



HABU: Unlocking Your Hotel's Hidden Value

Highest and Best Use (HABU)... just what the hotel industry needs, another acronym. Most commonly associated with identifying potential uses of vacant land and commercial real estate, HABU is a concept that is readily adaptable to hotels. At CHM, we incorporate HABU as a critical component of hotel investment strategy, always evaluating and identifying ways to maximize profitability and enhance asset value and Owner returns. For us, HABU is a roadmap for *unlocking a hotel's hidden value*, and involves a constant review of the responses to the following key questions:

What are the possibilities? Before you can evaluate options, you need to identify them. Therefore, the first step in the process should liken a brainstorming session, thinking outside of the box, and listing as many ideas as possible. Undertake a SWOT analysis (yes, another acronym), consider the surrounding area and the physical constraints of the site. Invite some professionals to participate....engineers, architects, attorneys, or perhaps land planners. Get their view. Consider both internal and external opportunities; external opportunities might include acquiring an adjacent parcel of land for a timeshare development or selling off/leasing unused property for a use complementary to the hotel (restaurant, parking, etc.) while internal opportunities may be to convert or lease unused or unprofitable space to an alternative use. We have evaluated opportunities for conversion of wings/buildings to timeshare to something as small as converting a banquet coat closet to leased space. The former required a large capital outlay and generated significant returns while the latter cost nothing and generated monthly lease income for largely unused space. Often, it is difficult to get the process started, but once you begin, the possibilities are endless.

Which options are viable? Given the extent of the options, we generally cull the list down to those options that pass the "reality check". With a truncated list, we then proceed evaluating each concept using the following questions as our guide: 1) Is it legally permissible?; 2) Is it financially feasible?; 3) Is it physically possible?; and, 4) Does it maximize Owner returns?. While you may not be able to answer all questions without additional due diligence, this process should enable Owners to focus efforts on those opportunities (or combination of opportunities) that represent the greatest impact to value and have the highest likelihood of coming to fruition.

Does this fit within my exit strategy? "Our favorite holding period is forever" (Warren Buffet). For most of us, we are working within a more definitive and often shorter hold period. Toward this end, the final question when evaluating any development/redevelopment option is: How and when do I exit? Hotel Owners must weigh opportunities against their investment criteria and consider factors such as what impact the project would have on overall value today and also upon sale, potential impact to salability of the asset given the anticipated timing for completion, what level of risk does the project pose, and what level of return can be expected.

What do I do next? Transforming ideas into reality is the only way to impact hotel value. Specific action steps for execution, including a detailed timeline need to be developed and memorialized as part of a strategic plan. Planning is the key to the implementation and eventual exit, and the way in which projects are implemented can make or break the impact to value.

CHM has the tools, resources and proven track record for identifying HABU opportunities and materially impacting asset value for hotel O-wners and investors. Call us at 978.522.7000 to learn more about CHM's services and how we can help you unlock the hidden value in your hotel assets today!

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With a focus on lodging real estate investment, ownership and asset management, we are dedicated to enhancing value and maximizing returns for our clients and investment partners.

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CHM Adding Value Through Strategic Alliances

We are proud to introduce the latest addition to our arsenal of industry experts, Mr. Steven Loeper, President of [Structured Solutions, Inc.](#), a dedicated construction management and capital planning firm.

CHM and [Structured Solutions, Inc.](#) formed a strategic alliance in 2004 to capitalize on a pre-existing working relationship, combining the resources of each firm to provide clients with unmatched expertise in project/construction management and consulting services specific to hotels. Available services include project planning and design review, cost control and value engineering, contract administration, construction feasibility studies, project management and contractor administration.

We are pleased to offer the combined expertise of [Structured Solutions](#) in conjunction with Capital Hotel Management, affording hotel owners the most efficient and effective capital planning services and control over renovation and construction projects.

For more information on how [Structured Solutions](#) can help you with your capital planning needs contact **Steven Loeper** at **978.232.3610** or sjl@structuredsolutions.biz.



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