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The Next Shah

BY: ALEX MAHADEVAN | TAMPA BAY EDITOR

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Punit Shah stands in front of the St. Petersburg luxury condominium Paradiso, a project that proved nightmarish for the young developer.

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Review Summary

Company. *The Liberty Group of Companies*

Industry. *Real estate development*

Key. *Persistence pays off in the long run.*

Punit Shah did everything he could to become a successful developer. He worked at hotel front desks growing up, attended zoning board meetings and studied his father closely.

Raxit Shah, his father and CEO of the Clearwater-based Liberty Group of Companies, built a portfolio with 20 hotels by the time his eldest son graduated with a hotel management degree from Boston University.

After graduation, Raxit Shah hired his son as director of new business development. Then he assigned him to a trailer on a construction site in Ohio, where Shah dug trenches and drove bulldozers.

Raxit Shah wanted his son to learn every aspect of the development process and experience the struggles of employees in the field. Shah, now president and chief operating officer of Liberty Group, says this lesson was crucial to his development, but still ribs his dad about it. "I was bundled up like a snowman in 12-degree weather digging — or trying to dig — in frozen mud," he recalls with a grin.

And just as he finished his post-graduate degree from the school of hard knocks, Shah got another lesson: Don't expect to be given anything. His father sold all of the company's hotel properties and retired to Tampa.

"I had a hospitality degree and no hotels," Shah says of the timing. Like his father, who founded the company in 1981, the young Shah would begin his legacy with an empty portfolio.

While Shah helped design and build his parent's retirement home in Tierra Verde in Pinellas, his father saw his son's enthusiasm. The recent retiree was drawn back into the development world in 2005. But he says this time he planned to "sit back and watch (his son) grow."

In 2005, at age 24, Shah made his first million from a condominium development in St. Petersburg. It was his first solo development project, which he says he sold out successfully before construction was completed. The project broke from his father's traditional business strategy, which was focused on building hotels. Buoyed by his success, Shah pushed to pursue more multifamily development. But the onset of the housing crisis bulldozed the new business model and lost Shah millions.

Shah explains that the lessons he learned from those years have influenced every investment decision he's made since, and they tempered the aggressive developer's style.

Now 31, Shah says he's more conservative as he serves as the primary deal-maker for the Liberty Group of Companies. He handles design and development, site acquisition, financing, marketing and negotiating for the privately held company, which has invested \$250 million in properties and assets and has roughly 450 employees. The perspective he gained during hard times also helped him usher in a new strategy for his firm.

Dark times

Ron Weaver, Tampa land use attorney with Stearns Weaver Miller Weissler Alhadeff & Sitterson Tampa, describes Shah as resonating an unwavering air of "circumspect positivity."

That positivity came through in a recent meeting with Shah, as he talks about deals he's working on while sipping coffee in the Tampa Club on the 42nd floor of the Bank of America building in downtown Tampa.

Dressed in a dark suit with a button-down shirt and no tie, Shah sits straight in his chair when he speaks, not slouching forward or leaning back. Conversing on development, he speaks intelligently and articulately with authority, but without brashness or forcefulness. He is self-assured without being cocky, knowledgeable without being arrogant.

From his well-tailored suits to his well-spoken responses, Shah exudes confidence and calmness. But his brother, 27-year-old Dr. Prem Shah, recalls a bout of depression following the collapse of the housing market. "That was the first time I saw him riled," he says.

One quality friends and colleagues consistently note about Shah is his poise while facing pressure. That was a feature he inherited from his father, says his younger brother.

His wife, 28-year-old Carla Shah, notes persistence as another one of Shah's dominant qualities. She met the developer at Boston University while out at a jazz bar with her girlfriends. "We were having a 'girls night' and I didn't want to talk to anybody," she says. "Punit kept trying to introduce himself." Eventually she caved and began chatting with the senior who was about to graduate.

His persistence led to their wedding in front of 400 people in 2009. But this same persistence almost caused the unraveling of his family's business.

Shah's mother, Ketki Shah, works on the accounting side of Liberty Group as vice president of finance. She says the success of his first sale made her son more cavalier about investments in the condominium market. She says he kept encouraging his parents to let him purchase more land to develop multifamily sites. "We told him to slow down," she remembers. "If he wants something, no matter what it takes he'll make you do it."

In 2005, Liberty Group invested \$15 million to build Paradiso, a luxury condominium in St. Petersburg. He built during the bubble and before it was complete, the real estate market collapsed.

If the economic conditions weren't terrible enough to plague the project, the slew of other devastating factors certainly helped. The architect working on the site passed away. Shah's contractor filed for bankruptcy. There were no workers on the site for close to six months. Shah remembers going to the unfinished building and staring out at his failed vision.

"There were a lot of tears," Shah says. "I can honestly say those were the darkest times of my life." His brother says Shah was working 18- to 20-hour days, pouring over drawings and finances. His wife says: "he didn't sleep for weeks."

The life he wanted to live since he was a young boy tailing his father to a hotel conference in Scotland

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was collapsing around him. And the meticulous planner had no control of the situation. "I hate not having control," Shah says.

But through the disappointment, he persevered, and he eventually completed the Paradiso project in 2008. Prem Shah, who along with his medical degree is now pursuing an M.B.A. from the University of Miami, says if it were him, he would not have stayed in the industry. "If the nursing home industry is bad, then I'm out," he says.

'The guest is God'

"We got away from our core," Shah says of the Paradiso fiasco. "My family has always been in hospitality." So by the end of 2007, Shah began purchasing distressed properties, re-launching them as hotels. Since 2010, the firm has only acquired distressed properties, and has purchased 16 hotels throughout the U.S. These include a variety of hotel flags, from Comfort Suites and Best Western Inns to Holiday Inn Express & Suites and LaQuinta Inns.

"Before 2008 (the company) never bought hotels," Shah says. In the company's traditional model, hotels were built from the ground up. But the tattered market pushed the cost of building a new structure higher than simply buying an existing hotel and upgrading it.

The strategy includes rebranding to a midscale brand, which Shah says tempers the effects of business cycles on occupancy. He says during downturns he expects visitors to trade from more upper-scale hotels into the midscale range, and from one- and two-star hotels up to three.

No matter the project, Shah has an innate ability to create a vision for properties. He draws plans on cocktail napkins as they flow into his head, and when he looks at property, he doesn't see what is — he sees what could be.

Brother Prem Shah recalls the first time he saw the property for an assisted-living facility the company built in St. Petersburg in 2010. Prem Shah, who operates the business, now known as The Bristol Court, says he was shocked that his brother was going to try to turn a property "that someone wouldn't let a dog live in" into a medical facility in only six months. It opened seven months later. "He gave me a checklist the first day with everything I needed to do," Prem Shah remembers.

Aesthetics are important to Shah, who privately has expensive taste, according to his mother. But his success in the hotel industry comes from his identification of mismanagement and the ability to reverse it, as well as his eye for design and details.

He focuses on both of those to improve hotel guests' experiences, such as receiving an immediate greeting when they enter the building. "You wouldn't let somebody walk into your house without greeting them," Shah says.

Growing up in the business gave Shah hands-on experience, but his Indian culture instilled a deeper understanding of hospitality.

Shah takes the time to chat with guests when he visits hotels, fostering a familial feel and giving him ideas on how to improve the hotel's performance. For example, when he received a complaint about the business centers being too isolated from the rest of the hotel, he addressed it in his design plans by moving the business centers into the lobby.

"Hospitality is important to every Indian culture," Shah explains. In fact, "the guest is God" is a Hindu proverb about preparation for guests, which includes offerings of flowers and sweet milk. Shah once spent an entire week preparing for a group of friends flying in from New York City. And when evaluating hotel managers, he looks at their tenure in their last position as a measure of commitment and loyalty.

Shah also has an ability to build trust and friendship with a variety of people within a few minutes, which helps him bring together million-dollar deals on the investment side and connect with guests on the consumer side.

When Raxit and Ketki Shah relate stories from their oldest son's youth, it's clear he's always been a social butterfly with a gift for hospitality. Raxit Shah remembers a night when his son hosted 27 of his friends for a sleepover.

Shah was also exposed to many faiths and cultures when he was young. "I went to the YMCA, the JCC and the Hindu temple for Sunday school," he says. "My best friend was Jewish." And he traveled around the world with his father, learning the intricacies of different cultures.

"He's comfortable talking with an 18-year-old operating a back hoe and the 71-year-old chairman of the board of the largest company in the world," Weaver says.

And Brian Lamb, the market president for Fifth Third Bank in Tampa Bay, says Shah doesn't approach deals like a salesman. "He's all about relationships," Lamb says, "he puts together deals that folks want to be a part of."

Because Liberty Group handles both the development and management of properties, Shah's job puts him at an apex where the government, private lenders and construction firms intersect. So when he's not scouring the region for new investments or drawing plans for a 300-room renovation, Shah plays the part of lawyer, according to his father.

Although he has no formal training in law, his brother remembers Shah marking up his apartment lease document when he was studying in Europe. "He was putting in addendums," Prem Shah laughs. "I didn't even know what an addendum was."

The biggest challenge ahead for Shah will be his urge to outdo his previous accomplishments and become more successful than his father. "Our parents put us through good schools after coming to this country with no support system," Shah says. "I want to do more than my parents because it would be crazy not to capitalize on the life they gave me."

Shah attributes much of his success to his father's lessons, but the unflappable developer has brought a new eye to the business, which has allowed him to guide its success in his own way.

"This is what I've always wanted to do," Shah says leaning over to pet his Shi-poo named Boston in his sprawling house in South Tampa. "Hospitality is in my blood."

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