

Residential Sales Planning and Process Management



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The Middle East is experiencing an unprecedented increase of mixed use development in hospitality. The residential sales are often used as financial leverage for the feasibility of the project, especially for capital intensive properties such as boutique and luxury hotels. The developers of these properties are either large corporations with existing hotel portfolios or entrepreneurs looking for ownership and capitalising on hotel brands.

Some of these entrepreneurs are new to the hotel sector and often need support in implementing processes for the residential sale component. Specific procedures and guidelines to execute these sales are normally provided by the large operators. However, recent developments led the management companies to believe that additional assistance for this new hotel entrepreneur may be required, in particular when the branded residences become more competitive and sophisticated.

Branded residences are unique when it comes to real estate sales. While the large operators have specific brand requirements, the actual sale remains the primary responsibility of the developer/owners. Therefore Asset Managers had to adapt and undertake this alternative support role of coordinating sales and act as consultants throughout the project until the completion of the sale.

The Asset Manager's responsibility is to assist hotel developer/owners in realising their investment goals. Therefore, it is their responsibility to provide accurate and professional services to guide developer/owners in the complex process of planning, coordinating sales and ensuring a suitable return on investment is made. At the same time, the Asset Manager may supervise the hotel pre-opening, support the development of new operations and provide the conventional long-term asset management.

ISSUES

In selling residences, the developer/owners face three sets of issues: preparing and implementing procedures before the sale launch; expected challenges during the sale period; long term capitalization on the investment.

1. Checklist for preparing and implementing procedures during the Planning Phase
 - Look into the demand outlook and which marketing strategy should be in place for each specific project, like key selling points, key objectives, sale initiatives, tactical plan, media plan and marketing budget.
 - How to process and execute the checklist/guideline provided by the operators.
 - What procedures should be in place so that when the seller launches the sales all questions can be answered.
 - Which company should be selected for the PR/marketing companies and the general property sales agent.
 - Which synergies exist between the various projects and how to benefit from them.
2. Checklist for challenges to expect during Execution Phase:
 - Ways to monitor the responsibilities of all the business partners involved in the project (marketing/PR team, the general property sale agent): for example, website, brochure, email campaign, exhibitions and tradeshows.
 - What exact steps should the potential buyer have to go through until the contract is signed: for instance, signatory of the documents, specific legal requirements, lease registry. A precise action plan needs to be in place.
 - How to give appropriate and professional timed responses to the potential buyer.
3. Checklist for how to maximise the investment

- Interaction with operator, for the pre-opening of the property review and approval of the pre-opening budget, ensure adequate insurances, liquidity management and identification of additional capital investment requirements.
- Lodging facilities are complex, market sensitive, capital intensive operations with large labour cost and therefore require constant oversight, how the developer/owners will maximise the partnership with the operator and obtain a greater return on investment. How will the ownership goals be implemented?

APPROACH

The residential sale should be conducted in three parts. In the first part, the asset management team should plan and define the best sale strategy with the developer/owner, including approaching business partners such as the marketing/PR team, the general property sale agent who will prepare the marketing plan, the mix and pricing policy and prepare the launch of the sale.

- Consumer research and high level product definition (fractional, timeshare, residential or branded residential)
- Detailed product development in conjunction with sales partners: unit mix, amenities, facilities, legal structure (the importance of which cannot be over-estimated), services, budget, rental program included / excluded, terms of rental program if included
- Define sales and marketing strategy with the business partners
- Launch strategy vs. build and sell strategy
- Selection of sole agency and/or full service sales and marketing company
- Development of the tactical plan (print media, digital, PR).
- Develop commission structure
- Appoint suppliers & partners

The second part consists of the actual execution of the plan, including the implementation of the marketing strategy and approaching potential buyers. This work should be done by the general property sale agent, with the Asset Manager providing a support role. The Asset Manager will have to review the business partner's performance in some detail and ensure they are meeting the sale targets. Assure that all the procedures defined in the previous phase are respected and provide appropriate assistance to ensure smooth transaction between the seller and the buyer.

- Supervise the development of the sales and marketing tools (everything from videos, to sales centers, to brochures)
- Control the marketing campaign
- Monitor the acceptance of reservations
- Convert reservations to binding agreements

This then leads the asset management team in assisting the operator and the developer/owners with the pre-opening of the property. This conventional function of asset management includes for instance: conducting monthly meetings with the operator, approving budgets, evaluating necessary opening liquidity requirements, establishing marketing and operational goals, and providing monthly summary reports to the owners.

They will advise the owners on annual business plans and the annual capital budget presented by the operator, including recommendations for adjustments to the proposals. This requires a review of the property's financial statements, budgets and market analysis. The Asset Manager will act on behalf of the developer/owners in negotiations with the operator to reach consensus and approvals under the operating agreement. The asset management phase provides valuable oversight, analysis, and strategic planning guidance. Today asset management function is becoming more diverse and even more vital to