

“We spend most of our time weeding out the tire kickers.” H&MM SURVEY RESPONDENT

Unconventional market

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Who is doing the buying? According to the survey, the most activity is coming from private owners who have some experience in the hotel industry. They

see financing coming mostly from local and regional banks. Seller financing and SBA and USDA programs ranked high as well.

Kirby agreed: “Right now, all

of the buyers we see have been veterans of the industry in some capacity. Most of their acquisitions tend to be in the regional market where they already play. I don’t see a lot of cross-country buying going on right now.

“There’s a lot of money waiting on the sidelines from peo-

ple who say they’re opportunistic buyers, but I haven’t seen them buy anything,” he said.

“I would give it an 80/20 split,” Givertz said. “I’ve met with a few investment groups that haven’t jumped into hospitality yet but have relationships with management companies. A year ago there

H&MM 2010 Top Brokers Survey By the Numbers

- Total number of properties sold in 2009 by survey respondents **326**
- Total number of properties estimated to sell in 2010 by survey respondents **413**

Source: Hotel & Motel Management

was no interest, but I think we’ll start to see the mix go to 70/30 and even 60/40. As more confidence builds in the market, we’ll see more money being invested into hotels.”

Givertz said he sees for-sale properties falling into two categories.

“One is a conventional seller that owns a hotel, and the other is a lender-owned asset,” he said. “That’s where I’m seeing the lion’s share of activity and where we’re seeing a lot of financing coming through. And it makes sense.”

He said conventional sales still are getting done, but it’s a very painstaking process. Deals that formerly took 45 to 60 days to get approval now take at least 60 to 90 days.

“It’s taking much longer to get done than what we’ve seen in the past. You end up holding your breath until the deal closes and the loan is processed. The lenders ask very tedious and laborious questions that weren’t asked in the past.”

“From an REO, short sale and note sale perspective, with the lenders being the sellers, and mostly lender financing, we are seeing the lender finance the acquisition with anywhere between 35 to 50 percent down,” Givertz said. “And we’re looking at five-year loans with a 25-year amortization. Depending on the lender, we’re seeing some interest-only loans.

“And that’s why we’re able to increase the value that the lenders can get in certain instances for these assets,” he continued.

“The lender providing some financing helps build confidence in the buyer’s mind that the deal is a viable opportunity.”

vburt@questex.com