

Preparing for Your Future Sale

Good-quality lodging properties are expected to remain strong-performing investments throughout the new year, as increased occupancy levels, ADR and RevPAR continue their positive upward trend.

“Realistically priced property, in relation to its gross and net income, will sell in today’s market,” says Ronald R. McCord, CHB, president of Milmark Hotel/Motel Investments, LLC, Oconomowoc, WI. Therefore, savvy owners looking to retain their bargaining position are seeking the expertise of the brokers at Kansas City, MO-based Hotel Brokers International (www.hbihotels.com) who can use their own understanding of the market, as well as HBI’s comprehensive database of hotel comparables, to determine a property’s current value.

Among areas influencing value, according to McCord, are a property’s location (how does it relate to traffic patterns and the community’s growth?), age and appearance (what are the needed repairs and extent of obsolescence in furnishings and electrical/mechanical systems?), position in the marketplace (does it attract the commercial and/or tourist trade in an area where this is the norm?) and financial status (does well-organized bookkeeping reflect a profitable operation to potential buyers?). But, H. Brandt Niehaus, CHB, CHA, CCIM, president at Huff, Niehaus & Associates Inc., Louisville, KY, recommends: “There are a lot of things people can do to prepare for a sale. The best thing to do, however, is to begin preparations to sell [a property] when you [first] buy or open it.”

Scott D. Brash, president of Chicago-based Brash Realty Co., Inc., agrees that such proactive tactics are most advisable. He urges owners to address deferred maintenance items and to ensure that all furniture and equipment, especially room packages, meet not only franchise standards, but also the expectations of guests. In addition to making a hotel or motel more attractive to potential buyers, such improvements can present direct results. “When you bring a property to today’s standards, you now can increase your room rates,” he says. “A high majority of your guests will appreciate the changes you’ve made and pay the increase. The improvements will also attract new business. The combination of improvements and higher room revenue will increase the value of the property.”

Existing franchise agreements, particularly those that are coming due, may be another area of opportunity, according to Niehaus. The prospect of reflagging (or up-flagging) a property as part of a selling package can be a great repositioning tool. “Values are still going up, and will probably do so for another two years,” he adds. “If you’re doing the right things, you’re going to have the right product to sell when it comes time to sell.”