

HOTOUR Hotel Consulting GmbH



HOTOUR Checklist for hotel financing

1. Banks still classify hotels as a risky investment. Only convincing concepts in good locations stand a chance. A substantial preparation is therefore necessary.
2. The financing bank examines in detail, if the borrower provides professional know-how and expertise as well. To be prepared for resistance and prejudices by the banks and have convincing arguments is mandatory. In this context, the preparation of different scenarios is a good practice.
3. A sufficient equity ratio is part of the finance plan. 30% of the total investment resp. the purchase price is required, it might be even higher.
4. Financing negotiations are time-consuming. Six to twelve months from the first talk to the financing commitment are common and should be planned accordingly.
5. The financing bank: objects <10m € that are owner-operated and hotels outside of the major cities are best positioned with regional Sparkassen and cooperative banks. Mortgage banks generally finance only objects from a value of 10-15m €.
6. SWOT-Analyses: in all cases extensive surveys of market and micro and macro location as well as financial forecasts – as a basis for the sustainable cash flow and therefore capital cover – is necessary.
7. With Management resp. Operated real estate additional industry analyses of experts within the bank or external experts are often requested. It is advisable to submit a neutral third party opinion in terms of a feasibility study or a due diligence.
8. The reference documents, out of which functionality and hotel standard are easily readable, should be complete. Extract of the land register and site map are belong to it as well as information in regard to operating costs and equipment, and the quality and reliability of the operator. For hotel projects, additional information is required: Proof of building law, a detailed cost estimate (DIN 276), construction schedule, building contracts, building specifications, risk scenarios and a calculation of profits.
9. Transparency is mandatory: all documents should be clearly represented and coherent.
10. Last but not least: Take as much work of the banker as possible. The fewer enquiries he has, the easier his decision is – for your project.

Be prepared for resistance and prejudices against financing of „hotels“

Sufficient equity

The right financing institute

Neutral third party opinion

Transparency is mandatory