Manhattan Hospitality Advisors
Asset Management Case Study
Select Service Hotel

Background

We were engaged by the owner/developer to provide an economic analysis of this 300-room, three-star, select service asset located in a major market. The owner was so delighted with the findings of our analysis that he engaged our firm as asset manager to implement the new income enhancement strategies that we identified.

The Operator felt strongly that maximizing occupancy at the expense of room rate was the best approach for the asset. The hotel was running a strong occupancy, but had contractually sold over 50% of it guest rooms to low-rated airline crews yielding a $39 room rate. The crew rooms generated little incremental revenue and did not frequent the hotel's bar or other revenue generating areas. The property was unique for a select service hotel; it had over 7,500 square feet of meeting space with a banquet prep kitchen, but no kitchen staff.

Financial Improvement

	Beginning of Assignment	End of Assignment	Improvement	Improvement (%)
ADR	$68.07	$101.04	$32.97	48.4%
Occupancy	78.7%	83.7%	5.0	6.4%
RevPAR	$53.57	$84.57	$31.00	***57.9%***
Total Revenue	$7,246,363	$11,042,201	$3,795,838	***52.4%***
GOP	$2,597,980	$3,711,119	$1,113,139	***42.8%***

Revenue Enhancement

We raised ADR at the property by 48.4% by aggressively directing the property to change their business mix which was heavily dependent on low-rated airline crew rooms. Additionally, we solicited higher-rated airline crews, reduced their percentage of overall business to less than 20% (down from 55%) and increased their room rate from $39 to $63.

1) Increased sales staffing from one to three associates and redeployed the team to focus on higher-rated government and SMERF business that was looking for a home in the marketplace.

2) Implemented a new annual budget and planning process to replace the non-functioning process from prior management.

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3) Focused on Internet leisure bookings and increased the number of nights with at least 90 percent occupancy and $120 in ADR from 88 to 179.

4) Engaged an outside caterer to service our in-house group rooms, thus allowing the hotel to cater to much more lucrative small group and catering markets and driving catering sales from less than $75,000 a year to more than $2,000,000 a year.

5) We raised the daily Internet charge to an amount commensurate with competitive hotels, resulting in $200K of incremental revenue and NOI annually.

6) We played an instrumental role in raising the quality of service and product offering at the hotel resulting in the retention of the franchise that was in jeopardy when we arrived and began our assignment.

7) Our combined efforts assisted the Owner in increasing the hotel's value by 237%.

8) In spite of significant deferred maintenance and a much newer competitive set, we were able to surpass the competitive set in RevPAR and RevPAR growth each year.

Cost Containment

1) Payroll overages were a consistent issue with this particular Operator. We built a zero-based staffing guide for the hotel and forced the Operator to reduce staffing by 20%.

2) We renegotiated the Hotel Management Agreement reducing both the base fee and the incentive fee paid to the Operator.

Capital

1) We assisted and provided oversight in a $9 million renovation of the asset including guestrooms, corridors, public spaces, and pool area.

2) We assisted in the creation of 12 new suites to generate incremental revenue.

3) Oversight and management of the entire FF&E reserve fund, saving tens of thousands of dollars of unnecessary expenditures on an annual basis.

4) 

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6)