

How to Start a Hotel Business in 2024 (+Cost and Business Plan)

By planning carefully, being strategic and empowering your operation with the right technology, you can turn your hotel business idea from dream to reality.

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If you've ever wondered how to start a hotel business, you're in good company. Today, in a world where anyone can become a hotelier by uploading their property on Airbnb, the hotel dream is alive and thriving but the global pandemic has made it more important than ever for upstart hoteliers to be diligent and strategic when launching their entrepreneurial journeys. Despite the challenges we face in the pandemic, they will pass in time and it's never been simpler to turn that dream of starting a new hotel business into a reality!

But living the dream is easier said than done.

The growth of Airbnb has made for a hyper-competitive environment that requires a thoughtful, thorough approach. There's a lot more that you need to do if you want to build a business and not just a hobby. It takes a ton of time to build up enough cash to scale your business when you're going

property by property, unit by unit. To grow wealth faster as a hotel entrepreneur, you'll need to take more risks and make bigger bets.

Every month thousands of [hotel management](#) companies, independent property owners and [hotel brands](#) leverage Hotel Tech Report to find the latest technologies to help run their properties. We reached out to more than 50 hotel owners to ask them about their journeys, struggles and lessons learned along the way.

As you plan to open a successful new hotel business, the insights from these entrepreneurs will help shape your journey. You'll need to take concrete steps to plan the best approach to starting your hotel business. The path starts here. We've put together a high-level guide to getting started with a hotel business. Step by step, we'll show you how to mitigate the risks of starting a new hotel business in today's hyper-competitive market.

Hotel Owner Survey Results

If it's your dream to open a hotel one day this article is for you. When most people think about hotel owners they think about billionaire magnates like [Conrad Hilton](#) or [J. Willard Marriott](#) but in reality owning a hotel is actually not so different from opening a retail shop or convenience store. [Hotel management](#) do require a bit more capital but they are much more profitable and sale-able than other [small businesses](#). Here's a bit about the hoteliers we interviewed for this article:

- 90% of respondents own a single hotel like a boutique hotel or [bed and breakfast](#)
- 70% of respondents own a hotel between 11-50 rooms
- Top 3 funding sources: bank loan, savings and friends/family investment
- Average time owning a hotel is 6.4 years so they have significant experience to share but generally aren't lifelong hotel owners

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How Much Does it Cost to Start a Hotel?

The cost to start a hotel business obviously varies based on tons of variables such as:

- **Location:** places like New York City are much more expensive than somewhere like New Delhi, for example
- **Quality:** obviously a five star resort is much more expensive than a roadside motel
- **Size:** the number of rooms, restaurants, meeting spaces, etc. all have massive impacts on cost

Despite the hotel startup costs varying dramatically, there are some data points that we can take into consideration when factoring for a "typical" hotel. Data from [hospitality consulting firm](#) HVS shows that ground up construction of a full-service hotel typically costs [\\$323,500 "per key"](#) (or per room). Again, this is for a lifestyle full-service hotel so it's not the cost of a 10 room bed and breakfast, for example. That figure breaks out into 5 buckets:

- **Land:** \$33,900 (10%); this includes real estate cost
- **Building/Construction:** \$221,500 (66%); naturally building and construction is the largest budget item. Owners typically secure [construction loans](#) in order to fund the project before the cash flow comes in.
- **Soft Costs:** \$41,800 (12%); these include everything non-construction related like designers, architects, lawyers, insurance, permits and taxes.
- **FF&E:** \$29,100 (9%); FF&E stands for "Furniture, Fixtures & Equipment" and includes anything that's movable in the building desks, computers, electronic equipment tables...well you get the idea. FF&E is also sometimes referred to as "hard costs"
- **Pre-Opening & Working Capital:** \$10,700 (3%); you'll need to hire staff ahead of opening so pre-opening expenses fund salaries before the operation goes live and revenue starts flowing in to fund the day-to-day.

Benefits of Starting a Hotel (According to Real Owners)

Rather than list out the benefits of starting a hotel business, we wanted to share some of the responses we got from hotel owners around the world who helped us with this article. Generally, hotel owners love to meet new people who travel to their properties and thrive on positive feedback about the experience that they deliver to guests. They also tend to enjoy a more flexible lifestyle that doesn't involve 9-5 desk work. Here's what they had to say:

"I would say the two things I love most about owning a hotel are: the freedom of lifestyle it affords me and meeting interesting people/guests who I would have never ordinarily met" ~David Duron, Owner at [Lemon Beach Resort](#) in Ghana

"The first aspect is being self-employed and meeting positive people every day. We love people and enjoy being around them. The second aspect is the possibility to try different strategies and new technologies to achieve success. The most fun is to discover the place again and again where your guests have never been." ~Janis Stepins, Owner at [Karlamuiza](#) in Latvia

"It's literally a dream come true when you see your own design being built and executed exactly in the way you have envisioned it. In my case, coming from a background in technology startups, my philosophy still is to move fast and frugal. So when you own a hotel, you have full control to run it very agile and effectively see how your decision and execution affect the performance. But in the end it's most rewarding to seeing guests enjoy their stay, especially as we put a lot of our own personality into our places. What's also really special, is to see the team feeling proud to be involved in the business and truly care about it as if it's their own house." ~Fay Li, Owner at [Beyond Boutique Villas](#) in Bali



[Beyond Boutique Villas](#) in Bali, Indonesia

Lessons from Successful Hotel Owners

Akino West, Copper Door Bed & Breakfast: "Really focus on developing a great marketing plan and revenue management strategy so that you can continue growing the business and refining over time. Hotel marketing often gets overlooked but it's what differentiates you from the competition. Have a well thought out business plan, connect with other hotel owners and learn from your mistakes."

David Duron, Lemon Beach Resort: "I wish I spent much more time selecting the right property and restaurant management systems. Those are at the core of everything we do and it's a huge decision that we didn't take seriously enough when we first started. Buffer your market research. Whatever business plan you have, always add 30% of extra costs and 30% of extra time for building it. Then you will not be surprised"

Leonard Pinger, Pinger Hotels: "Get versed in revenue management and dynamic pricing systems. If you start a hotel with flat or seasonal pricing in this day and age you are almost surely destined to fail. Many owners choose location based on passion (places they love) or opportunity (wherever they can buy). Before you start your search, do a comprehensive analysis of the location and local real estate market. If there is too much supply or too little demand, it's going to be a very difficult road no matter how good your product is"

Fay Li, Beyond Suites: "Build from scratch. For our first hotel, we chose to innovate and upgrade and existing property. And even though it performs very successfully from the very start up until today, we did learn a lot about how some people take shortcuts in quality during development. Luckily we had calculated that anything potentially could need to be replaced and we used almost all that budget. That's where we learned that design and quality are most important. Also finding the perfect person who has a local operations background is worth the time, effort and salary. As they say, the first solid blow is half the battle. Things like management styles and operational efficiency can be learnt and improved over time. So that's something you can adjust or even reinvent at any time necessary. Even your interior design, decoration style and what's on the menu can be updated

or upgrade whenever needed. But that can't be said for the design of your place and the location. These are things to focus on hardest as there's no way back. And even then, some of the best looking places in the wrong spot fail. So it sounds like a cliché, but it truly is: location, location, location. Besides that, use as much local expertise as you can as it will make operation much easier and it's important to respect the community"

STEP-BY-STEP GUIDE

Step 1: Do You Want to Build or Buy?

Your first decision is whether to find a hotel for sale or to develop one from scratch. When we asked our hotel owners whether they would prefer to build a new hotel or buy an existing one for their next property 72% told us that they'd prefer to build a new one. This was surprising to us because building is always riskier and more capital intensive.

[Hotel acquisitions](#) are lower risk because there's a past performance history and you know what you're getting: a turnkey hotel business that's already generating cash. You also avoid the time-intensive logistics of getting permits, designing the space, and building out the property. Not to mention a valuable database of past guests and a staff that's already trained and familiar with the property.

On the flipside, developing your own property gives you more control over building the experience from the ground up. New hotel developments can also produce more profit long-term than buying an existing hotel. Generally speaking, once completed you'll have an opportunity to make more money because you took on more risk -- including the potential for a future windfall if you ever sell. But it's also much riskier because your cash will be tied up for an extended period of time with no income.

When deciding whether to build or buy a hotel for sale, you'll need a strong market analysis to verify the positive market trends supporting new hotel developments. You'll also want to evaluate any existing properties for potential efficiencies, such as adding new technology to streamline operations and improve bottom-line profitability. These efficiencies allow you to capture more profit from that existing hotel, making it a much better investment than it would be otherwise.



The [Gaige House + Ryoken](#) in Sonoma County, California features 29 rooms in a tranquil setting

Step 2: Analyze The Data And Determine Feasibility

Once you've chosen to buy or build, the next step is to make sure that the numbers work. The numbers will tell you how much capital you'll need, how much that capital will cost, how long it will take to turn a profit, and what the potential upside is to you, as the operator/owner/investor.

A feasibility analysis includes:

1. A financial model. Model the financial inputs and determine how much capital you need. How much will the build out cost (or the purchase of a hotel for sale)? What rates can you realistically expect to get, and at what average occupancy rate? Will you be able to increase your rate over time, once your hotel has been established? This is where you call out the assumptions that underpin the rest of your feasibility analysis. Remember to consider the implications of various corporate tax structures when building your model. Many hotel owners choose to run as an [LLC](#) in order to limit legal risk and for tax purposes.
2. A pro forma. The pro forma includes your balance sheet, income statement and cash flow statement to show how You foresee the investment for farming. This includes your forecasted income and expenses over time so you can project cash flow and see how long it will take to turn a profit. The pro forma accounts for your front-loaded expenses within the context of a longer term forecast so investors can see the business' potential.
3. Capital sources. Of course, you'll also need to figure out where you'll get your capital. Will you get investors like friends and family, go to a bank or pull from your own savings? Or maybe it's a mix of all three. you need to lay this out clearly to be sure that you have access to enough capital to cover the costs of your financial model.

The final piece is to carefully consider your profitability projections, especially as they relate to the cost of capital. Calculate how much your capital costs and then be sure that your pro forma shows that you'll make enough profit to compensate for the risk.

Step 3: Create A Hotel Business Plan

Now that you have a handle on your financial projections, now it's time to make a hotel business plan. This is the plan for how you'll launch, promote and operate your new business. Without a persuasive plan, it's going to be nearly impossible to secure investment -- especially if you're going through traditional institutions such as banks, which have more stringent requirements.

So what should you include in your hotel business plan? In general, an effective business plan evaluates the strengths, weaknesses, opportunities and threats (also known as a [SWOT analysis](#)) for different areas of your business. It also makes the case as to how your hotel business fits into the local market and broader industry trends. Ultimately, it's a storytelling document so try to avoid the trap of overly formalizing everything. The temptation to "business speak" is real!

Specifically, the plan should include:

1. **Executive summary.** This is the high-level overview of your hotel business plan. It should be a quick and concise view into the most important elements.
2. **[Brand positioning](#).** Tell the story of your brand. What is your concept? What does it stand for? Who is it targeted to? How does it fill a gap in the local market? Also work including is a bit about your objectives -- revenue targets, [occupancy rate](#) profitability date, etc.
3. **Market analysis.** This analysis should be done at two levels: your local market and the broader industry. Show the local market travel patterns and put broader industry trends into context so potential investors understand the market sizing and potential for future growth.
4. **Competitor analysis.** Clearly outline your competitors. Be honest and don't hold back. Investors will cop to any glaring omissions. Highlight your understanding of who your hotel competes directly with to highlight your savvy to potential investors.
5. **Guest segmentation.** Expand upon the demographic targets from the brand positioning section. Who is the hotel for? Be as specific and detailed as possible here, including any personas and the addressable market of your target market. For example, if your boutique business hotel will target Millennial travelers, show how large this segment is. Understanding guest personas is absolutely key to creating a successful hotel and is often under-appreciated.
6. **Strategic plan.** Explain your strategies around marketing, distribution and revenue management. This is where you'll convince investors that you have a sound plan to connect with customers, manage your inventory, and maximize your revenue.
7. **[Operations plan](#).** Provide a detailed look at how you operate the hotel, including the types of technology that she'll use, how you will hire, what roles you will need to fill, your service standards, and any other relevant operations info.
8. **Financial plan.** Include your pro forma to outline forecasts and profit potential.
9. **The team.** Sell your management team! Investors are looking at the management team's ability to execute the vision laid out in the plan.
10. **Milestones.** A timeline of relevant milestones, from initial permitting to build out to staffing, grand opening, and eventual profitability.
11. **Appendix.** The end of the plan is where you'll put any additional information or supporting documentation. Push anything that's too complex here so that you can focus on the most important strategic highlights elsewhere. Remember that the objective is to secure investment so the plan should be edited accordingly.

Step 4: Create Your Digital Presence and Distribution Strategy

Once you get to this stage, it means that you've secured financing and you're moving towards building your own line strategies for building your business. Exciting but also scary.

To start, you'll need to create your [hotel website](#). This is your calling card to the world! It should be a modern website, designed and [optimized for eCommerce](#), with its own booking engine that works across all devices. As the center of your direct booking strategy, you want your website to work well and help you capture as many commission-free bookings as you can!

You'll also need to get listed on third-party sites, like Booking.com, Expedia, TripAdvisor, and others. You'll need to craft an engaging profile with on-brand descriptions and captivating imagery. Great profiles are [proven](#) to bring more bookings, so invest the time and don't rush through it!

Be sure to also claim your social media handles on Facebook, Twitter and Instagram. Even if you don't plan to use all those platforms, be sure to secure as many handles as you can to prevent squatters!

Finally, you want to [interview different PR agencies](#) to promote your property. Early on, you'll want to raise awareness about your upcoming opening with relevant travel agents and news media. This is the kind of early digital buzz that can lead to a successful opening. Once you have your website up, and your social media handles locked in, put your PR agency to work.

Step 5: Pre-Opening Strategies

As more properties and brands enter an already-crowded market, differentiating on experience takes center stage. You absolutely **must** deliver an exceptional guest experience that earns great reviews and helps your new property stand out in a crowded field.

Use the time during construction wisely to set your hotel's operations up the right way from the get go. Three key pre-opening strategies are your staffing, operations and technology plans.

First is your hiring plan: which roles are hiring for, how you will fill those roles, what's the timeline for staffing up and how will you train them prior to opening. Given the inherent unpredictability of the build-out phase, it's never easy to know when to hire key roles, such as the GM and the director of sales and marketing.

- GM: around 12 months before opening to start planning the operational framework for the hotel, select other key hires, build a training program, and craft a launch plan.
- Directors of Sales/Marketing and Finance: around 8 months before opening to begin plotting the path to profitability.
- Director of Engineering/Facilities: around 10 months before opening so there's enough time to become familiar with the building and its equipment.

Second, you must create the operations blueprint for the hotel. This is where you plan out how each element works together, including the standard operating procedures (SOPs) that structure the hotel for consistency and predictability. At this phase, you'll want to work on things like:

- Brand standards. Set the standards for how your brand is represented to the public, including room cleanliness, staff/guest interactions, service recovery and communications guidelines, among others.
- Checklists. Operationalize each process into a corresponding checklist. This makes for stronger consistency, easier training and will also be handy inputs for your software tools.
- Legal. Are you protecting your investment with the right legal documentation? Do you have the right employment contracts in place? What about contracts for buyouts, [preventive maintenance](#), or other commercial relationships?
- HR policy. How you hire, fire, and retain employees says a lot about your business. You'll also need job descriptions, a standardized interview process, and a plan to manage the inevitable interpersonal conflicts.

Third, you must set up your property with [hotel software](#) that enables smarter, leaner operations. In partnership with your key hires, evaluate software according to form (is it easy to use?), function (does it do what we need it to do?), and budget (can we afford it?). 36.4% of the hotel owners that we interviewed for this article said that setting up the right IT and technology systems was the most difficult part about opening their hotel.

Here's the basic tech stack that every hotel absolutely needs to run a profitable business no matter the number of rooms:

- [Property Management System](#): this is the core operating system of your hotel. It's the place that manages live inventory and powers all of the other systems you use. The PMS is what your front desk agents use every day to check guests in.
- [Hotel Website](#): Many small hotels still choose to rely solely on OTAs and travel agent partners for bookings. This is a huge and costly mistake. Your direct channel is most profitable and hotels without a dedicated website lose trust in the eyes of guests. At minimum, create a website that acts as your hotel's digital brochure for prospects to learn about the property. If you really want to win in direct you'll need an agency partner.
- [Booking Engine](#): This is the equivalent of the hotel industry's "shopping cart". Shockingly, many smaller hotel websites even today require guests to inquire for bookings. These hotels are missing massive opportunities and rarely succeed. A booking engine makes live inventory from your Property Management System (PMS) available to book from your website.
- [Reputation Management Software](#): Reputation is everything in today's world. 50 years ago travelers only relied on travel agents and brands to select hotels. Today, guests look to places like TripAdvisor, Google and OTAs to see what guests like them are saying. Online reputation software enables you to establish and maintain a presence on these third parties to make sure your hotel is getting found.
- [Channel Manager](#): You want to list inventory on as many relevant channels as possible but don't want to spend all day changing rates and managing availability. Channel managers allow you to automate these connections and ensure that once you're found on third parties, that your property is bookable.
- [Commercial Wi-Fi](#): Unless your property is positioned as an "off the grid" type of experience, good luck getting guests to come back without WiFi.
- [Rate Shopping Tool](#): How you price your hotel should change as market conditions evolve. Getting signals from the local competition can help inform your strategy. A rate shop tool will scrape third party websites and give you pricing intelligence in real time that you can act on to win more guests.
- [Revenue Management Software](#): Gone are the days of seasonal flat pricing. Well, at least the hotels who still price like this will soon be gone. Price too high and your guests book with the competition, price too low and you're losing revenue. RMS tools use machine learning to help you price rooms without the guesswork.
- [Staff Collaboration Software](#): For the smallest properties (5 rooms and under) a simple Slack channel or Trello board might do. But even small properties can have complex operations when it comes to servicing guest requests, maintaining a property and managing workflows between shifts. Specialized [hotel operations](#) software is highly recommended for almost any hotel size.

Step 6: Throw A Killer Opening Party

At long last, it's time to revel in the fruits of your labor: an opening party! This is certainly a moment worth celebrating alongside friends, family, colleagues and investors -- and also with influencers that can amplify your hotel launch.

One approach to launch is to have a private “soft opening” party for a limited group of friends and family. This allows you to test out the space and get a feel for hosting events there. Then, once you work out the kinks, you open up the doors to an “official” launch party that includes influencers, VIPs and other locals.

As you plan the big night, give your party a theme and dream up some Instagram-worthy backdrops. Some other elements of a killer opening party:

- **Press.** Work with your PR agency to ensure that you have all relevant local press in attendance, as well as any other outlets that may be interested
- **Influencers.** In addition to journalists, collaborate with your PR agency to identify some local influencers to invite. Nearly every city has lifestyle, food, and travel influencers that can put your hotel in front of a broad audience for a minimal investment.
- **Event planners.** Your sales and marketing team should also take advantage of the launch to invite event planners to come experience the space in person. This is a great way to jumpstart the relationship with potential prospects!
- **Entertainment.** Book some live entertainment that brings your space to life and aligns with your brand promise. Live music or other entertainment is also a nice enticement for people to post to social media during the party.
- **Food and drink.** Of course, it's not a party without delicious food and drink! If your property has its own F&B, the opening party is also a great way to introduce the new offering to the community.
- **Giveaways.** Mark the occasion by giving away a few stays and some swag. These are small moves that add up to big impressions for a new hotel.
- **Photographer.** It's a worthwhile investment to mark the occasion with a professional photographer. You can use these photos on your social media accounts and to share with event goers.
- **Photo booth.** You might also want to have a photobooth that's connected to social media so that you can encourage attendees to take funny photos and share them online, creating a direct line to some complimentary advertising.

To amplify your opening, consider adding a paid advertising campaign and some exclusive, limited-time only promotions to celebrate the launch. These are great ways to get people through the door to experience the hotel and start building word-of-mouth.

Hotel Owner Interview Spotlight with Marius Donhauser

Marius Donhauser comes from a family of hoteliers and is the owner of Der Salzburger Hof hotel. While running his hotel, Marius noticed dozens of opportunities for growing efficiency and delivering a better guest experience that were slipping through his fingers without the right hotel operations software in place and decided to create hotelkit. Marius has come a long way since first piloting hotelkit at his property and has works with more than 1,000 properties globally. As a hotel owner who also helps thousands of other hotel owners, Marius is a wealth of knowledge for anybody looking to start a hotel business.



What's one thing that you know now but you wish you knew before running your own hotel?

I come from a family of hoteliers. We have been working in the hospitality industry for generations. So, I like to think I knew quite well what I was "signing up for". I certainly didn't blindly throw myself into this business. I was prepared to be open-minded. After all, hospitality is one of the most fluid and rapidly changing industries. What I did not anticipate was that most hotels were still stuck in the paper and post-it era when it came to managing daily tasks. With digital solutions taking hold nearly everywhere else, so many opportunities to simplify operations were not taken into consideration at all by the hotel industry. How could it be that, in 2012, we had successfully landed another Mars Rover, but major hotels were still writing handovers and to-do lists on paper? In summary, I really underestimated the lack of innovation in internal processes at the industry's core. Hotel owners themselves have to drive change in their organization and get everyone on board. Basically, I wish I'd had a software like hotelkit from day one.

What is the most important skill that a hotel owner must have?

You've got to have the common touch to succeed at managing diverse hotel staff. As a hotel owner, you need to be able to work well with people from all walks of life. Your teams will not be made up of only people who are just like you. Or even of people who are sort of on your wavelength. In fact, having uniform teams would be counterproductive! Therefore, the most important skill a hotel owner must have is to understand how to be the linking part between different groups and people, to understand their needs and be open-minded. In the end, diverse teams make for the best results!

What personality traits differentiate average hotel owners from great hotel owners?

It's nice to be nice, but just being a pleasant host is not nearly enough. A great hotel owner is an allrounder with a good grasp of many concepts, including marketing, sales, revenue management, design or innovation management and being tech savvy is not a disadvantage. Moreover, great hotel owners are not afraid to work with people who are better skilled than themselves or with people who are true unconventional thinkers. Great hotel owners know how to deal with constructive

criticism. After all, innovation and revolutionary developments are never spearheaded by conformists and yea-sayers.

Running a Hotel During Covid with Jens Peter Tang Dalsgaard

Our small beach-side resort on Siquijor Island in the central Philippines got hit like everyone else by covid-19. All of a sudden no or only few guests, little or no income. How to handle our largest setback since opening in 2012 in a good way? This is after all our livelihood.

Our strategy has from day 1 been one of no staff layoffs, staying open, doing renovations and upgrading facilities, going greener and eco-friendlier, while riding it out and anticipating recovery. Our staff have no job alternatives and there is no government support for them or us. They stood by us in good times and we stand by them in bad times, using the last couple of years' good earnings and savings to support all.

We are lucky to have built a solid buffer to withstand a crisis and that, with hindsight, is a major lesson: keep a very healthy cash-flow balance and probably more cash in the bank than most bankers or financiers would normally advise. Don't get ahead of yourself in terms of growth and expansion. There are fat years and lean years.



Beach at [White Villas Resort](#) in the Philipines

We focus on the 4th bottom line – purpose – apart from the usual triple bottom line of social, environmental and financial concerns. The 4th bottom line is about the more human and existential aspects of business: the purpose of one's work and what one seeks to accomplish. What motivates and gives deeper meaning and joy beyond the immediate, short-term gratification and fulfilment from creating and running a business? It is about integrity and doing the right thing. It is about care, compassion and humanity. Not least in a covid-era.

Some context: The Island was until covid-19 one of the faster growing international tourist destinations in Southeast Asia, with visitor arrivals increasing almost eightfold from around 112,000 in 2010 to 860,000 in 2018 and 49% year-on-year growth in 2018[1]. Big changes for an island of around 100,000 inhabitants known for its relatively unspoiled environment, charm and mysticism, and for its friendly and hospitable people the Siquijodnons.

Many Siquijodnons have moved from artisanal fishing and farming into the tourism sector and sub-sectors on an island that in the past offered little alternative livelihood options and saw high unemployment rates. Covid-19 will trigger a return to some of this. We have 25 local staff, mostly women. Mostly uneducated from simple and poor fisherfolk backgrounds. Many are single mothers and responsible for feeding children and family. They are more than just staff. They are part and parcel of our family-business.

There are still no reported covid-19 cases on Siquijor Island. Once travel gradually resumes, probably with local and national tourism first, we will use social media to advertise. The Philippines is huge on Facebook and Instagram. We will have basic health measures in place including thermometer guns, masks and hand sanitizers, and will reinforce social distancing rules etc. We are keeping our website fresh with frequent updates on the evolving covid-19 situation. And we now more than ever emphasize “travel with compassion and care” and giving something back to the community.

With these insights, you're well on your way to knowing how to start a hotel business. It's most definitely an involved process that's not for the faint of heart. If you've got that itch for hospitality, sometimes you just have to scratch it!

FAQs

How much does it cost to start a hotel business?

The cost to open a small hotel in the United States is around \$1,000,000, and the average cost to open a 115-room hotel is around \$22,000,000. The initial cost might include the purchase price of land or an existing building, construction costs, furnishings and decor, licenses and permits, franchise or management fees, marketing expenses, and staff wages.

How much money do you make owning a hotel?

Hotel owners must first pay their staff, franchise or management fees, mortgage payments, and taxes before taking their cut. A well run hotel should typically run ~25-40% EBITDA Margins meaning that if you purchase a hotel doing \$1M in annual revenue you could expect to make \$250k - \$400k per year which is about 3-5x the average salary of a hotel manager. Needless to say, taking on extra risk does have benefits.

How do I start my own hotel business?

Some entrepreneurs start a hotel business by purchasing an existing hotel, while others opt to build new hotels. The first step is to create a business plan, then you can start initial marketing efforts, inquire about licensing and permits, secure financing, start construction or renovations, hire staff, and, finally, open the hotel.

How can I start a hotel with no money?

In order to secure financing for your hotel, you need to have a solid, well-researched business plan to prove to investors that they'll generate a good return on their investment. You can raise funds from private investors, investment groups, friends and family, or banks.

Is owning a hotel profitable?

A well-run hotel can expect 25-40% EBITDA Margins but many poorly run hotels are not profitable endeavors. Owning a hotel can be profitable if you have the right combination of location, price point, quality of the physical asset, marketing strategy, dedicated employees, and supportive investors and management partners. However, a hotel isn't profitable by default, so you can expect a lot of hard work to generate profit.

How do I get funding to start a hotel?

You can bootstrap your hotel business with your own savings, or you can secure funds from friends and family, angel investors, bank loans, government loans, or even crowdfunding. Popular loan options for hotel businesses include SBA 7s and SBA 504 loans.