

Ready for a Successful Sale?

With mortgage loans coming due, values rising and strong interest from hotel buyers, this may be the time to consider selling and purchasing your next hotel.

Today's buyers are more sophisticated than ever. In order to attract a buyer, you'll have to price the hotel at a number that will allow the purchaser to make a reasonable return on his investment. Start with too high of an asking price and knowledgeable investors will pass it by. If a hotel is "on the market" for a long time the seller will have missed an early opportunity and future buyers wonder, "What's wrong with the property?" Today's investors rarely buy on "potential." Lenders and buyers are requiring more information, the more you can have ready – the smoother and faster the sale process will be.

There are several things you can do ahead of time to be ready. Copy recent P&L statements, and provide leveraged and unleveraged projections of returns the investor can expect, at the current selling price – preferably using trailing twelve, actual numbers. Make a list of your renovations and when they were done. Collect copies of recent franchise inspections, and have your franchisor do a pre-sale PIP. A roof inspection report will also give comfort to the buyer that this will not be an unanticipated large expense for repairs and renovations. Order an updated title commitment and land survey.

Understand your franchise agreement liquidated damages clause, and the cost involved. Confirm that the management contract can be terminated at sale. Check your loan documents for any pre-payment fees. Determine liquor or other license transfer requirements. Gather all equipment lease contracts, hotel service contracts, vendor information, future booking information, list of corporate accounts, and property tax information. Acquire a zoning letter from your municipality confirming that your property conforms to the zoning code for its intended use. Gather third party agreements and related estoppel letters regarding these agreements, if they are to be assumed in the sale, to smooth the financing and purchase process.

Make sure your property shines - landscaping, painting, spiff up any maintenance issues - make a great first impression.

Walking through the complicated sale process can be daunting. If you really want the sale to go smoothly, hire a professional hotel broker with the experience to guide you down a path they have travelled many times. Their knowledge will be an investment in a successful, stress-free sale.

About the author: Kenneth Olipra is vice president of Greene, Canfield, DeGeorge, Ltd., a Clearwater, Florida-based hotel brokerage firm and a member of Hotel Brokers International.

