

Why Professional Asset Management adds value to Hotel Investors?

The role of a professional Asset Manager has traditionally been underplayed in India, even though the expertise brought in by a quality Asset Manager can yield great results for Investors. This is already a proven fact in several mature markets where Hotel Investors extensively use their services. The role of the Asset Manager has become even more crucial in the current times of uncharted waters.

How do professional Asset Managers add value to Hotel Investors?

Asset Managers work with owners to maximize the asset value and potential by optimizing operational efficiencies to deliver better ROI.

- 1 Insights and varied experience across hotel class, category, cities, type gives them a wide variety of exposure to be able to work on the best fit for every hotel.
- 2 Quality Asset Managers think outside the box of traditional business and explore boundaries that are unexplored by the operating teams i.e. creating products which can add incremental revenues using the same infrastructure.
- 3 They challenge the Status Quo with deep dive analytics in the busy operating environment which gets missed due to the day-to-day operational issues.
- 4 Their focus is to ensure returns on revenue per square feet and optimization of cost per square feet like any other real estate asset class.
- 5 The ability and exposure to work with teams and bring about change management which delivers exceptional results is critical else everything remains only on paper.
- 6 On behalf of Hotel Investors, they work on a CIC (continuous improvement cycle) and closely monitor results delivered by agreed plans and activities.

Most Hotel Owners and Investors still do not realize the true value add brought about by an Asset Manager in helping improve their hotel performance and feel that "What is the Guarantee? Why should we pay additional money?" But a thought worth pondering here is that do the Brands that manage hotels give any guarantees? Moreover, while it is easy to terminate the Asset Management agreement if it does not yield the desired results, is it the same for a management contract?

As a Hotel Investor the risk for the asset management engagement is very small as compared to the Asset Value or the value of Brand Contracts. For instance, on an INR 200 cr hotel investment the yearly asset management agreement will be <0.2% of the value, while the rewards can be incremental EBIDTA yield ~ 10 to 15x on valuation upside for the hotel investors, making it a worthwhile 'investment'.

At HVS we provide One Time Asset Management and 360 Asset Management Services for all Hotel Investors in South Asia. You can reach us at amehtani@hvs.com.