



ASSET MANAGEMENT

THE ROLE OF THE HOTEL OWNER'S REPRESENTATIVE

The role of an asset manager is to be an owner's representative, a trusted advisor who effectively communicates ownership objectives and concerns to an operator and makes sure that the operator does what is necessary to achieve those objectives. The asset manager continually monitors the subject property on behalf of the owner to evaluate operator contract compliance and to assess emerging opportunities for improving property performance. In addition, banks/lenders, equity investment funds, lawyers and the courts, among others, often engage asset managers to assist with workouts, reorganisations and other activities involving distressed hotel assets and asset portfolios in foreclosure, bankruptcy and receivership.

An effective asset manager has in depth experience managing hotel investments both as an operator and as a direct investor or owner's representative. Experience on both sides of the fence provides the perspectives and touch necessary to align owner and operator objectives and to provide sound and fair judgment of a hotel property's performance, management, positioning and ongoing capital investment needs. An effective asset manager also has experience with various economic cycles so is well equipped to make difficult decisions proactively rather than retroactively and, in particular, understands the unique management issues that arise during a down economy.

Why is Asset Management Necessary?

In today's difficult market environment the engagement of an independent expert asset manager can mean the difference between market viability and eroding financial performance. The relative cost of asset management services are typically far outweighed by their financial benefits. There are a number of reasons why asset management is so necessary:

- Most hotel owners do not have the in-house knowledge and expertise to effectively monitor their properties and make sure they are maximising performance and asset value.
- Overall motivations for owners and operators are generally similar but priorities may differ, which can invariably result in frictions that prove counterproductive.
- Asset value preservation, appropriate market positioning and sound yield management practices are all top priorities for a property owner. An experienced asset manager can help to develop programmes to achieve these objectives and make sure that operators comply.

Every hotel property is unique and every owner has his own specific objectives. Accordingly, MMIS tailors each assignment to the specific situation rather than applying a standard formula. Following is a list of some of the key functions included in a menu of asset management services provided by MMIS.

- Operational reviews.
- Management contract compliance assessments to make sure the operator is meeting performance requirements and stipulated quality standards.
- Market analyses to assess property competitive positioning and market share, to identify opportunities for repositioning, expansion, maximising use of available space and additional revenue generating opportunities.
- Monitor and perform integrated analyses of operating and financial results to evaluate accuracy and to develop strategies and programmes geared towards improving property performance.
- Strategic planning and cost benefits analysis.
- Develop rate setting policies.
- Review and comment on annual budgets.
- Act as liaison between owners and operators to facilitate effective and productive communications.
- Gauge staffing levels and proper allocation of staff resources to maximise productivity.
- Review condition of physical plant and maintenance programmes to make sure programmes are appropriate and implemented on time and on budget.
- Visit property on a regular basis to meet with management.
- Provide monthly reports to ownership that include recommendations for changes and improvements to operations.