



Stick to the fundamentals: CapEx

Go back to basics, then do them better, to manage high expectations and tight timelines.

NATIONAL REPORT – The much-anticipated 2023 ISHC CapEx study will be released this summer, presenting the ISHC’s 6th CapEx study since 1995. The 2023 study will present the latest industry data from over 700 U.S. hotels, with over 3,100 annual data points for the time period of 2018-2022. Capital spending hit a new high in the 2023 study, with the percentage of revenue spent on capital projects reaching 9.0%, including the impact of COVID from 2020-2022. With the removal of the COVID-impacted years, as a percentage of total revenue, capital spending drops from 9% to 7.9%. This level is in a similar range with the CapEx statistics in the prior study of 2018.

Today, the traveler has exceedingly high expectations and a critical eye fueled by social media posts and viral comments. This is potentially accelerating the CapEx cycle beyond the industry standard timeline milestones. With record level demand for CapEx expected to be stronger than ever after the pandemic, it is crucial to assemble the

project team early and to plan way ahead on all projects. The most important issue to be addressed first in the pre-project planning stage is establishing an overall project budget, or a “cost-per-key” estimate. As mentioned in past ISHC CapEx studies, there is no single more dangerous question in terms of CapEx in our industry.



As there are differences even among similar branded properties, we must clearly identify and understand the project scope:

- Is the “cost-per-key” the cost of just the FF&E behind the guestroom door?

- Does it include the guest bathroom? What about the corridors?
- Is it the total amount spent on all areas, including all public spaces and F&B areas divided by the total number of keys?
- Is it product-only cost, or does it include soft costs, such as tax, freight, warehousing, general contractor, installation costs, and consultant fees?
- Does union labor need to be considered? What about the operating supplies and equipment (OS&E)?

Clearly defining a project's goals and making sure all information is accurately communicated to all stakeholders is key. It may sound obvious, but make sure everyone on the project team is working off the same schedule and budget, and that any changes are communicated in a timely manner. It is important to have clear and concise project parameters set by the team upfront so, if there are scope or schedule changes, the team can easily refer to what was originally agreed to by the entire project team.

Remember, if plan “A” does not work, there are 25 more letters in the alphabet!

Alan Benjamin

To ensure that an item isn't forgotten, nor handled by two parties at once, every project needs a detailed responsibilities matrix, otherwise known as a differentiation document. This should be discussed and reviewed in detail by the entire project team at the project kick-off stage. It should clearly state which project team member is responsible for specifying, purchasing, and receiving/installing every item.

In planning for any future CapEx projects, it is important for an owner to hire and engage the best project team as early as possible. When assembling a project team, do not be tempted by low fees on a spreadsheet. We have all heard the saying “if it looks too good to be true, it probably is” in many aspects of life, and proven by Warren Buffet's philosophy of “price is what you pay, value is what you get.” Even for a project with a relatively small scope, the shortest period of time you will be collaborating with the entire project team is 6 to 9 months, with 18 to 24-plus months being a more typical project duration.



A level-headed approach to projects, collaboration as a project team, and “overcommunication” has never been so important. Remember, if plan “A” does not work, there are 25 more letters in the alphabet! This is a time to be flexible, innovative and, most importantly, calm. At the end of the day, it is people and relationships that matter.

Even with the benefits of technology and the shift to more remote work and Zoom calls during the pandemic, creating a successful project outcome is still very much a people-to-people, face-to-face business. Humans are the ones who make decisions. Humans, not technology, have the ability to shorten a quoted 20-to-30-week lead time

down to 18 weeks; humans can lower the cost, and negotiate terms and warranties; humans can turn a “no” into a “yes.”

Be sure to hire the best people who will work as a unified team for success in every CapEx project.

Alan Benjamin, ISHC, is president, and Sarah Churchill is director of business development, Benjamin West