



# CBRE Hotels Limelight

Hotel Market Trends Insight

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## 10 WAYS TO HELP MAXIMISE THE SALE PRICE OF YOUR HOTEL ASSET

The commercial real estate market in Australia appears to be slowing, faced with a number of challenges attributed to a slowing national economy coupled with a liquidity squeeze that has meant debt is more expensive and harder to obtain than the recent past. This is the case in some respect, however first appearances can be deceiving. The hotel asset class continues to outperform most other real estate sectors as evidenced by the market's willingness to snap up prime assets and those in favourable locations. While sales volume may be below the fairly lofty heights of the last few years, savvy investors are still on the look out for quality assets as evidenced by a number of high profile recent sales including Seahaven in Noosa, Royal Pines Resort on the Gold Coast, and Novotel Rockford in Sydney. What it comes down to is that investors are carefully looking for the right property.

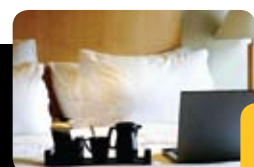
In times of tighter scrutiny of assets there are a number of easy ways in which asset managers or hotel owners can prepare the asset for sale before going to market that will help maximise sale price in what remains a tightly constrained but still eager and willing market. From years of experience that has covered the many fluxuations of Australia's hotel markets, CBRE Hotels have compiled ten key considerations in no particular order:

### PRESENTATION

This is the most obvious of all the steps. Basic presentation such as rooms, gardens, driveways and leisure facilities need to be well kept and tidy and a bit of paint here and there never goes astray. Presentation is not only important for the common areas and those obviously in front of prospective purchasers – storage areas such as garages and cupboards if clean and tidy shows a well maintained and hence more valuable asset.

### LEAD IN PERIOD

The disposal of a hotel asset is generally a long process that requires careful planning and consideration and therefore is not something which can often be completed within a short time frame. The greater the lead in period the more time the selling agent has to create a marketing campaign, prepare documentation, and create an appealing and effective information memorandum. Without enough time these processes become rushed thus lessening the opportunity to maximise the sale price.



## GATHER AND ASSEMBLE ESSENTIAL DOCUMENTS

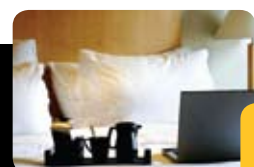
When considering the disposal of a hotel asset one of the first steps should be to obtain, assemble and make ready for presentation to outside parties the documents that hold crucial information to the operation, value, and on going costs of the asset. Assembling many of these documents can take time and producing these late in the negotiation process can irreverently change the nature of the sale and frustrate the process. This information will assist in a speedy due diligence process and should be prepared prior to appointing a sales agent. A checklist (though not exhaustive) of key required documentation includes:

- ✓ Full asset inventory
- ✓ Property title
- ✓ Financial statements
- ✓ Franchise/management agreement
- ✓ Property description
- ✓ Staff contracts
- ✓ Service contracts including suppliers with over 12 months on-going contract
- ✓ Equipment leases
- ✓ Liquor license

## BRAINSTORM VALUE-ADD

This is a service that can be provided by an experienced property consultant prior to deciding on the most appropriate marketing mix before going to market and is crucial to maximising the potential value of the asset. Surprisingly this is a key aspect of the asset disposal process often overlooked. A property professional can perform a detailed best-and-highest-use analysis which can unlock your asset's full value potential. This could be achieved through an almost endless combination of options ranging from property sub-division, to conversion from hotel to residential and vice versa, plus many more. This process adds further credence to the need for an adequate lead in period.

Additionally, analysing key documentation such as management contracts and franchising agreements, amongst other things, can also often provide opportunities for increasing the saleable value of your hotel asset.



## PHOTOGRAPHY

Few hotel owners and asset managers have up-to-date high quality hi-resolution imagery of their property when looking to go to market. It is crucial to have professional images for use in key marketing mediums such as advertising, sign boards and information memorandums. Photography can take time to arrange and is especially pertinent if looking for out of the ordinary imagery such as aerial or panoramic views.

## DRAFT CONTRACT

There are many benefits to having a draft contract drawn up prior to putting the property on the market. This can be arranged by your solicitor or legal representation firm. Apart from saving time once interested parties start knocking on your door, a draft contract can be used to highlight and discuss other not so obvious aspects of the sale requiring additional focus and work including for example service contracts, stock, staffing and goods and services tax (GST).

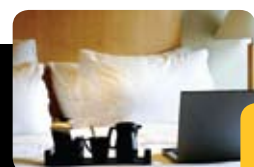
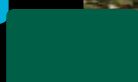
## SPEAK TO YOUR ACCOUNTANT

It is not uncommon for a hotel asset to be put to market, a marketing campaign run and buyers found, only for the deal to be terminated because the owner has realised an unacceptable capital gains tax burden, or other tax related issues. This is just one of many possible examples of how important it is to understand the taxation implications prior to the disposal of any property assets, and this is especially relevant in hotels due to the often high value and commonality of personal ownership in much of Australia.

## REALISTIC BUDGET FOR MARKETING AND PROMOTION

The marketing and promotion of your asset to the right target audience is absolutely crucial to the success of maximising your asset's value during the sales process. Your appointed sales agent will be an expert in property promotion and given enough working time prior to commencement of the sales process will be able to design the most effective way of generating interest and adding value to your asset.

Many people are surprised with the cost of running attractive and effective advertising in national, regional or even local newspapers. Mass media exposure though not cheap still remains the key selling tool for most types of hotel assets. Other forms of marketing that can connect you with potential purchasers includes online (internet) promotion, media releases, email promotion, and of course the more traditional methods including on-property signage, pamphlet, and personal selling.



## **TIMING**

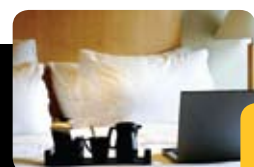
The timing of when the property is put to market plays an integral role in not only maximising the sale price, but also in the successful completion of the sale within the designated time-frame. National holidays such as Easter and Christmas can take the emphasis and momentum out of any sales process, while also affecting the seasonality of the target audience. Think of it like this - If you and your family go on holidays for a week or two around Christmas time then it is likely that the majority of your potential buyers are doing exactly the same.

One key thing to remember in the hotel sales process is that time can kill deals. This is an important consideration in the sale approval process in dealing with body corporates, trustees and other key stakeholders. The moral of the story is to choose the right time to put your property to market and allow enough time to prepare and promote to get the deal concluded in a timely and efficient manner to increase your chances of maximising the sale price.

## **CONSIDER COMPETITIVE STOCK**

It is important to be fully aware of other similar, comparable and therefore competing hotel offerings that are currently being offered. You want as much focus and attention to be on your property during the marketing campaign and you do not want to be fighting for a limited pool of potential purchasers with other directly competing assets.

Likewise, you want to consider the positions of those potential competitor properties that may not currently be on the market, but which could be offered during your campaign. In reality there is little you can do to stop others putting their assets to market, however if you are aware then you can prepare accordingly. If you are able to offer a unique asset in a relatively uncompetitive marketplace you will be well on your way to maximising your asset's sale price.



**ABOUT CBRE HOTELS**

CBRE Hotels is dedicated to being the hospitality industry's premier full-service, international service provider of sales advisory, finance, market research and valuation services, focused exclusively on the hospitality sector, to meet the capital needs of investors and individual owners of hotel properties.

We provide global insight and tailor-made solutions from experienced consultants who are passionate about the hotel business. CBRE Hotels, with its dedicated teams in the Asia Pacific, Americas and EMEA, responds quickly and seamlessly to cross-border, cross-regional and global assignments.



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