

The importance of branding when buying

IN THE details

Brands impact hotel sales

In the purchasing process, certain guidelines exist to help ensure you're making the right purchase, and the benefit of finding the right brand for the property and the buyer include:

- Lower pricing
- Higher long-term value
- Opportunity to upbrand

By **Emily Hanna**
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When purchasing a hotel, the property's quality, location and age all play major roles. But what brand to choose, if any, could be the most important decision.

A brand's impact on pricing is varied. Because trusted brands have proven less risky investments, lenders might offer lower pricing—one-fourth to one-half of a percentage point for better brands—and lower capitalization rates, which could decrease as much as 100 basis points, according to Teague Hunter, executive v.p. of Hunter Realty Associates.

However, Steve Post, president of Amber Hotel Co. in Malibu, Calif., said lower cap rates also could come as a result of choosing not to brand.

"To maximize the value of a hotel or motel, you certainly have to have the right brand," Post said.



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A strong family is important. "Hilton, Marriott and [InterContinental Hotels Group] brand families are in particular demand in the mid-market/focused-service arena at present," said Ed James, principal at The Mumford Co.

"But, if we're talking about maximizing the sales statistics, such as cap rates and revenue multipliers, oftentimes the non-branded hotels will bring a lower cap rate and higher room revenue multiplier because there's clearly upside."

While he said boutique or upscale hotels in destination areas can succeed without a brand's backing, Post noted some locations, such as off a highway or near an airport, require a brand.

lates to current and historical operational results and prospects for the future."

When choosing a brand, it's important to suit the needs of the purchaser and the property.

"Look at the location first, the brand second and age third. It will tell you what's the future of the hotel," Hunter said.

Status check

To help narrow the choices of which brand to select, take into account the current state of the property—its age, its facilities and anticipated renovations—then check brand standards to uncover which segment the property feasibly could fall under.

Brand standards might vary on the amount of renovation required; better franchises have tougher requirements, sometimes

including extensive product improvement plans before granting its flag.

Then, according to Post, focus on what market you want to appeal to and what sales and marketing efforts you're willing to underwrite to attract that market.

Moving on up

If possible, brokers said to upbrand by renovating and converting the hotel to a higher segment.

"Better quality standards, better operational support, more effective marketing and a higher volume of property level reservation production are all more readily available as you move up the franchise ladder," James said.

However, upbranding an existing property can be difficult, as brands generally prefer new-build properties.

"Everybody learned from the old Holiday Inn [errors], when it took them too long to make the difficult decision to stop franchising existing product and to require new-construction [hotels] in the market," Hunter said. "Everybody saw that mistake, and nobody's going to make that mistake again."

Another mistake to avoid: selecting the wrong franchisor. "With the midscale and economy brands, it's pretty important to choose a franchisor that's solid, established and has a good reputation because there are many more choices in those segments, and you have to be a little more careful in who you're partnering with," Post said.

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Brand awareness

The selection of a brand can be critical, said Ed James, principal at The Mumford Co. "Brand identification has a huge impact on a hotel's value, both as it re-

done deals

■ **The Mumford Co.** arranged the sale of the Days Inn of Indianapolis. The hotel, which will remain a Days Inn, was sold on behalf of a Bowling Green, Ky.-based seller to **Westloop Hotels LLC**. Westloop Hotels will relocate from California to Indianapolis to manage and operate the hotel.

■ **Optimum Hotel Brokerage** closed the sale of the 112-room Kenilworth (N.J.) Inn. **Brix Hospitality**, a New Jersey-based owner and operator, purchased the full-service hotel from **Kenilworth Capital**. In addition to an outdoor pool, a full-service restaurant and lounge, banquet and meeting space, and a business center, the property also includes a 1.5-acre parcel, which could be used for future expansion and development.

■ The Sleep Inn in Concord, N.C., was sold for an undisclosed amount to **S D Hospitality**. **The Mumford Co.** represented the seller, **David Drye Co.**, in the transaction. The 82-room property will remain a Sleep Inn and will undergo cosmetic renovations.

■ The Chicago office of **Molinaro Koger** facilitated the marketing and sale of the AmeriSuites hotel Chicago/Schaumburg [Ill.], on behalf of **VK Suites**, a Milwaukee, Wis.-based private investment firm affiliated with VK Development. Atlanta-based **Noble Investment Group** acquired the 126-room AmeriSuites as its 11th acquisition in the Noble Hospitality Fund LLC. The hotel will undergo a comprehensive \$5-million dollar repositioning and will re-open as Hyatt Place Chicago/Schaumburg later this year.

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Deal Spotlight

Sanford, Fla.

Hotel investment services firm **Hunter Realty Associates** represented and advised the seller in the recent sale of the SpringHill Suites in Sanford, Fla. The 105-suite property was purchased by **Apple Hospitality REIT** and will retain the Marriott flag.

Located between Orlando and Daytona Beach, Fla., the SpringHill Suites Orlando North/Sanford features an outdoor pool and Jacuzzi. It also has meeting space for up to 90 people and boardroom seating.