

Moneyball for Hotels: How a \$12 Billion Asset Management Firm Finds Value



Sean O'Neill

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PHOTO CREDIT: VIEW FROM THE POOL DECK AT THE HILTON SAN FRANCISCO UNION SQUARE. HILTON

SKIFT TAKE

Too often, hotels operate on gut feeling. The right data can help operators find millions in extra profit.

Michelle Russo has built HotelAVE into a \$12 billion hotel asset management firm by taking a Moneyball-style approach: The Oakland Athletics used baseball stats to find undervalued players; Russo's team crunches hotel performance data to identify gaps between what properties should earn and what they actually generate.

“We don’t think, feel, or believe,” Russo said. “Instead, we find out: What is the data saying?”

HotelAVE (short for Asset Value Enhancement) has found millions in additional profit at properties by questioning conventional wisdom about everything from housekeeping schedules to room pricing strategies.

“The [hotel] operators are seriously busy dealing with day-to-day operational issues, so they don’t have as much time to be strategic or analytical,” Russo said. “Our value add is doing that for them and bringing those opportunities to them.”

At the typical full-service hotel, improvements can include basic changes like implementing amenity fees when competitors charged them, along with more complex revenue management strategies around room type pricing, distribution channels, and market segmentation.

“Let’s say you’re a resort in Cancun and you’re not on Costco’s wholesale travel offerings,” she said. “You’re just dark on a really big potential source of business.”

Too often, cost controls operate on gut feeling rather than hard numbers, so Russo’s team is methodical. At one property, her team found a gap between the amount of work housekeepers reported doing and the actual work performed. “This gap was worth a half-million dollars,” Russo said.

One of the firm’s highest-profile projects of late has been managing San Francisco’s two largest hotels: Hilton Union Square and the Parc 55, which had been owned by Park Hotels & Resorts until that company defaulted on its mortgage in 2023.

It has been fine-tuning operations and a sale is reportedly imminent.

Spinning Out a Tech Company

Russo said the real opportunity extends beyond analyzing financial statements. Hotel operations generate behavioral data, booking patterns, and operational metrics.

Property owners typically rely on monthly reports from third-party management companies. But these often arrive weeks late in inconsistent formats. Comparing performance across portfolios typically requires manual reconciliation.

So HotelAVE developed its own software to manage data from the systems used by multiple hotel management companies.

“About 30% of our analyst time was putting reports together, taking data from the hotel, putting it into another Excel,” she said. “This thing is now just click, click, click done.”

The software, Singlepane, pulls together thousands of items from hotel operators monthly to create normalized comparisons that can be used to create budgets and forecasts.

Last year, HotelAVE spun out Singlepane as a separate business.

HotelAVE has also begun testing AI tools internally for tasks like writing project scopes and abstracting management contracts. While not perfect, Russo said AI gets them “65% there” on contract analysis, where staff previously started from scratch.

Development Services Growth

HotelAVE has expanded into development consulting, working primarily on luxury and lifestyle projects that include residential components. The firm analyzes markets to determine optimal room mixes, meeting space configurations, and facility programming.

Russo sees these development services as a growing opportunity. Russo said the major hotel groups often create “brand standards,” or rules for operating hotels, without considering local market conditions.

She cited a Wall Street hotel that built small, living room-style meeting spaces per brand standards when the market needed larger meeting rooms.

“Every Wall Street hotel corporate account had an entire floor of small meeting rooms,” she said. “What these companies needed from the market was bigger meeting spaces. And this hotel didn’t have any of it.”

Limits on Size?

During 2021, a peak transaction year, Russo’s team was involved in one out of every four North American hotel transactions over \$25 million, whether as the asset manager for the seller, buyer, or to perform acquisition due diligence, lender underwriting, or other advisory services.

Today, Russo said the asset management business has been difficult to scale since growth requires adding people rather than tech. Russo said the firm profiles candidates for analytical skills, urgency, and persistence rather than operational hotel experience.

Russo herself has worked outside the sector, such as being an investment analyst for Deutsche Bank and managing a half-billion-dollar insurance portfolio for John Hancock Mutual Life.

In the near term, Russo is optimistic about deal flow for HotelAVE. With many signals pointing to interest rate reductions, Russo says deal-making might pick up at last.

More dealmaking would mean that many hotels that opened during the recent deal downturn but were underwritten during stronger market conditions will need help to improve operations and get more favorable underwriting for deals or refinancings for loans.



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