

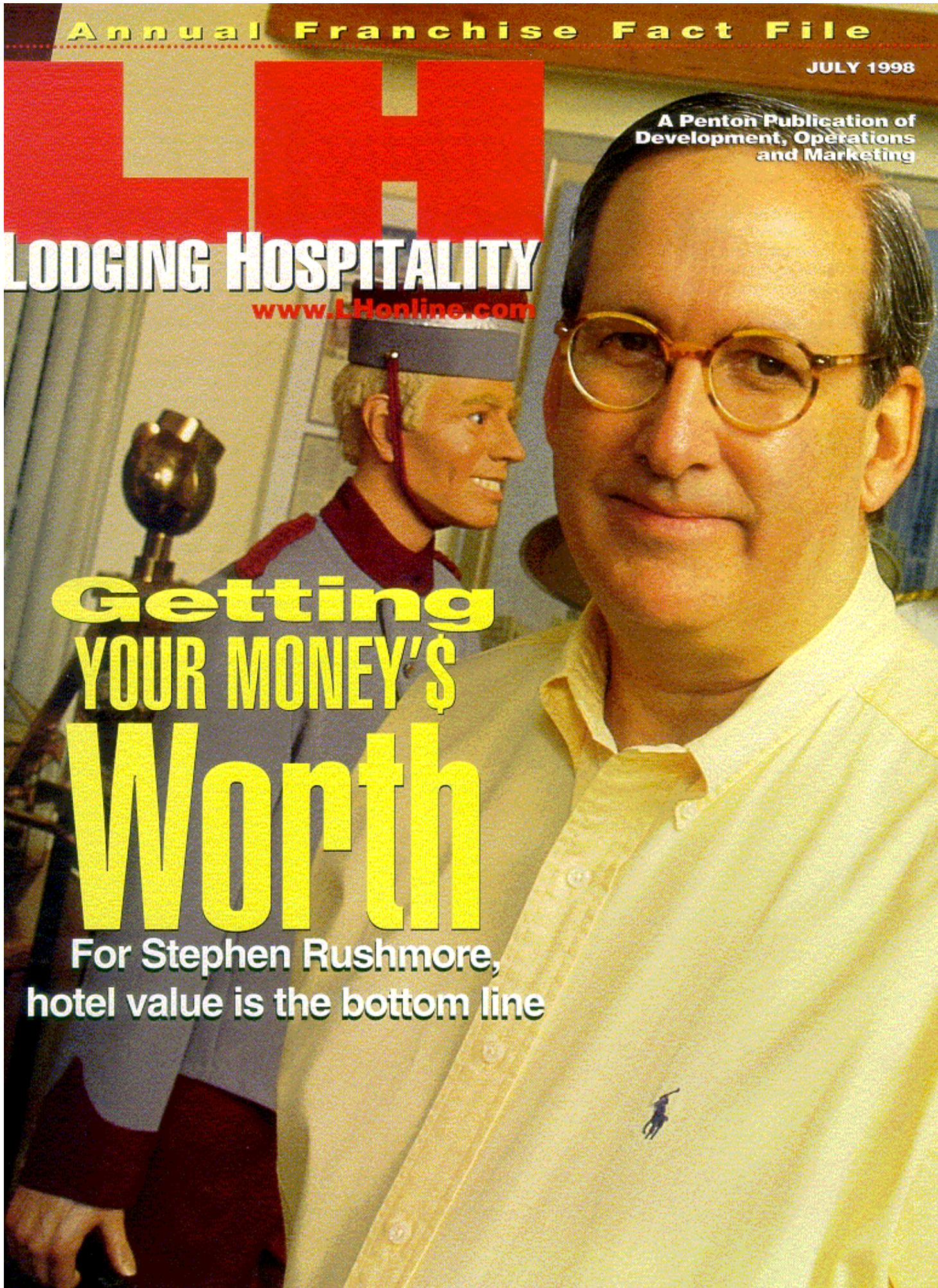
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# LH LODGING HOSPITALITY

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## Getting YOUR MONEY'S Worth

For Stephen Rushmore,  
hotel value is the bottom line



# Getting Your Money's Worth

**For Stephen Rushmore, hotel value is the bottom line.**

by Carlo Wolff  
Associate Editor

*These mannequins in Rushmore's office remind him of his mission.*

**Y**ou could say Stephen Rushmore wrote the book on hotel investing. Actually, the lifelong Long Island resident has written several books and innumerable articles on the subject. Not only that, his unique way of gauging hotel values has become a lucrative, ongoing business.

The real estate editor of *LH-Lodging Hospitality* since 1984, he was introduced to the magazine by Stephen Brener, its long-time finance editor and Rushmore's mentor. Brener died in 1994.

Rushmore is a man of wit, appetite and financial acumen. Not only is he an amusing self-styled expert on fast food (a painting of a White Castle adorns a wall in his office), the 1967 Cornell graduate is constantly on the move in the world of hotels as president of Hospitality Valuation Services (HVS) International, the "global hospitality consulting organization" he founded in 1980.

Rushmore's \$10-million firm, which employs 100 professionals in six offices worldwide, has done more than 8,000 hotel assignments; in 1997 alone, it did 1,200. "We do well in bad times, too," Rushmore says. "That's the beauty of what we do."

Rushmore, who helped formulate the Microtel concept, "does" hotels. He sold Hospitality Equity Investors (HEI), his 20-hotel company, to Starwood Hotels & Resorts in 1997, for \$325 million; small wonder the license plate of his upscale Jeep Cherokee reads Starwood. He brokers hotels, sells hotels, analyzes hotels and advises hoteliers and chains.

Rushmore also wants to "do a diner" that would serve "good, heavy—not chichi"—food. He favors steak; his wife, Judy, a dietitian, doesn't. The couple live in Roslyn Heights, in an upscale neighborhood developed by Bill Levitt, of Levittown fame.

Consumption isn't on Rushmore's mind as much as production, however. The three buildings his operations occupy in downtown Mineola hum with activity. One houses corporate offices; another, HVS production and editing. Across the street is the

Rushmore building ("I finally gave in to my ego," he says) housing HVS Eco Services, HVS Executive Search, marketing and information services.

"We're unique in that we do so much publishing and writing, particularly the books we've written on how to perform appraisals and market studies," says Rushmore, whose family came to the U.S. from England with William Penn. "We really created the body of knowledge everybody utilizes in performing these types of services. If you want the firm that literally wrote the book on hotel valuation, feasibility studies, market studies, franchising and investment management contracts, that's us."

His businesses are decidedly free-market: HVS employees earn a percentage of the revenue that they work on by project and fee. Editors get an \$18,000 annual base salary plus 3 percent of the fee volume they work on; Rushmore estimates the total at \$40,000 to \$60,000. An entry-level associate is paid the same base, plus 5 percent of gross. That rises to 7 percent within three months—and up to 25 percent within four years. Editors and the associates who provide them work spur each other on, generating a determinedly entrepreneurial and competitive atmosphere.

If the HVS environment is rigorous, the ambiance is modern. Casual dress, flexible hours and telecommuting are routine.

### RAISING HOTEL CROPS

You could call hotels Stephen Rushmore's crop. Reaping a harvest seems natural to a man whose grandfather ran a farm. The Rushmore family raised vegetables for sale at local roadside stands. But vegetables weren't Leon A. Rushmore's sole interest. He also was an appraiser for the Roslyn, LI, Savings Bank. Rushmore's father was an executive with a local utility company.

Rushmore became interested in hotels in high school. The summer after he and a friend earned enough from mowing lawns to buy a 14-foot boat in which to travel the Erie Canal, his father drove the two boys to Ithaca to launch the trip. Rushmore's father, who had taken executive education courses at



Cornell, showed young Stephen the Cornell campus, advising him he had to attend hotel school there to succeed in the hotel business.

Rushmore wrote the school for a list of alumni, sent out 15 letters and was hired by John Dodge, of the Mountainview House in Whitefield, NH, as assistant to the salad chef and cook for the poolside buffet lunch. The wage: \$125 a month plus room and board. The hours: seven days a week.

So in the summer of 1962, Rushmore went to work in New Hampshire, soon discovering that Dodge's stepfather was John Silk, an accounting professor at the hotel school. Rushmore wound up cooking lunch for Silk every day. He interviewed at poolside and, despite "marginal SAT scores and average grades," was accepted at Cornell.

### REAPING THE HARVEST

In the past 25 years, Rushmore has worked in mortgage banking, real estate and hotel/motel market studies and valuation. Although he has never been a general manager, he has supervised them and worked in all hotel departments.

In 1980, following close to a decade working for Brener at Helmsley-Spear

## Stephen Rushmore's Crystal Ball

Stephen Rushmore has been there, done that in the hotel business, making it a natural to interview him regarding lodging trends.

**LH:** How did you develop your authoritativeness?

**Rushmore:** I've done a lot of research, reading and observation. In appraising thousands of hotels, you look at management contract, financial statements, the documents that go into the value of the hotel.

**LH:** Is there a typical owner-operator?

**Rushmore:** In the '80s, they were doctors, lawyers and dentists who invested in syndications. In the early '90s, they were lenders who foreclosed and vulture funds that bought foreclosed hotels from lenders and bought loans. Then came owner/operators, hotel companies with operational expertise. Now it's public hotel companies.

**LH:** What will the high-profile tier be in 2010?

**Rushmore:** I would say the super-luxury hotel. It is still just a minor part of the market, but that's the tier that's going to do best and have the least competition. I would also say resort hotels will be hot at that point.

**LH:** Will labor remain a major issue?

**Rushmore:** Always. Hotels don't pay well, there are long hours and there's not much career path other than within the property itself. Technology will make it better because there will be fewer people. But you still need somebody to make the beds and clean the rooms and cook the food.

**LH:** What hotel would you pick if you were going to be a general manager?

**Rushmore:** The Halekulani in Honolulu. It's a big, five-star hotel with plenty of service, a beautiful location on Waikiki and a very pleasant atmosphere.

**LH:** Where and when do you plan to "do" a diner?

**Rushmore:** Lake Tahoe. As soon as possible. ■■■



*Want to know who has the keys to the hotel kingdom? Stephen Rushmore, owner of more than 6,000 hotel keys. Several walls at Rushmore headquarters are filled with these historic means of access.*

Hospitality Services, he founded HVS. He bought his first hotel in the mid-'80s and still owns three in Israel ("a good market with a lot of upside potential").

"Hotels are very difficult to operate," he says. "You have to deal with customers. You have a wide range of skilled and unskilled employees, and you have to deal with f&b in a full-service hotel. You have to market and sell."

The complexity of hotels appeals to Rushmore. "Mastering a hotel, doing it well, maximizing long-term revenues and minimizing long-term expenses" are his priorities. The hotel industry is "very cyclical, and you're constantly battling for survival," he says. "It's very competitive. I'm sort of tangentially involved in the hotel industry; I see myself as a venture capitalist.

"I find entrepreneurs who want to get into hotel consulting and work with them to create a business, market it and turn it into a division of Hospitality Valuation Services."

## RUSHMORE IN CHARACTER

Lest you get the impression that Rushmore is all work and no play, the man has a lighter side. Not only is his office chock-full of lodging memorabilia such as specially commissioned mannequins, furniture and reams of data, he claims to own the world's largest collection of hotel keys: 6,000 and counting (Rushmore has standing classified ads in four antique magazines; if you have hotel memorabilia, contact him at HVS, 372 Willis Ave., Mineola NY 11501).

Not only has Rushmore endowed a professorship of real estate and finance at the Cornell University hotel school, he is setting up a foundation for a projected hotel museum. "It's going to be an actual hotel with 20 to 30 rooms that are exact replicas of rooms in some of the famous hotels of the world," he says. You can bet it will run like a clock.

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## HVS International

With a professional staff of more than 100 industry specialists, HVS International offers a wide range of global hospitality consulting services, including market feasibility studies, valuations, strategic analyses, development planning, and litigation support.

Over the past 18 years, HVS International has provided consulting and valuation services for more than 8,000 hotels in all 50 states and over 55 foreign countries. It maintains comprehensive databases containing information on thousands of hotel transactions, financial statements, and management contracts. Members of the firm have authored virtually all the literature on the subject of hotel market studies and valuations, including seven textbooks and more than 300 articles.

### Divisions

Over the years, the scope of HVS' professional services has expanded to include a broad range of specialty hotel and hospitality consulting and report capabilities.

- HVS Consulting Services
- HVS Valuation Services
- HVS Asset Management & Operational Advisory Services
- HVS Eco Services
- HVS Executive Search
- HVS Food & Beverage Services
- HVS Gaming Services
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### Offices

HVS provides its clients with qualified hotel consulting professionals in offices throughout the world—each with a unique specialty, each with diversified knowledge.

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