



One Weak Sector of the Commercial Real Estate Market Has Begun to Turn Around, Despite U.S. Economic Sluggishness

The battered hotel real estate market appears to be showing signs of life with the intervention of commercial mortgage restructuring plans.

CLEARWATER, FL (October 18, 2010) – This year the number of hotels being sold, as a percentage of investment volume within the CRE property sector has increased from below 8% at the peak of the market to over 10%. But more than one-third of hotel transactions that closed through the end of last summer involved distressed conditions, such as foreclosures, auctions or short sales. But the numbers alone can be misleading.

Guardian Solutions, a commercial loan restructuring firm specializing in various segments within the commercial real estate market, has seen a significant and steady increase in the number of hotel owners facing imminent foreclosure that are able to save their properties.

“This latest trend is an indication to us that commercial real estate may be finally on the right path to mend itself. Lenders and special servicers that we work with closely seem more willing to restructure, workout or negotiate discounted buyouts than they did in the past; specifically, there was \$1.29 billion in distressed properties that sold off in the first half of 2010, compared with \$1.04 billion in first-half 2009,” said Ira J. Friedman COO for Guardian Solutions.

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 and will require a restructuring of some kind if they are to make it.

One hotel owner who was able to save his distressed property with the aid of a commercial loan restructuring firm was Tom LaSalle, owner of LaSalle Management Limited II, who had this to say, “From the time they accepted my case until the closing resolution, I found Guardian Solutions to be a very professional, goal-oriented firm that demonstrated a high level of expertise in the financial field throughout our presentations and negotiations. Two months prior to Guardian Solutions’ closing resolution on my case I could not have anticipated such a positive result”.

But the picture is not all wine and roses for the industry; the situation remains difficult 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.

“The basis to any successful workout negotiation is ensuring that it is a win-win for both the property owner and the lender—the difficulty arises in creating a clear view of what is at stake for both parties as well as how they both can make the best of a tough situation with the most favorable terms,” added Friedman.



According to Foresight Analytics, of the \$5.1 billion in securitized mortgages that are coming due in 2012, a whopping 64.5% are currently underwater. Those properties not generating enough revenue to cover their interest payments represent 42.2% of that balance due in 2012.

This pending debt foreshadows more turbulent times before any real recovery for the hotel sector takes hold; hotel owners would be well advised to take immediate steps to save their properties through a comprehensive loan restructuring plan sooner rather than later.

“While we expect the hotel industry to eventually come back strong, I would advise any hotel owner facing an untenable balloon payment, or already in default to act aggressively now to keep his property by engaging a reputable commercial loan restructuring firm to represent the property,” added Jeramie P. Concklin, CEO for Guardian Solutions.

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 mitigators are experienced in a variety of disciplines to provide customized restructuring solutions. For more information, visit www.GuardianSolutions.org

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