

Hotel Jargon Explained

This useful guide is designed to help new investors, owners and operators understand the difference between F&B and FF&E or RevPAR and Royalty Fees. If you think a Radius Restriction should apply to a Soft Opening, or a Non-Disturbance Agreement is a sign hung from the door of a hotel room, then our jargon buster is for you.

A&G

Administrative and General expenses. (See [Undistributed Operating Expenses](#))

Adjusted Net Operating Income

Net Operating Profit less FF&E Reserves - referred to in the Uniform System as EBITDA less Replacement Reserves

ADR

Average Daily Rate (see [Average Room Rate](#))

Aggregators

Websites that use feeds from multiple online sources, including OTAs and hotel or travel company websites, to display wide choice of pricing and sources. Examples include Kayak and Trivago

Average Room Rate or Average Daily Rate

Rooms Revenue divided by the total number of rooms occupied

Base Fee or Basic Fee

Management fee payable to a hotel operator which is usually based on a percentage of revenue

Benchmarking

Comparing the performance of a hotel against other hotels in the same market

Budget

A budget that is usually produced annually by the Operator and contains budgeted revenues, expenses and capital expenditure for the forthcoming financial year

C&B

Conference and Banqueting

C&E

Conference and Events

Central Services or Centralised Services

Services provided by a hotel chain to a particular hotel from its head office or regional offices. They usually include central sales and marketing, procurement, training, IT support, reservations, loyalty programs and accounting support. Also known as Group Services and Benefits (GS&B)

Comp Set

Competitive Set - a group of 4-5 competing hotels against which a hotel's performance is compared in a Benchmarking exercise

Confidential Tariff

Discounted prices quoted to wholesalers, tour operators and travel agents, distributed confidentiality

Corporate Rate

A reduced price for guests staying on business, sometimes through specially negotiated terms

COS

Cost of sale

CRO

Central Reservations Office - a sales centre which handles bookings on behalf of its hotel group

CRS

Either (1) Central Reservations System (free phone number and website maintained by a hotel group to take reservations or (2) Computerised Reservations System (the Computer network through which the products and services of travel companies are booked)

EBITDA

Earnings before interest, tax, depreciation and amortisation. Also known as Net Operating Income. Equivalent to Gross Operating Profit less all Management Fees and Non-Operating Income and Expenses

F&B

Food and Beverage

FF&E

Either (1) Furniture, Furnishings and Equipment or (2) Fixtures, Fittings and Equipment e.g. beds, tables, chairs (but normally excluding Operating Equipment)

FF&E Reserve

A pot of money (either in a ring-fenced bank account or just a notional reserve) to be used to fund replacements and additions to FF&E. This is normally funded by paying in a fixed percentage of revenue each month. Also known in the Uniform System as Replacement Reserve

Fixed Charges

[See Non-Operating Income and Expenses](#)

GDS

Global Distribution System is a computer network that provides hotel rooms and rates to OTAs

GM

General Manager

GOP

Gross Operating Profit is gross revenue less operating expenses

GOPPAR

Gross Operating Profit Per Available Room is total hotel revenue less the expenses incurred in generating that revenue, divided by the total number of available rooms

Gross Operating Revenue

[See Rooms Revenue](#)

GRR

Gross Rooms Revenue ([see Rooms Revenue](#))

GS&B

Group Services and Benefits ([see Central Services](#))

HMA

Hotel Management Agreement ([see Management Agreement](#))

HVAC

Heating Ventilation and Air Conditioning

IBFC

Income Before Fixed Charges. ([See Income before Non-Operating Income and Expenses](#))

IMF

Incentive Management Fee ([see Incentive Fee](#))

Incentive Fee

Fee payable to a hotel operator which is usually based on a percentage of profit

Income before Non-Operating Income and Expenses

Under the Uniform System, this is Gross Operating Profit less all Management Fees

IRR

Internal Rate of Return - a formula for discounting cash flow and evaluating the feasibility of a project against accepted rates of return on the capital employed

L2B

Look to book - a ratio of reservations obtained from an online distribution channel out of the total visitors to such channel (also known as the conversion rate)

Licence Fee

A fee charged by a hotel chain for the use of its brand name. Also called a Royalty Fee

Loyalty programme

A programme rewarding frequent travellers with points for free stays or other gifts

LTC

Loan to Cost - a measure of leverage, usually used in the development phase

LTV

Loan to Value - a measure of leverage, usually used on the operating phase

Management Agreement or MA or Management Contract or Hotel Management Agreement

Management agreement between the hotel's owner and the hotel operator for the operation of the hotel by the operator on the owner's behalf (also called a Hotel Management Agreement, a Management Contract or an Operating Agreement)

Management fees

Fees paid to an operator under a Management Agreement for providing management services. Usually split into a base fee and an incentive fee

Manager

Operator

Net Operating Income or Net Operating Profit

See [EBITDA](#)

Net Rate

A wholesale rate to be marked up by the Wholesaler before being offered to the customer at a higher rate

No show

A guest with a reservation who fails to arrive

NOI

Net Operating Income (see [EBITDA](#))

Non-Disturbance Agreement

An agreement between the hotel's owner, its operator and the owner's lending bank under which the bank agrees that if the owner defaults under its loan and the bank enforces its security, the bank will keep the Management Agreement in place.

Non-Operating Income

Income included within Non-Operating Income & Expenses in the Uniform System and includes cost recovery income (e.g. from common area maintenance), interest, income on capital reserve accounts and income generated by the building that is not part of the operations of the hotel (e.g. billboard or antenna rental income)

Non-Operating Income & Expenses

Under the Uniform System these include Non-Operating Income, rent, property & other taxes, insurance and other non-operating expenses. Also referred to as RPTI

NOP

Net Operating Profit (see [EBITDA](#))

NPV

Net Present Value - Discounted cash flow concept for measuring project profitability

Occupancy

The percentage of the total number of rooms available which are occupied by guests on any given date

OE

Either (1) Operating Expenses (e.g. salaries, cost of food, etc) or (2) Operating Equipment (linen, china, glassware, etc)

Operating Agreement

See [Management Agreement](#)

Operating Equipment

Equipment used in operations, such as linen, china, glassware, silver, uniforms, trolleys and are often (but not exclusively) items that are accounted for as a current expense rather than capital expenditure (compare FF&E)

Operator

The hotel management company which manages a hotel under a Management Agreement

OTA

Online Travel Agency, such as Booking.com, Expedia, Hotels.com and Opodo

Other Operated Departments

Three categories of classifications of Total Operating Revenue under the Uniform System, being: Rooms, F&B and Other Operated Departments. The last category includes revenue from parking, spas, golf course etc.

Owner

The owner of a hotel business which is counterparty to the Operator under a Management Agreement

PBIT

Profit Before Interest and Tax

Performance test

A mechanism which allows a hotel owner to terminate a Management Agreement due to poor performance by the operator, often by comparison to similar hotels in the same market

POM

Property, Operational and Maintenance. (See [Undistributed Operating Expenses](#))

Property Improvement Plan

A document setting out the refurbishment required to a property before it will meet the standards of a particular brand

Property Management System

The main computer system used by a hotel to record guest information etc that includes the reservation and billing system

Protected Area

See [Radius Restriction](#)

PTEB

Payroll Taxes and Employee Benefits

R&M

Repairs and Maintenance

Rack Rate

The standard published rate for a hotel room before any discounts are applied (also known as the Walk-in Rate)

Radius Restriction or Restricted Area

A restriction in a Management Agreement preventing a hotel chain from owning, operating and/or franchising another hotel within a specified distance (also known as Protected Area)

Replacement Reserve

See [FF&E Reserve](#)

RevPAR

Rooms Revenue Per Available Room is Rooms Revenue divided by the number of available rooms (which also equals the Average Daily Rate multiplied by the Occupancy) - a benchmark for measuring the performance of hotels. Note that although the Uniform System stipulates using Rooms Revenue, some statistics use Total Operating Revenue (see [Total RevPAR](#))

RGI

Revenue Generated Index - a measure of a hotel's RevPAR in comparison to the average RevPAR of the comp set, usually expressed as a percentage

ROCE

Return On Capital Employed

Rooms Revenue

Revenue derived only from rooms and not from any other service (such as F&B)

Royalty Fee

See [Licence Fee](#)

RPTI

Rent, property taxes and insurance (see also [Non-Operating Income and Expenses](#))

S&M

Sales and Marketing. (See [Undistributed Operating Expenses](#))

Soft opening

The unofficial opening of the hotel (to allow teething problems to be ironed out) before the official opening

Total RevPAR or TrevPAR

Total Operating Revenue per Available Room. This is distinct from RevPAR which is based only on Rooms Revenue

Total Operating Revenue

Total Operating Revenue from all sources including Rooms, F&B, Other Operated Departments and Miscellaneous Income, but excluding Non-Operating Income

TrevPOR

Total Operating Expenses per occupied room

TSA

Technical Services Agreement - an agreement between an Owner and an Operator for services to be provided to the Owner during the development phase

Undistributed Operating Expenses

Expenses attributable to the whole hotel and not a specific department. Under the Uniform System these are split into the following five categories: Administration & General, Information and Telecommunications Systems, Sales & Marketing, Property Operation & Maintenance and Utilities

Uniform System

The book "Uniform System of Accounts for the Lodging Industry", which sets out an internationally agreed system for compiling hotel accounts, currently in its 11th Edition (2014), published by the AH&LA, the Hotel Association of New York City and HFTP

Walk-in Rate

See [Rack Rate](#)

Wholesaler

A business that doesn't sell rooms direct to the public but through travel agents and particularly tour and coach operators

Yield management

Maximising revenue by raising or lowering prices dynamically according to demand

About us

Boodle Hatfield has a long history of working with companies, both established and start-up, within the hotel and leisure sector to help them to achieve their objectives. We believe that the key issue for lawyers is to understand each client's business, its commercial objectives, its culture and ethical style, and provide the highest quality legal advice in the light of those factors with excellent response times.

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