



## Asset Managers Plug Profit Gap By Glenn Haussman

NATIONAL REPORT -- With the war and a sagging travel market continually grinding down many hotels' ability to turn a profit, some owners are turning to third party management firms to help wring cash out of underperforming hotels.



Just like when mega corporations seek the aid of efficiency experts, the theory here is to get proven pros into a hotel where they can revamp operations or reposition a flailing property to return it to prosperity.

Though this isn't a new concept, when the hotel industry hit this current recession, many owner-operators began seeking skilled turnaround artists to revive flagging operations.

At Prism Hotels, Steve Van, President, says that by the peak of the last business boom in 2000, most hotel executives got "pretty lazy" since everyone was making gobs of money. Now the scenario has done a sharp 180 and many hotels are clinging to life support.

And since the market was peaking, Prism divested itself completely of hotel ownership in favor of a management contract formula. For Van, the idea was to get into the next cycle before anyone else in the industry realized a particular arena was drying up.

"Hotel owners are looking for solutions and we are all looking for another year 2000 since it was the all time high in hotel profitability," Van says. "This year, 2003 looks like it could be one of the worst."

Van believes that many hoteliers are slipping into a near "panic mode" and does not know any prognosticator out there that even feels remotely bullish about the prospects of a recovery this year that's hits desirable or even acceptable levels.

According to Van, six of the first seven weeks of 2003 underperformed compared to 2002 and the hotel business has been completely derailed.

"The hotel business is in a ditch and it doesn't look like it will get better anytime soon," Van says, noting that his company positions itself as counter cyclical in order to close management contract agreements.

This gives Prism the opportunity to strike long-term deals on properties that many think believe to be in total disrepair. One success, Van says, was an airport property they coincidentally began managing on September 11, 2001. Here, he says, his team has managed to increase their market share from 58% to 70%.

Michael Marshall, President of Marshall Management, who says his company likes to cherry pick which hotels they take over, agrees. "We come in and give attention to the hotel in order to drive bottom line profits."

Some fixes to a property can be as easy as swapping flags or changing its management structure, while other projects need to be reinvented through extensive renovations and/or repositioning.

Marshall notes, however, that picking specific brands is not the magic bullet solution for some properties. "You can't rely on franchises to get you business," says Marshall.

Recently Van says Prism sealed a deal with Winston hotels, bringing his portfolio of managed properties up over the 50 mark. He also notes this deal helps bring the company a notch closer to competing with larger management companies like MeriStar.

Right now his bread and butter clients are financial institutions such as GE, GMAC and Apollo, whose primary skills lay outside the realm of the hotel business.

"We are just trying to do the basics better than anyone else. You don't have to have a PhD to be in the hotel business," Van says. "We feel privileged to have grown a company since the beginning of downturn."