

Case Study 1 – Going Independent

THE PROPERTY

- 200+ Keys in a top ten US city
- 11% Occ. from branded loyalty program

THE PROBLEM

Operated by a management company under an international 1st class brand (household name), the hotel was performing poorly vs. competitive set and neither GOP nor NOI were what the owners and lenders had anticipated from room sales. The franchise enforced restaurant was not working in this market and losing over \$1m annually.

THE SOLUTION

Ownership employed a consulting and management firm to negotiate a withdrawal from the franchise contract. Preferred Hotel Group was employed to help reposition the hotel as an independent. This gave them the flexibility and reach to manage and sell the hotel in requisite way to achieve better results. The restaurant was redesigned and now makes a profit.

THE RESULT

2013 Results with Franchise		2014 Forecast (at 4/2014)	
Occupancy	86%	Occupancy	78%
ADR	\$203	ADR	\$203
Revenue	\$18.0M	Revenue	\$16.7M
Franchise Fees	-\$2.5M	PHG Costs	-\$0.2M
Franchise F&B Loss	-\$1M	Incremental S&M Costs	-\$0.4M
NOI	\$1.8M	NOI	\$3.8M

"We have more people engaged in selling now and... we are getting traction. As an independent, we have to work harder, but the payoff is quite significant!" – **CEO of new property Management Company**