

GUIDE TO SELLING YOUR HOTEL OR MOTEL

This guide will help you avoid common mistakes that can derail a hotel or motel sale.

Mistake 1: Not Properly Preparing Your Hotel for Sale

Before buyers sign on the dotted line, they will research your business as they would any other big purchase. Sellers need to be prepared to demonstrate that the worth of their business matches the asking price. This means keeping your financial records in order. Keep a minimum of three years' worth of documents (ideally a longer history), including tax returns and expense records. Good record keeping is a simple way to establish buyer trust. Be sure to resolve any outstanding issues that could derail a sale, like legal issues or unfilled key management positions. If your hotel is struggling, focus your efforts on restoring it to profitability and constructing a plan for continued success. A detailed strategy can give you a much higher chance of attracting the right buyer and making a sale happen.

Just as important as the paperwork, don't forget the *physical elements* of your business as well. Consider upgrading technology, establishing and documenting key processes and even sprucing up your lobby and rooms – the physical appearance of your hotel is often the first impression the buyer gets, so make sure it's a positive one...address all 'deferred maintenance'.

Mistake 2: Working With an Inexperienced Business Broker

The hospitality industry is a specialized field that has its unique set of issues and challenges. Unless a broker has previous experience selling hotels or motels, it is unlikely that he or she will be equipped to effectively guide you through a sale. Brokers without 'specialized' experience in the hospitality industry may lack the connections to successfully market your business. A truly qualified broker can also help with one of the critical steps in listing your business for sale - getting a proper business valuation. Most owners have an inflated sense of value in their business, but an experienced broker can provide the objectivity needed to start the pricing conversation.

Mistake 3: Not Understanding the Market

Selling at the right time and for the right price is much easier said than done. It is important to work with your broker to grasp the current state of the market and what that means for the sale of your hotel. Additionally, although it makes sense to sell in a sellers' market, it is also important to pay attention to the state of the hospitality industry specifically. The goal is to set a price that will attract a

number of serious buyers and yet allow you to close the deal at the highest possible sales price. To properly price your hotel, you will need to know where it stands in the market as compared to others.

Mistake 4: Not Getting the Word Out

With more businesses coming on the market this year, it's important to get the word out and market the sale broadly to attract the greatest number of potential buyers. Listing through a hotel specialist can help in this endeavor, allowing more potential buyers to see your listing and generating greater demand from potential buyers. The more buyers that know about your hotel, the more offers you are likely to get. However, the focus has to be on generating 'qualified' buyers...those with the financial ability to buy, but also the experience to successfully run your business.

At the same time, in most cases it is important to keep the fact that you are selling and the sale process confidential with your staff and vendors. This can be tough to do given the primary importance of getting the word out about your hotel sale, but if your staff and vendors catch wind of the fact that your hotel is on the market it could negatively impact those relationships and your business performance. A good broker will know how to simultaneously market your hotel while maintaining strict confidentiality about the sale. In all cases, a Non-Disclosure Agreement is required from all buyers.

Mistake 5: Not Offering Seller Financing

To close a sale, hotel and motel buyers and/or their lenders are almost certainly going to require some form of financing to purchase your business and property. While lending from local and national banks, and the SBA is readily available, the progress is still slow, and most banks require seller financing as part of any deal they fund. This means you will be required to take a minimum of 20 percent of the sale price in the form of a note that the buyer will pay back over time, with interest. Essentially, you still have an investment in the hotel even after the sale, meaning you are expected to participate in a successful transition to the new owner. This confidence and willingness to invest in your hotel even after a sale will encourage potential buyers, and their lenders. Furthermore, it will help you close your sale and ensure the new owner's success, maximizing the chance they will be able to complete their long-term payments.