

In The News

Alan Cohen Provides Insights Into Hotels' Options for Loan Services and Debt Repayment in *GlobeSt* Q&A

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Alan Cohen, Real Estate Finance Practice Chair, participated in a Q&A with *GlobeSt* and provided insights into the options for loan services and debt repayment available to the hospitality industry.

“Are lenders permitting deferred payments from certain hotel borrowers in order to withstand the crisis and generate income to pay debt service? We are all well-aware that the current slowdown is vastly different from that related to the Great Recession. Upon the onset of the COVID-19 pandemic, almost overnight, people isolated themselves in their homes, travel and tourism ceased, and staying at hotels became a non-viable option.

Many major urban hotels' average daily occupancy dropped into single-digits and, as a result, many were forced to close; excluding those that were able to serve medical personnel and other first responders. Subsequently, cashflow ceased and operators and owners were unable to pay debt service and operating expenses without coming out of pocket.”

“Are some hotels better-positioned than others? What factors come in to play?

Of course, a borrower or operator's ability and willingness to work with loan servicers in order to

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make it through this crisis is dependent on a number of factors, including the type of hotel, geography, level of management, and sponsor capitalization. Borrowers with outdated hotels, 'big box' urban hotels, or hotels located in overbuilt markets might be less willing or unable to contribute large amounts of capital in order to cover operating shortfalls; even when subsidized by servicer deferrals and accessing existing cash reserves."

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