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HVS Monday Musings: Hotel Asset Management is Essential for an Unbiased Perspective

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The hotel industry is highly complex in nature and is extremely sensitive to economic and market dynamics. Just as the industry was emerging from the pandemic's shadow, new challenges have emerged, including rising input costs and other inflationary pressures, a bleak outlook for the global economy due to the possibility of a recession in the US and Europe, along with longstanding issues like a labor shortage. As a result, many hotel owners who are struggling to run and manage their properties are finally realizing the importance of working with professional asset managers to review and improve their hotel's performance.

Similar to other types of real estate, a hotel asset's performance should be measured on per square feet return on built-up areas to increase ROI. Asset managers work with owners to maximize the asset value and potential by optimizing operational efficiencies to deliver better ROI. As unbiased third-party subject matter experts, they evaluate the hotel operations objectively, pinpoint the key potential revenue opportunities and cost optimization areas, and work with the operations team to implement the suggested changes. An asset manager can also provide deep, insightful advice due to their extensive knowledge, bringing in benchmarking-relevant insights from learnings across various brands, geographies, and hotel positioning. Additionally, they challenge conventional business wisdom by developing products and services that can generate ancillary revenues using the same infrastructure, focusing on continuous improvement, and adding to the EBITDA leading to better valuations. External consultants work extensively across various industries to bring about a new perspective, unbiased insights, neutrality, and objectivity in business improvement or change management on a continuous or project basis.

Summary

Many hotel owners are now understanding how crucial it is to work together with experienced, professional asset managers to assess and enhance their hotel's performance. Read on to know more.

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Since there is always room for improvement, various tools are now available, including a one-time asset management review that gives hotel owners a comprehensive analysis of the performance of their hotel across departments by evaluating over 70+ matrices, including those for sales, marketing, revenue management, distribution, social media, account management, food & beverage sales, departmental costs, and many other areas, as well as providing recommendations for improvements. Any increase in EBITDA brought on by improving top-line performance and efficient cost management will increase flow-throughs and increase asset valuation by a multiple of 10 to 15, depending on the type and positioning of the hotel.

Asset managers can offer their services to the owner at every stage of the project's life cycle, from project planning to operator selection to pre- and post-opening. With a professional asset manager on board, you can anticipate incremental revenues and savings that will far outweigh the fee paid to an experienced asset manager.

About Ajay Mehtani

Ajay has had extensive experience with over 25+ years in Hospitality, FMCG, Private Equity & Technology solution companies during which he has worked with several leading domestic and international companies. He has PGD in Hotel Administration and a PGD in Marketing Management and has certifications in Business Strategy, Digital Marketing & Fundamentals of Revenue Management. In his previous roles, he has been Regional Director Sales & Marketing South West Asia IHG, Chief of Asset Management for Private Equity Investor Duet India Hotels and Regional Director South Asia for New Builds & Transitions with Starwood Hotels prior to its merger with Marriott International. Contact Ajay at

About Dipti Mohan

Dipti Mohan, Associate Vice President - Research with HVS South Asia, is a seasoned knowledge professional with extensive experience in research-based content creation. She has authored several 'point of view' documents such as thought leadership reports, expert opinion articles, white papers, and research reports across industries including hospitality, real estate, infrastructure, cement, and construction. Contact Dipti at