

Manhattan Hospitality Advisors

Asset Management Case Study

Full-Service Hotel

Background

MHA was engaged by one of the top 10 largest construction companies in China to complete the due diligence on a 653 room, full-service hotel in Orange County, California in November of 2015. The hotel was brand managed. Through the in-depth and thorough operational, financial, sales & marketing, and capital due diligence process conducted by MHA, areas of opportunity were identified and at the conclusion of the due diligence MHA provided its client with specific strategies to generate higher revenues and greater profits.

As is often the case, MHA was then hired to be the Asset Manager in order to implement the strategies from the due diligence review. The below chart reflects the improvements MHA was able to direct over a two-year period, despite an onerous management agreement that did not allow for much input into the operations on the part of the owner. It is important to note that results in the chart below under “End of Second Year” was the best year the hotel ever had from an NOI perspective.

Financial Improvement

	Beginning of Assignment	End of Second Year	Improvement	Improvement (%)
ADR	\$150.53	\$156.38	\$5.85	3.9%
Occupancy	79.2%	83.7%	4.5	5.7%
RevPAR	\$119.20	\$130.92	\$11.72	9.8%
Food & Beverage Revenue	\$14,779,054	\$17,276,779	\$2,497,725	16.9%
Total Revenue	\$45,574,958	\$51,002,808	\$5,427,850	11.9%
GOP	\$14,403,851	\$17,593,335	\$3,189,484	22.1%
NOI	\$12,666,862	\$15,523,628	\$2,856,766	22.6%

Revenue Enhancement and Cost Containment

Some of the initiatives that MHA was able to accomplish in order to drive results included;

- Changed the hotel’s business mix to rely less on big citywide compression to drive rate and occupancy.
- Created awareness of the ability and need to focus on midsize self-contained groups to drive ADR, Occupancy and F&B revenue.
- To improve group booking pace and secure higher-rated groups with food & beverage, MHA shifted the management team’s focus to more appropriately utilize the brand’s National Sales Offices to drive group meetings of 100 or less. Searched the brand’s archives for all meetings held in brand hotels in California and initiated an email campaign.
- Pushed to book airline crew as base business to minimize low demand occupancy days and months.
- Changed a la Carte restaurant food offering to drive more F&B revenue.

- The hotel was not effectively marketing its abundance of suites, rather they were using them almost exclusively for upgrades. We implemented a dynamic pricing program to capture the full revenue potential from the suites and to create a high selling Suite Package Program.
- Reallocated deployment of the sales team to focus on high-end corporate groups with Food & Beverage.
- MHA, through its close-knit relationship with the brand, was able to identify executive team members at the hotel who were not performing and convinced the brand to replace them with more suitable candidates.
- Identified that the hotel was not using standard labor reporting and scheduling tools. Therefore, fixed labor models were being used that did not adjust to business volumes resulting in higher than necessary payrolls, and less profits. MHA instituted best practices for frequency and accuracy of revenue forecasting and provided the operator with labor reports to forecast and measure labor based on occupancy and customer counts which allowed the hotel to improve productivity and reduce wages and benefits.
- Inventory was being taken in Food & Beverage only once a year. MHA required that it be taken monthly and provided an SOP to the Director of Finance and General Manager on how inventories should be taken. The hotel's Executive Chef prior to this had no explanation for rising Food and Beverage costs that far exceeded budget.
- MHA required the hotel to produce a standard financial reporting package monthly. Hotel reporting was minimal up to that point. Basic data that would be made available at any professionally managed hotel was absent and because the hotel was not measuring what it should be, it could not identify what needed to be changed. MHA in many cases provided samples of these missing reports and coached the Director of Finance on how to produce the reports.
- The hotel was required by the brand to complete a PIP. MHA represented the ownership group in discussions with the brand on scope and optimal uses of space at the hotel. MHA has project managed over \$9 Billion of new ground up hotel construction or renovation and therefore was able to assist the client in coming up with schedules and budgets for the proposed renovation.

