



HOTOUR Checklist – Conversion of offices into hotels

The ten biggest mistakes when converting office properties into hotels

Hotel guests have different requirements in regards to a location than office users. In addition to good accessibility, a micro-location must be able to generate demand for a hotel on its own.

Error no.1

"Any good office location is also suitable for a hotel."

Hotels have very complex functional requirements that not all office properties can fulfill. In some cases, even the requirements for essential functions such as delivery and storage areas are not met.

Error no. 2

"A hotel can be realized in any property."

The room heights in office buildings, particularly on the first floor, are often too low for the requirements of a hotel. In addition, hotels require a greater building depth than classic office blocks.

Error no. 3

"The room programs can be easily adapted."

A hotel property is a highly complex matter. And every planning error that requires higher personnel costs reduce the return on investment. Involving architects and specialist planners with hotel experience in the project at an early stage helps to avoid mistakes that could cost a significant return.

Error no. 4

"Specialist planners are not necessary."

Experience has shown that speculative project developments cannot be financed - the operator must therefore be on board at an early stage. In addition, the operator's technology and development department often contributes a great deal to plan optimization and thus ultimately also to conversion cost optimization.

Error no. 5

"The operator will be found."

Negotiations with operators often fail because a plausible hotel planning is not available at the time of the approach. At the very least, massive time is lost in the operator selection process if sufficient preliminary planning has not been carried out. Moreover, the offers of operators cannot be compared and have to be brought up to a comparable standard at a painstake.

Error no. 6

"You don't need to do your own preliminary planning, the operator takes care of that."

It is worth analyzing and evaluating various options at a very early stage of the conversion idea. These include conversion into a classic hotel - whereby several operating concepts are often considered - but commercial living (serviced apartments) or senior living are also alternatives. Potential future rental income should be compared with the roughly calculated expected conversion costs.

Error no. 7

"There is no alternative to the previous type of use."

Even with a budget concept, the investment required is considerably higher than for a new office use. The change of use must therefore be compensated for by either a more lucrative return or a higher level of security (long-term lease). In addition, the investments in the property that are necessary anyway in terms of ESG or other refurbishment should be considered equally for both types of use when deciding between hotels and offices.

Error no. 8

"The investment is manageable."

As a rule, the installations in hotels are much more complex than in office buildings, not least due to the additional of sanitary facilities. After all, every hotel room needs its own bathroom. Individually controllable cooling or air conditioning is also often not available in offices and has to be included.

Conversions are generally an option if a core refurbishment or other major investment in the property is required anyway (and the other requirements are also met). And hotels are not actually needed everywhere where offices are vacant. Overall, however, a hotel in the right location with the right concept and the right operator beats any office property in terms of value appreciation.

Error no. 9

„The building services required and the space needed are almost identical.“

Error no. 10

„A hotel always works (in a pinch).“