



HOTELS Interview: Weprin and Co. write AJ Capital's script

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By [Jeff Weinstein](#) on 6/25/2015

When Ben Weprin founded Chicago-based AJ Capital Partners in 2008, he had no idea where the development company might go, so it is only fitting that “AJ” stands for “adventurous journeys.”

“I feel like that’s what life is,” Weprin told [HOTELS’ Investment Outlook](#). “It’s mind-blowing to me that I’m fortunate to have these kinds of opportunities and do what we’ve done in a short period of time.”

Today, AJ Capital’s 2,600-key portfolio includes high-profile luxury properties such as Malliouhana Resort & Spa in Anguilla, Calistoga Ranch in California, Soho House in Chicago and the soon-to-open Chicago Athletic Association, on which the company partnered with John Pritzker’s Geolo Capital. Weprin might be most excited, though, about AJ’s US\$500 million investment in Graduate Hotels, 125- to 150-key, F&B-heavy hotels in college towns such as Athens, Georgia, and Tempe, Arizona.

HOTELS’ Investment Outlook asked Weprin about plans for Graduate, longer-term goals for AJ Capital and the outlook for the industry as a whole.

HOTELS’ Investment Outlook: Describe the essence of the Graduate Hotels brand.

Ben Weprin: High-curated, design-driven hotels in college-centered or -focused markets where there is a complete lack of interesting product. You think about Madison, Wisconsin, Oxford, Mississippi, or Charlottesville, Virginia.

It’s really inspiring because people live in these cities for a variety of reasons. You think it’s just the college. It’s not. You have big hospital systems. You have state capitals.

HIO: For Graduate, are you only buying existing hotels and repositioning them?

BW: Most of what we’ve done — 80% — has been buying existing and completely renovating those hotels. That’s really what our specialty is. We can get into something with great character and great charm, or even something that’s boring and bland, and we find the beauty. It has to be the right location. Without the right location we won’t go into a market. And we will do new-build, but our focus is on buying existing assets.

HIO: How are the first two Graduate properties performing?

BW: They do really well. I think Athens (Georgia) is number one in TripAdvisor, and Tempe (Arizona) is a strong market with a lot of stuff happening. We did a diner there that’s really fun. There’s a lot of storytelling in these hotels — our team is learning all of the local, intricate sort of details that make each community special and unique.

“Our company has been about avoiding competition. We went into Graduate because we saw an opportunity where other people didn’t or weren’t necessarily looking. We forced the opportunity. If opportunity doesn’t knock you build a door.” — Ben Weprin

HIO: How competitive is it for you in general, and what’s the challenge to find deals?

BW: It’s incredibly competitive in every market. There’s one building and 20 developers. But the one guy sees something the others don’t, some sort of value enhancement or creation. He can afford to pay a little bit more and reap the bigger returns.

Yeah, it’s hard. It’s always been hard, though. It’s just who has more foresight and more creativity.

HIO: Where do you think we are in the cycle?

BW: The U.S. is pretty stable. We don’t build as much to markets as other groups may. We build a product we think is going to last and have the staying integrity throughout dips. That’s part of the mindset behind Graduate. We saw what happened in these college markets during the recession. The peak-to-trough is much lower than it was in major markets. In general, we try to develop hotels that are going to stay throughout whatever happens because they’re that differentiated or unique.

HIO: Where do you want to take AJ Capital next?

BW: Our company has been about avoiding competition. We went into Graduate because we saw an opportunity where other people didn’t or weren’t necessarily looking. We forced the opportunity. If opportunity doesn’t knock, you build a door.

We’re not buying stuff in major markets and competing with people. It doesn’t work for us. There’s not enough value creation. Our cost of capital is higher. We can’t go out and bid with all the big boys. We want to create the value.

HIO: What else would you highlight about the longer-term vision for AJ Capital?

BW: I have so much gratitude every single morning when I get up that I’m able to do what I love. So I want to keep doing this. I don’t have an idea that we’re going to become like anybody. I want to pave our own road. I want to write our own script doing projects that really inspire people.