

Article Title

Hotel F&B Leases: The View from the Restaurant

Citation

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Abstract

The nature of the leasing agreements into which the various independent or chain restaurant operators have entered with lodging companies in the limited-service segment is examined. The provisions of the lease should clearly spell out who pays for what and when and who has access to what facilities. It should also define the balance of control and authority over all of the food and beverage (F&B) services of the hotel and restaurant. All provisions should be considered as important and should be carefully examined. There are, however, certain key provisions in each lease that are of primary importance to the restaurant operator, such as the terms of the lease, the rent structure, the definition of gross sales, the operating cost, banquet facilities and services, room service, complimentary F&B offerings by the hotel, hours of operation, lodging company's imposed standards and policies, and marketing and advertising. The 3 most critical success factors in achieving profitability under hotel-lease arrangements are: 1. rent structure, 2. banquet and catering sales, and 3. the ability to attract local clientele.

Conclusion

This article gives a few lessons to restaurant operators who want to start their business in the hotel with the lease agreement. Regarding building a lease agreement with the hotel company, operators should clarify key divisions in the contract such as the terms of the lease, the rent structure, the definition of gross sales, the operating cost, the hotel company's imposed standards, and policies, and marketing and advertising. Among those, rent structure and banquet and catering sales, and the ability to attract local clients are the three most critical success factors in earning revenues under hotel-lease arrangements.

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