

# Manhattan Hospitality Advisors

## Asset Management Case Study

### Full-Service Airport Hotel

#### Background

We were engaged to execute the due diligence on this 802-room full-service airport hotel by one of the largest China based development companies purchasing their first US hotel asset. Through our due diligence findings, we uncovered that the operator was complacent with being the leader in Occupancy and RevPAR in the competitive market and was not focused on maximizing the profitability of the hotel.

The property is located half a mile from LAX, one of the busiest airports in the world, and was operating as just another airport hotel. Low-rated airline crew rooms were helping drive occupancy, but at the expense of significant ADR. Existing revenue centers were not being fully utilized including the hotel's food and beverage facilities and the 55,000 square feet of meeting space. Furthermore, there was a lack of cost containment oversight, no creative marketing strategies existed that would alter the hotel's business mix for higher-rated occupants and preventative maintenance was lacking which had an impact on the quality of the property and guest experience. Through our due diligence assignment, we created a roadmap that addressed all of the issues we uncovered and the new owner engaged our firm as the asset manager to implement our strategies and increase the ROI.

#### Financial Improvement

	Beginning of Assignment	End of First Year	Improvement	Improvement (%)
ADR	\$113.29	\$127.81	\$14.52	12.8%
Occupancy	90.2%	91.6%	1.4	1.6%
RevPAR	\$103.24	\$117.13	\$13.89	13.5%
Food & Beverage Revenue	\$10,824,079	\$13,193,654	\$2,369,575	21.9%
Total Revenue	\$43,110,158	\$49,709,247	\$6,599,089	15.3%
NOI	\$5,742,888	\$9,944,131	\$4,201,243	73.1%

#### Conclusion

Historically, the hotel has had a strong occupancy which has bolstered its RevPAR. Our approach has been to lead RevPAR growth by focusing on strengthening ADR through creative marketing and changing the business mix. Instead of being identified as an airport hotel, we repositioned the asset to be a full-service convention hotel that was conveniently located near LAX airport. We utilized the newly renovated 55,000 square feet of meeting space to attract higher-rated group business and generate additional catering revenue. We targeted a plan to displace low-rated airline

crew rooms and capture more of the one-night, in-transit airport passengers who are not rate sensitive and also more international leisure passengers. Additionally, we re-created the food & beverage concepts which increased food and beverage revenues by 21.9% over prior year. As the asset manager, our firm has focused on creatively enhancing revenues and also monitoring costs to ensure profitability is being maximized. In the first year of our engagement, we increased total revenue by 15.3% over prior year and more importantly, increased NOI by 73.1% year-over-year.

