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April 1, 2020

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## RE: COVID-19 HOTEL BORROWER SURVEY

Dear AHLA, AAHOA, MBA & CREFC:

The lodging industry continues to face severe headwinds with limited reserves at both the property and entity level. Borrowers will soon be unable to cover operating costs, let alone debt service, resulting in widespread defaults. In an effort to illustrate the magnitude, CBRE Hotels Debt & Structured Finance compiled a survey of hotel borrowers, collecting real-time data through 21 targeted questions (attached). Responses represent approximately 7% of US hotel room inventory (342,000+ rooms), from 218 borrowers with more than 2,000 hotels across the country. The objective is to assist policy makers, lenders, servicers and government agencies in developing viable solutions for an industry that supports one in 25 American jobs.

While the CARES Act is a terrific first step, more action is required, particularly around commercial mortgage backed securities (CMBS) and the rigidity of the structures that govern this financing source. A series of hotel defaults in the CMBS market has the potential to significantly reduce bond buyer interest in hospitality debt, potentially ending an abundant source of financing for the industry going forward. A lack of liquidity in the hotel financial markets and a systematic decline in hotel property values will further impair bank balance sheets, life insurance companies, pension funds, and debt fund/alternative lenders.

The majority of survey respondents only have liquidity for two months of debt service, many with one month or less. The CMBS loan servicers and special servicers are and will continue to be inundated with requests

to assist hotel borrowers. We recommend a concerted effort to provide guidance to rating agencies, servicers, and to relieve regulatory pressure in an effort to mitigate downgrades on hotel loans. Providing servicers with guidance that include allowing master servicers authority to make certain pre-approved modifications (to avoid inundation of special servicers and the penalties associated with transfers to special servicing) such as:

- Forbearance or deferred principal and interest payments;
- Converting FF&E reserves to fund operating expenses or debt service;
- Temporary covenant holidays such as DSCR triggers, net worth and liquidity tests, and subordinate financing limitations (should "rescue capital" be needed for certain borrowers); and
- Providing extension tests or an automatic extension provision delaying tests for six to nine months.

Each of the above provisions have the potential to provide borrowers with time necessary to reduce the impact of the crisis on our industry.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark K. Owens', is written over a light blue horizontal line.

Mark K. Owens

Executive Vice President & Head of Hospitality Capital Markets

CONFIDENTIAL

**CBRE**

**CBRE HOTELS  
DEBT & STRUCTURED FINANCE  
COVID-19 BORROWER SURVEY**

*RESULTS COLLECTED FROM 3/22 – 3/24*

APRIL 1<sup>ST</sup>, 2020

## BORROWER SURVEY BACKGROUND

IN A POINTED EFFORT TO CREATE GREATER TRANSPARENCY AND TO BETTER UNDERSTAND THE IMPLICATIONS OF COVID-19 ON THE HOTEL & LODGING REAL ESTATE FINANCE SECTOR, CBRE HOTELS DEBT & STRUCTURED FINANCE COMPILED THE FOLLOWING BORROWER DATA THROUGH A SERIES OF 21 TARGETED QUESTIONS.

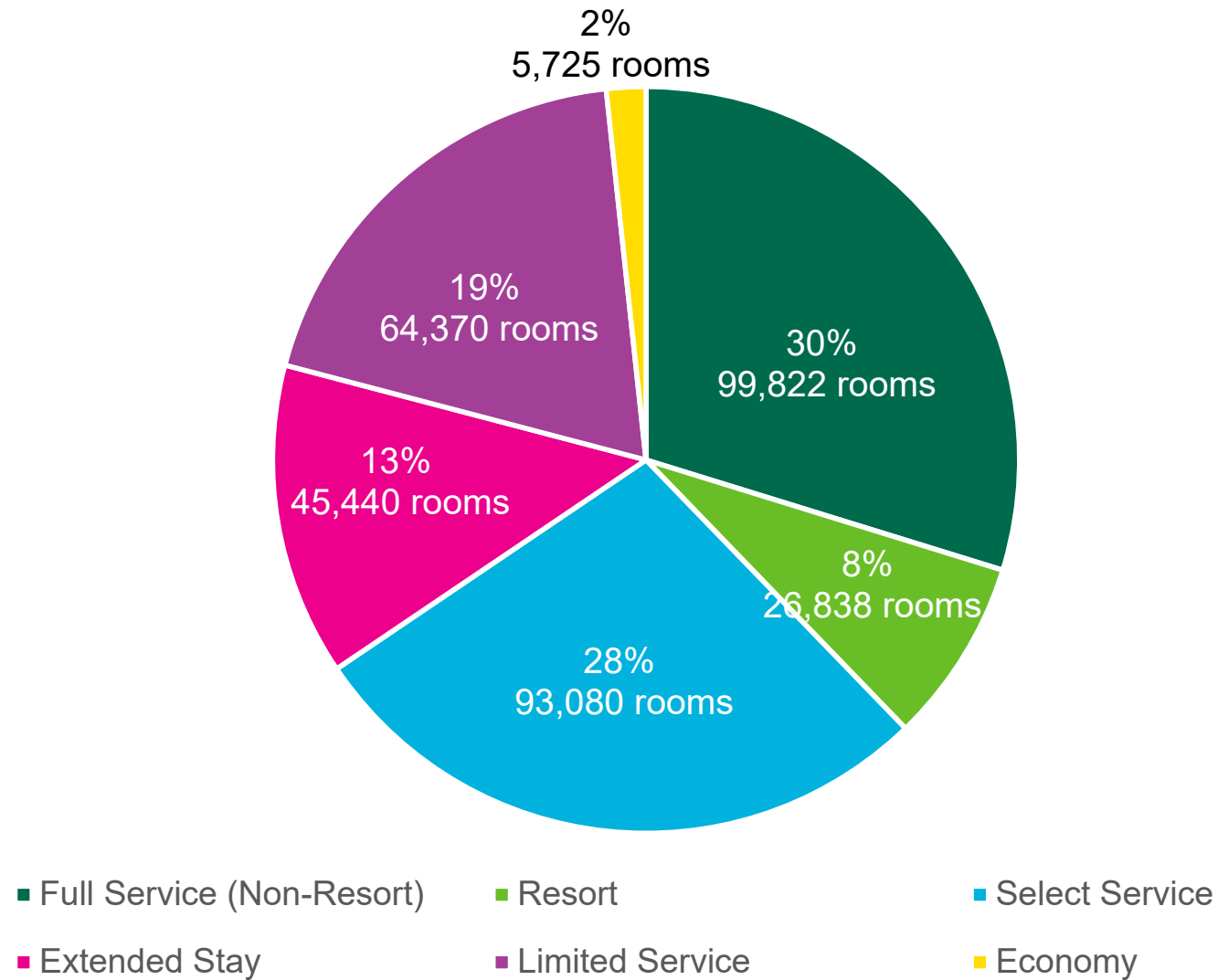
THE BORROWER SURVEY INCLUDES 218 PARTICIPANTS WITH 342,000+ ROOMS ACROSS 2,000+ HOTELS NATIONALLY.

THROUGH REAL-TIME DATA, CBRE IS FOCUSED ON EDUCATING POLICY AND RELIEF EFFORTS ACROSS THE LODGING SECTOR TO ASSIST CLIENTS, LENDERS, AND SERVICERS IN MAKING MORE INFORMED DECISIONS DURING THIS PERIOD OF SEVERE ECONOMIC DISLOCATION. FOR ADDITIONAL CONTENT, PLEASE REFER TO [AN UPDATED 2020 OUTLOOK](#) PRESENTED BY CBRE HOTELS RESEARCH.

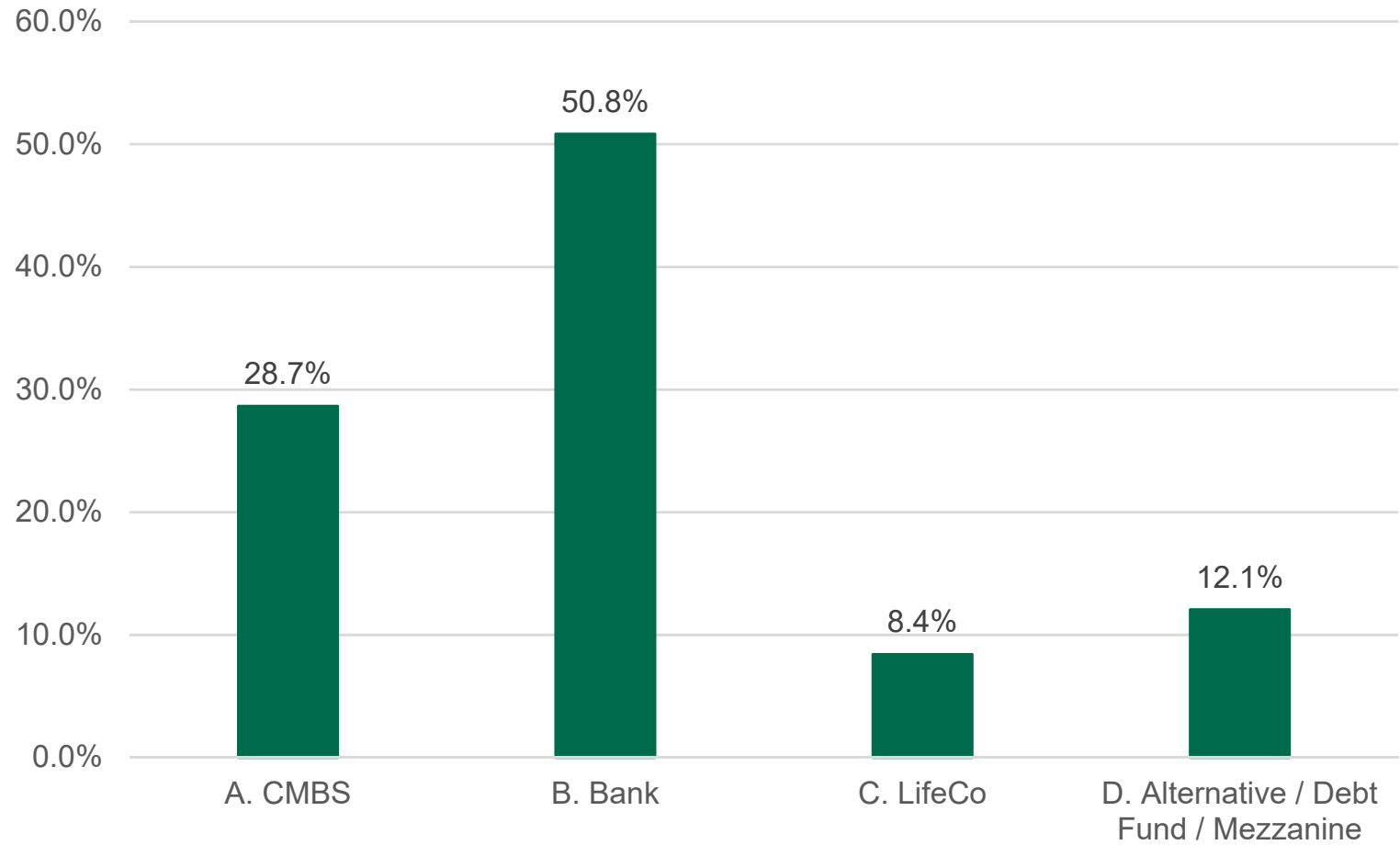
# 218 BORROWER SURVEY RESPONSES

	Total Number	Averages Per Respondent
Hotels	2,046	9
Rooms	342,418	1,571

# RESPONSE BREAKDOWN – BY SERVICE LEVEL



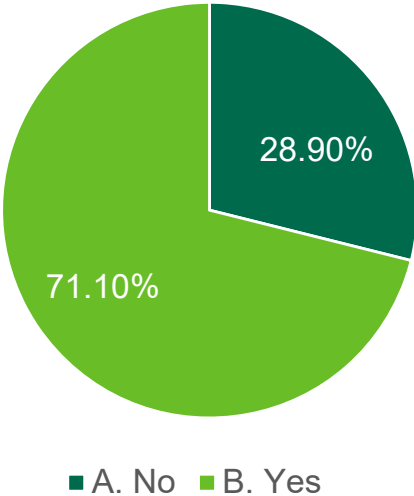
# LENDER BREAKDOWN



Note: Borrowers may have multiple lender types

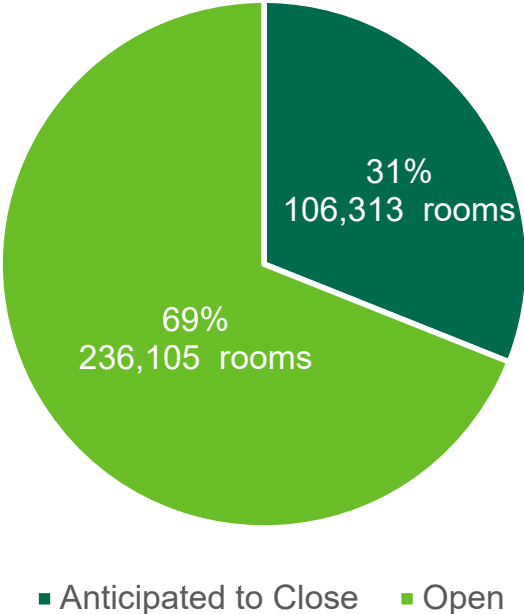
# OWNERS CONSIDERING HOTEL CLOSURE

% OF RESPONDENTS CLOSING HOTELS



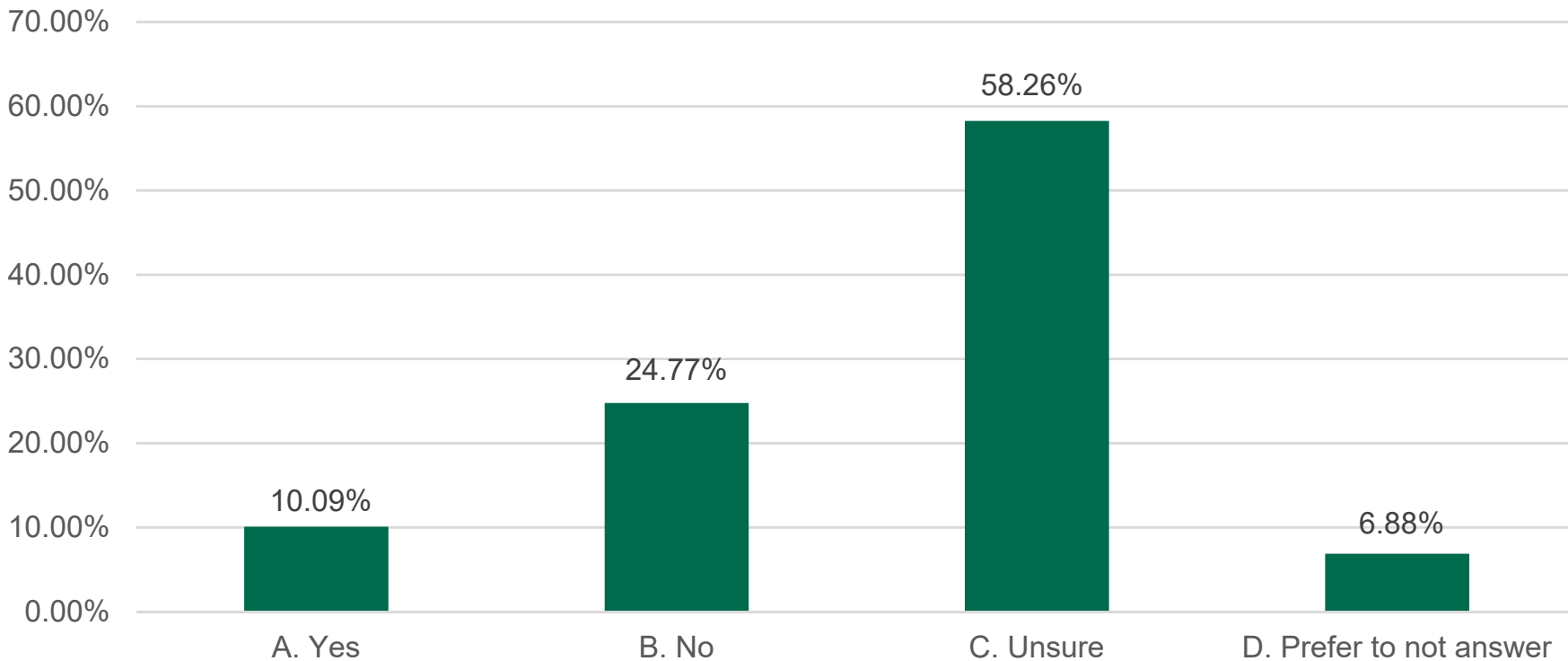
ANTICIPATED PORTFOLIO CLOSURE: **62%**

BY ROOMS

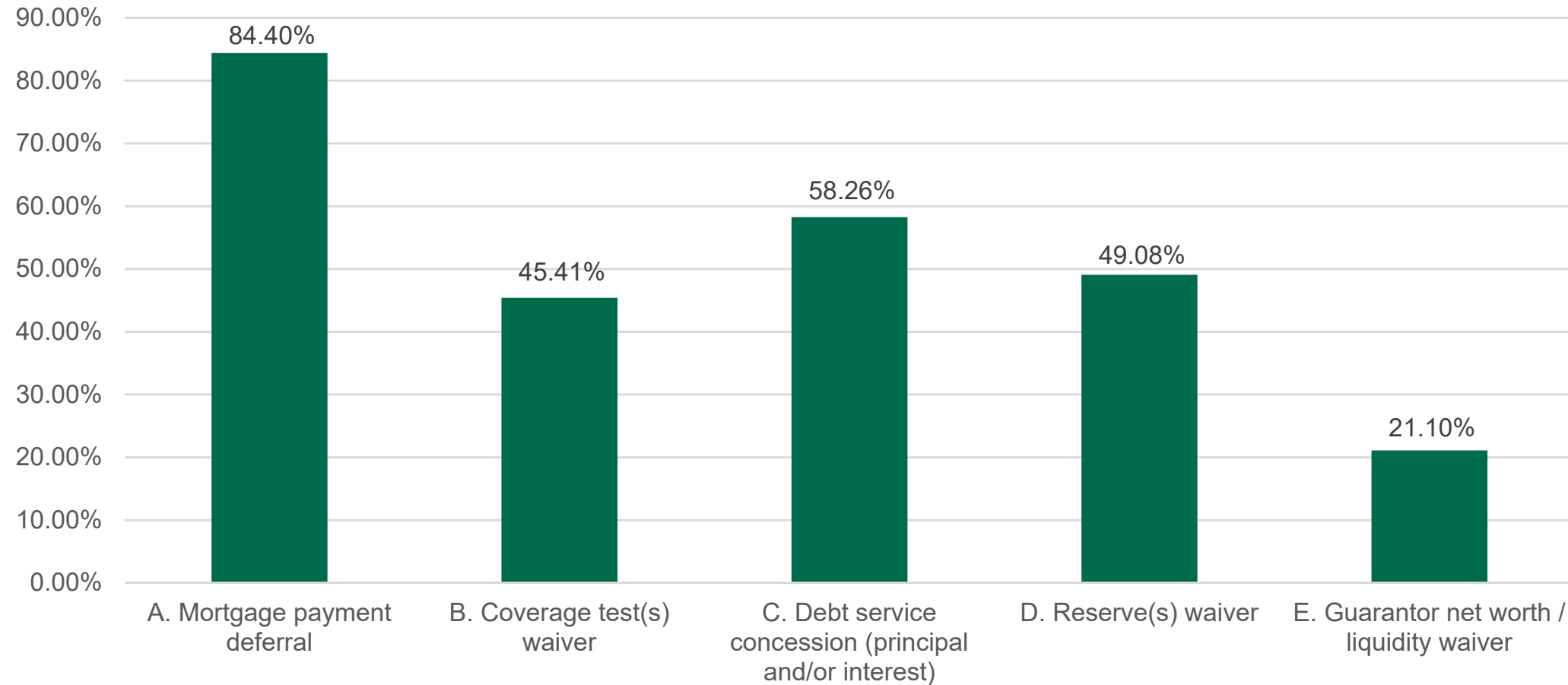




# LOAN DOCUMENTS ALLOW HOTEL CLOSURE

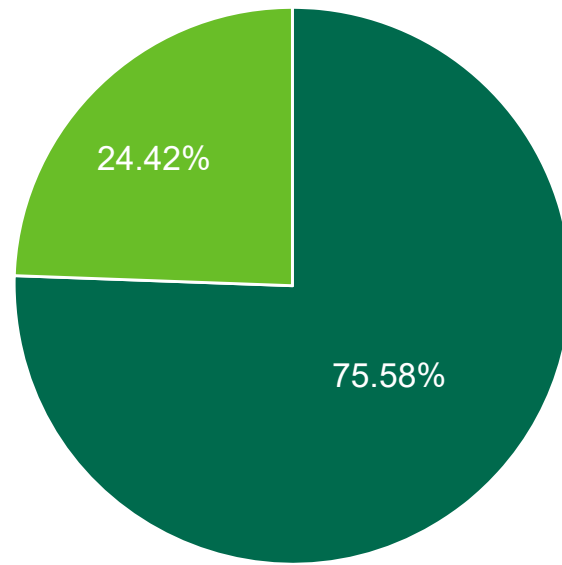


# TYPE(S) OF LENDER CONCESSIONS REQUESTED



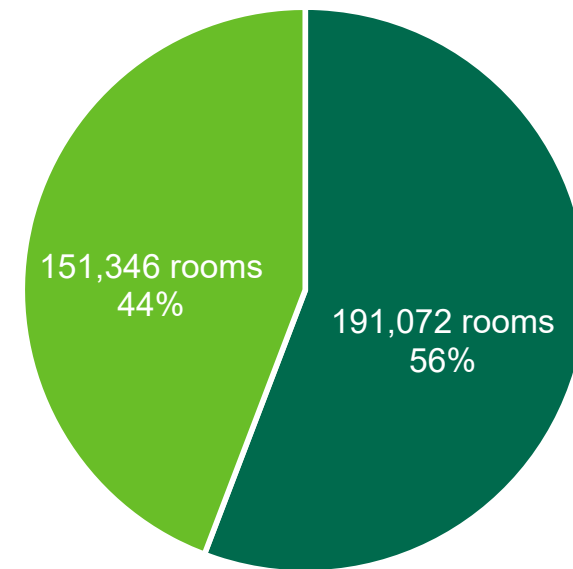
Note: Borrowers have requested multiple concessions

# 2020 LOAN MATURITIES



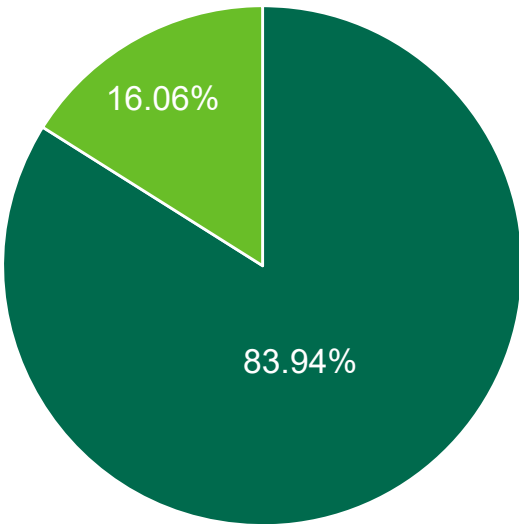
■ A. No ■ B. Yes

## BY ROOMS



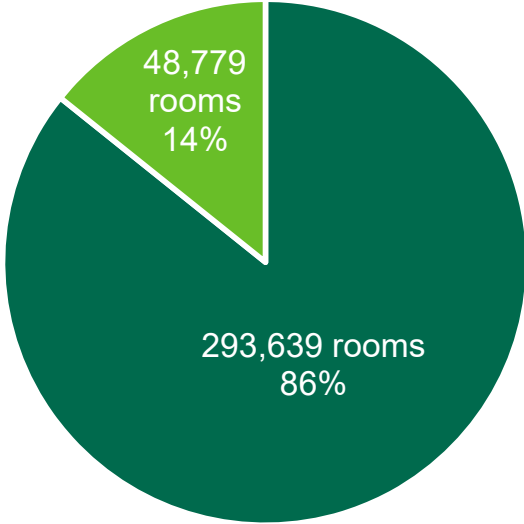
■ A. No ■ B. Yes

# LOAN DOCUMENTS ALLOW SUBORDINATE DEBT



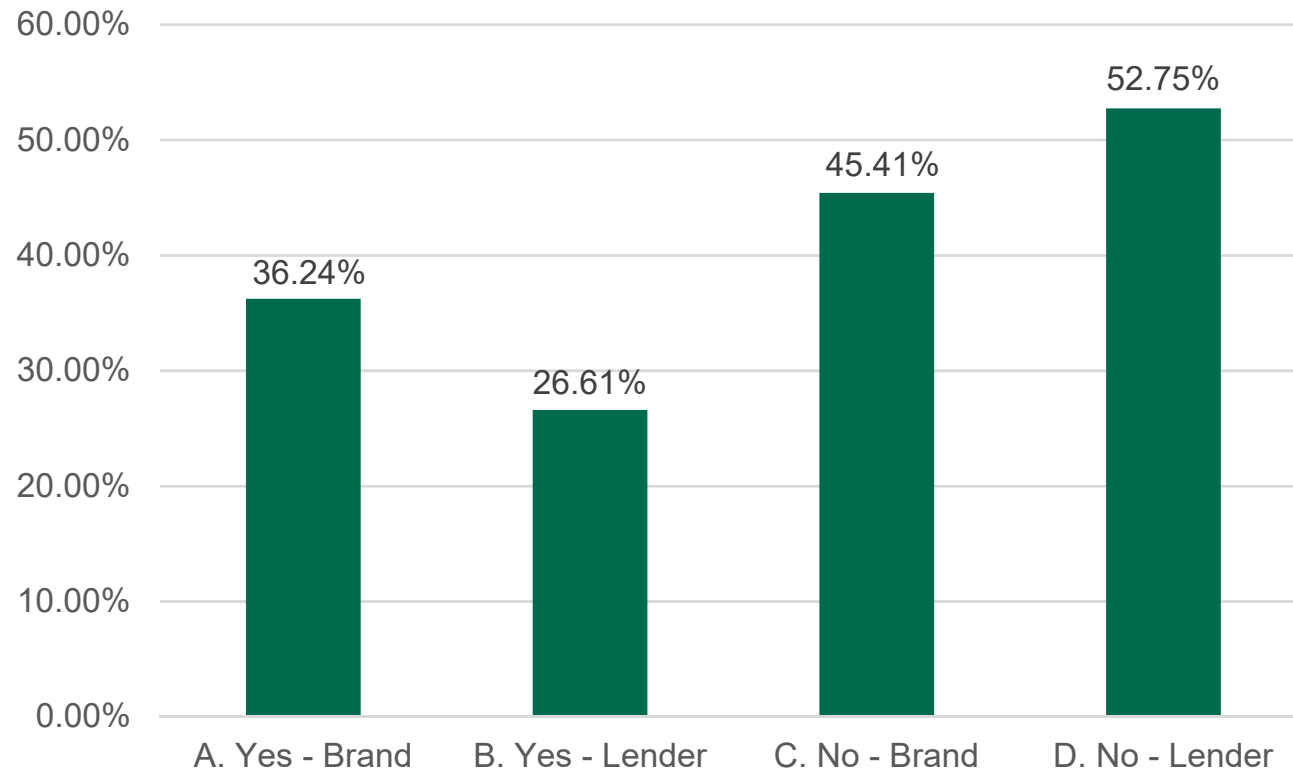
■ A. No ■ B. Yes

BY ROOMS



■ Subordinate debt not permitted ■ Subordinate debt permitted

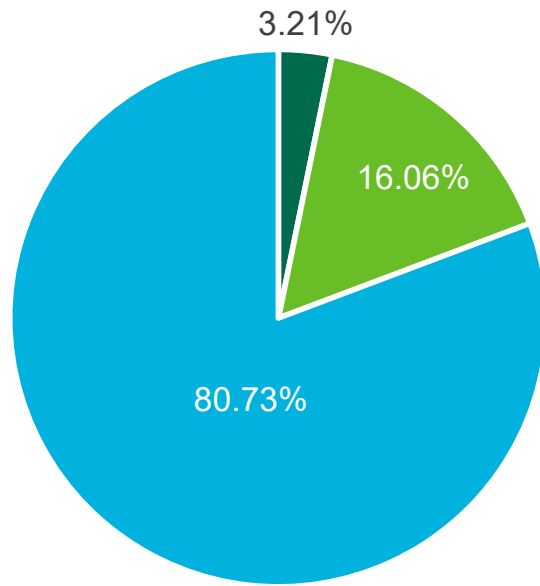
# BRAND OR LENDER CONCESSIONS RECEIVED



Deferral	Rooms	Days (Avg/Min/Max)
Debt Service	63,270	100/90/180
FF&E	38,631	90/90/90
PIP	36,280	N/A
Brand Fees	30,446	N/A
Op. Ex*	16,533	N/A

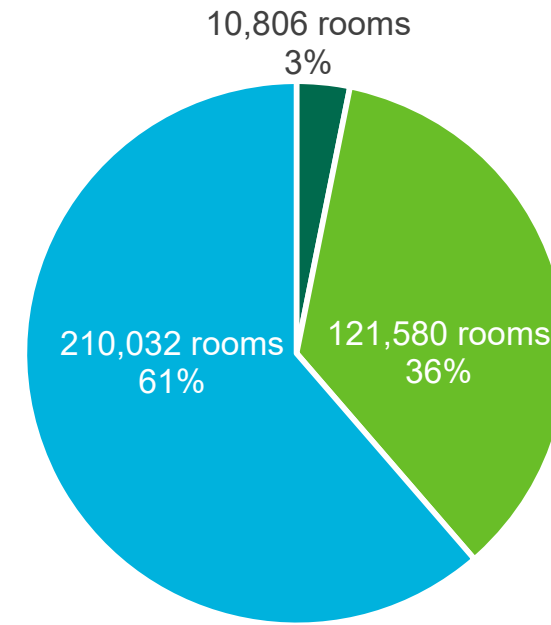
\*Reserve accounts can be used for operating expenses

# LEASEHOLD PROPERTIES & LANDLORD CONCESSIONS



- A. Landlord concessions granted
- B. Landlord concessions requested but not yet granted
- C. Fee-simple

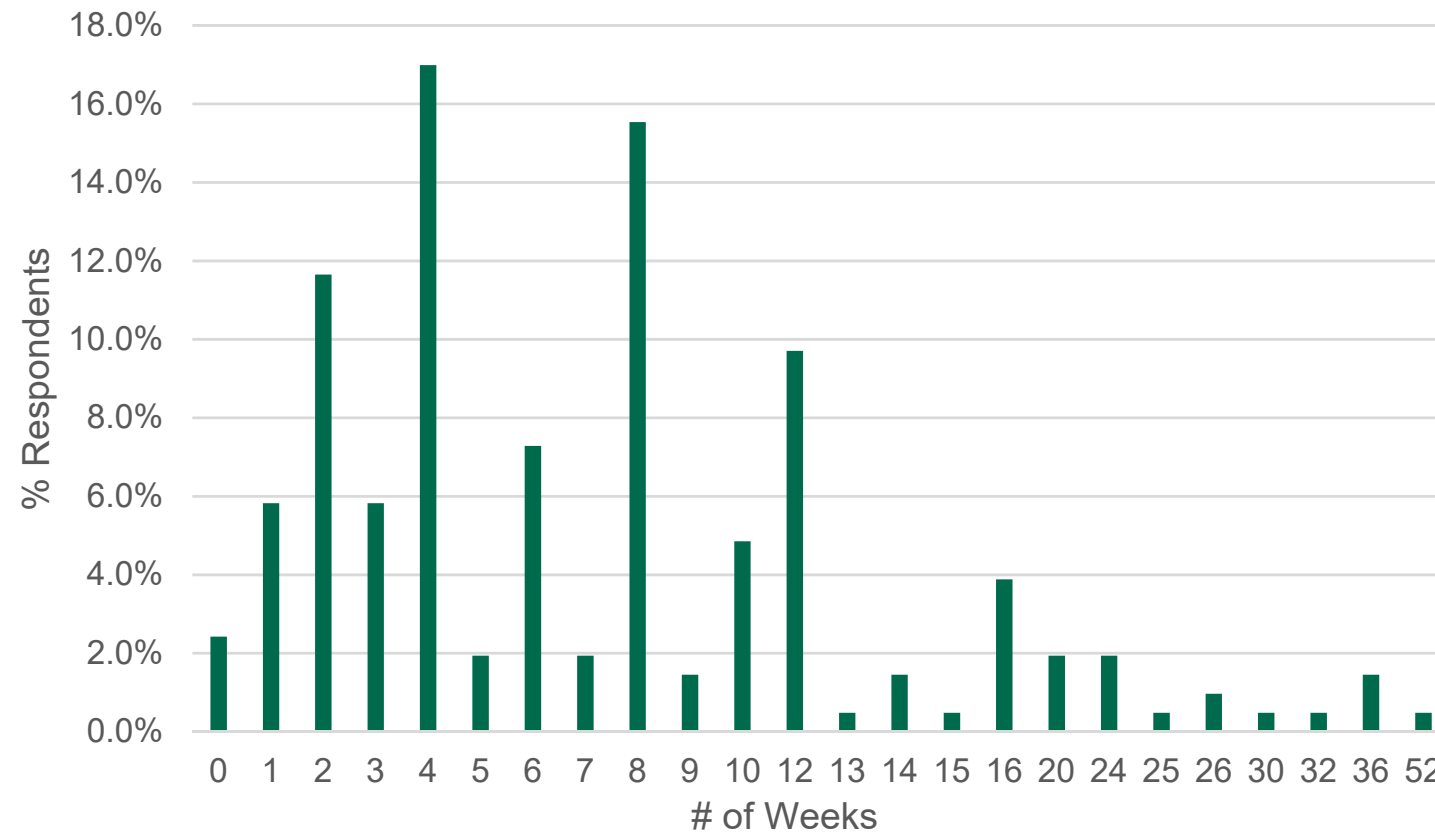
## BY ROOMS



- Leasehold rooms with landlord concessions
- Leasehold rooms without landlord concessions
- Fee-simple rooms

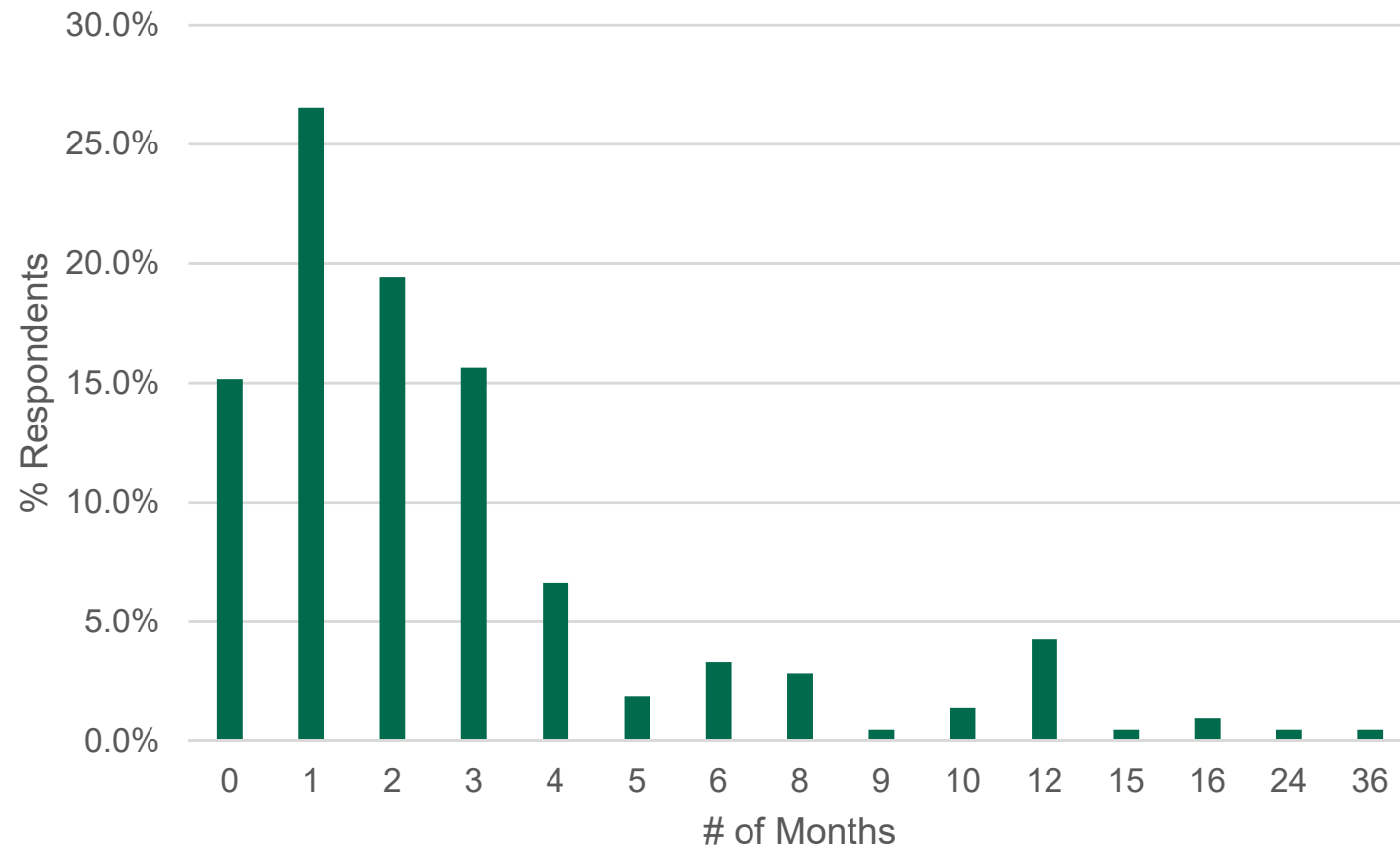
# RESERVES AT THE PROPERTY LEVEL

WEEKS UNTIL DEPLETION OF PROPERTY LEVEL RESERVES (OPERATING EXPENSES, INSURANCE AND TAXES, EXCLUDING DEBT SERVICE)



# RESERVES AT THE PROPERTY LEVEL

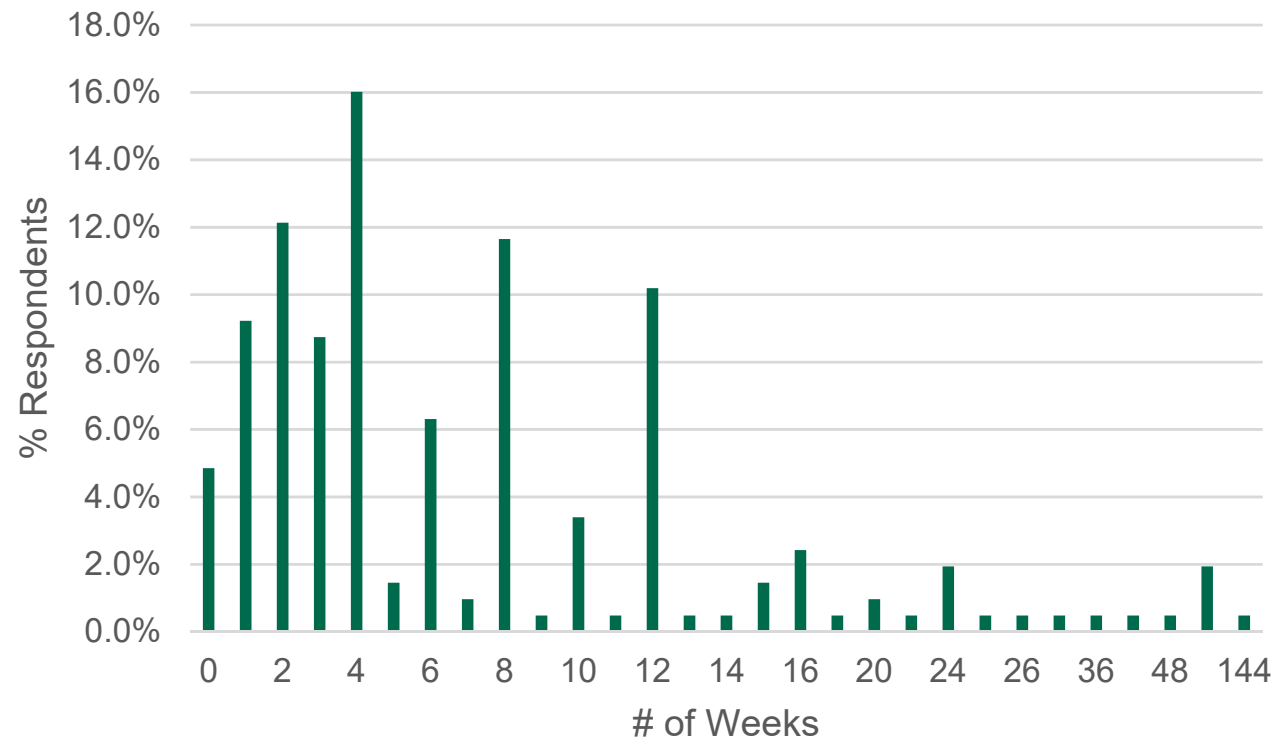
MONTHS OF DEBT SERVICE UNTIL DEPLETION OF PROPERTY LEVEL RESERVES





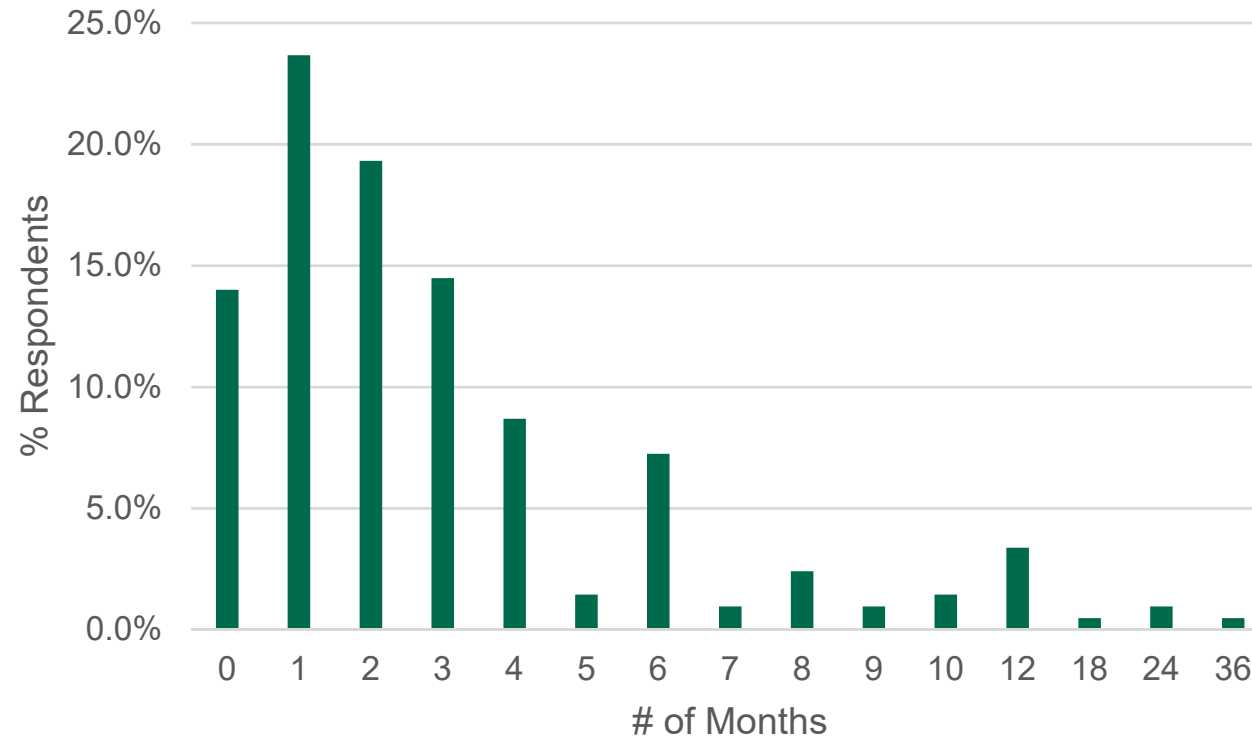
# FUNDS AT THE ENTITY LEVEL

WEEKS UNTIL DEPLETION OF ENTITY LEVEL RESERVES (OPERATING EXPENSES, INSURANCE AND TAXES, EXCLUDING DEBT SERVICE)

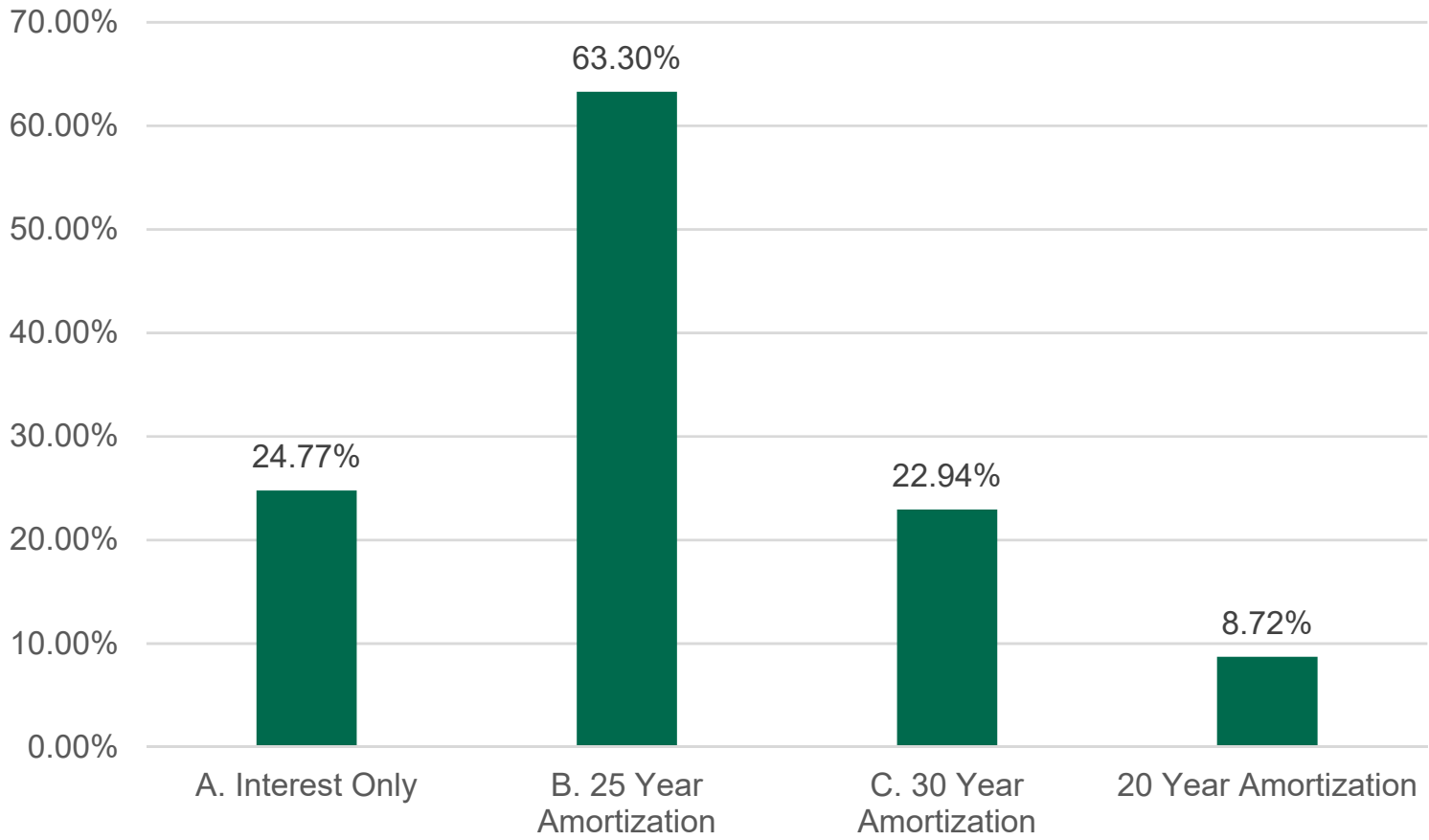


# FUNDS AT THE ENTITY LEVEL

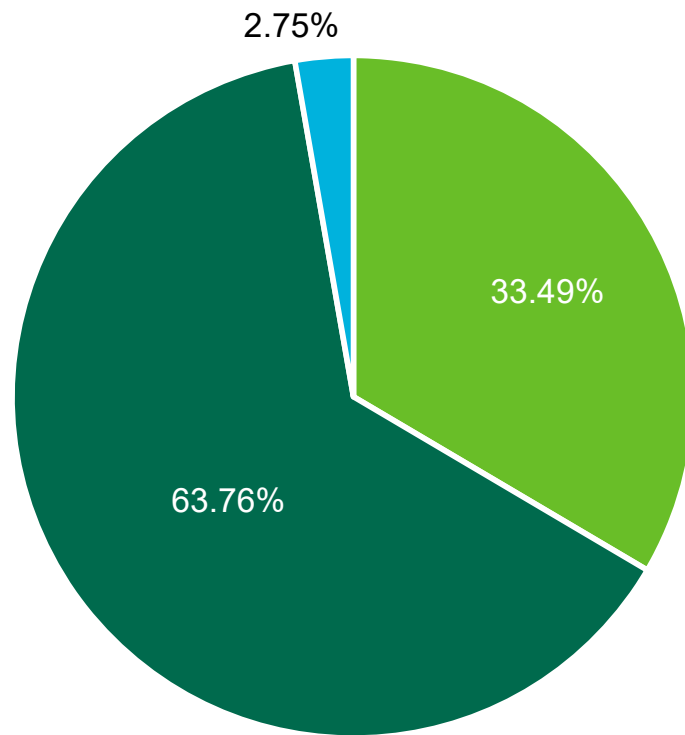
MONTHS OF DEBT SERVICE UNTIL DEPLETION OF ENTITY LEVEL RESERVES



# AMORTIZATION PERIODS

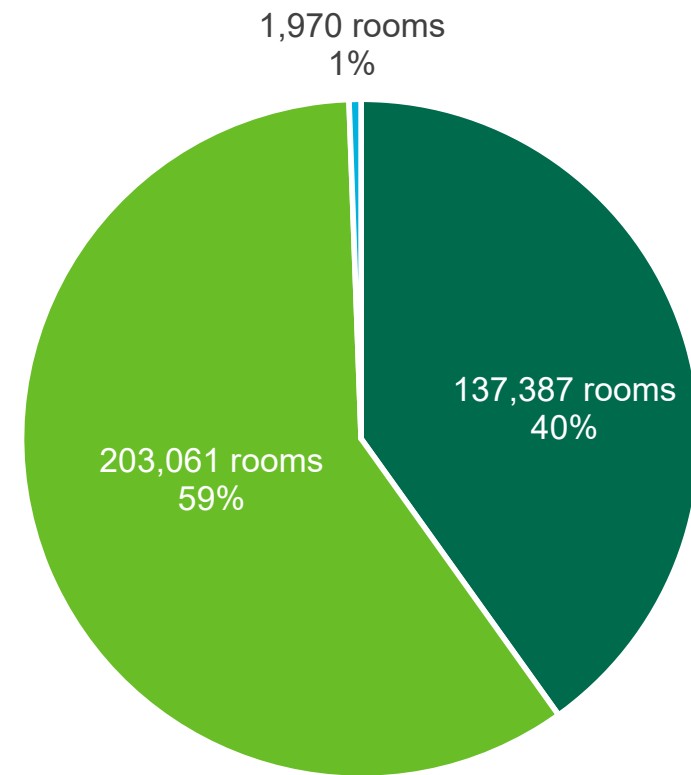


# FRANCHISE / MANAGEMENT CONCESSIONS



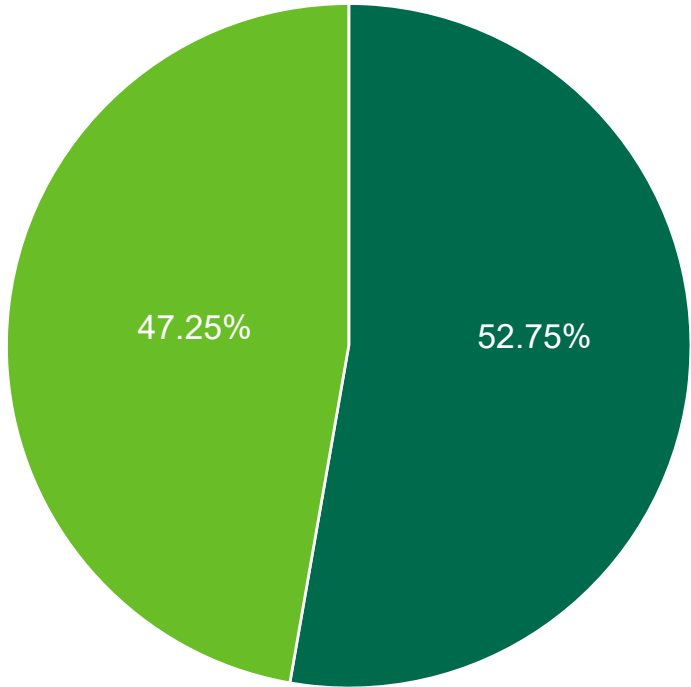
■ Yes ■ No ■ Self Managed

## BY ROOMS



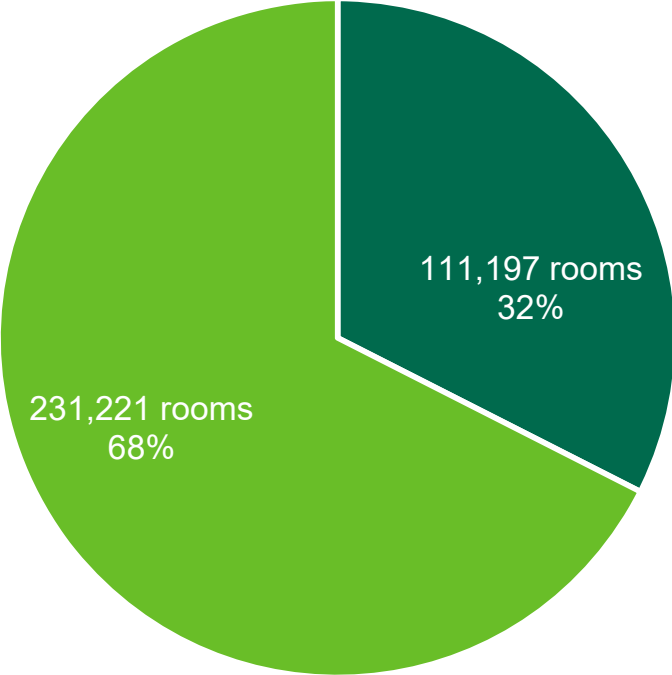
■ Offered concessions ■ No offered concessions ■ Self Managed

# SBA CORONAVIRUS DISASTER LOAN PROGRAM QUALIFICATION?



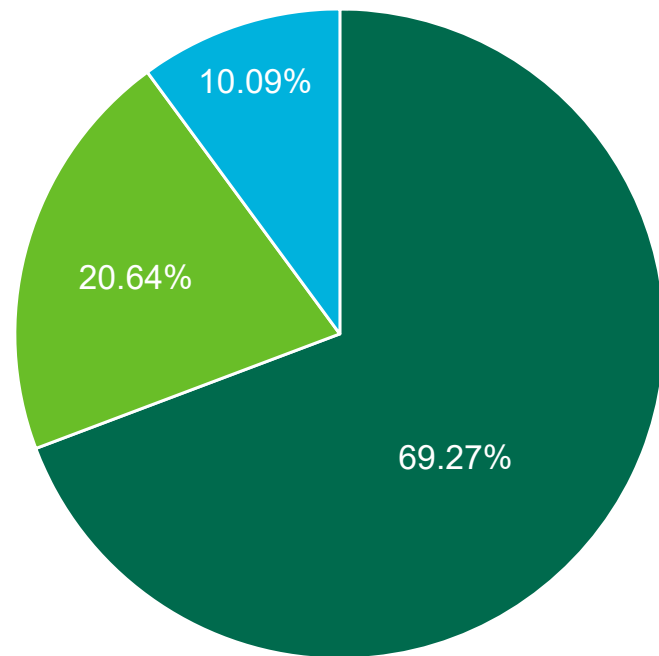
■ A. Yes ■ B. No

## BY ROOMS



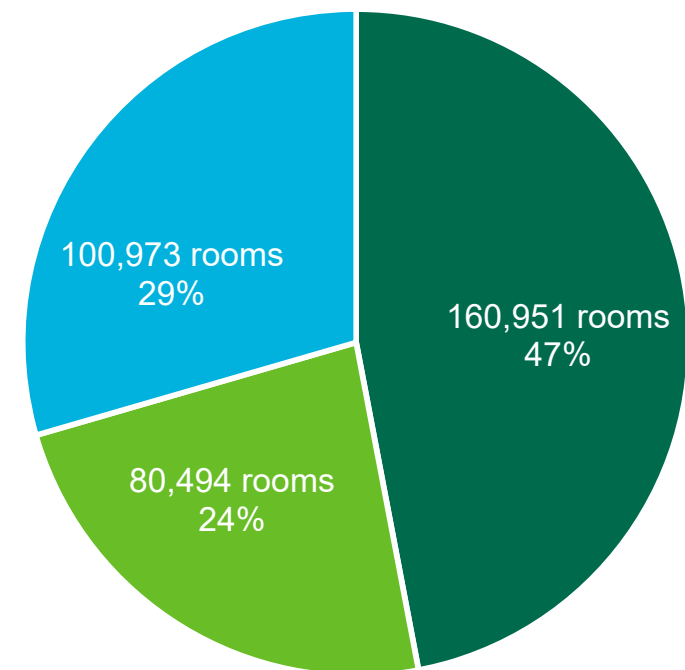
■ Qualifying ■ Non-Qualifying

# CORPORATE CREDIT LINE ACCESS



■ A. No ■ B. Yes, uncalled ■ C. Yes, called

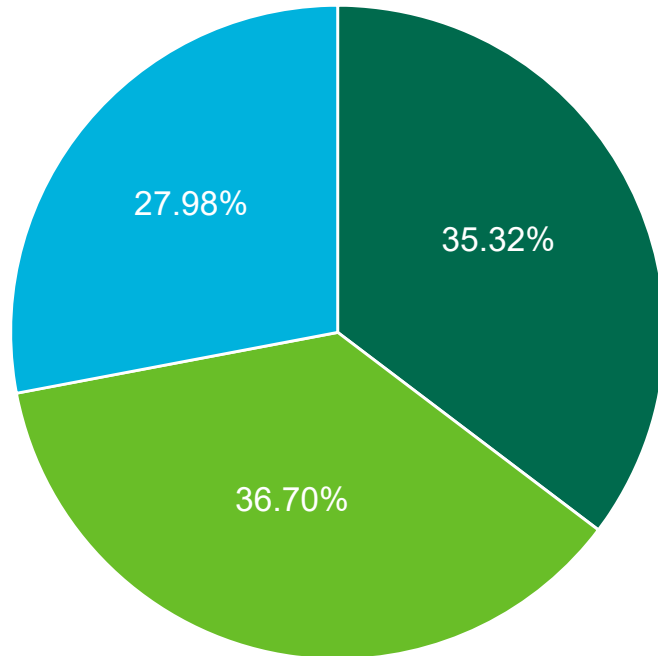
## BY ROOMS



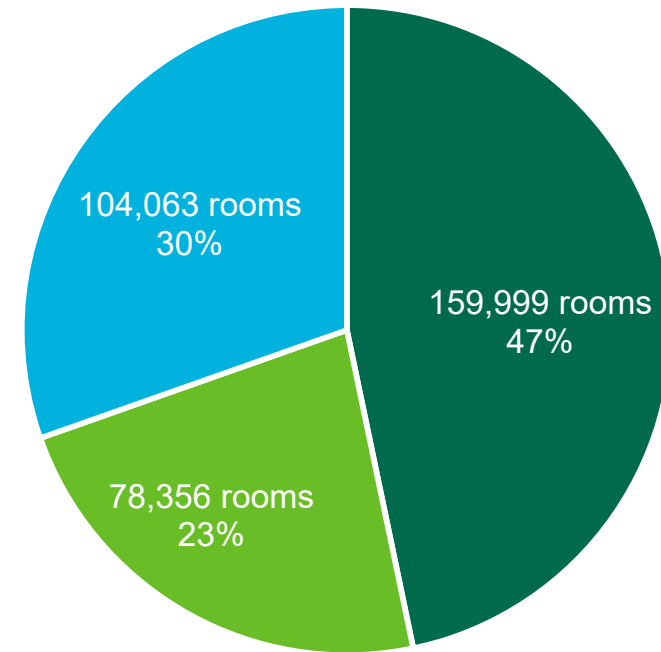
■ No credit line ■ Credit line (uncalled) ■ Credit line (called)

# INTEREST IN MEDICAL OR DISASTER RELIEF LEASING?

## BY ROOMS



■ A. Yes   ■ B. No   ■ C. Not currently, but have an interest



■ Actively pursuing leases   ■ Not actively pursuing leases  
■ Not actively pursuing leases but interested