



## Can the Inn I love be... *“The Inn of My Dreams?”*

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### **This is the million-dollar question...**

Most aspiring innkeepers who contact me do so prior to beginning a serious search for a property. This makes sense to me, as they have been successful in some other career and have learned that “An ounce of prevention is worth a pound of cure.” They want to do their homework to narrow their search to a price range they can afford. Whether they are single pursuing a lifelong dream to run their own business or partners moving on to a new challenge in a new place, it is my objective help make the experience a positive, productive and profitable one.

Step 1 - Prequalification: My first task is to understand what assets are available, where they are invested and what the buyer/s are willing to commit to fund an acquisition. We need to verify assets, what can be used, and how. Credit history and professional qualifications are also important to understand so that any limitations or challenges can be addressed early on. My most important job as I see it, is to get aspiring innkeepers focused on identifying an inn that is well suited for their qualifications, to make sure their energy is properly directed, and their expectations are realistic and achievable.

Most sellers will be more receptive to a buyer who has been pre-qualified. In fact, this is generally a requirement before sellers will share or authorize their realtor to provide financial information at all. A strong buyer may be able to purchase an under-performing inn if they have adequate capital and an abundance of direct industry experience, but a strong performing inn helps offset a borderline buyer’s shortcomings in experience and or capital.

Step 2 - Identifying qualified properties: I recommend that a knowledgeable “B&B Industry Specialist Realtor” be engaged very early on to recommend available inns matching the aspiring’s qualifications and vision. Many of these professionals have been innkeepers themselves and are intimately familiar with operations and valuation methods. They can expertly compare the asking price with their own analysis of the inn’s financial performance and comparable sales. They can also critically analyze expenses, ADR, and occupancy rates as compared to industry norms considering location and the seasonal nature (if any) of the business.

Since the underwriting of a commercial loan combines the qualifications of the buyer with the financials of the inn, it is important to collect as much data as possible from the current owners to sort through available inns in the geographical areas of interest. It makes little sense to invest time and money to visit a list of available inns until you have reviewed as much information and data as possible.

Why get excited about an inn, love the sellers, have them love you, and see yourself as the next innkeeper if the deal can't work because the net income cannot support your lifestyle, the desired level of debt. What is the asking price is unsubstantiated by the inn's historical performance. It is in the interest of all concerned to know that the asking price is well supported by comparable sales and three (3) years of financial data derived from the business tax returns.

Any offer should be thoughtfully based on solid historical data—not what the inn is capable of under new management. You don't pay a price based on what an inn can do, the value is determined by a combination of its historical performance over time, real estate value and other assets of the sale.

It is my professional mission to guide aspiring innkeepers along their journey, to enhance their experience and increase the likelihood they will be successful finding the "The Inn of Their Dreams."