

# PREMIUM STAKE

How Punit Shah reinvigorated Liberty Group of Cos. by focusing on acquisitions

INTERVIEWED BY LAURA GREEN

## When

Punit Shah saw that people were no longer paying premiums for completed real estate development projects in 2008, he knew that his company needed to get out of the construction business.

"We saw where the market was going and we had to take reactive measures to make sure that our future was protected and the future of our employees was protected," says Shah, the president and COO of Liberty Group of Cos., a Clearwater, Fla.-based real estate company with 400 employees.

To keep the company profitable, Shah has implemented a new business strategy to grow through aggressive acquisition of existing properties.

*Smart Business* spoke with Shah about the keys in investing in growth through acquisitions.

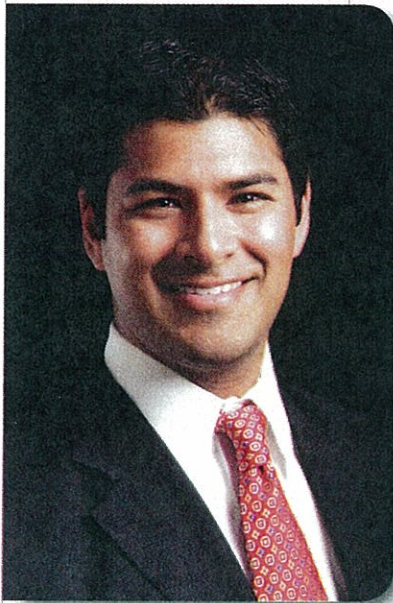
### Q. What is your approach to new acquisitions?

Any acquisition that we're buying has to have a value-add component to it and have a big upside that we can conservatively rely on to have a long-term gain in.

One thing that really makes us different is our ability to analytically look at every piece of information up front. That makes it a lot easier for us on the back end, because we know what we're getting into and we know how to proactively deal with

whatever is coming our way.

So if it's something that we think may tie up equity or capital for a really long time and then have minimal returns, we usually pass on that deal because we want to make the most and highest return that we can on our equity. We also want to make sure that it's a safe investment because right now is not the time to be making risky investments. Now is the time to be making investments that you are 100 percent confident in and that you've got a reasonable return on the money that you are putting at risk.



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We're not forecasting tremendous numbers with a forward-looking basis. We're buying what we deem to be profitable as-is right now. As the market improves overall, as the economy improves, as our management team goes in there and adds more professionalism in overall management of the asset, we see that all as value-add opportunity.

### Q. What criteria do you use to evaluate investments during due diligence?

The most primary thing is location and demand generators. We want to be conservative and consider all different options, whether if there is a terrorist attack, what that would do to the core business of the hotel, during recessions, what happens during peak periods. So we look for diverse demand generators. We look for location, of course. Then we look at the physical plans of the hotel or whatever the asset is. We look at the

long-term intrinsic value of the asset itself but also the submarket and the overall region. We want to know if this is something that is going to be sustainable and is there going to be a demand generator for this property 10 years from now. As far as my ranking, it would go in that order.

We're looking just for the best products that we can find, and we're filtering out anything that doesn't meet our core criteria. We've been very diligent about establishing that criteria up front and knowing what we're pursuing.

### Q. What mistakes can you make when pursuing acquisition opportunities?

The biggest thing anyone can do if they're getting involved in what we're doing is make sure they spend the time, money and resources on the due diligence. It's almost turning into the height of the market again on a different scale, because people are just buying things sight unseen, guns blazing and not necessarily knowing what the repercussions are because there are a lot of legal complexities when dealing with distressed assets. I've seen a lot of people who are just jumping in all at once without understanding the risks involved with those investments. The other thing is real estate and cash-flowing businesses are still businesses and you have to have great management and employees to make those investments profitable. You can't just buy an assisted living facility or hotel and expect just because you got a good deal on it [that] it's going to turn profitable. It's not like land. There is an inherent business component to it, and a lot of people fail to realize that when they are looking at these types of deals. <<

**HOW TO REACH:** Liberty Group of Cos., (727) 866-7999 or [www.libertygroup.com](http://www.libertygroup.com)