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A-Rod Swings for the Fences With New Hotel Real-Estate Fund

Former Major League Baseball MVP Alex Rodriguez, now a real-estate mogul, joins a \$650 million hotel fund



Alex Rodriguez has been a real-estate investor for many years, going back to his playing days.

PHOTO: MARK J. REBILAS/REUTERS

By Will Parker

Dec. 15, 2020 8:00 am ET

Baseball legend Alex Rodriguez is teaming with a Miami private-equity firm to invest more than a half-billion dollars in buying or developing hotels at a time when the industry has been ravaged by [the pandemic](#).

The former New York Yankee known as A-Rod said he is joining CGI Merchant Group in its new hotel investment fund, which the firm launched this month. The venture aims to raise \$650 million to acquire and develop properties in partnership with [Hilton Worldwide Holdings](#) Inc. brands. Maverick Capital Partners, a New York brokerage, will also be part of the venture.

Mr. Rodriguez has been a real-estate investor for many years, going back to his playing days. He founded his own real-estate investment company in 2003, the year before he played his first game for the Bronx Bombers. His Monument Capital Management has made more than \$800 million worth of property acquisitions in more than a dozen states, according to its website. Mr. Rodriguez will invest some of his personal money in the hotel fund and help source deals.

He said investing in hotels right now is a way to capitalize on a travel rebound once the pandemic is under control. "We believe we can acquire assets that are strategically positioned to be in the top-performing percentile once restrictions are eased," the 14-time All Star and 2009 World Series Champion said.

The CGI Merchant fund will look to invest in hotels and resorts across North America and the Caribbean, CGI said, with Miami, Seattle and New York City of particular interest. Raoul Thomas, CGI Merchant's chief executive, said the fund will avoid large hotels with open floor plans and large banquet spaces. Lodging properties dependent on large group events, like seminars and conferences, may recover more slowly than those primarily attracting tourists, he said.

The fund has already made one purchase, the 129-room Gabriel Hotel in Miami, this past June, Mr. Thomas added.

While many other investors have been raising money in anticipation of buying up distressed hotels at rock-bottom prices in the near future, fewer U.S. hotels have changed hands this year than in almost any other year. The volume of hotel sales in 2020 is coming in 84% below 2019 levels as of October, according to a report from Real Capital Analytics, a real-estate data firm.

Hotel performance continues to suffer and business travel shows no signs yet of bouncing back. Hotel-room occupancy, as of the first week of December, is down 38% from the same week in 2019, according to hospitality industry data provider STR. Hotel executives have said they don't expect industry revenue to return to last year's levels until at least 2023.

Despite this grim prognosis, prices of hotels sold this year have fallen just 3.3%. Few sellers have been willing to meet the lower price expectations of buyers. "The owner of a hotel asset will not sell at a loss unless forced to do so because of distress situations," RCA's report notes.

But ongoing [debt problems for hotel owners](#) could spell [deeper distress for the sector](#) and more opportunities for investors like CGI Merchant and A-Rod. The partners said they view the hotel fund as a long-term strategy. "Wealth is rarely created overnight," Mr. Rodriguez said.

—Konrad Putzier contributed to this article.

Write to Will Parker at will.parker@wsj.com

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Appeared in the December 16, 2020, print edition as 'Retired Slugger Rodriguez Teams With Hotel Fund.'