



As we look for deals, we find from time to time some [interesting articles](#) that will either support or oppose our theory. Well this most recent read was so spot on with our beliefs that it almost seems like the two gentlemen are taken bribes from us!

The focus of the article is regarding hotels in the California market and how bad they are right now. Occupancies are at historic lows not seen since the Great Recession reports Atlas Hospitality Group. Alan Reyes, Atlas' president believes the numbers are sugar coated for Q1, Q2 of 2020 because a large amount of those early deals was contracted before the pandemic ever hit.

There's no light at the end of the tunnel...

Atlas believes that the second half of 2020 will be much the same as the first half, more blood in the water. Currently banks have tossed hoteliers a last-ditch life preserver: deferment of payments. Senate speculates the this is a) not going to last forever and b) not offered to all hotel franchises. Banks realize they are treading water and do not have much leverage. In a fight to avoid foreclosure banks are allowing this in hopes for a payment down the road. They are stuck in this storm as well, and if they have any hope to weather it, they will be looking for a new helmsman to bring her to port.

Mr. Reyes goes on to discuss the status of the market. You have the sharks with capital injections in their tool belts lurking the waters below and hotel owners above grasping to stay afloat. The ones who let go have no other option, sell at a discount, or risk bankruptcy.

Just to give you an idea how bad it is out there; I'm actually quoting the article so there is no misinterpretation:

Reyes said he did an "impromptu survey" of roughly 100 clients to ask them how pricing in the market right now compares with 2019 valuations.

“The answers ranged between 30% to 70% discounts with most coming in around 50%,” he said. “Anybody who doesn’t have to sell today just won’t sell in this market.”

With an average discount of 50%, when we bid 30 cents on the dollar and the seller gets mad, perhaps calls me a SOB **BUT** doesn’t hang up... that means they need to sell. Simple as that. The reason for this is a lack of financing. Banks will just start laughing when you call them up and say “I’d like to buy this hotel, want to partner up with me?” Currently it is not uncommon for banks to offer 50% LTV, and those down payments just crush the bottom line for an investor.

Let us end with a happy story, and hopefully one I will be posting very similar to this..

A buyer’s perspective

BLVD Hospitality recently acquired The Georgian, a boutique hotel in Santa Monica. BLVD Hospitality founder and CEO Jon Blanchard said he’s admired the property for over 10 years and it has been on his radar for just as long. Given the challenges the coronavirus pandemic has created for the industry, he thought the owner might be open to selling. As it turns out, he was right.
