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## LOOKING UP

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Mark Sharkey, president, Remington

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# LOOKING UP

*Remington poised to leverage broad expertise, relationship with REIT*

BY BRUCE SERLEN

In what remains a competitive economic environment, many hotel management companies have been left scrambling to pick up third-party contracts in an effort to increase their respective portfolios; however, this reality only underscores Remington's unique position.

Rather, the Dallas-based company is effectively able to pick and choose third-party management assignments because of its ongoing relationship with lodging real estate investment trust (REIT) Ashford Hospitality Trust (AHT). In fact, more than 60 of the 70 hotels currently in Remington's portfolio are owned by AHT.

The 60-plus properties, meanwhile, represent about half of AHT's holdings. More of these hotels would likely be managed by Remington, had the hotels not been encumbered by existing management contracts when AHT acquired them. "It's AHT's preference that we manage as many of its assets as possible," Remington President Mark Sharkey reported last month.

AHT and Remington remain two separate entities, even though Remington's CEO Monty Bennett is also chairman/CEO of AHT. Archie Bennett, who retired as chairman of AHT, serves as chairman of Remington. "We

work side-by-side with the REIT. When AHT executives are considering acquiring a hotel, they often call upon us to take a look at the property and make sure we agree with the existing proformas," Sharkey explained.

"Once we've officially been named the new management company, our preference is to take over as soon as possible and start implementing our systems. The transition is easy. It's the transformation that's tough," he added.

Sharkey is eager to grow Remington's traditional third-party management business, but only when it makes sense. "We're selective when it comes to these deals. There are

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— Mark Sharkey  
Remington

a lot of management companies pursuing deals right now. They may accept a fee structure that we wouldn't accept. The same applies with the length of the contract. We end up looking at deals with owners who don't necessarily want the low-cost provider or who plan to flip the property in a year. Rather, the owners plan to hold for a long time," he said.

Another point of differentiation between Remington and many of its competitors is that it operates a project management division to complement its property management business. "When we started Remington, we always wanted to do our own CapEx and renovation work. So, we developed not only the typical operations, revenue management, accounting and legal capabilities, but we developed a separate project management department where we could renovate and even build our own hotels," Sharkey recalled.

"While we manage only half of AHT's hotels, for example, we project manage all 120-plus of them," he said. (See sidebar on Remington's project management division, below.)

Remington's 70-hotel portfolio, consisting of



Repositioning properties is part of Remington's expertise. As an example, the company upgraded the 193-room One Ocean Resort & Spa in Atlantic Beach, near Jacksonville, FL, to the luxury level.

14,152 rooms, includes hotels in 22 states and the District of Columbia. The portfolio is heavily weighted toward premium brands in the upper-end, select-service and upscale industry tiers, ranging from Hilton and Embassy Suites to Sheraton, Hilton Garden Inn and Courtyard by Marriott. In addition to the 16 brands, eight independent hotels are in the mix.

Sharkey prides himself on Remington's approach to upgrades at the hotels in its own portfolio, which he described in terms of their ROI. "Every time we look at investing capital into a hotel, we ask ourselves, 'Is there a way to get a greater return and not just be defensive, which is



the rationale behind a lot of renovation work?" he explained. "We're actually looking to go on the offense and find a way to invest money in order to get more money back."

The possibility of repositioning a property is

## Project management team helps boost Remington's bottom line

DALLAS—Operating a project management business separate from its property management activities allows Remington a large degree of freedom and flexibility. Remington President Mark Sharkey calls the internal structure "unique" among traditional management companies.

"The project management group allows us to renovate and even build our own hotels. We have every capability in-house, including designers and purchasers, with the exception of in-house architects and engineers. Those functions are always outsourced," Sharkey explained to *Hotel Business* last month.

The project management group has become so important to the company, in fact, that it accounts for roughly half of Remington's annual revenues. It's also a key factor in Remington's relationship with Ashford Hospitality Trust (AHT), the large lodging real estate investment trust. While Remington serves as the management company for about half of AHT's 128-property portfolio, it provides project management services for the entire AHT portfolio.

With the onset of the industry rebound the past few years, the amount of project management work Remington has taken on has been "tremendous," according to Sharkey. "We're just trying to catch our breath and keep up with it," he said.

During the downturn, many brands eased off on implementing new standards and introducing new amenities. The brands knew that hotel owners were struggling to generate revenue and that—at the end of the day—it was the owners who picked up the tab for the often-expensive improvements they were mandating. But with the rebound, the brands are resurrounding many of those upgrades that had been on hold.

"In our opinion, the brands were very reasonable in the down cycle. They're right to expect that the guest will have high expectations as to what the hotel product should be, now that times are better," he explained.

In Sharkey's thinking, this includes Property Improvement Plans (PIPs),

the upgrades that brands require to be made when a hotel in its system changes hands. "At any hotel AHT is considering acquiring where there's a PIP required, our project management team will accompany the Ashford folks to look at the hotel. We'll price out the PIP and develop a budget accordingly," he noted.

Those dollar numbers will then be factored into AHT's ultimate decision as to whether to proceed with the purchase of the property. "It will be entirely part of the whole buy decision," he said.

Given Remington's track record of success with the project management unit, it's no surprise the company has had inquiries from other owners and management companies to see if the services of the project management group were available for hire. "We've been solicited to do CapEx work for clients where we don't have a management agreement in place," Sharkey reported.

"We've taken on this kind of work in the past, but right now we're so busy with the work generated by the hotels we do property manage, it's unlikely we'll have the appetite to take on more," he said.

There's one qualifier, however, Sharkey continued. "If someone brought us a big enough deal," he began, "if, for example, another large REIT came inquiring, we'd certainly consider it, even though it would mean staffing up with the right number of people."

At times, the upgrades undertaken by Remington's project management team have gone beyond the ff&e undertaking to entail new construction. At the Remington-managed, 193-room One Ocean Resort & Spa in Atlantic Beach near Jacksonville, FL, for example, Sharkey and other senior Remington executives realized that the independent property didn't have enough meeting and event space. "Land was available, so we built an addition to rectify the situation," Sharkey said. The property now features a total of more than 10,500 sq. ft. of indoor and outdoor space.

—Bruce Serlen



Left: The 240-room Melrose Hotel in Washington, DC, is being upgraded as well.

Primarily, Remington manages major branded hotels, including The Sugar Land Marriott in Sugar Land, TX (right).



always in the back of Sharkey's mind. "This kind of thinking is part of Remington's DNA. If we put X amount of dollars in, is there a way to go up-market to a superior brand? We're constantly considering these alternatives," he said, noting Remington's strong relationship with all the brands.

A vocal supporter of brands, Sharkey, who celebrates his 20th anniversary with Remington this year, is a member of the Hilton, Embassy Suites and Sheraton brand advisory councils.

However, offering a "favorite example" of hotels moving up-market, Sharkey cited Remington's successful experience upgrading the independent 193-room One Ocean Resort & Spa in Atlantic Beach near Jacksonville, FL, to the luxury level. Similar upgrades are underway now, or will be shortly underway, at two of Remington's other independent properties: the 240-room Melrose Hotel in Washington, DC, two blocks from Georgetown, and the 143-room Silversmith Hotel & Suites in downtown Chicago.

"Certainly, in this economy, it makes sense for us to upgrade independent hotels into luxury boutique properties. People's widespread use of the Internet has made luxury boutique properties a much more viable option, especially in urban markets like Washington and Chicago," Sharkey noted.

Like others in the industry, his position on the online travel agencies (OTAs) has moderated in the past few years. "In some markets, certain brands are trying to minimize their exposure to the OTAs, only because of their cost. The OTAs' commission can be a relatively large expense for the hotel. Consequently, the brands are clearly trying to figure out a way to lower that cost," he explained.

On the other hand, independent hotels find themselves in a different situation. "They're trying to find ways to maximize the use of OTAs because the OTAs are a good source of their business. It depends on the situation. To me, OTAs are not negative. They're simply another way for hotels to get revenue," he said.

But there is one qualifier. "It just helps to make sure you're managing the use of OTAs proportionately, that you're taking the right amount of business from them at the right rate," he cautioned.

Sharkey feels the industry has to give credit where credit is due. "The amount of money the OTAs are devoting to marketing is amazing. It's something the brands can't even match," he noted. "Why would a hotel not want to leverage that and take advantage of it? You just have to be smart."



Remington's management portfolio includes some 70 properties, including the Hilton Santa Fe in New Mexico.

One of Sharkey's strongest operating principles has been the need for stringent cost controls—during the downturn certainly—but coming out of it as well. "In the upturn, when things are going well, everyone looks good, while in a downturn, it's really where the rubber meets the road. That's when one management company can distinguish itself from the rest," he said.

"But at Remington we've implemented a really strong financial culture and we drive cost controls as hard in the good times as in the bad," he added.

When it comes to measuring the hotels' financial performance, Sharkey and his team are less interested in where a hotel stands vis-à-vis its competitive set than whether it's growing market share. "Are we doing better than that other set of hotels over a period of time? How much are we penetrating the market? Are we growing, maintaining or losing share?" Sharkey asked.

That's how Remington measures performance, and that's how the company rewards not only general managers, but the entire hotel staff. "We want to grow revenues more than our competitors are," he said.

Similar to other hotel management companies, Remington is well aware of the significant impact TripAdvisor and other social media sites have on the lodging industry—and developing strategies for making the best use of them. A 26-year industry veteran, Sharkey remembers the days when GSS (guest satisfaction scores) was the primary source of guest feedback.

"Like the guest surveys, social media and TripAdvisor, specifically, are a great source of information. Within Remington, we use a system that correlates and collects all the social media the same way the brands do. As a result, we can see every day what people are saying about our hotels on all those vehicles," he explained.

The value goes beyond providing input on how the hotels are performing, Sharkey continued.

"The feedback comes in handy when we're thinking about CapEx and how to spend capital dollars every year. When guests repeatedly say the bathrooms are outdated, for example, that's not hearsay. It's empirical evidence that can convince ownership more than anything that the work needs to be done," he said.

Having reached the 20-year milestone at Remington, Sharkey strikes a self-deprecating tone when asked to describe his leadership style. "I'm always going to be a student when it comes to leadership. Since I was 11 years old, I knew I wanted to be in this business. So when I look back, I can't imagine having done anything else," he reflected.

"We've got a great team of people here and have really learned from each other. If anything, I've tried to lead by consensus, realizing the business is a constant evolution of thought, action and change."