



# KEY TAKEAWAYS FROM THE 2019 COLLEGE AND UNIVERSITY HOTEL OWNERS SYMPOSIUM (CUHOS 2019)

Representatives of Colleges and Universities from across the country gathered at the Inn at Villanova University recently to discuss the state of the lodging industry. Participants included small liberal arts colleges like Williams College and Colby College, large Ivy League schools like Harvard, and state colleges such as the University of Virginia, Penn State, and the University of Ohio. Those that attended the symposium either owned hotels on their campus, or were interested in new hotel development. Prominent experts from management companies, including Pyramid Hotel Group, Charlestowne Hotels, Waterford Hotel Group, and Olympia offered in-depth presentations focusing on college hotels. The symposium also included a series of round table discussions where colleges and universities could learn more about deal structures and the relationship between hotels and their schools. The event was organized by Pinnacle Advisory Group, a national hotel consulting firm that specializes in both new development and asset management for college and university hotels.

Key Takeaways included the following:

## **Operating Structure**

- The relationship between school and hotel is driven by the school's mission/culture, financial realities, the location of the hotel relative to campus, and the trustee needs.
- The three most common operating structures are land leases, hiring third party operators, and self-operation.
- The biggest challenge for schools is balancing their desire for control with economic returns on hotel projects.

## **New Development and Renovations**

- Construction costs are rising dramatically. This is resulting in many projects being put on hold or owners looking at renovation of existing properties as an alternative to new construction.
- Development costs for colleges and universities typically range from 20% to 40% above market rate projects. Drivers of the increased costs include the use of union labor, fair labor practices, the use of local businesses, the procurement process, and the college desire for high quality development.
- Starting early, putting together a strong team and having clear "lanes" outlined in a differentiation document for each of the team members are critical for successful projects.

## **Managing the Relationship Between School and Hotel**

- Campus hotels face a unique and strong conflict between profit and mission. They are expected to generate profits for the school while also supporting the academic mission by providing rooms and meeting space to school users at a discount. They are also expected to support the mission through living wage and benefits policies that add costs to the operation.
- The most effective way to manage this relationship is through clear and effective communication. This includes:
  - Ensuring that key decision makers understand the implications that their decisions have on profit and mission;
  - Documenting in writing university expectations as it relates to mission for the operator; and
  - Carefully reviewing budgets to ensure that the college understands the financial implications of mission-related decisions.



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## About the Author



Matthew Arrants, ISHC is the Executive Vice President of Pinnacle Advisory Group, working in both the Boston and Portland offices. As Pinnacle's Director of Asset Management Services, Mr. Arrants specializes in asset management, development services, and operational reviews. His clients include universities, hospitals, real estate investment funds, and hotel owners and lenders. Mr. Arrants is currently a board member of the Hotel Asset Manager's Association (HAMA) and leads that group's marketing committee. He is also a former Chairman of the International Society of Hospitality Consultants, a group of the hospitality industry's most respected professionals from across six continents. Prior to joining Pinnacle, Mr. Arrants worked in operations in various managerial capacities with Four Seasons Hotels and Resorts, and Rock Resorts. He lectures regularly at prestigious institutes of higher education and served as an adjunct professor at Boston University teaching Hotel Asset Management. Mr. Arrants holds a Masters Degree in Hotel Administration from Cornell University and a BA in Political Science from Hartwick College.

## About Pinnacle Advisory Group

Since 1991, Pinnacle Advisory Group has provided advice and analysis on the full spectrum of hospitality properties throughout the US and Caribbean: hotels, resorts, conference centers, mixed use projects, convention centers and exhibition centers. Pinnacle's services include development counseling, appraisals, acquisition due diligence, asset management and litigation support. Our clients include leading hotel companies, REITs, universities, major banks, and municipalities. We specialize in providing personalized advice on complex projects, carefully tailoring our services to each client's individualized needs. [www.pinnacle-advisory.com](http://www.pinnacle-advisory.com)



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