

**Preno**

# How to sell a hotel property

And how a smart hotel  
management system can help  
speed up this process



# Preparing your property to sell, & handing it over in a seamless, stress-free process

Deciding to sell a hotel can be a daunting task. The process holds a lot of weight, because not only will you be closing a chapter in your career, and saying goodbye to a business you worked hard to grow – there is also the concern of ensuring that you sell your property at a value you know you deserve.

You've put a lot of time, energy and passion into your business, so putting up your hotel for sale will, of course, carry some concerns, because you want to ensure that...

- 1) You receive the sale price you deserve for it, and
- 2) It is handed over to someone who cares about the industry and the guest experience you have created, as much as you do.

But not to worry, because we've put together some tips to help you understand how to sell a hotel, and how a smart hotel management system (like Preno), can significantly help this process.

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Like just about any property, selling a hotel requires preparation. Simply deciding to put up your hotel for sale, and listing it on the market, is not going to cut it. You have to strategise and prepare.

When selling a hotel, there are a lot of elements that go into this transaction, it's not a simple financial equation. It isn't just the physical building or chattels you are handing over, it is the entire enterprise – the goodwill, the team, the processes, the repeat customers, and everything that comes with it.

So when answering the question 'how to sell a hotel property', there are a number of elements you'll want to consider.

**Remember, it is not just the physical property you are selling, it is the entire enterprise.**

**Assessing the value of your property (both tangible & intangible).**

**Here are a list of things to consider when preparing to sell a hotel:**

### **Revenue & Occupancy**

- The average revenue your property generates on an annual basis.
- The growth rate of your property over so many years (and how much you have forecasted for it to grow in the future).
- Predictions of future revenue (based on present and historical data).
- Figuring out your profit percentage – how profitable your business was in the past, and how profitable you expect it to be in the future.
- Average occupancy rates – how popular your property is with travellers.
- Considering if there is future capital expenditure that needs to be allowed for (e.g. if the property needs work done on it).

### **Debt vs. Assets**

- Assessing how much debt your property owes.
- The financial obligations (i.e. bills & investments) your property is involved with.
- The value of assets – both physical (e.g. property, plant & equipment) and monetary.
- Intangible assets such as branding, marketing and location.

### **The Property Market**

- Competitive benchmarking – looking at the market to see what similar properties are selling for.
- Analysing the market, to see what other properties enterprise value is – using the market to gauge how much your property is worth.

### **Additional Things to Consider**

- Ensuring your financial statements are up to date and your books look as tidy as possible.
- Providing a list of improvements made to the property (e.g. renovations, additional services added to the hotel, etc.).

## Step One

### Prepare to sell your hotel by assessing it's value

#### Preno Tip

These are just a few of the crucial elements to consider when assessing the value of a property and preparing to sell a hotel. We highly recommend consulting with a property valuer to gain expert advice – this way, you can settle on the best price and time to put up your hotel for sale.



### Selling a hotel property requires proof & reasoning

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When selling a hotel property, the worst thing you can do is put up your hotel for sale without reasoning or strategy (i.e. putting it out there and hoping for the best). Putting in the time and strategy will reap the most benefits.

When considering the question 'how to sell a hotel', you need to have reasoning behind your decisions – and this is considered during the preparation stage. Draw upon years of historical data of profits, revenue, sales and occupancy so that you can show proof to potential buyers that your property is a solid investment, all the while providing reasoning to the value you settle upon. This leads us into step 2: how to sell a hotel that uses a smart hotel management system (like Preno)

With Preno, passing on your hotel is easy, because you have a complete suite of tools and data to share with potential buyers and new owners, making it an easy sell and a seamless transition. Let's see how.





### Understand how a smart hotel management system will make it easier to sell a hotel

**Preno, as a smart hotel management system, is the core functionality of an accommodation business**

When considering 'how to sell a hotel property', it is important to realise that the hotel software system you use moves on with your property.

This means that if you're using an outdated, clunky software (or worse, a hotel spreadsheet) that is difficult to learn, requires an unnecessary amount of admin and does not have the functionality to store important data like past revenue and occupancy rates – this is going to reflect badly on business and make it difficult to sell a hotel.

Preno provides a complete scope of past and present business performance, comprehensive guest profiles, and a user-friendly interface that is easy to use and fast to learn. Because of this, it enhances the heart of your hotel business – making it more desirable for potential buyers and new owners (both for those who are experienced and those new to the industry).

# Understand how a smart hotel management system will make it easier to sell a hotel

Here are a list of reasons why Preno makes it easier to sell a hotel property:

## Revenue & Reporting Tools

- Preno stores all historical data, meaning that it is easy for new owners to jump in and see how your hotel has performed in the past.
- You'll have proof of success, in that Preno reports will provide details of business growth, revenue and financial records.
- Preno's reporting tools provide immediate forecasting, which means that new owners can see how the business is projected to perform in the future.
- Clear data (and therefore understanding) of the most beneficial booking sources (e.g. OTA's, website, phone bookings, etc.).
- Potential buyers and new owners can also see that they're buying a business with \$X,000 of future confirmed bookings.

## Comprehensive Guest Profiles

- Preno enables the building of detailed guest profiles, which means that when new owners jump in, they can personalise the guest

experience (even though it will be their first time meeting them). E.g. favourite coffee, allergies, etc.

- New owners can see which guests provide a lot of business and visit often, meaning, they can foster the relationship from day one, and keep this steady flow of business going. This is easy in Preno, as you can view guests (on the Preno 'guests page') by monetary value – ensuring an easy handover to new owners.

## Seamless Design & App Integrations

- Preno is designed with simplicity in mind, meaning that it is easy to learn. New owners and any new staff will easily pick up the functionality of Preno in minutes.
- Prospective buyers will be able to see that the hotel is already seamlessly integrated with OTA's, accounting, and POS (point of sale) software (and other key tools).
- Your front and back office processes look professional and tidy – which will be appealing to potential buyers and new owners.



## Step Two

**Understand how a smart hotel management system will make it easier to sell a hotel**



**With a smart hotel management system like Preno, everything is seamless**

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A property with their processes and technology already in place is much more attractive to prospective buyers. Your business will be more compelling if prospective buyers know that they can focus on the guest experience rather than having to upgrade your hotel's technology stack and day-to-day processes.

With a smart hotel management system like Preno, everything is seamless. Preno makes the selling a hotel process simple because new owners will know that they are purchasing a property that is already running smoothly, and growing steadily.

### **Preno Tip**

These are just a few of the many benefits Preno (as a smart hotel management software) has when it comes to the functionality and efficiency of a hotel business. For a full list of features, that will help you run, and later sell a hotel business, [click here](#).

# Calculate how much to sell your hotel property for



When selling a hotel, before you start looking for potential buyers, you have to set a value for the price you wish to sell your accommodation business for. This is where the knowledge you gained from Step 1 and Step 2 will come in handy.

**You'll need to calculate the monetary value of your business. We recommend using the formula below to calculate this:**

Value of capital assets +

Multiplier (based on value of processes, technology & intangible assets)

x Yearly net revenue (EBITDA)

## Preno Tip

When calculating the monetary value of your hotel, you will need to take into account your EBITDA – this stands for ‘Earnings before Interest, Tax, Depreciation and Amortization’. The simplest way to get this number is ask your accountant – but for a basic understanding here are some details on what each component means:

**Interest** – The expenses from money borrowed for things like your property mortgage, renovations, and so on.

**Tax** – Government taxes you owe for your hotel profits.

**Depreciation** – This refers to the value of your tangible or physical assets and how much they depreciate over time or are used up. For example, a TV for your hotel room purchased at \$1,500 today, might decrease in value by \$300 per year over the next 5 years – this would be the depreciation value.

**Amortization** – This refers to the practice of spreading your hotel’s intangible assets (e.g. branding copyrights and trademarks) cost over that assets useful life. (This might be less applicable to hotel businesses).

### Value of capital assets

Your capital assets are all of the physical things your accommodation business owns. If you had to sell all of the assets in your hotel tomorrow, how much would you get for it? Add them all up and you get a total of your capital assets. For example:

Do you own the hotel building? (e.g. \$1m)

What is the total chattels value? (beds, sheets, computers, etc.) (E.g. \$50k)

Do you own the land? And the carpark? (E.g. \$100k)

Value of processes, technology & intangible assets x yearly net revenue (EBITDA)

It is important to note that selling a hotel is different to selling a house. When selling a house, you’re simply selling the physical asset, but when selling a hotel, you’re also selling an enterprise; a business – you’re selling the future net revenue of the business (e.g. \$200k per year).

A property with limited booking history, manual processes, and desktop-based software might get a 0.5 times multiplier for their yearly revenue (e.g. 200k x 0.5 = \$100k). Conversely, a property with consistent yearly growth and a smart hotel management system (like Preno) that automates processes might achieve a multiplier of 2, 3 or even 6 years worth of net revenue (e.g. \$200k x 3 = \$600k).

### Value of processes & technology

A business that has predictable revenue (i.e. has the reporting data to back this up), has good processes with seamless automation, and doesn’t require much extra capital or time from new owners will sell for a higher multiple.

The less a new owner needs to do when they take over the property the higher the price you can sell a hotel for. This is because the more seamless the operations and self-sufficient the business is, the less risks.



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## Things to consider:

Can the new owner check performance and have oversight from anywhere (or, do they have to go into the office each day, or rely on extra work from the team to have oversight)?

Is invoicing, reconciliation and accounting automated as much as possible (or, are there a lot of manual

processes involved each week)?

Does your hotel have clear processes around housekeeping (e.g. adding special guest request notes)? (The clearer the processes, the less cost associated with servicing each room, and the more quality the housekeeping is.)

Has your hotel revenue been increasing each year? Do you have easy-to-analyse data to back this up?

Do you receive bookings directly through your website (or, are you completely reliant on OTA's like Booking.com)? (Having multiple reliable sources for bookings is important.)

## Value of intangible assets

A business that has regular returning guests, for example, is more favourably predictable (i.e. you know that the hotel is, and will continue to generate revenue from these guests). Essentially, the more predictable your business, the higher your multiplier will be when selling it.

When thinking about the value of your intangible assets, you'll need to consider your email database, your proportion of customers that are returning, and more. All of these factors contribute to how predictable your business is – and therefore, how high your net revenue multiplier will be.

### Preno Tip

**'How to sell a hotel' starts with assessing the value of your hotel business as an entire enterprise. With the intelligence of a smart hotel management system (like Preno) you will have more tools to help choose a great price and receive the monetary returns you deserve for your accommodation business.**

### Things to consider:

Do you have an email database of regular customers, with detailed notes? Things like this are important, as they allow new owners to retain valuable guests.

Do you have securely stored credit card (CC) details for repeat customers?

Does your brand hold value? (I.e. does it have a good reputation?)

What percentage of your customers are from returning guests? (The more regular your customers, the more predictable your revenue is.)

Do you have automated emails setup with upsell and cross-sell offers for all guests?

Is your average revenue per guest increasing each year?

Do returning guests come to your hotel because of the brand name? (Or, are they just loyal to you

as the owner?)

Remember, if you want to receive the best price for your hotel (one that reflects the value of your business, and that you genuinely deserve), you need to:

Automate previously manual processes – using a smart hotel management system (like Preno)

Build a comprehensive repeat guest database – complete with preferences & credit card details

Maximise your revenue per room (before selling) – upsell & cross-sell with automated emails





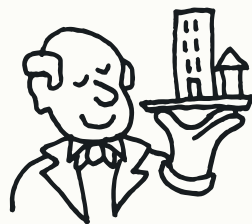
Once you've put in the preparation, established the value of your property, and learnt how a smart hotel management system will help during the process of selling a hotel – the next step is figuring out how to put up your hotel for sale and find prospective buyers.

It is one thing to have a great property that you know will be desirable for buyers, it is another to market your hotel sale where these prospective buyers will see it.

### Where to advertise your hotel for sale?

When selling a hotel, penetrating the market is an important step – and this takes into account where (and to whom) you advertise your property.

Today's digital world provides you with a wealth of online opportunities, but you can also try traditional offline marketing too. (We recommend discussing this with an experienced advisor.)



To get you started, here are some examples of places that you can advertise your hotel for sale:

Hotel magazines

Property & trade magazines

Social media

Investment newsletters

Business publications

Travel publications

Property listing sites (e.g. TradeMe)

Through a business broker

Local hotel real estate agent (ideal for independently owned hotels)

International real estate (ideal for larger hotels)

Etc...

### Preno Tip

**Many of our customers here at Preno are independent hotel owners who previously worked in other industries and made the move to purchase and run their own accommodation business. Read a real-life story of one of our customers (Greyfriars Motel) who took this path, here.**

### Path 1: Adept hotel property owners

These are the prospective buyers who already have a wealth of experience in hotel property ownership. It might be that they own multiple accommodation properties already, or have experience owning them in the past. Either way, they know what they're doing and most probably know exactly what they're looking for.

If you wish to take this path and sell your hotel to adept buyers, listing your hotel for sale in official property or trade magazines and sites, for example, might be a good approach.

Adept prospective hotel buyers likely follow the accommodation property market closely, so reaching them (with the help of your advisor) shouldn't be difficult.

### Path 2: Entrepreneurs new to the industry

The other path you may take with selling a hotel is to sell your property to buyers new to the industry. It is a common appeal for many people to shift industries and purchase a small motel or boutique hotel, start a new venture and enjoy a change in lifestyle.

This might be a retired couple, or a business person excited to run their own business and join a hospitable industry.

Your advisor will help you with choosing the best place in the market to advertise to new entrepreneurs – however, they may very well be likely to look in similar places to adept buyers.





**What do prospective buyers look at when they consider purchasing your hotel?**

When considering 'how to sell a hotel', it is important to put yourself in the perspective of potential buyers. If you were buying a hotel business, what would you take into account?

Of course, there is the monetary value, tangible and intangible assets we discussed earlier, but there are also a variety of other elements that prospective buyers will review before they even consider purchasing your hotel property.

Before a prospective buyer purchases your hotel business, they will undertake what is referred to as "due diligence" – a combination of research and investigative tasks, for the purpose of reviewing your hotels performance, positioning in the market, popularity with travellers, and more.

### Preno Tip

**There are a number of factors that prospective buyers take into consideration when looking at purchasing a hotel. When considering selling a hotel, you must take into account everything they might look into.**

**For example; negative hotel reviews – rectify any negative connotations with your property before selling. Read tips here on how to respond to negative hotel reviews.**

Following are some examples of due diligence that prospective buyers will look into before considering purchasing your hotel:

Read guest reviews – see how positive or negative they are.

Talk to staff members – gain insider viewpoints.

“Mystery shop” – i.e. secretly stay at your hotel.

Review the market – consider how your hotel compares to competitors.

Research tourism activity in the area – how many people visit and why.

Think about room for improvement – many entrepreneurs like to make changes to the business (some even like a challenge or “fixer-upper”).

Review financial statements and booking history – i.e. the elements you considered when valuing your property.

Consider how profitable investing in your property will be – e.g. by calculating the Net Present Value (NPV).

Look into legalities – prospective buyers will check if your licenses and legal matters are up to date.

Review your chattels and stock – ensure chattels and stock counts are up to date.

Assess the size and scale of your property and business – e.g. building quality and condition.

Etc.



# Knowing how to negotiate the best price when selling a hotel



After you have been through the process of valuing your property, you will now have an idea of how much you expect to get when selling your hotel.

To ensure you get the best deal for your hotel business, and receive the capital you deserve, it will be important to learn how to negotiate on price.

Negotiation is an important step when considering 'how to sell a hotel property', because it is the step that determines whether you get the monetary returns that reflect the value of your hotel (or, you end up selling your business with regrets).

Here are some negotiation tactics we recommend to help you with selling a hotel:

### Preno Tip

Selling a hotel to buyer's new to the industry is favourable during the negotiation stage, because they're more likely to agree on your desired price. If you choose to target these types of buyer's, ensure that your hotel is running smoothly on a smart hotel management system (like Preno) – one that is easy-to-use and connected (i.e. to other apps).

People new to the hotel industry are used to easy-to-use apps like Facebook, Xero, and others – so if they're looking at buying your property, they will expect the same ease of use. New hotel owners will be less likely to buy your property if it is running on out-of-date legacy systems, or worse, confusing spreadsheets.

### Remain calm & collected

One of the worst mistakes you can make is letting stress take over you during the negotiation process. For example, if you're in a rush to sell a hotel, don't let the buyer know this, stay calm and collected – otherwise you'll end up selling for a price much lower than the value.

### Be knowledgeable of the market

Just as you will do when valuing your property, before going into the negotiation stage, ensure that you know the market. What are similar properties selling for? Look at the hotel property market and ask yourself, is it currently a buyer's or seller's market? Go in fully aware of market trends.

### Go for multiple offers

When selling a hotel, something you'll want to do is get as many favourable hotel offers that you can. If they're sitting in a similar price range (or even better, are higher than your desired price)

this will make your property seem popular. Your best odds of getting a high price is competitive negotiation.

### Target buyer's new to the industry

A pro-tip with hotel price negotiation is knowing that sometimes you can fetch a higher price from people new to the industry. This is because their decision is more based on emotion than numbers (i.e. it is an exciting new venture for them). This is in comparison to adept hotel property buyer's who will try negotiate the price down.

### Put yourself in the buyer's shoes

During the negotiation stage, remember to consider what you would realistically pay for your property if you were the buyer. It can sometimes be difficult to separate your emotional connection with your property, with the realistic value. So, during the negotiation stage it's a good idea to consider the buyer's perspective.



After your hotel business sells, there are a few things you will need to take care of while handing over operations. Here is a list of things you'll need to do to help new owners once your hotel sells:



### Introduce hotel staff

After selling a hotel, it is important that you introduce new owners to existing staff members. Remember that your staff have worked for you for some time, so you want them to feel positive about the change and excited about the new ownership. When handing over, help foster the start of the new owner + employee relationship by preparing them for positive changes.

### Introduce loyal customers

Something else that you have accomplished during your ownership of your hotel property is building a loyal customer base. Even though you are now leaving the business behind, you'll want to know that the hard work you put in to grow the hotel wasn't wasted. Introducing your loyal customers to the new owners will help foster this.

### Talk through the usual process

Even though every hotel owner will be likely to run things differently, during the handover process it'll still be important to talk the new owner through the usual process. Ensuring that they know how things usually run will enable a smooth transition, and less stress for hotel staff members.

### Handover business commitments

After selling a hotel, it is also important to make sure that new owners are aware of any

commitments the business currently has. For instance, this might include involvement with charities, events, contracts with travel agents and so on.

### Show them your hotel management system

When handing over your hotel management system to new owners, it should be as simple as showing them. With smart hotel systems, little training should be required – but do ensure to show them around the system so they know where everything is. Software systems like Preno make this process quick, easy and seamless.



### Be savvy & sell your hotel with no regrets

Still wondering how to sell a hotel business? With Preno, you can centralise your processes, so that when it comes to putting up your hotel for sale, the handover process will be much simpler and stress-free.

Remember that when you sell a hotel, all of the time, money, and assets you put in, will now be in the hands of another person – it is now their responsibility to grow your former property and brand further. By putting in the tools and processes now, you can safeguard the business you built, so that you can rest easy, knowing that after selling, your hotel business will continue to stand strong.

Your hotel business is more than just a building; it is a community, it is an enterprise – sell your hotel knowing that you have done everything you can to keep it growing.

#### Seeking the perfect hotel management solution to streamline your property?

Preno offers powerful reporting tools, app integrations and more – complete with a seamless software design and a user-friendly interface. Trial Preno for free.

