyone at EOS to think creatively about ways we can do things differently. EOS will be my last job and it is important to me to create a company that welcomes diverse perspectives that ensure we are as insightful, resilient and successful in 20 years as we have been over the past five.

Will you provide an overview of EOS Investors' business and how the business has evolved?

Fundamentally, we are real estate investors and operators who focus on hospitality. I have always loved hotels and even before I started investing in hotels, I would change hotels every night while on business trips to get to see and experience what people were doing. When I would go on a morning run, I would run into hotel lobbies to see what properties looked like. What has been most wild to me is to revisit hotels we look at investing in that I experienced as a young kid with my parents and to see how the sense of scale, etc. changes. When I had a chance to specialize early in my investing career, I decided to focus on something I love. While this might sound like a self-indulgent choice, I've found that the leaders I admire most in business are also doing something they love and would almost do for free. To me, hotels are an interesting lens to view the world as they touch and are impacted by so much – everything from demographic trends, to exchange rates, to consumer preferences, to technology and, most of all, to people.

In terms of the evolution of our business, we went from one hotel at the start of 2019 to now managing nearly 5,000 rooms across a diverse portfolio of 37 hotels that have already generated over \$200 million of revenue in 2021. Our investment platform just passed \$1 billion in AUM thanks to the support of some of the most thoughtful LP's we could ask for and we are incredibly grateful for their support and partnership as we've grown the business.

In terms of how we've evolved, the business model for how we invest has remained almost painfully simple since inception. We have four pillars. First is an extremely rigorous focus on market selection, followed by selecting non-commodity assets, which we define as an asset that a guest would actively choose to stay in, and properties with diverse demand drivers. Finally, we are prudent in our use of leverage

and do not seek to maximize financing proceeds at the expense of introducing too much risk. An incredibly disciplined focus on these pillars combined with the flexibility of who we believe to be a best-in-class team to help underwrite and manage the hotels post-acquisition has led us in some interesting directions that have occasionally diverged from conventional wisdom within the hotel or investing industries.

On the operating side, it's also simple – we empower our team of General Managers at each hotel to act as the CEO of their property and to think like an owner. Our belief is that empowering great people who are closest to the real estate and the guests generally leads to outstanding results. Over time, this has allowed us to recruit who we believe to be the most talented GMs in the industry who are supported by a team of corporate team members that I also believe to be at the top in the industry.

Will you highlight EOS Investors' portfolio and where you see the greatest opportunities for growth?

I spoke earlier about how we diverged from some of our peers when the data we were seeing led us in different directions and I think our portfolio construction speaks to that. Today, we own three great urban hotels in Beverly Hills and Washington D.C. However, over 70 percent of our portfolio is located in drive-to resort markets located outside of dense urban centers. As far as I know, this is by far the most leisure-weighted portfolio of our peers and leads to some interesting results. For instance, we track our profitability by a metric called net operating income or NOI and in 2021 we will actually see our portfolio outperform its pre-COVID-19 levels by over 40 percent. This is particularly interesting relative to a benchmark of 13 full-service REITs where a November analysis by Goldman Sachs showed estimated EBITDA will be 40 percent below 2019.

Of course, we were not predicting anything as horrific as a global pandemic, but what we did see in 2017-2019 was a fairly late-cycle moment within both the hotel operating cycle and real estate capital markets. As a result, we were keenly focused on investments that would be most resilient in a downturn and where the medium-term supply/demand dynamics looked compelling relative to urban markets where we were seeing increasing pipelines of new supply and more sensitive demand.

This led us to build serious conviction around what at the time we were calling a

regional resorts strategy. These markets were characterized by proximity to growing urban centers and had little-to-no room for new supply – either because of restrictive zoning or because desirable land was going to be developed into residential projects as its highest and best use. One of the things some people have credited me with early in my career was discovering the Florida Keys as an institutional investment market. Now, people have largely discovered some of the core beachfront markets in Florida and California, but we saw the same dynamic in Myrtle Beach, in the Delaware Beaches, and in Kennebunkport, Maine and others. These are all investments we made prior to COVID, and we were able to identify this opportunity because we have a flexible operating platform without too much infrastructure in any particular markets and leaders who know how to operate different types of assets in markets across the country. What we saw then is what people are now increasingly realizing, which is that even in turbulent times, people want to take vacations and, in many instances, travelers have been coming to these markets for years or even generations. This has been true historically and I think post-COVID will continue to be true.

The other thing we realized is that there are some incredible family businesses and community leaders who have built amazing businesses in coastal towns, but who may be ready to find partners to either acquire their business or to augment their capital or operating capabilities in the next phase of their evolution. We've been incredibly fortunate to work with a handful of families and individuals in that type of situation and we hope to continue to be a thoughtful partner of choice for hospitality owners.

In terms of growth, I think we'll see that come across various markets and investment themes, but one of the ideas I always tell our team is that "if you are not a little embarrassed by yourself from six months ago, then you are not growing



Isla Bella Beach Resort

and evolving fast enough." While we have had a tremendous five years, I think it is this continual desire for improvement at an individual level and a company level that will drive our growth. If we share a desire to grow and evolve and pair that with humility and enough of a sense of humor to not be embarrassed by our former selves but proud of our growth, that's a legacy we can all be proud of and I firmly believe it will also lead to continued success.

How did EOS Investors adapt the way it works to address the challenges caused by the pandemic?

On some level, I think we are all still recovering from the past 18 months and will continue to learn lessons from this period over the next years and decades to come. That said, if

anything, I feel like our team is stronger than ever coming out of this difficult time. We were fortunate because our asset selection, nimble management and prudent leverage allowed us to quickly address issues in the portfolio early. We switched from managing our existing portfolio to adding new properties very quickly, putting our first assets under contract in summer 2021 and looking for investments almost immediately, when there was still a large amount of uncertainty.

We did get more used to Zoom meetings, and I think there were some real silver linings that we'd like to hold onto, such as spending more time with our families and being home from the office for dinners or bedtimes, not apologizing for having personal obligations but prioritizing them, and prioritizing all our health, physical and mental. I also think it drove home for us the deep gratitude I have for each of our employees showing up to provide for guests at the properties, for taking care of each other and our guests and for moving through the uncertainty with such grace and hospitality. Coming out of COVID, if there was one thing I wanted everyone at EOS and everyone that touches EOS to keep is the sense of how we show up for each other, our teammates, our guests, our families, and our partners.

Did you always have the entrepreneurial spirit and desire to build your own company?

Yes. Prior to founding EOS, I left Goldman Sachs to be the second employee at a new real estate investment firm and grew the hotel investment and operating platform there from scratch. When we sold or stabilized our hotel investments there in 2016, I didn't even consider going to work for another established firm as starting my company really felt like the only logical next step for me. I say that with a large dose of humility and acknowledging there was a tremendous amount of fear of the unknown when we launched in 2017, but I truly felt compelled to do this and that my life would have been incomplete without at least trying to build the next generation management and investment platform that we aim to be. ●



A room at Cape Arundel Inn & Resort, part of the Kennebunkport Resort Collection