

AN OWNER'S RESOURCE

# The Owner's Guide to Third-Party Hotel Management

---

What professional management actually does, how the economics work, and the questions to ask before you sign — so you can own the asset without running the operation.



**TAYLOR**  
HOSPITALITY

An Up To Par Management Company

Prepared by Taylor Hospitality · Hotel & Hospitality Management

## INTRODUCTION

# You bought a hotel, not a second job

---

Owning a hotel is an investment decision. Running one is a 24/7 operating business: labor, revenue management, guest experience, procurement, compliance, capital planning. Most owners never intended to take on the second part, and the gap between the two is where return quietly leaks away.

Third-party management closes that gap. A dedicated operator runs the property to your financial goals while you keep ownership, control of the asset, and the upside. This guide explains how it works in plain terms: the model, the money, and how to tell a strong operator from an average one.

### WHY THIS MATTERS NOW

Independent and small-group hotels are competing against brand-managed properties with full operating infrastructure. A capable management partner gives an independent the same operating muscle: revenue tools, buying power, and discipline — without surrendering the property's identity.

### What you'll find inside

- The three ways a hotel gets managed and where each one wins
- How management fees actually work, and how to keep incentives aligned
- Five levers a strong operator pulls to protect your NOI
- The questions every owner should ask before signing an agreement
- The signs it's time to bring in, or change, an operator

## SECTION ONE

# Three ways a hotel gets run

Before comparing operators, it helps to know your structural options. Each carries a different mix of cost, control, and operating capability.

Model	What it means	Best fit
<b>Self-managed</b>	Owner runs operations directly or with an in-house GM. Full control, full burden, no economies of scale.	Single property, hands-on owner with hospitality experience
<b>Brand-managed</b>	The flag operates the hotel. Strong systems, but high fees, rigid standards, and little flexibility.	Large-format, full-service assets that fit a brand's box
<b>Third-party managed</b>	An independent operator runs the hotel to your goals, branded or independent, with professional systems and aligned fees.	Owners who want brand-grade operations, flexibility, and alignment

Third-party management is the middle path that most independent and small-group owners are choosing: the operating capability of a brand, without the loss of control or the premium cost.

## SECTION TWO

# How the economics actually work

Management compensation is built to align the operator's pay with your performance. Two components do the work:

### 1. The base management fee

A percentage of total revenue, typically **2–4%** for third-party management. It covers the day-to-day cost of running the property. Shorter agreement terms tend to carry slightly higher base fees, and vice versa.

### 2. The incentive fee

A percentage of profit, usually gross operating profit (GOP) or net operating income (NOI), and often subordinated to an owner's priority return. This is the alignment lever: the operator earns more only when **your** bottom line grows.

#### THE ALIGNMENT TEST

A well-structured agreement ties a meaningful share of the operator's pay to profit you actually keep — not just to top-line revenue. If nearly all compensation is a flat base fee, the operator gets paid the same whether your NOI rises or falls. Push compensation toward performance.

Fee component	Typical basis	What it should reward
Base fee	2–4% of total revenue	Competent daily operation
Incentive fee	% of GOP / NOI, often above an owner's return hurdle	Real profit dropped to your bottom line

## SECTION THREE

# Five levers that protect your NOI

---

The difference between an average operator and a strong one shows up in these five disciplines. Ask any prospective partner how they handle each.

### 1 Revenue management & distribution

Dynamic pricing, channel mix, and demand forecasting that capture rate on high-demand nights and protect occupancy on soft ones. The single biggest swing factor in hotel profitability.

### 2 Labor model & productivity

Labor is the largest controllable expense. A strong operator staffs to demand, manages overtime, and builds schedules around occupancy — without gutting the guest experience.

### 3 Procurement & buying power

Group purchasing across a portfolio lowers the cost of everything from linens to OTAs. Independents pay retail; a management company brings scale pricing.

### 4 Cost discipline & the P&L

Line-by-line ownership of the operating statement, monthly variance analysis, and a flow-through mindset — turning revenue gains into profit instead of letting expenses absorb them.

### 5 Capital & asset planning

Protecting the value of the building itself: a phased capital plan, preventive maintenance, and renovation timing that defends both guest scores and resale value.

## SECTION FOUR

### Questions to ask before you sign

---

Use these in any operator conversation. The answers separate genuine partners from vendors.

- 1. How is your fee structured, and what share is tied to my profit?** Look for real performance alignment, not a flat base fee.
- 2. Who, specifically, will run my property?** The quality of the on-site leader matters more than the company logo.
- 3. What does your monthly reporting look like?** Ask to see a real owner report. Clarity and transparency are non-negotiable.
- 4. How do you drive revenue beyond raising rates?** Listen for channel strategy, segmentation, and demand forecasting.
- 5. What's your track record with properties like mine?** References from comparable assets — size, market, service level.
- 6. How do we exit?** Term length, termination rights, and performance tests should be clear and fair to the owner.

## SECTION FIVE

### Signs it's time to act

---

Whether you're buying, holding, or rethinking your current setup, these are the signals that professional management would move the needle:

- Your NOI isn't keeping pace with occupancy or rate gains in your market
- You're spending owner time on operating decisions you never intended to make
- Reporting is thin, late, or doesn't tell you why the numbers moved
- Labor and expenses creep up but revenue doesn't follow
- You're acquiring or developing and need an operator in place at opening

## Let's look at your property

---

Taylor Hospitality manages hotels and hospitality assets for owners who want brand-grade operations with the flexibility of an independent partner: aligned fees, transparent reporting, and a relentless focus on the profit you keep.

**Start with a no-pressure conversation.** We'll review your property's performance and show you, specifically, where the opportunity is.

Reach us at [info@taylorhospitality.com](mailto:info@taylorhospitality.com) · 540-943-4653 · [taylorhospitality.com](http://taylorhospitality.com)

This guide is general educational information, not legal, tax, or financial advice. Fee ranges reflect common industry structures and vary by property, market, and agreement.



**TAYLOR**  
HOSPITALITY

An Up To Par Management Company