



Hospitality Advisory
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Considerations for Hotel Investors in 2021

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Welcome to 2021, where the proverbial *light at the end of the tunnel* might finally be reached for the pandemic ravaged hotel industry.

However, do not let the pandemic's waning timeline fool you. At the end of the tunnel, with the light glowing bright, is where the real work begins for the hotel industry.

Instead of sweet relief, industry stakeholders will be tasked with recovering from the industry's largest downturn on record.

The recovery will be uneven, it will take time, and most importantly, the industry will never look the same.

Investors need to take steps now to prepare themselves for the road to recovery, putting themselves and their staff in the best position for post-pandemic success.

As the hotel industry shifts gears from survival to recovery, investors need to keep these, and other factors top of mind.

Liquidated Damage Clauses

The contracts between franchisee and franchisor can frequently be characterized as a game of leverage. Often, the franchising company holds the

leverage, signing franchisees to long term deals for the use of their brand marks and systems.

However, during these rare moments of industry reset, the pendulum briefly swings in favor of the franchisee.

For owners and investors considering a brand switch at their property in 2021, the liquidated damages associated with terminating an existing license agreement will likely never be more affordable.

While specific liquidated damage clauses vary by brand, and even sometimes by agreement, they are typically calculated on fees collected over a trailing 12-to-36-month period.

Staffing

Hotel staffing across the U.S. will enter 2021 at approximately 46% of pre-pandemic levels. Uneven recoveries across various sectors due to the pandemic will continue to reshape U.S. employment and hotel staffing.

As the broader hotel industry recovery gives way to re-hiring efforts, hoteliers may find a smaller pool of talent, as expanding warehouse and courier industries, work from home opportunities, and decisions to permanently leave the work force combine to shake up the labor market.

Moreover, the prolonged and unpredictable recovery of corporate travel and group business will wreak havoc on property staffing levels. With no reliable historical staffing baseline to review, operators will be at the whim of short-term room night pickups and drop offs.

To bridge these staffing gaps, operators need to forge relationships with reliable third-party staffing firms.

These groups can help owners maintain operational efficiency, while maximizing short term revenue opportunities during the critical recovery period.

IT Contract Management

Investors need to remain vigilant when evaluating cost controls, making sure they turn over every stone. Often overlooked, effective vendor contract management, specifically as it relates to a hotel's technology infrastructure, can be a significant opportunity for savings.

After undergoing a stream of ownership, management, brand, and/or staff changes, a hotel properties technology infrastructure can often become a twisted mess along the way.

With so much uncertainty on the horizon, do not let your hotel's existing technology contracts remain a burden on your operation.

Technology Upgrades and the Guest Experience

The proliferation of new technology platforms has given owners and operators an overwhelming buffet of options to streamline the guest experience and create an overall safer stay. While new technology can streamline operating costs, drive incremental revenue, and generate greater guest loyalty, investors need to consider which platforms offer the best return on investment.

Savvy investors will prioritize technology upgrades as part of their 2021 capital expenditure budget, focusing on platforms that have the potential to impact multiple facets of the business at a streamlined cost.

The hotel operating and investing landscape is set to undergo a seismic shift in the coming years. To thrive in the new normal, investors need to leverage existing industry skill sets to stay ahead of the curve.

Engaging qualified industry professionals with years of experience in these vital areas can be the difference between surviving and thriving during the recovery. Let your decisions today be your investment upside tomorrow.

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