

News

5 secrets from asset managers

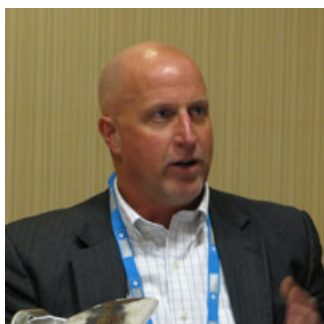
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CHICAGO—Can you keep a secret? Asset managers sure can't—especially when discussing their time-tested tactics for surviving the downturn and preparing for recovery.

That proved a good thing for attendees of a breakout session at the Midwest Lodging Investment Summit this week. During the presentation, titled "Asset Managers Share Their Secrets," a panel of seasoned asset managers disclosed the following pieces of advice for maximizing the value of a hotel.

1. Plan for various outcomes

Within the first month of the recession, Chad Crandell, president of [Capital Hotel Management](#), didn't think things could get much worse. But then they did, and they continued to do so.



Chad Crandell
 president
 Capital Hotel Management

It's almost impossible to predict future outcomes during such turbulent times, he said. Instead, you must develop multiple plans based on various performance levels.

If volume falls to level A, for example, you bring your cost containment to level A. If volume falls to level B, you bring your cost containment to level B, and so forth. Presenting this stratified plan to the GM beforehand eliminates debate and resistance at the time of reckoning, ensuring a quick and seamless course of action.

"There's not one static formula," Crandell said. "It's important to be more flexible with the initiatives that you're undertaking."

2. Communicate objectives

As owners face their own struggles with lenders, operators must understand and buy in to the objective, said Sanjeev Misra, senior managing director of [Paramount Lodging Advisors](#).

Don't just make seemingly arbitrary cuts or demands, he said. Explain your reasoning to get everyone on board.

If you're forced to freeze salaries, for example, you'll get a more favorable response from your GM if you show him some of the nitty-gritty—the cost of daily operation of the hotel versus your committed debt payments to your lender.

"If they're not on the same page, they're not going to implement it," Misra said. "They're not going to buy in."

3. Approach problems as a team

The people who are seeing success coming out of this downturn are the ones who approached problems with their teams, said Barry Bloom, principal of [Abacus Lodging Investors LLC](#). Adopting this holistic approach ensures the deepest pool of knowledge is used to douse the most volatile challenges.

"There are things that operators know that I will never know, and there are things that I

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know that they don't know that are beneficial to their careers," he said. "... In a downturn, we all have to figure out what to do to get out of this."

At [Jones Lang LaSalle Hotels](#), this meant literally moving a team member in to the hotel, said Justin Epps, senior VP of the firm's Chicago office. His colleague moved on-site at The Palmer House Hilton in Chicago to help push a cost-containment initiative. The result proved beneficial on two ends: the hotel met its goals and the colleague gained invaluable hands on experience.

4. Maintain efficiency

Most hoteliers have made cuts during the downturn, but will smart cost containment persist as the industry begins to recover?

Maintaining efficiencies is one of the main challenges for asset managers during the next year, said Robert Habeeb, president and COO of [First Hospitality Group](#).

"We've been forced into a place where we've been running our businesses very efficiently," he said. "Our challenge is to keep that up. If we return to our old habits, we're destined to go into this cycle again."



Robert Habeeb
president and COO
First Hospitality Group

5. Get smart about your market

The key to success in the near term is an individual property's ability to manage revenue, Abacus' Bloom said. It's a game of sorts; to win, you have to know as much about your market and competitors as you can.

Asset managers must help GMs and revenue managers get back into their markets and understand their competitive sets, demand drivers, financial circumstances, property conditions and other GMs and their strategies.

"They have to really understand what they think the market is going to do," Bloom said. "We're only as good at setting rates as what our competitive set is doing."

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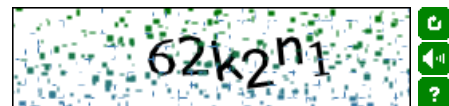
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