



Commercial Real Estate: Has the Hotel Sector Begun Turning Around?

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Clearwater, FL

Data from Smith Travel Research released recently shows U.S. hotel occupancy rose more than two percentage points in the first five months of this year from the same period last year, to 54.7%. However, there is no doubt that many commercial properties such as hotels remain very deeply in debt.

Guardian Solutions, a commercial loan restructuring firm specializing in various segments within the commercial real estate market, has recently helped two such hotels turn matters around despite the struggling economy.

“Eventually, the hotel industry will come back, but if a hotel owner is straddled with an untenable balloon payment, or is in default because of the current economic situation, it is imperative that the commercial property owner act aggressively now to keep his property,” said Ira J. Friedman COO for Guardian Solutions.

But the overall looming industry debt continues to threaten to undo any recovery the hotel segment is starting to make.

According to research firm Trepp there is about \$5.6 billion in securitized mortgages tied to hotels coming due this year and next, and about 28% cover properties now estimated to be worth less than their mortgage balances. That makes refinancing those “troubled” loans nearly impossible without the commercial property owners contributing more capital.

Returning to the hotel industry's boom-time highs may take several years or longer. PKF Consulting Inc., a hotel-industry analysis company, predicts U.S. average rates and REVPAR (revenue per available room) will return to their recent peaks by 2013, but occupancy won't do so until after 2014. As for property values, HVS, the hotel and leisure research company, forecasts U.S. hotels should regain their 2006 values by 2013.

“Some hotel owners may just focus on the first bit of good news they have experienced in two years (slightly improved occupancy rates) but the ones that will survive are the ones that take advantage of this uptick and use it to help restructure their commercial mortgage, and deal with the looming problem sooner rather than later” added Friedman.

One group of hotel owners who were not waiting to see if things got better on their own was AllStar Investments, LLC. AllStar was able to renegotiate terms for mortgages for two of their hotel properties with the help of Guardian Solutions.

“Guardian Solutions and Mr. Friedman took what appeared to be a hopeless situation for two of our hotels and turned them both around. He negotiated a discounted buy-out of the notes at approximately .60 cents on the dollar,” said an AllStar Representative

But the situation is even worse for commercial property owners with hotel loans that are coming due in 2012, many of which were originated when hotel values (commercial real estate values) were much higher than today. Of the \$5.1 billion in securitized mortgages coming due in 2012, 64.5% currently are underwater, according to Foresight Analytics. Those not generating enough cash to cover their interest payments represent 42.2% of that balance due in 2012.

Friedman added, “Guardian Solutions addresses each property we represent individually in accordance with all the issues at hand. Once we are prepared with every piece of relevant information and a realistic game plan, we enter negotiations with the Special Servicer, or in some cases the Master Servicer; our intent is to always secure the best possible terms for the client and address the concerns of the lending institutions.”

About Guardian Solutions

Guardian Solutions is the one of nation's largest commercial loan restructuring companies and is committed to helping commercial property owners save their properties. The company's knowledgeable mediators are experienced in a variety of disciplines to provide customized restructuring solutions. For more information, visit www.GuardianSolutions.org