

NZ Hotel Industry Conference

Receivership Perspective

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Recent cases

(a) Existing hotels (sold)

(b) Boutique Lodge – newly developed (shut down)

Boutique Lodge – established (sold)

Why hotel developments / investments fail

What to do when your hotel investment comes under financial pressure.

Existing hotels

- Private investor
- No hotel management experience
- Remote ownership
- No strategic plan
- Owner basically solved previous owner's problem
- Income being diverted
- Mortgagee not being paid
- No confidence in owner

Sale process / outcome

- Existing Hotel A – 75 rooms

- Acceptable offer received upon appointment
- 24 hour valuation peer review
- Second mortgagee threatened to injunct sale
- Hotel sold to Second mortgagee for more than original offer

Sale process / outcome

- Existing Hotel B – 63 rooms

- Sales campaign
- Offers received not acceptable
- Hotel subsequently sold for \$1.5m greater price to one of the parties in initial tender round

Boutique Lodge A

- Newly developed – 16 rooms
- Family "dream"
- Development costs exceeded budget
- 3 mortgages
- Marketing lead time underestimated
- Potential solution found
- Mortgagee scrap escalated losses
- Owner "walked away"

Boutique Lodge B

- Established hotel – 17 rooms
- Developed additional hotel apartments
- Increased debt
- Marketing / promotion sub par
- Sales campaign
- Bank pursuing personal guarantee

What to do when hotel investment comes under pressure

- Private hotel scenario
- Ensure management information is reliable
- Seek expert advice
- Demonstrate expertise to funders
- Be realistic
- The "tipping point"