

Manhattan Hospitality Advisors

Asset Management Case Study

Boutique Upscale Hotel

Background

We were engaged to assist in the workout of this upscale, wine country, Four-Star, Four-Diamond resort, in order to prepare this distressed asset for sale. Our goal was to expeditiously reposition and remarket the asset in order to significantly increase revenue and effectively increase the sale price. The duration of the assignment was 10 months. The developers had made numerous errors in the development and operation of the asset as they:

- 1) Engaged the wrong operator (3-star) for an asset that required upscale expertise and knowledge of the market;
- 2) Allowed the operator to market the asset as an all group resort and ignored the higher-rated upscale leisure clientele that was attracted to the market;
- 3) Did not budget correctly during construction, and, therefore, had no money to complete the guest rooms project, thus minimizing their marketability;
- 4) Allowed the operator to utilize its cluster revenue management program, thus reducing the rate by 45% from its potential and benchmarking its seasonal rates by the other limited-service hotels in its cluster;
- 5) Failed to ensure appropriate security systems were in place, and, therefore, significant theft drove up both food and beverage costs;
- 6) Had no concept of pre-selling and allowed the operator to open with minimum group and transient room nights on the books;
- 7) Allowed the operator to run the spa when they had little expertise in doing so;
- 8) Concepted and operated the restaurant with no tie-in to the area's wine country heritage.

Financial Improvement

| | Beginning of Assignment | End of Assignment | Improvement | Improvement (%) |
|---------------|-------------------------|-------------------|-------------|-----------------|
| ADR | \$168.03 | \$180.00 | \$11.97 | 7.1% |
| Occupancy | 48.9% | 64.6% | 15.7 | 32.1% |
| RevPAR | \$82.11 | \$116.28 | \$34.17 | 41.6% |
| Total Revenue | \$9,207,572 | \$12,384,760 | \$3,177,188 | 34.5% |
| GOP | \$176,736 | \$2,033,558 | \$1,856,822 | 105.1% |

Revenue Enhancement

- 1) We raised ADR at the property by bringing the revenue management process in-house and establishing higher benchmark room rates during high demand periods. This was more commensurate with the area's higher-rated independent hotels and not other branded hotels.
- 2) Focused on driving leisure business on weekends (Fri-Sun) when there were few groups booking rooms in the market. We were able to do so by recommending numerous off brand strategies to fill guest rooms with higher-rated leisure travelers.

- 3) Re-deployed the group sales team to focus on high-yield group markets and redirected the feeder market coverage to focus on its core markets. Additionally, we re-established group room rates and connection to the brand's National Sales Offices to drive group business.
- 4) Established a local catering program centering on social and wedding business that featured wine country marketing partners including wineries and intermediaries.
- 5) Established an Internet marketing program that promoted the asset on a year-round basis, not just 8 months a year and developed a property specific website to simplify and promote new wine country packages.
- 6) Conducted a repositioning and re-pricing of the spa and focused on high-yield spa treatments. Created a local spa marketing program that attracted business in off-peak and low-demand periods. We were successful in raising spa revenue by 27.7%.
- 7) Developed a PR program to create a new image and bond with high-wealth residents of the area who had shunned the hotel since its opening.
- 8) We increased pricing on all food & beverage outlets resulting in significantly higher average checks for all meal periods including room service.

Cost Containment

- 1) Payroll overages were a consistent issue with this particular Operator, so we adjusted staffing guides and terminated all overtime unless approved by asset managers, thus saving tens of thousands of dollars in wasted payroll.
- 2) We established new ordering, receiving and storage procedures for all purchased goods and dramatically reduced food and beverage costs while reducing theft to below industry norms.
- 3) Reviewed all expenses charged by the brand operator and found significant over billings amounting to a saving of hundreds of thousands of dollars.

Capital

- 1) We helped conceive a short-term plan to redirect reserve funds, thus allowing the resort to finish accessorizing the guest rooms so that it could compete with the market's higher-rated competitors.
- 2) We assisted in the design of and project managed the construction of, new landscaping, outdoor meeting space, new outdoor seating area for the high-end restaurant, and entrance porte cochere to create a better sense of arrival.
- 3) We initiated a competitive retail survey which determined that the existing retail was inadequate for our targeted high-end market. We created new retail offerings and merchandising programs to increase retail sales and better serve our guests.

