

Renovations

Pandemic changing how brands work with owners in renos

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The pandemic is adding extra challenges to hotel renovations and repositioning projects, so brands are becoming more flexible as they work with owners.



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GLOBAL REPORT—Renovations are part of the normal life cycle of a hotel, but this year has been anything but, which means additional challenges for hoteliers trying to refresh their properties.

During the “Ownership & the 3 Rs (renovate, reposition, rebrand)” session of the CHRIS+HOLA Connect online conference, brand executives spoke about how they are working with hotel owners and investors looking to implement property-improvement plans and convert to new brands.

Recent projects

After a few years of negotiations, Hilton recently signed a contract for a new Curio Collection property in Monterey, said Nicolas Martinez, Hilton’s director of development, Mexico. The property has more than 300 rooms and involves a major renovation of the entire property.

The negotiations took years, so while Hilton was ready to move on it, the pandemic has caused executives to go back to the ownership group and review the entire timeline and reinvent the property-improvement plan.

“We have to be very empathetic with them and very focused on what’s more important right now, because we understand that for them, liquidity is going to

be key for the next couple of years,” he said.

There are several ownership groups with multiple properties in their portfolio who are struggling because of the pandemic, Martinez said. Every renovation project now means going back and redoing the PIP and timeline to prioritize what needs to be done.

Marriott International has its first Delta all-inclusive resort undergoing a renovation in Mexico, taking the room count from 117 to 300, said Walter Regidor, VP of development, conversions, at Marriott. Noting the similarities to what Martinez described, Regidor said Marriott was moving forward on the project, but since the pandemic hit, executives are reviewing the scope and layout of the property.

Before converting the Cayo Guillermo in Cuba to its brand, Kempinski Hotels reviewed the property and told the owner it would need a property-improvement plan to turn the all-inclusive resort into a non-all-inclusive resort since Kempinski doesn't work with those, said Xavier Destribats, the company's COO of the Americas.

The renovation began last year and the conversion was a success, but after opening the hotel in February this year, the hotel had to close for three weeks because of the pandemic, he said.

Challenges in renovations

The main challenge in these processes are managing expectations between what the brand desires and the cost to become the brand, Regidor said. There is usually a disparity between them, and it's necessary to manage expectations and determine the correct scope of the work.

After that, it's about making sure the owners understand the implications that come with the brand.

“This is not only about the renovation. It's also about explaining to the investor and the ownership about how the more revenue will come, how their rates will be more profitable or how the source market will change,” he said.

Renovations in Cuba are difficult because of the logistics of shipping materials to the country, Destribats said.

“We don't necessarily get what we want on time because of the embargo, the bloqueo,” he said. “It doesn't make it easy for us to get what we need in order to renovate the hotel.”

Helping owners

Brands need to be clear with owners interested in repositioning a property and joining a new brand about what the expectations of the brand are, Martinez said. The brand decision is based on the specific market, project and location. The brand companies have so many brands and target different guest segments based on what the brand is.

“So you don't want to over-invest, because that will hurt obviously the yield on the total investment, but you don't want to go below either and then miss some of the potential (average daily rate) or occupancy that you may get from a conversion,” he said.

The most important thing is choosing the right brand for the specific project and then managing expectations, both for the brand and the owner who is new to the brand, he said.

When working with owners, brands must be empathetic and flexible because their reality has changed dramatically over the last six months, Martinez said. Hilton has been having conversations with owners, who typically know more about their property and what it needs compared to someone coming in and starting from scratch, about opportunities for improvement.

The conversation is about getting as much feedback as possible from the owners to make sure the brand can allocate as many resources as necessary to the areas hurting the most, he said.

“The key thing here is the conversation—very open, very flexible and very empathetic with them,” Martinez said.

Regidor echoed Martinez's sentiments, saying the times are demanding more flexibility when working with owners. Brands need to listen more than ever and address their needs.

“It's a very collaborative environment where we work with the owners, choosing what is the right fit, the brand that fits the best to the hotel and also looking at what is the right timing to do that,” he said.

