



Hungary - Hotel Management Agreements

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General

QUESTION	ANSWER
1. Are Hotel Management Agreements (“HMAs”) common in your jurisdiction?	HMAs are frequently used in Hungary for city centre upper tier hotels under a brand.
2. If not HMAs, what are the alternatives/what is commonly used?	Lease and franchising are the two other alternatives.
3. Is it common or usual for the HMA to be governed by (i) local laws; (ii) the laws of one of the parties’ country of incorporation; or (iii) an alternative jurisdiction?	Either Hungarian law or the laws of one of the parties’ country of incorporation is used for HMAs.
4. Are there any significant or unusual points to note in respect of tax on HMA payments in your jurisdiction?	This depends on the parties’ country of incorporation and applicable taxation treaties.

Term and Termination

QUESTION	ANSWER
1. Is there a standard contract period of an HMA?	10–20 years with extension options.
2. Is the term usually fixed? Are early exit or similar options included (contractual or implied)?	Terms are usually fixed. In some cases an early exit option is included and always subject to an early termination fee.

QUESTION	ANSWER
3. Is it usual to include fees/liquidated damages for early termination?	Yes.
4. What is the usual position in respect of renewal?	Usually operators have an option to extend the term by 5 or 10 years.

Fees

QUESTION	ANSWER
1. Is there a standard fee structure for HMAs (e.g. base + incentive)?	Usually there is a base fee calculated on revenues and an incentive fee based on profits.
2. What other fees and charges are there (such as royalties, accounting, marketing, licence fees, etc.)?	Royalty fees and group services fees are usually charged for brand use, marketing, central booking, bookkeeping and other group services.
3. Are owners typically required to set aside funds for fixtures and fittings?	Yes, FF&E reserve is very common and is usually calculated on revenues. The percentage and the use of the FF&E reserve depends on the age and the brand of the hotel.

Performance and Operations

QUESTION	ANSWER
1. What is the usual standard imposed on an operator in respect of the operation of the hotel?	Some HMAs contain KPIs or some other form of service level requirements, however, in most cases none of these are used since the fee structure ensures that the interests of the parties are aligned.
2. What performance measures are commonly used in your jurisdiction?	RevPAR against a competitive set of local similar hotels or performance against annual budget.
3. Is an operator or owner guarantee common in your jurisdiction?	For established brands, an operator guarantee would be very unusual, owner guarantee is also rare and usually limited to cases where there is a substantial financing on the property.
4. What is the usual position in respect of employees? With whom does the liability for the employees sit?	Usually the owner is the employer.
5. Is it usual to have a non-compete clause, e.g. that no other property with that brand can open within a certain	Non-competes are standard.

QUESTION	ANSWER
radius?	
6. Who is responsible for insurance?	The owner is responsible for property insurance (real estate plus FF&E), while the operator is responsible for third party liability insurance and operational insurances.
7. Does the HMA give rights in real estate in your jurisdiction?	No. If a right of first refusal or purchase option is agreed over the property for the operator in a separate agreement, then those can be registered on the title of the hotel.
8. Does the HMA need to be recorded against the property, if this is possible in your jurisdiction?	HMAs cannot be recorded in the land registry, right of first refusal or purchase option right can be registered if granted.
9. Where financing is taken is it standard to obtain a Non-Disturbance Agreement (“NDA”) as part of a management or lease agreement?	Yes, an NDA is usually obtained if the property is financed.
10. What other agreements usually sit alongside an HMA in your jurisdiction?	Usually, staff training and group services arrangements are made. If the operator is granted a right of first refusal or purchase option right over the real estate, then these are established in a separate agreement.

Transfers and Assignments

QUESTION	ANSWER
1. What are the standard rights/restrictions in respect of transfer/sale of the hotel?	Operators will require consent to any change in ownership of the hotel or the hotel owner vehicle.
2. When a managed hotel is sold (either asset or share deal), is it usual in your jurisdiction that either the Operator’s consent is required for the sale, or that the hotel may only be sold if the HMA transfers with the hotel?	Yes.
3. Do HMAs commonly include a right of first refusal for the operator to purchase the hotel?	It is not common to include a right of first refusal for the operator.
4. Is it usual to include provisions which enable the sale of the property with vacant possession i.e. without the brand?	No, it is very uncommon.

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