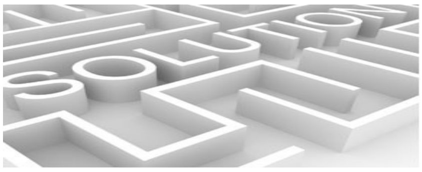
Hotel Consulting

HOTOUR




# HOTOUR Checklist for hotel investments

**Willingness, to look into the complexity of a hotel**

1. The type of investment: hotels form an asset class of their own and are in no case an alternate investment to offices. This investment requires the willingness to deal with the complexity of a hotel – or to access external know-how alternatively.

**Assessment of business model, business plan and management**

2. The assessment: conducting a hotel-specific due diligence before the purchase is a must and is time-consuming. A hotel is not only a real estate, but also a business. Hence, both aspects need to be examined accordingly. Thereby, the assessment of business model, business plan and management are exceptionally crucial.

3. The expertise: investors sooner or later need hotel-specific know-how. Without, they will not have the ability to professionally discuss with the operator on eye level. Thereby, external consultants can support the investor especially in the beginning – and coach him later on.

**Sustainability of lease or cash flow**

4. The purchase price: the determination of the purchase price of a hotel differs a great deal from office buildings. With office buildings, the purchase price is based on the rent and the reliability of the lessee. With a hotel, the sustainability of the rent is to be determined based on the cash flow calculated on a neutral business plan.

**Yields of hotels and office buildings cannot be compared**

5. The profit: Comparing yields of hotels and office buildings is not conveniently feasible. According to experience, vacancy of offices is often underestimated. At the same time, the potential 100%-vacancy of a hotel at shortfall of the operator is overestimated. In a successful hotel, the operator will not fail – even if, there will always be another one taking his place.

**Take advantage of the potentials: Risk- and Profit-Sharing models**

6. The contract: due to the lack of profound hotel know-how, investors tend to play it safe by closing fixed lease contracts – neglecting the potentials that lie in thoughtfully framed risk- and profit-sharing models. Instead of solely minimising the risks, they would be better off to orientate themselves at the success of the hotel development.

7. The balance sheet: international financial reporting standards seldom enable international hotel operating companies to close long term lease contracts. Only few investors know of the opportunities that subsequently unfold for the form of contract.

**Put oneself in the position of the operator**

8. The handling: Hotels necessitate active asset management. That means to put oneself in the position of the operator and to consider which investments – no matter if on operator's or investor's side – will ensure the sustainable success of the operation and the real estate best.

# HOTOUR Checkliste für Hotel-Investments

9. The dealings: intensive contact and communication on a regular basis form the most important base for a long term success of the collaboration.

**Intensive communication with the operator is the key factor for success**

10. The increase in value: 'acting instead of reacting' is the device for a successful hotel operation. This assumes a continuous screening of the market respectively sound market knowledge, in order to recognise and understand market changes at an early stage. This is the only way to implement measurements for a potential repositioning of the hotel in time.

**Acting instead of reacting is the device for a successful hotel operation**

The HOTOUR Hotel Consulting GmbH based in Frankfurt was founded in 1970 and is one of the oldest and most respected management consulting firms specialized in hospitality and tourism sector in Germany. We provide unrivaled expertise and a full range of consulting services to financial institutions, investors and project developers including all aspects of transactions, development & realization, and restructuring of hotel properties. For more information go to www.hotour.de