



MEET THE
HOTEL ASSET
MANAGEMENT

THE IMPORTANCE OF THE ASSET MANAGER IN THE HOTEL MARKET

Being a hotel investor is a complicated task. It is necessary to have knowledge of hotel operation, management of revenues and costs, accounting, marketing, economics, the market, and maintenance, among other things.

In this environment, *Hotel Asset Management*, a methodology of strategic analysis and management, exists as a consulting service to help the owners of apart-hotels meet their profit goals. The manager acts as its representative in working with the hotel operator to ensure that the enterprise has the largest possible profit and keeps the property well-preserved and competitive, increasing the asset's value.

Apart-hotels — or condo-hotels, as they are now called — are enterprises based on pulverized property ownership; each apart-hotel typically has hundreds of owners. These investors are usually represented by an agent and by an Advisory Council, both elected regularly in an assembly.

HVS's 10 years of experience in the management of apart-hotels shows that these Advisory Councils can be classified into 3 types:

Organized Councils: constituted by groups of dedicated and altruistic people who, on average, dedicate between 2 and 4 days per month to the benefit of the apart-hotel.

This situation is very favorable to the enterprise, even when it is disadvantaged by the fact that these members are not specialists in hotel management and have little negotiating and bargaining power with respect to the hotel operators;

Absentee Councils: constituted by inactive groups, which leave the hotel operators completely free of oversight, thereby reducing the performance potential of the enterprise;

Problematic Councils: disorganized and mixed up, they frequently enter into conflict with the operator and have internal disagreements as well. In addition to hurting the management of the enterprise, this type of council allows for the infiltration of dishonest people who try to take advantage of the problematic situation for their own benefit.

In a study of 100 apart-hotels in the city of São Paulo, it was found that 29% have Organized Councils, 38% have Absentee Councils, and 33% have Problematic Councils.

Today, HVS Brazil provides Asset Management services to 13 condo-hotels (3,723 rooms), in the cities of São Paulo, São José dos Campos, Rio de Janeiro and Salvador, representing more than 2,000 investors.

ASSET MANAGEMENT WORK AND RESULTS OBTAINED

The benefits brought by the work of Asset Management can vary considerably, depending on the type of council of the apart-hotel.

In the case of *Organized Councils*, the management of the enterprise is completely optimized, as the expertise and work methodology of HVS goes hand in hand with a completely pro-active council that is truly interested in improving the performance of the condo-hotel. With the Asset Management process developed by HVS, the work of the Council, which previously was 2 to 4 days per month, is reduced to approximately 5 hours per month.

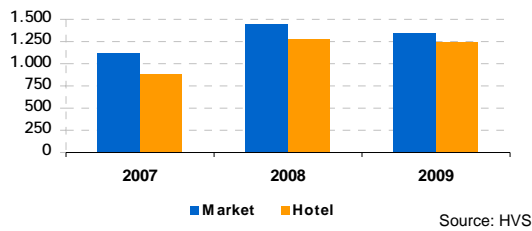
In apart-hotels with *Absentee Councils* or *Problematic Councils*, the management

work brings an immediate increase in profitability. In the table below, the significant improvement in performance of a condo-hotel with an *Absentee Council* is evident.

In 2007, before the Asset Management service was contracted, during the first four months of the year the enterprise paid owners dividends that were 20% lower than the market average. In 2008, after the implementation of the management work of HVS, this difference fell by 12%. In 2009, by working actively with the hotel operator and with the owners in a professional and transparent manner, the apart-hotel was able to perform at a level only 7% below that of its direct competitors.

Performance of an apart-hotel after HVS Asset services.

Distribution (in R\$) Jan-Apr and % difference with respect to the market.



So as to keep the investors well informed, the company developed a strategic

communication tool, the website www.hotelinvest.com.br. In this portal, there is a restricted navigation area that allows the investor to access, in real time and in the desired level of detail, financial information about the apart-hotel and that of its competitive set, in addition to various studies and articles on the national hotel market. It is also important to emphasize that the transparency brought about by the Asset Management service is another differential of HVS Brazil, especially for those apart-hotels with *Problematic Councils*.



WORK METHODOLOGY

In order to reach the objective of the Asset Management service, HVS created a work program consisting of 8 strategic stages, all of which are fundamental to the success of an apart-hotel.



1st: Environment and Competing Market:

HVS has the largest database on the performance of hotels in Brazil and in the world, which allows for the analysis of the performance of an enterprise with respect to its competing market.

2nd: Achievement of Established Goals:

Comparison of the results obtained with the expected results, for the purpose of verifying that the established strategies are in accordance with the needs of the market.

3rd: Financial Result X Budget:

Analysis and eventual request of alteration of the annual budget elaborated by the hotel operators, based on the performance potential of the enterprise in the market.

4th: Operating Expenses:

Assessment of the overall monthly expenses connected to the apart-hotel, based on its performance and on the cost structure of similar enterprises.

5th: Quality of the Product:

Analysis done by way of regular visits, inspection of installations, assessments of accommodation, and verification of the effective application of training to the apart-hotel's collaborators by the hotel operator.

6th: Maintenance Level:

Systematic observation of the state of maintenance and conservation of the enterprise, as well as the implementation of renovations and scheduled improvements.

7th: Reinvestment Program:

Assessment of the reinvestment programs and of the use of the asset replacement fund based on the establishment of investment priorities.

8th: Sustained Observation of Strategic Actions:

HVS accompanies — in a transparent manner, in partnership with the hotel operator — the execution of a strategic plan of action to guarantee the plan's success and continuity.

Finally, there is one point of extreme importance that is followed throughout the aforementioned stages to ensure that the objectives of Asset Management are reached: clear and up-to-date information is provided to the investor on a regular basis, which allows the investor to make informed decisions about all aspects of the investment.

Among the reports produced by HVS Brazil Asset Management are the following:

- Report to the Council
- Newsletter for the Investor
- E-mail to the Investor
- Assessment of Accommodations
- Assessment of Maintenance

A Real Case of the Importance of the Asset Manager

In 2008, a problem with the fire resistant tubing of an apart-hotel assisted by HVS Asset Management caused four floors to flood. The enterprise was closed for one week for maintenance and inspection. For 3 months it operated at 70% of its total capacity, while the affected floors were being recovered. It is important to note that the insurance company covered all of the furniture and equipment costs incurred by the incident but did not cover the lost profits caused by the partial closing.

By virtue of a contractual clause, there was an agreement between HVS Brazil Asset Management and the operator whereby the monthly dividend to the investor would be calculated based on the average of the profits of the past 6 months. The monthly gain of the investor is a direct reflection of the performance of the property, so without this agreement, the performance for the month of the accident would have been severely reduced.

Without the representation of HVS Asset Management and a good relationship with the operator, the investor, alone and without a direct channel of communication with the administrator, probably would not have found out about the incident right away and would have received only 20% of the amount actually received.

In this way, in both more and less critical cases, the importance of the Asset Manager is evident, as only apart-hotels with professional and transparent management can perform at 100% optimization (giving the maximum possible profitability to the investor, thus guaranteeing the maximum gain in the value of the asset).

Asset Management Team



MARTA AMARAL

Business Administrator (PUC-SP) and Hotel Administrator (SENAC-SP) with Graduate degrees in Hotel Asset Management and Hotel Valuation (Cornell University). Has extensive experience in hotel management for major hotel chains. Since 1999 she has been the coordinator of the Hotel Asset Management division of HVS Brazil.



THAIS PERFEITO

BA in Hotel Management (SENAC-SP) and Graduate degrees in Hotel Asset Management and Hotel Pricing (Cornell University). Completed courses on Valuation and International Business at the Rotterdam School of Management. Currently completing a Graduate course in Administration (CEAG-FGV). She has been with HVS Hotel Asset Management since 2005.



GEORGE FERREIRA

BA in Business Administration. Has worked in the financial and administrative departments of major Brazilian corporations in the health care segment. Currently completing a Graduate course in Financial Markets (Mackenzie-SP). He has been with the HVS Hotel Asset Management division since 2006.



NINA KITADAI

BA in Hotel Management (SENAC-SP). Worked as a trainee in the operations division of hotels and restaurants and took courses on consumer behavior, marketing, and services (ESPM). She has been with the HVS Hotel Asset Management division since 2007.



BÁRBARA SCOTTO

BA in Hotel Management (SENAC-SP) and currently completing a second undergraduate degree in Tourism (ECA-USP). Worked as a trainee on entrepreneurship projects and on hotel, tourism, and gastronomy market research at an industry consulting firm. She has been with the HVS Hotel Asset Management division since 2008.



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