

George Mason University
School of Recreation, Health and Tourism

TOUR 480 – 002
Hospitality Asset Management [3.0]
Spring 2014

DAY/TIME: Mondays 4:30p.m. – 7:10p.m LOCATION: RAC 2203 Fairfax

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PREREQUISITES/COREQUISITES

None

COURSE DESCRIPTION

This course explores diverse aspects of hospitality asset management and hospitality finance. Students will learn how to assess and benchmark hotel performance and how to evaluate financial investment decisions. The seminar will include case study discussions with industry leaders as guest participants. During the semester, students will learn about hotel operating metrics, feasibility studies, the financial implications of operational decisions and they will perform cost benefit analyses on operational drivers at a hotel asset.

This class is taught by an affiliate faculty member who is currently an executive in the hospitality industry. He will introduce the students to business leaders in the industry and the class discussion will draw upon current business examples to illustrate key course objectives.

COURSE OBJECTIVES

At the completion of this course, students should be able to:

- 1) Recognize critical hospitality industry business drivers and performance metrics
- 2) Understand a hotel profit and loss statement, including how changes in key business drivers impact financial results
- 3) Appreciate and apply critical financial concepts – that pertain to all businesses -- such as: return on investment, internal rate of return and net present values
- 4) Weigh financial decision-making with non-financial factors in evaluating business investment opportunities

COURSE OVERVIEW

Attendance, Punctuality and Participation - Regular attendance and punctuality are essential. Students should demonstrate their business acumen by attending all class sessions and being on time. Absenteeism and late arrival to class will affect the student's overall grade in the class. Class participation is critical. Students will be expected to have completed any required reading prior to class and students should be prepared to discuss the material with the instructor, their classmates and/or guest speaker.

Each student will be asked to lead/facilitate a class discussion. To prepare for these discussions, the students may need to review additional information not provided in the class. Moreover, the students will draw on the material to prepare thought-provoking questions for their discussions.

Classes will be broken into two segments with a very brief break between the segments. Students may use the break time to snack, caffeinate, check emails, etc. but will be required to return to class physically and mentally at the specified time. Students will not be allowed to snack during class.

Guest Speakers: Throughout the semester, guest speakers will discuss how their unique perspectives apply to the class topic. Current guest speakers include senior executives from publicly traded hotel companies (Hilton; Marriott and RLJ); private hotel consultants (Savills, RevPAR International); and private hotel ownership groups (JBG and American Realty Capital). Guest speakers will generally join the class for only one of the two segments.

Quizzes – Throughout the semester, there will be five announced quizzes. These quizzes will cover the cumulative information discussed in class and information covered in the required reading.

Case study – Each student will select a real business case study and apply the business and financial concepts reviewed in the class. Examples of case studies may include deciding to invest or withhold capital investments (renovations or expansions), building a case for repositioning a hotel or hotel restaurant, valuing a property, and gauging performance metrics at a hotel. Students are advised to discuss their case study ideas with the instructor and will be required to submit periodic progress updates (outline and drafts).

Case studies will include (i) an introduction, setting the stage and introducing a problem; (ii) a discussion of the methodology/analysis to assess the problem; and (iii) conclusions. The case studies must be typed double-spaced and will include graphs and/or tables providing financial data supporting the student's conclusions.

Extra credit (optional) – Students have the option to read a hospitality-related text and analyze (in two concise pages) the author's portrayal of the hospitality industry. Hospitality-related writings vary greatly, for example:

Heads in Beds by Jacob Tomsky

Without Reservation by J.W. Marriott, Jr.

Four Seasons: The Story of a Business Philosophy by Isadore Sharp

Don't Stop the Carnival, by Herman Wouk

The instructor must approve the student's proposed text (and the instructor can offer recommendations based on the student's specific interests.)

Syllabus Changes – The instructor reserves the right to change this syllabus in order to improve the quality of the overall learning experience. Moreover, schedule conflicts with the guest speakers are very possible – even likely – and therefore the guest speakers are subject to change.

NATURE OF COURSE DELIVERY

This is a face-to-face course and class participation is critical.

REQUIRED TEXTS AND CALCULATOR

Required texts: There is no single required textbook. Instead, the instructor will provide excerpts from multiple textbooks, news articles, industry analyst overviews and other written materials. In general, the texts will be provided two to three weeks in advance and the students will be required to read the text prior to class. Texts will be posted on blackboard, handed out in class and/or emailed to the students.

Calculator: You will need a calculator for this course. It must be capable of raising a number to a power. Completing calculations on your cell phone or any other type of transmitting device is prohibited.

EVALUATION:

Class participation (preparation and discussion):	20%
Quizzes: five in-class quizzes and one take-home quiz	40%
Case study:	40%
Outline:	5%
Draft financials:	5%
Draft case study:	5%
Final case study:	25%
Extra credit (optional):	5%

Grading Scale:

A = 94 – 100	B+ = 88 – 89	C+ = 78 – 79	D = 60 – 69
A- = 90 – 93	B = 84 – 87	C = 74 – 77	F = 0 – 59
	B- = 80 – 83	C- = 70 – 73	

TENTATIVE COURSE SCHEDULE

January 27: Abbreviated class 4:30 – 6:00pm

 Guest speaker – “Franchising”

 Submit class survey via email

February 3: What is Asset Management?

- (i) Understanding the hospitality parties: brand, manager, owner, lender, asset manager
- (ii) Driving value: what this means and how it may differ depending on the party
- (iii) Two facets of asset management:
 - a. Operations asset management and
 - b. Physical asset oversight (capital expenditures)
- (iv) Ownership objectives
- (v) Benchmarking results: P&L statements, STR Reports, GSS scores, ROIs, IRRs...

February 10: Driving revenues

- (i) Revenue types: Rooms, F&B, meeting, etc.

- (ii) Where the revenue comes from: transient, group, leisure
- (iii) Revenue channels
- (iv) Benchmarking revenues: market share, year-over-year, comparison to budget

February 17: Managing expenses

- (i) Introduction to hotel Profit & Loss (“P&L”) statements
- (ii) Industry benchmarks (Flex/Flow, margins, costs per occupied room, etc.)
- (iii) Fixed vs. variable expenses
- (iv) Department expenses
- (v) Non-departmental expenses

February 24: Exogenous factors

- (i) Changes in supply and demand
- (ii) Industry benchmarks (Smith Travel Reports, RevPAR penetration, etc.)
- (iii) Macroeconomic factors (interest rates, inflation, etc.)
- (iv) Economic cycles

[First quiz]

March 3: The Team, the Staff, Human Resources, the Workers...

- (i) Staffing models
- (ii) Union agreements
- (iii) Immigration policies
- (iv) Seasonal labor

March 10 – Spring Break

March 17: Food & Beverage: complementing the hotel guest experience and maximizing profitability

- (i) Restaurant concepts and the hotel image
- (ii) Market dynamics: supply and demand
- (iii) Banquets
- (iv) Other food and beverage: in-room dining, catering, mini-bar, etc.

March 24: Introduction to Key Financial Concepts

- (i) Time value of money and Net Present Value
 - a. Risk free rates
 - b. Adjusting for relative degrees of risk
- (ii) Internal Rates of Return
- (iii) Return on Investment

[Second quiz]

March 31: Key Financial Concepts, continued

- (i) Cost of debt and cost of equity
- (ii) Debt
 - a. Types of Lenders (Banks, Insurance companies, equity investors)
 - b. Types of loans (recourse and non-recourse, senior and mezzanine, CMBS, etc.)

April 7: Capital expenditures

- (i) Capital expenditures; repairs and maintenance and furniture, fixtures and equipment
- (ii) Owner, manager and asset manager roles
- (iii) Capital expenditure decisions
- (iv) Expenditure process
- (v) Case study: Whether or not to invest, applying financial concepts

[Case study outline due]

April 14: Contracts

- (i) Management contract
 - a. Responsibilities of the manager vs. the owner
 - b. Manager fees and incentives
 - c. Termination provisions
 - d. Alignment and misalignment of interests\
- (ii) Franchise contract
- (iii) Others (leases, labor agreements, contract services, etc.)

[Third quiz]

[Draft financial modeling for the case study due (graphs, tables, financial analysis)]

April 21: Financial Valuations – Valuing a Hotel

- (i) Benchmarking values: replacement costs, price per key, comparable transaction, etc.
- (ii) Comparing values: book, tax, and financial values
- (iii) Preparing a profit and loss forecast:
 - a. Rate and occupancy projections
 - b. Other revenue projections
 - c. Expenses: fixed and variable costs

[April 25: Draft of the case study due April 25]

April 28: Financial Valuations – Valuing a Hotel

- (i) Review of P&L forecast concepts in week 8
- (i) Valuing the hotel using financial concepts from week 4
 - a. Net Present Value
 - b. Internal Rate of Return
 - c. Cash-on-cash returns (levered and unlevered)

[Fourth quiz]

May 5: The future of asset management and case study discussions

- (i) Internationalization
- (ii) Sustainability
- (iii) Changing ownership structures
- (iv) Case study discussions

[Final case studies due]

May 12 – *[Take home quiz due]*

GMU Policies

Student Expectations

- Students must adhere to the guidelines of the George Mason University Honor Code [See <http://oai.gmu.edu/honor-code/>].
- Students with disabilities who seek accommodations in a course must be registered with the George Mason University Office of Disability Services (ODS) and inform their instructor, in writing, at the beginning of the semester [See <http://ods.gmu.edu/>].
- Students must follow the university policy for Responsible Use of Computing [See <http://universitypolicy.gmu.edu/policies/responsible-use-of-computing/>].
- Students are responsible for the content of university communications sent to their George Mason University email account and are required to activate their account and check it regularly. All communication from the university, college, school, and program will be sent to students solely through their Mason email account.
- Students must follow the university policy stating that all sound emitting devices shall be turned off during class unless otherwise authorized by the instructor.

Campus Resources

- The George Mason University Counseling and Psychological Services (CAPS) staff consists of professional counseling and clinical psychologists, social workers, and counselors who offer a wide range of services (e.g., individual and group counseling, workshops and outreach programs) to enhance students' personal experience and academic performance [See <http://caps.gmu.edu/>].
- The George Mason University Writing Center staff provides a variety of resources and services (e.g., tutoring, workshops, writing guides, handbooks) intended to support students as they work to construct and share knowledge through writing [See <http://writingcenter.gmu.edu/>].
- For additional information on the College of Education and Human Development, School of Recreation, Health, and Tourism, please visit our website [See <http://rht.gmu.edu/>].

PROFESSIONAL BEHAVIOR: Students are expected to exhibit professional behaviors and dispositions at all times.

CORE VALUES COMMITMENT: The College of Education and Human Development is committed to collaboration, ethical leadership, innovation, research-based practice, and social justice. Students are expected to adhere to these principles.