

CBRE

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

RESULTS COLLECTED FROM 4/16 – 5/1

MAY 14, 2020

LENDER SURVEY BACKGROUND

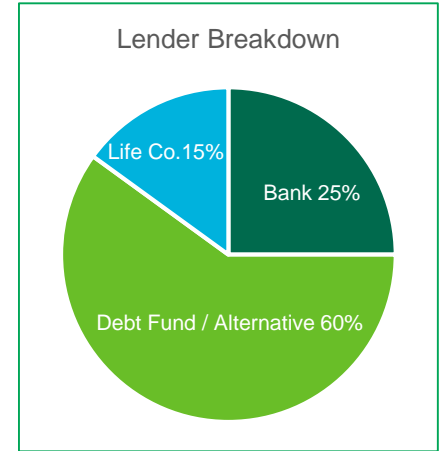
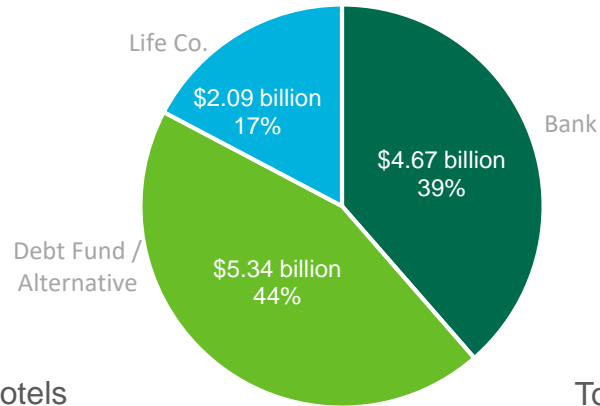
IN A POINTED EFFORT TO CREATE GREATER TRANSPARENCY AND BETTER UNDERSTAND THE IMPLICATIONS OF COVID-19 ON THE HOTEL & LODGING REAL ESTATE FINANCE SECTOR, CBRE HOTELS DEBT & STRUCTURED FINANCE COMPILED THE FOLLOWING LENDER DATA THROUGH A SERIES OF 36 TARGETED QUESTIONS.

THE LENDER SURVEY REPRESENTS NEARLY 117,400 ROOMS ACROSS 823 HOTELS IN NORTH AMERICA.

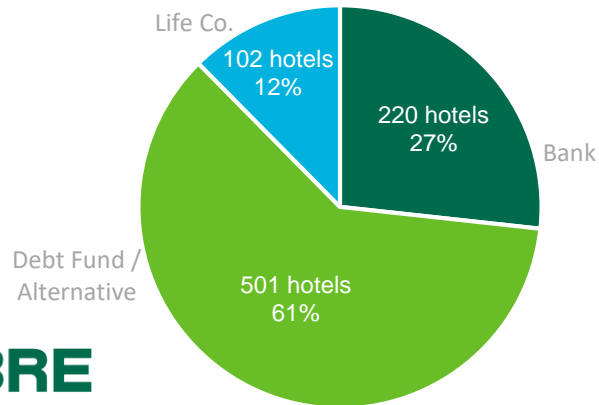
THROUGH REAL-TIME DATA, CBRE IS FOCUSED ON EDUCATING POLICYMAKERS AND FACILITATING RELIEF EFFORTS ACROSS THE LODGING SECTOR. FURTHERMORE, CBRE AIMS TO ASSIST BORROWERS, LENDERS, AND SERVICERS IN MAKING MORE INFORMED DECISIONS DURING THIS PERIOD OF SEVERE ECONOMIC DISLOCATION. FOR ADDITIONAL CONTENT,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

RESPONSE BREAKDOWN – BY LENDER TYPE

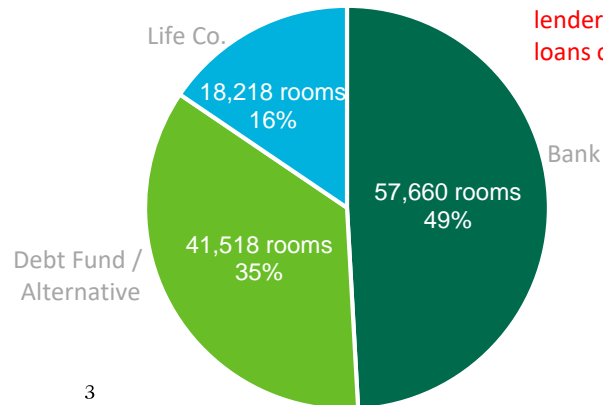
Total Hospitality Loan Portfolio



Total Hotels



Total Rooms

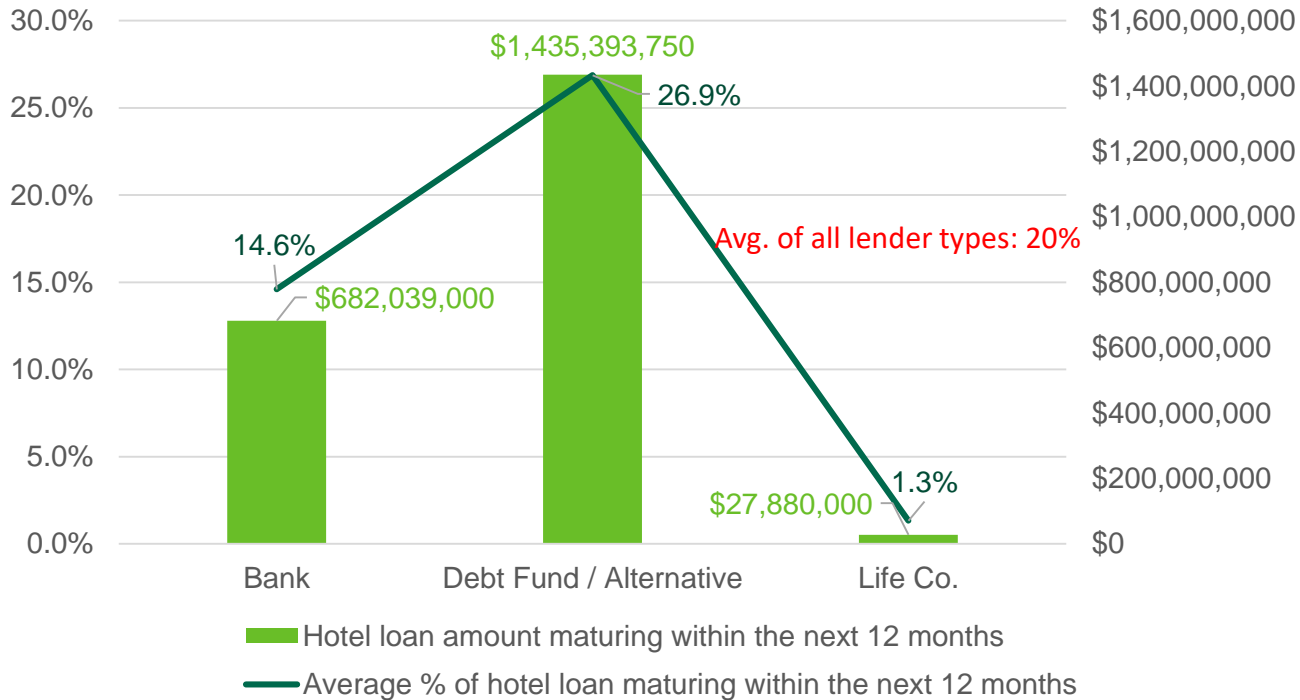


Note: Survey results exclude CMBS lenders, which do not typically hold loans on balance sheet.

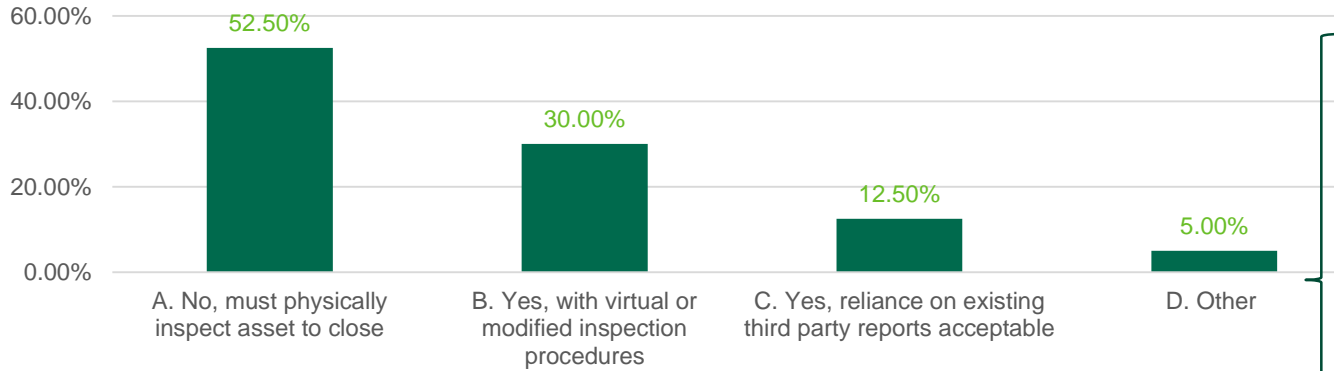
LENDER SURVEY RESPONSES

	Total Number	Averages Per Respondent
CRE Debt Portfolio (All-Asset Types)	\$133 Billion	\$2.8 Billion
Hospitality Debt Portfolio	\$12.1 Billion	\$0.3 Billion
Hotels	823	21
Rooms	117,396	2,935

HOTEL LOAN MATURITIES WITHIN THE NEXT 12 MONTHS



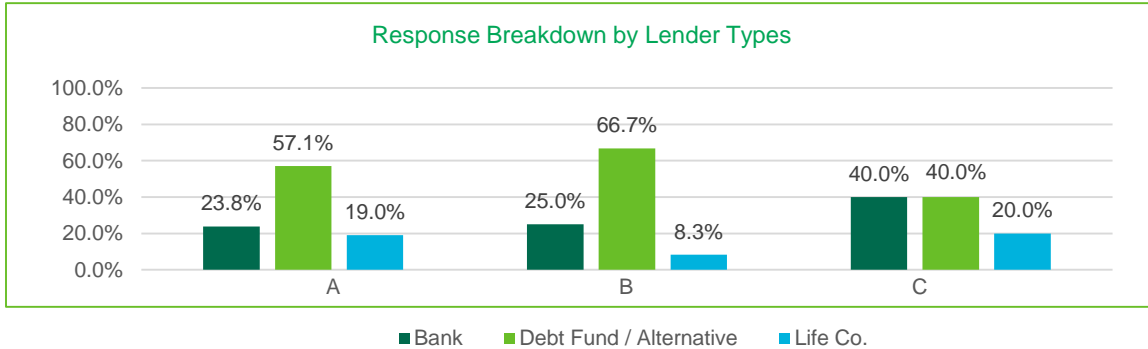
PROPERTY INSPECTION - ABILITY TO CLOSE LOAN



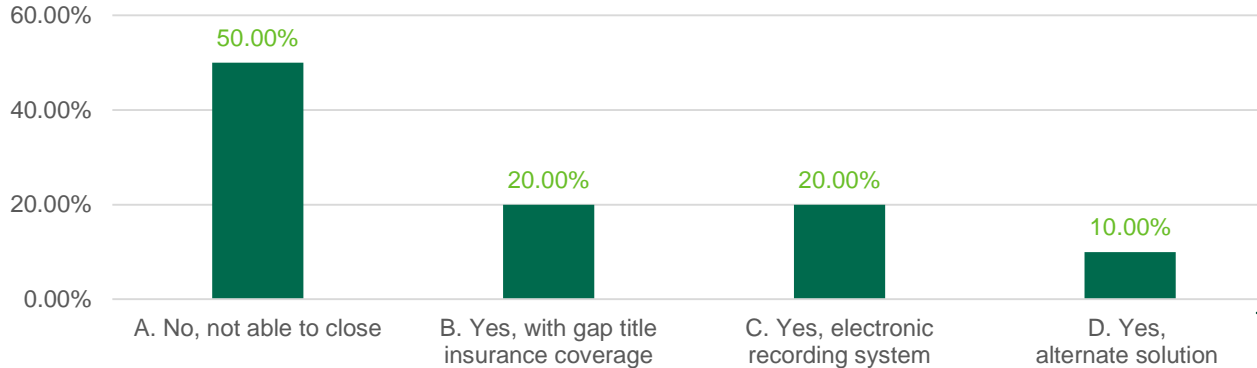
Other

“We will make sure we get professional eyes on the asset in some capacity. Depending on location and travel amount that means a physical inspection, virtual/modified, or a third party professional.”
(Debt Fund / Alternative)

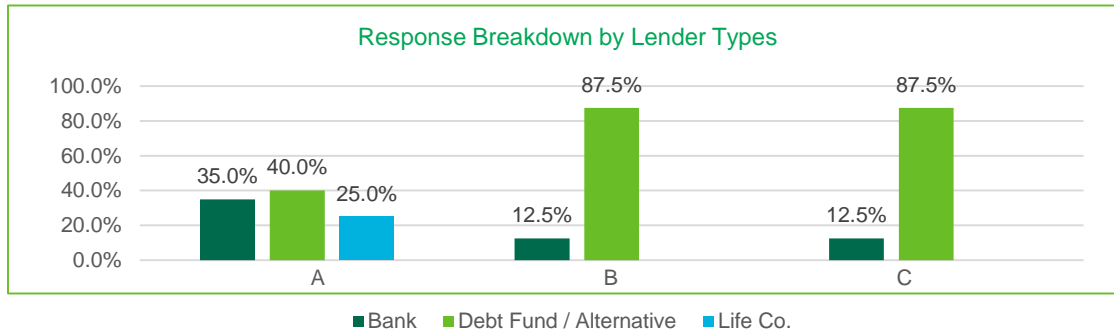
“We must have someone inspect the asset. We have engaged a local broker for our closings the last five weeks.”
(Debt Fund / Alternative)



ABILITY TO CLOSE MORTGAGE WITHOUT RECORDING

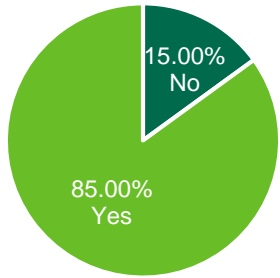


Alternate Solution
"We can close other loans, such as mezzanine loans." <i>(Debt Fund / Alternative)</i>
"We can use either gap or electronic." <i>(Bank)</i>
"Depends on the state it is in. We have closed five loans in the last five weeks." <i>(Debt Fund / Alternative)</i>
"Local counsel or title." <i>(Life Co.)</i>

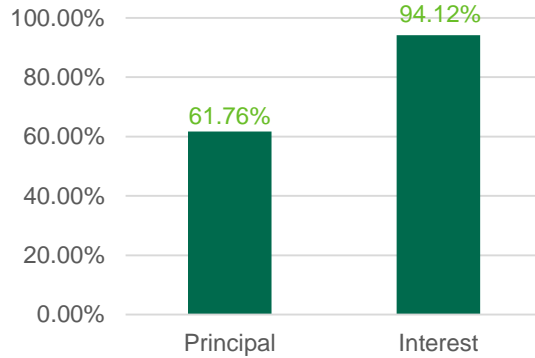


BORROWER RELIEF – DEFERRAL OF MORTGAGE PAYMENTS

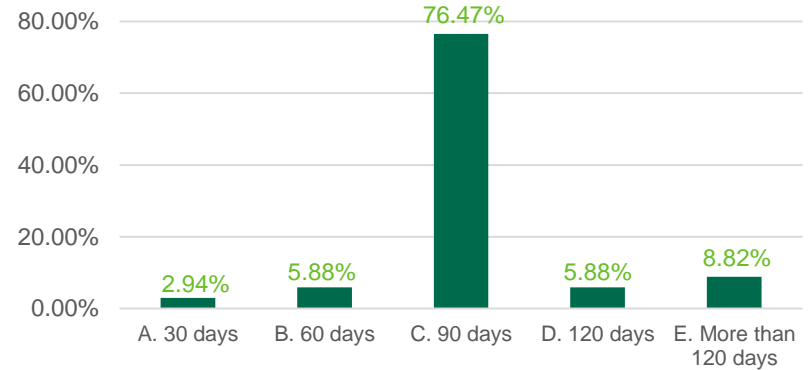
% of Lenders Initiated / Planning Deferral of Mortgage Payments



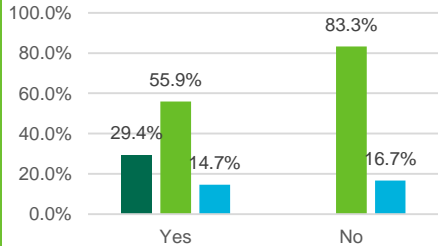
Principal & Interest*



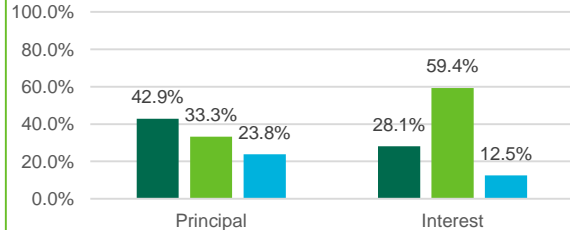
Length of the Relief Period



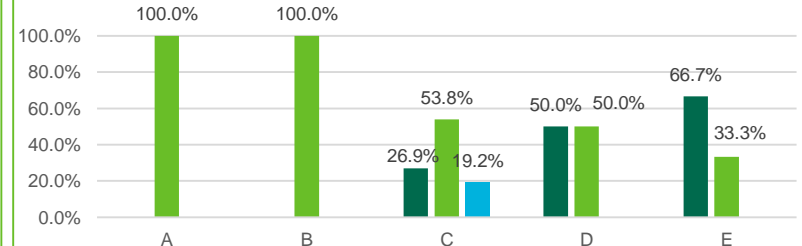
Response Breakdown by Lender Types



Response Breakdown by Lender Types



Response Breakdown by Lender Types

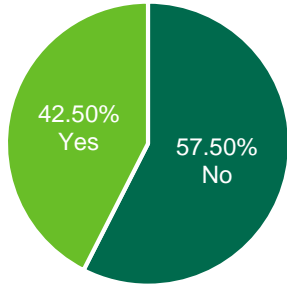


■ Bank ■ Debt Fund / Alternative ■ Life Co.

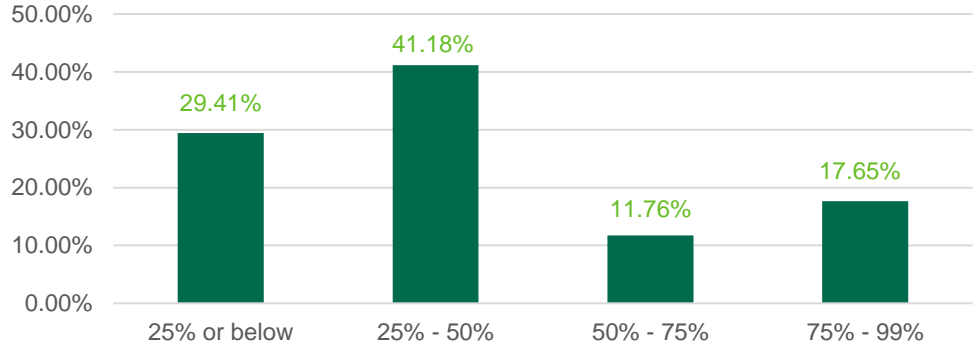
*Respondents were able to select both Principal & Interest

BORROWER RELIEF – TEMPORARY PAYMENT REDUCTION

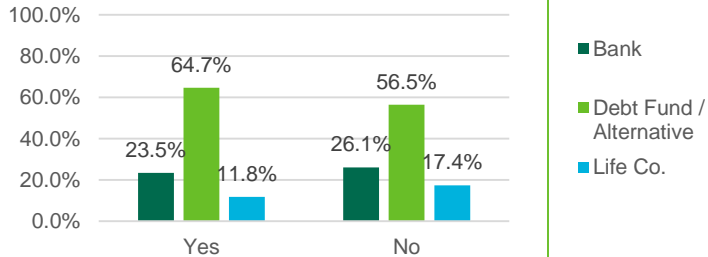
% of Lenders Initiated / Planning Temporary Payment Reduction



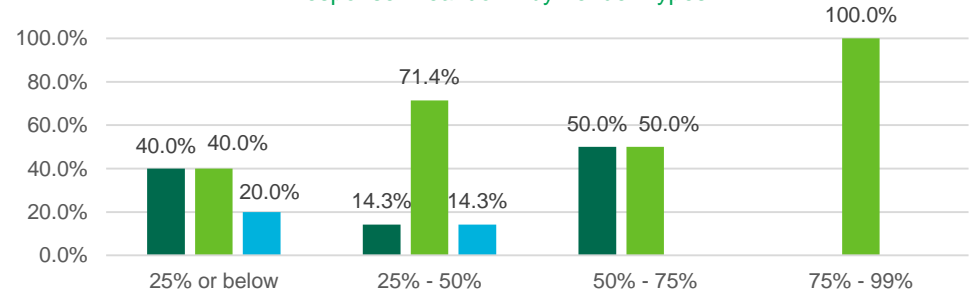
Range of the Reduction



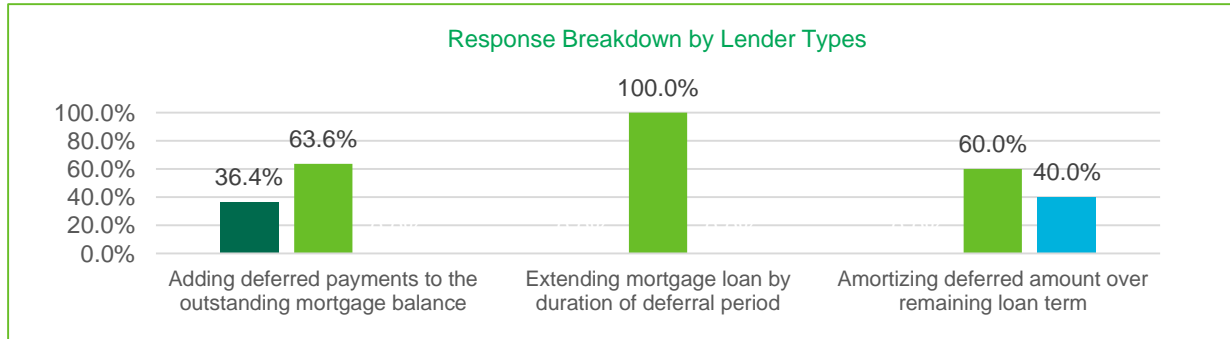
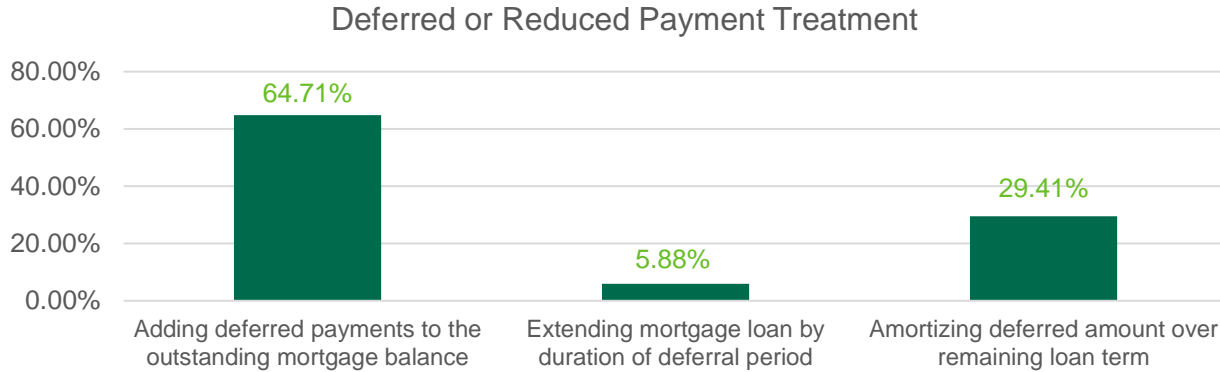
Response Breakdown by Lender Types



Response Breakdown by Lender Types



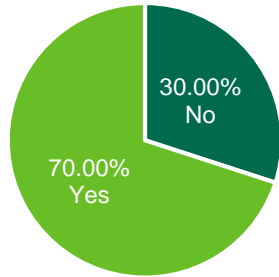
BORROWER RELIEF – DEFERRAL OR TEMPORARY PAYMENT REDUCTION



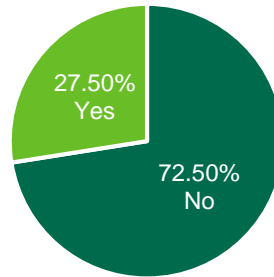
■ Bank ■ Debt Fund / Alternative ■ Life Co.

BORROWER RELIEF – OTHER ALTERNATIVES

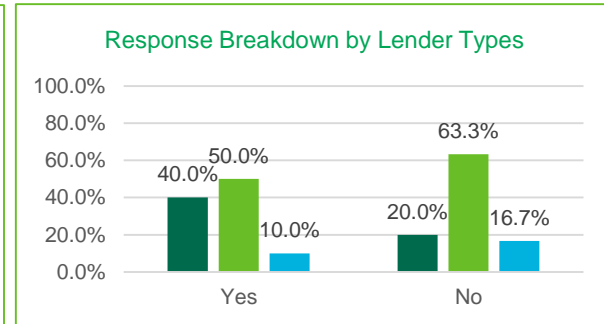
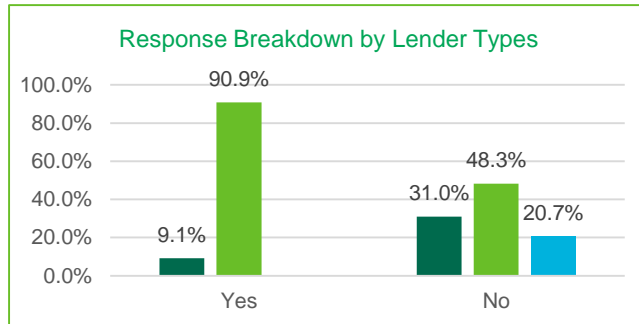
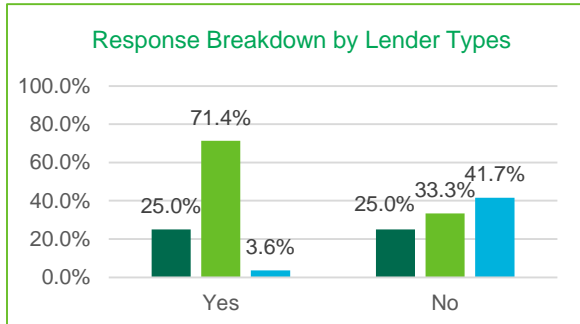
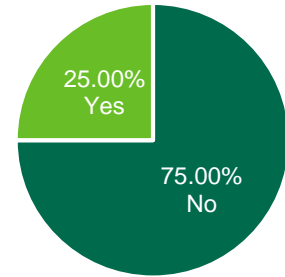
Flexibility with FF&E Reserves, Other Reserves, and/or Operating Accounts to Fund Debt Service Payments



Increasing/Allowing Subordinate Financing and/or Lifting Trade Payable Restrictions



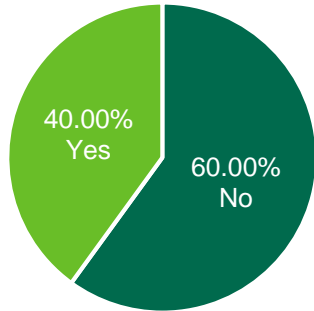
Offering Relief Assistance Loans (excluding SBA related loan programs)



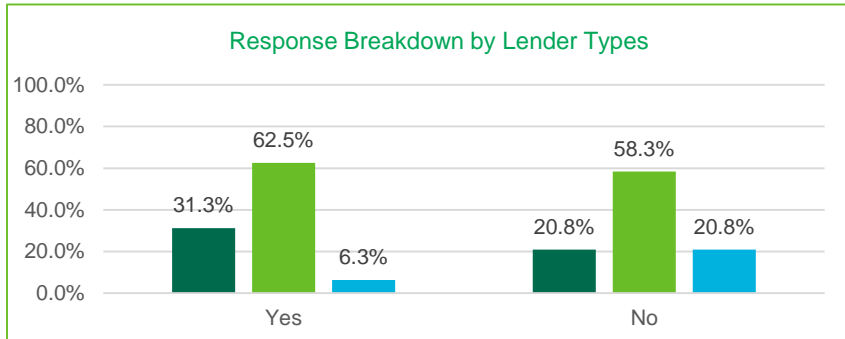
■ Bank ■ Debt Fund / Alternative ■ Life Co.

BORROWER RELIEF – OTHER ALTERNATIVES

Relaxing Net Worth And Liquidity Requirements and/or Performance Tests



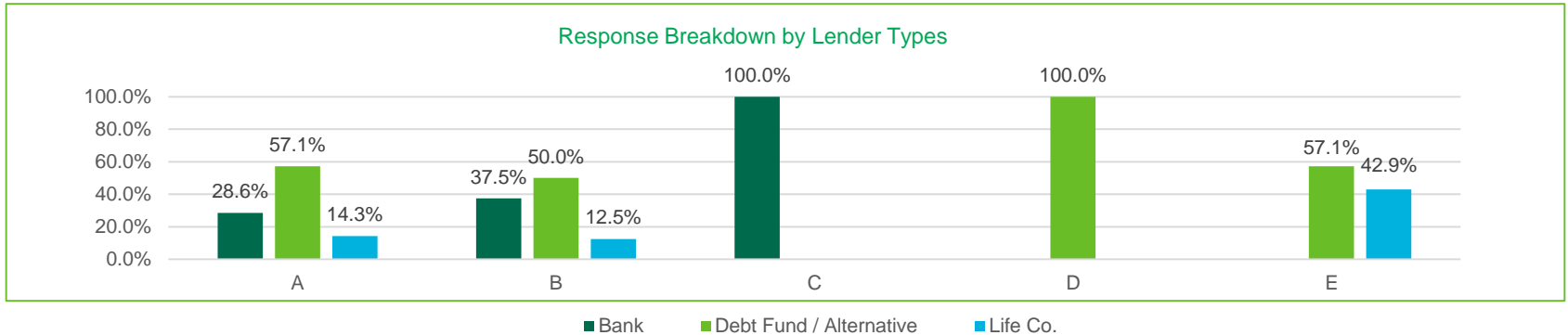
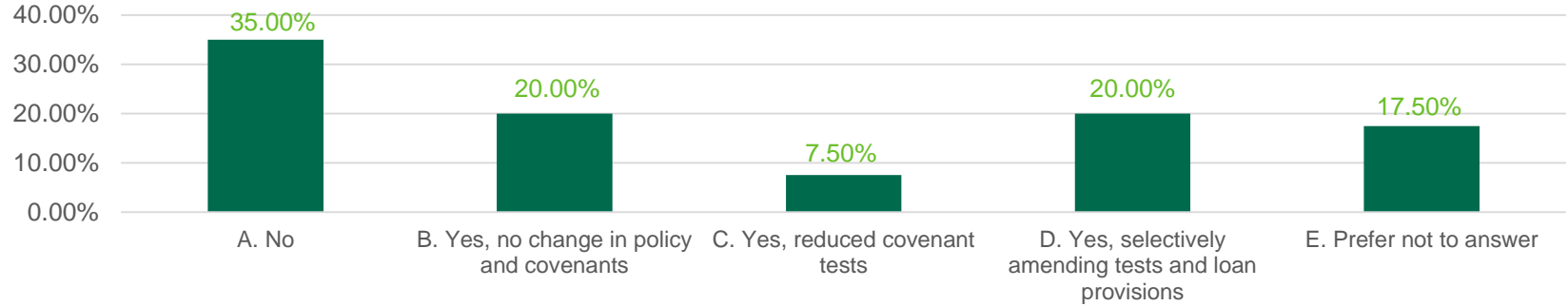
Other Relief Alternatives
Refinance with delayed principal amortization <i>(Bank)</i>
Suspending covenants <i>(Debt Fund / Alternative)</i>
Early payoff without minimum interest <i>(Debt Fund / Alternative)</i>



■ Bank
■ Debt Fund / Alternative
■ Life Co.

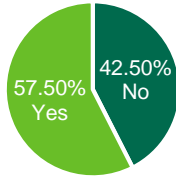
DEFERRAL REQUEST

Has equity market volatility impacted net worth and liquidity among your client base? If so, how have you amended / focused on these provisions and deferral requests from borrowers?



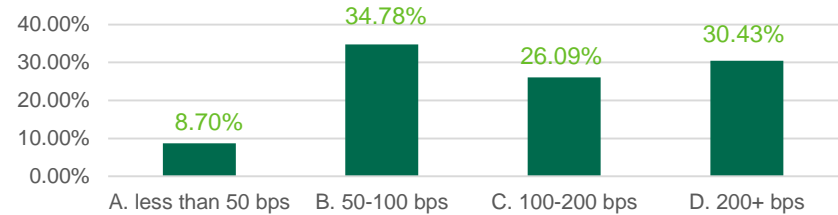
NEW APPLICATIONS

% of Lenders Issuing New Applications



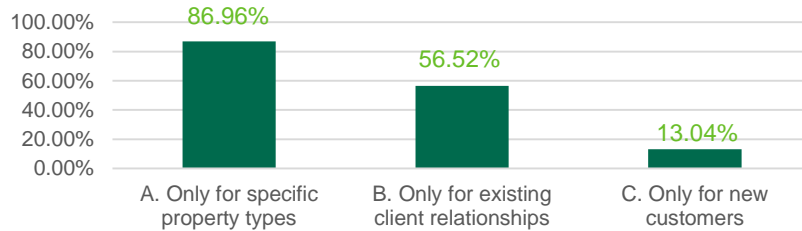
Lenders Issuing New Applications	Yes	No
Bank	17.4%	35.3%
Debt Fund / Alternative	73.9%	41.2%
Life Co.	8.7%	23.5%
Total	100.0%	100.0%

Pricing: Today vs. Pre-COVID-19



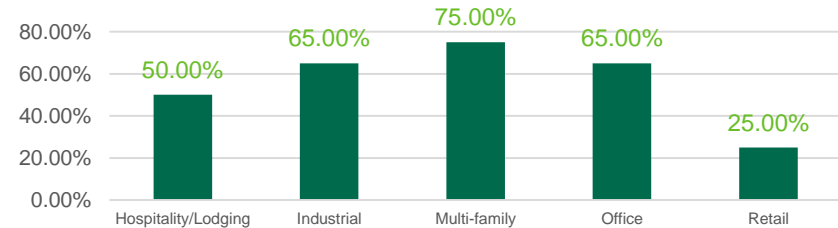
Pricing: Today vs. Pre-COVID-19	A. less than 50 bps	B. 50-100 bps	C. 100-200 bps	D. 200+ bps
Bank	0.0%	25.0%	16.7%	14.3%
Debt Fund / Alternative	100.0%	62.5%	66.7%	85.7%
Life Co.	0.0%	12.5%	16.7%	0.0%
Total	100.0%	100.0%	100.0%	100.0%

New Applications – Client Types*



Lender Issuance – Client Types	A. Only for specific property types	B. Only for existing client relationships	C. Only for new customers
Bank	5.0%	30.8%	0.0%
Debt Fund / Alternative	85.0%	61.5%	100.0%
Life Co.	10.0%	7.7%	0.0%
Total	100.0%	100.0%	100.0%

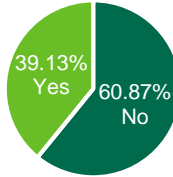
New Applications – Property Types*



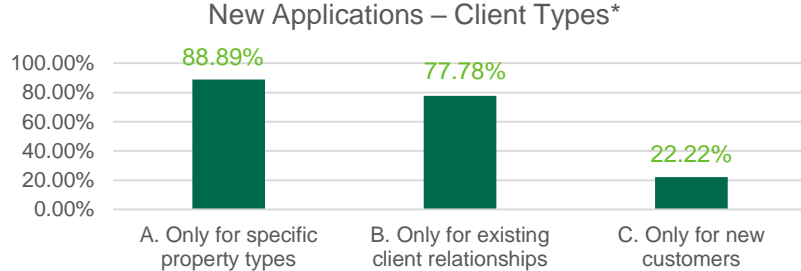
Lender Issuance – Property Types	Hospitality/Lodging	Industrial	Multi-family	Office	Retail
Bank	10.0%	7.7%	0.0%	7.7%	20.0%
Debt Fund / Alternative	90.0%	76.9%	86.7%	76.9%	80.0%
Life Co.	0.0%	15.4%	13.3%	15.4%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

NEW APPLICATIONS – CONSTRUCTION FINANCING

% of Lenders Issuing
New Applications
for Construction Financing

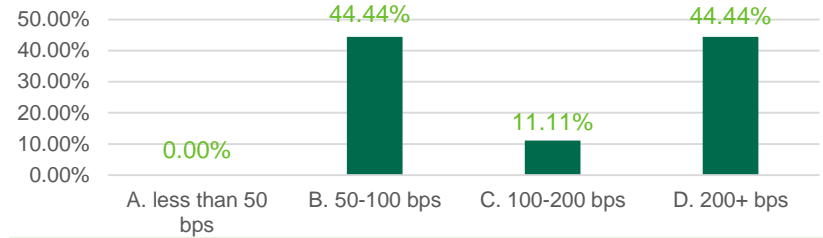


Lenders Issuing New Applications for Construction Financing	Yes	No
Bank	11.1%	21.4%
Debt Fund / Alternative	77.8%	71.4%
Life Co.	11.1%	7.1%
Total	100.0%	100.0%

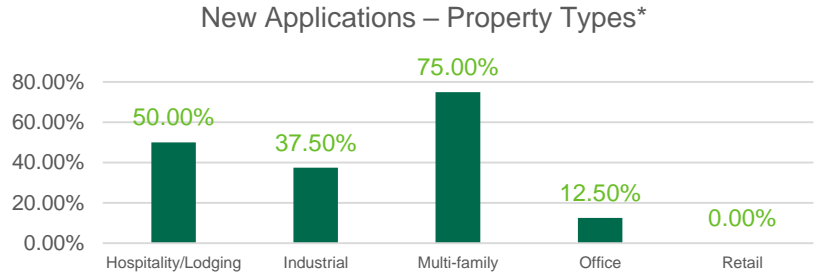


Client Types	A. Only for specific property types	B. Only for existing client relationships	C. Only for new customers
Bank	0.0%	14.3%	0.0%
Debt Fund / Alternative	87.5%	85.7%	100.0%
Life Co.	12.5%	0.0%	0.0%
Total	100.0%	100.0%	100.0%

Pricing: Today vs. Pre-COVID-19



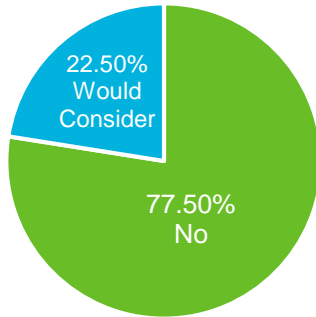
Pricing: Today vs. Pre-COVID-19	A. less than 50 bps	B. 50-100 bps	C. 100-200 bps	D. 200+ bps
Bank	0.0%	25.0%	0.0%	0.0%
Debt Fund / Alternative	0.0%	75.0%	0.0%	100.0%
Life Co.	0.0%	0.0%	100.0%	0.0%
Total	0.0%	100.0%	100.0%	100.0%



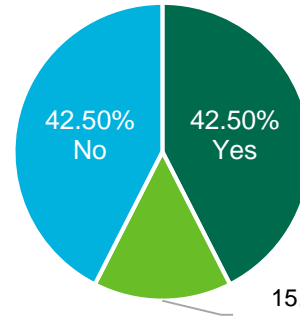
Property Types	Hospitality/Lodging	Industrial	Multi-family	Office	Retail
Bank	0.0%	0.0%	0.0%	0.0%	0.0%
Debt Fund / Alternative	100.0%	100.0%	83.3%	100.0%	0.0%
Life Co.	0.0%	0.0%	16.7%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	0.0%

NOTE SALE & ACQUISITION

Selling Loan Positions



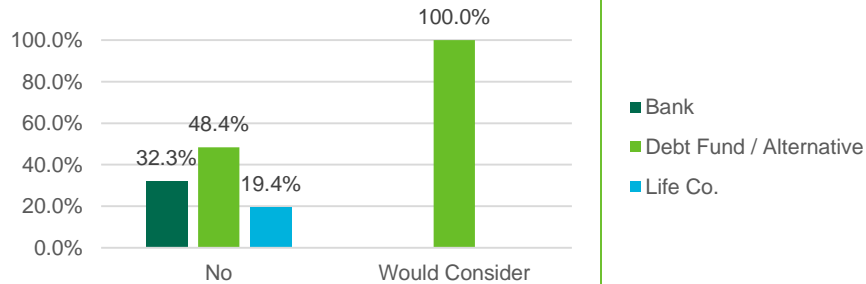
Seeking Note Acquisition Opportunities
(i.e. purchasing notes from other lenders)



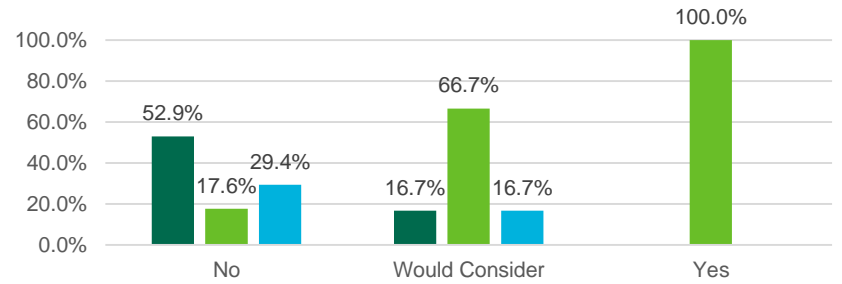
All the respondents who are seeking Note acquisition opportunities are **Debt Fund / Alternative**, with an average **IRR target of 13.2%**

15.00% Would Consider

Response Breakdown by Lender Types

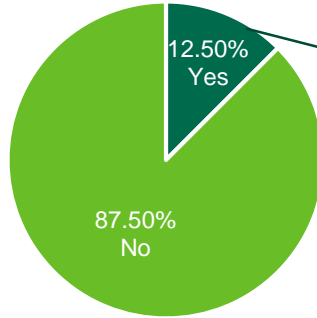


Response Breakdown by Lender Types

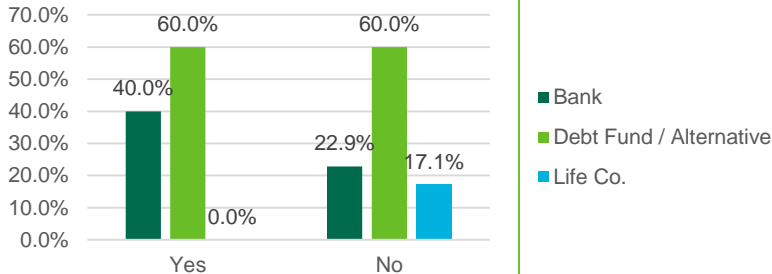


ASSUMED COMMITMENTS

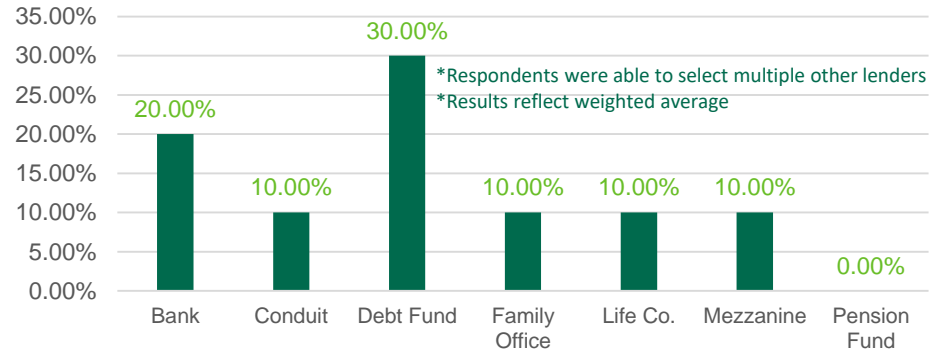
% of Lenders Assuming Commitments From Other Lenders Unable To Fulfill Obligations



Response Breakdown by Lender Types



Assumed Commitments From Other Lenders*



100% of Bank commitments were assumed by Debt Fund lenders

100% of Conduit commitments were assumed by Debt Fund lenders

33.3% of Banks and **66.6%** of Debt Funds assumed Debt Fund lender commitments

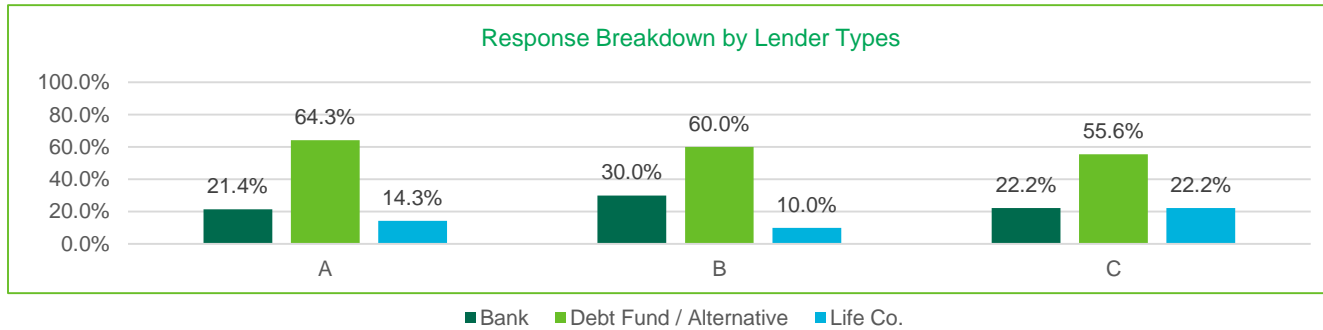
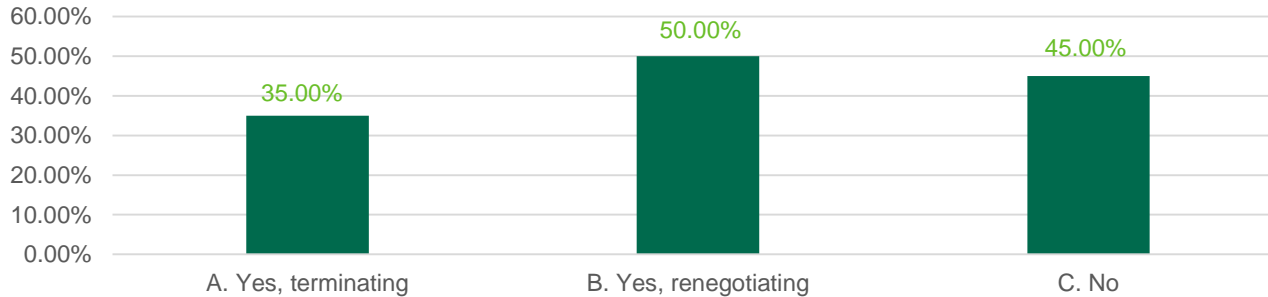
100% of Family Office commitments were assumed by Debt Fund lenders

100% of Life Co. commitments were assumed by Bank lenders

100% of Mezzanine commitments were assumed by Debt Fund lenders

BORROWER - TERMINATION / RENEGOTIATION

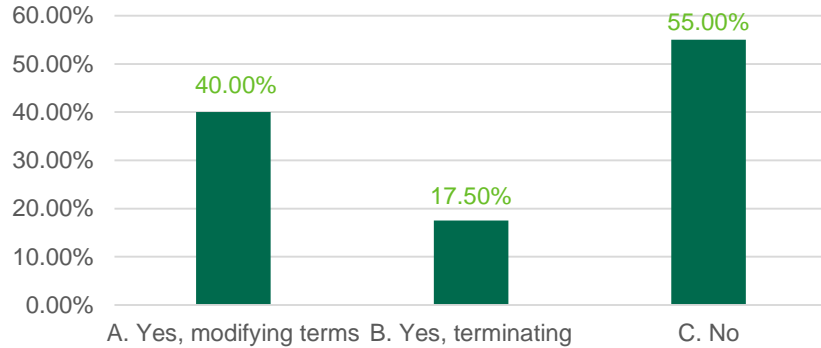
Have your borrowers been terminating or renegotiating (seller) purchase and sale provisions on current transactions under application?*



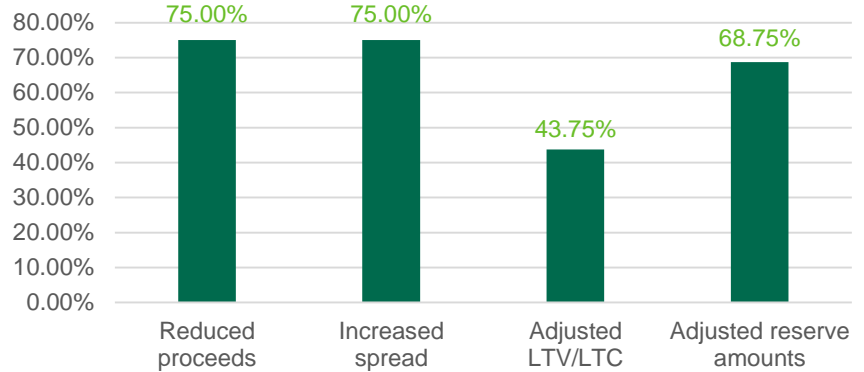
*Respondents were able to select multiple choices

LENDER - TERMINATION / MODIFICATION

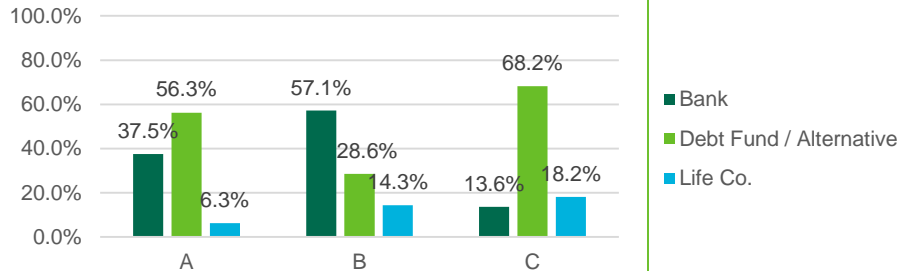
As lender, have you terminated or modified transaction terms currently under application?*



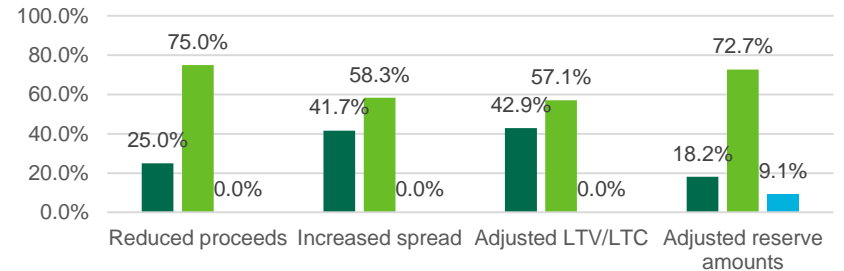
Terms Modified*



Response Breakdown by Lender Types

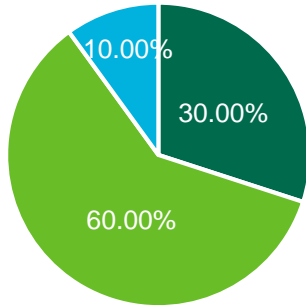


Response Breakdown by Lender Types



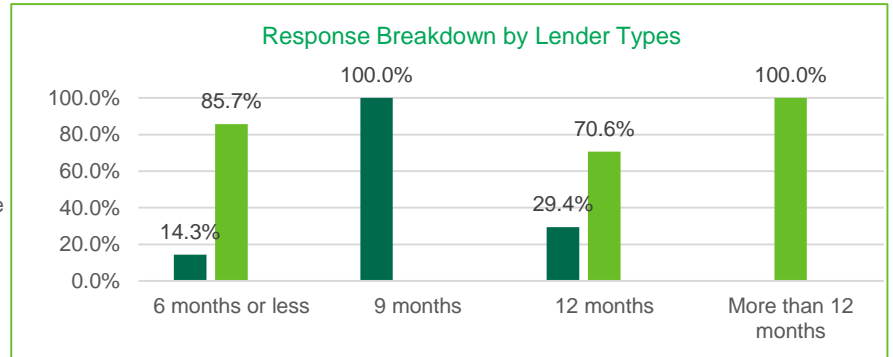
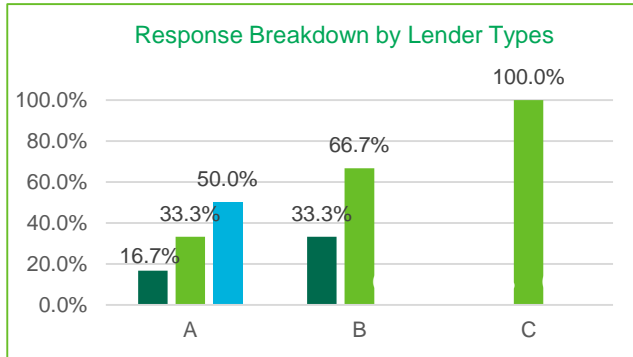
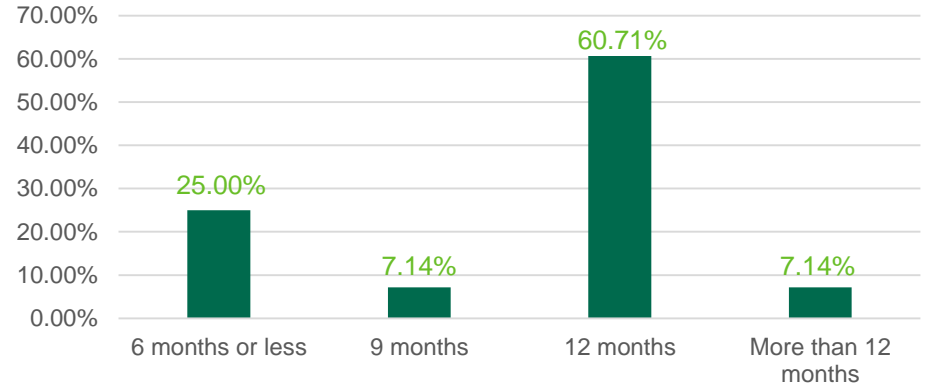
NEW ORIGINATIONS - PRE-FUNDED RESERVES

Pre-Funded Reserve Types



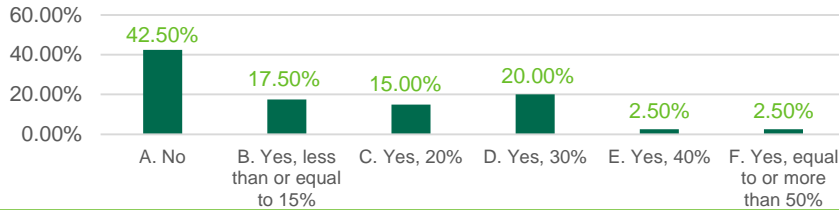
■ A. Not requiring ■ B. Interest reserve ■ C. Operating expense reserve

Pre-Funded Reserve Duration



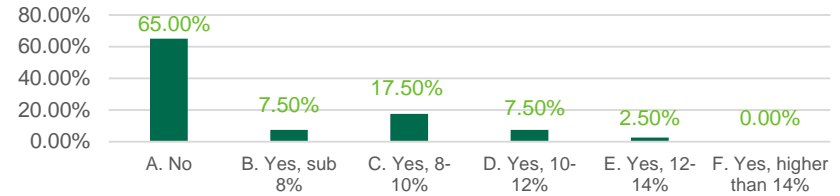
COVID-19 UNDERWRITING ADJUSTMENTS

Applying Discount on 2019 Value



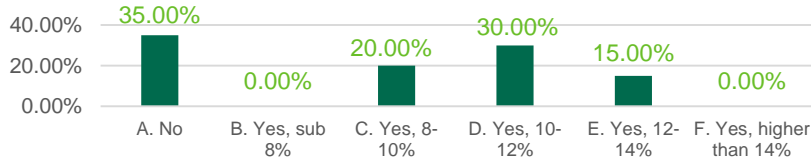
Applying Discount on 2019 Value	No	Yes, less than or equal to 15%	Yes, 20%	Yes, 30%	Yes, 40%	Yes, equal to or more than 50%
Bank	41.2%	14.3%	16.7%	12.5%	0.0%	0.0%
Debt Fund / Alternative	47.1%	57.1%	83.3%	62.5%	100.0%	100.0%
Life Co.	11.8%	28.6%	0.0%	25.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Solving for Going-In Debt Yield



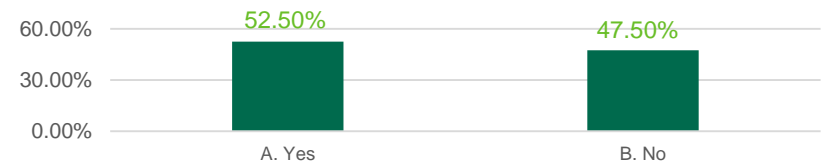
Solving for Going-in Debt Yield	No	Yes, sub 8%	Yes, 8-10%	Yes, 10-12%	Yes, 12-14%	Yes, higher than 14%
Bank	23.1%	0.0%	28.6%	33.3%	100.0%	0.0%
Debt Fund / Alternative	57.7%	100.0%	57.1%	66.7%	0.0%	0.0%
Life Co.	19.2%	0.0%	14.3%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%

Solving for Stabilized Debt Yield



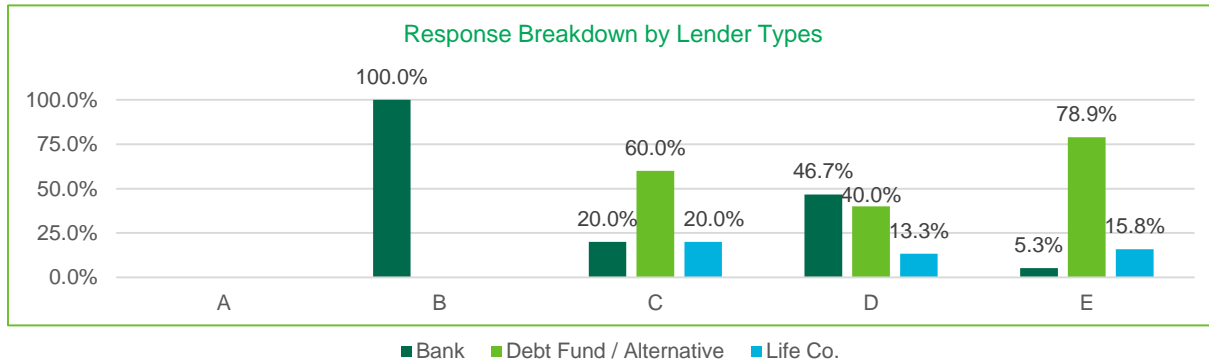
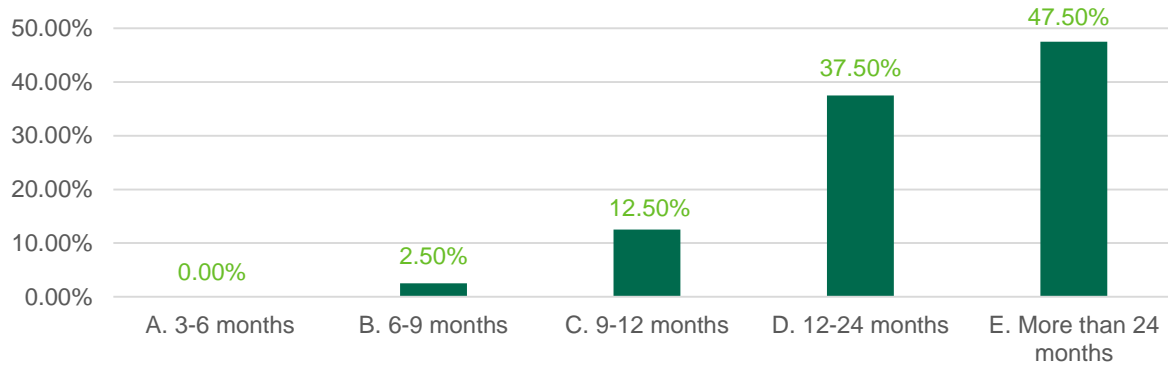
Solving for Stabilized Debt Yield	No	Yes, sub 8%	Yes, 8-10%	Yes, 10-12%	Yes, 12-14%	Yes, higher than 14%
Bank	7.1%	0.0%	25.0%	41.7%	33.3%	0.0%
Debt Fund / Alternative	57.1%	0.0%	62.5%	58.3%	66.7%	0.0%
Life Co.	35.7%	0.0%	12.5%	0.0%	0.0%	0.0%
Total	100.0%	0.0%	100.0%	100.0%	100.0%	0.0%

Assessing Value by Basis per Key



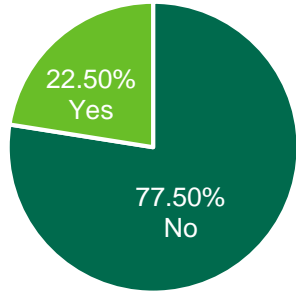
Basis per Key	Yes	No
Bank	19.0%	31.6%
Debt Fund / Alternative	81.0%	36.8%
Life Co.	0.0%	31.6%
Total	100.0%	100.0%

ANTICIPATED RECOVERY FOR HOTEL SECTOR (RETURN TO 2019 REVPAR)

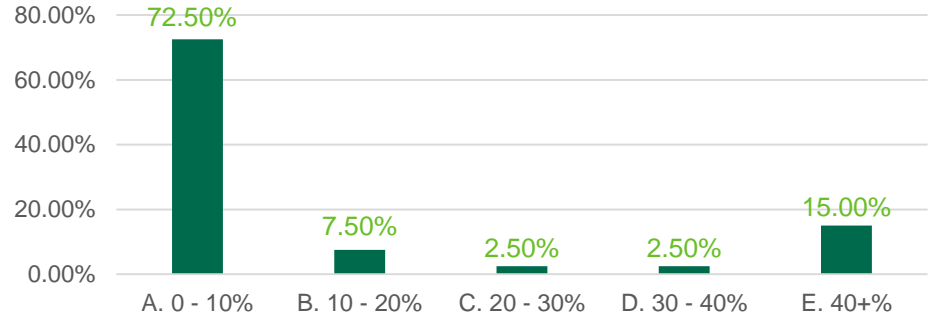


SERVICING

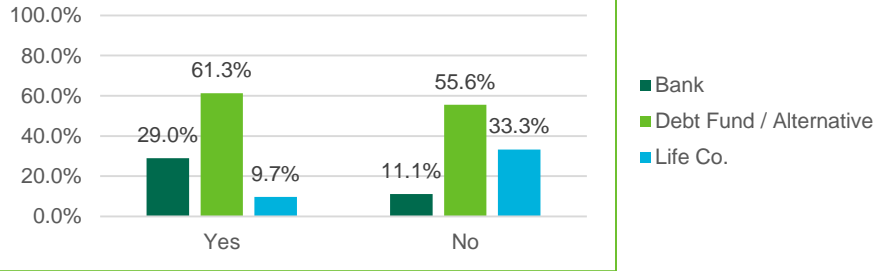
% of Lenders Who Service Their Own Loan Portfolio



% of Hotel Portfolio Referred To Special Servicing / Special Assets



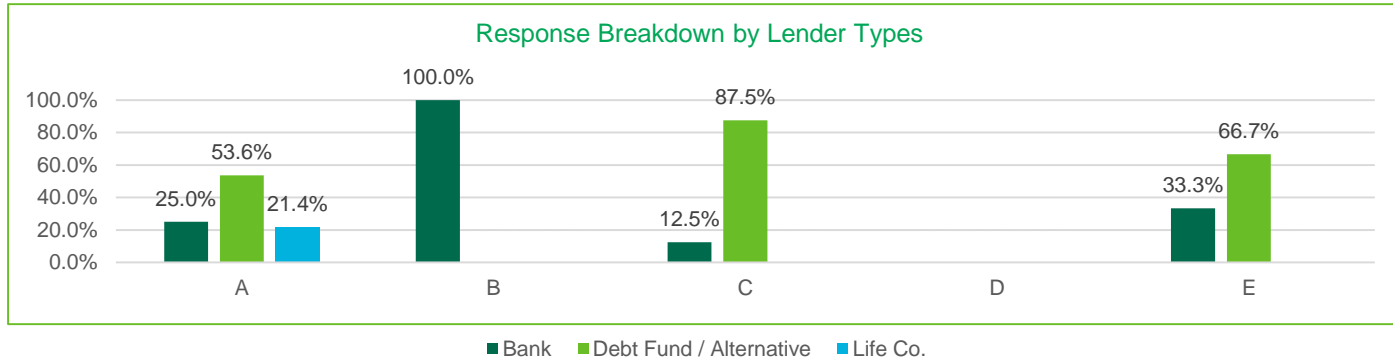
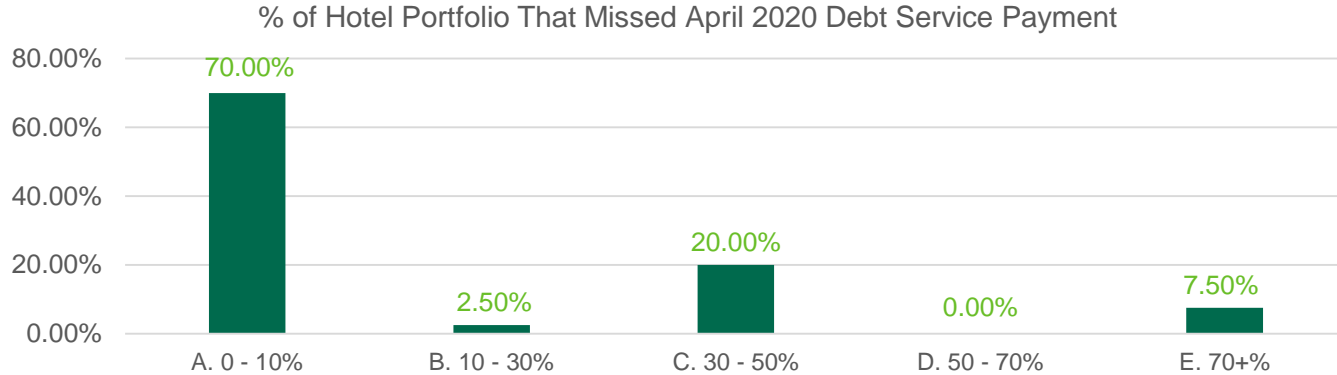
Response Breakdown by Lender Types



Response Breakdown by Lender Types

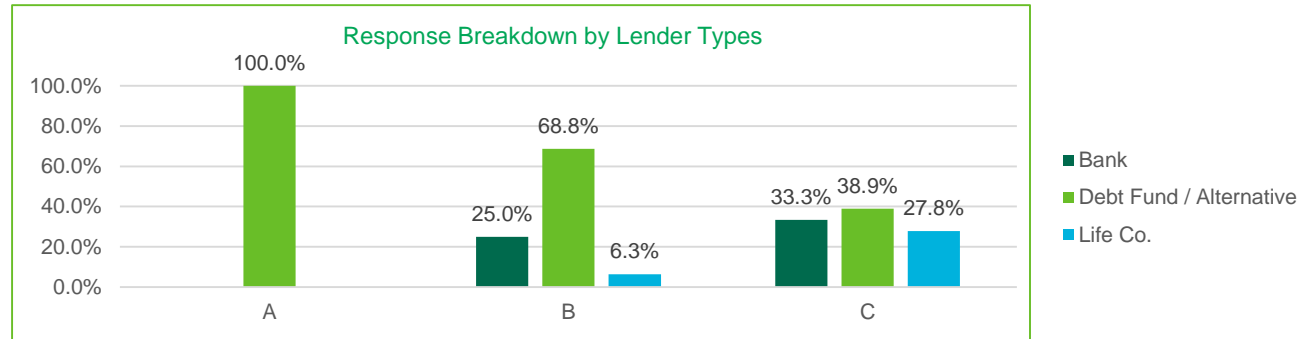
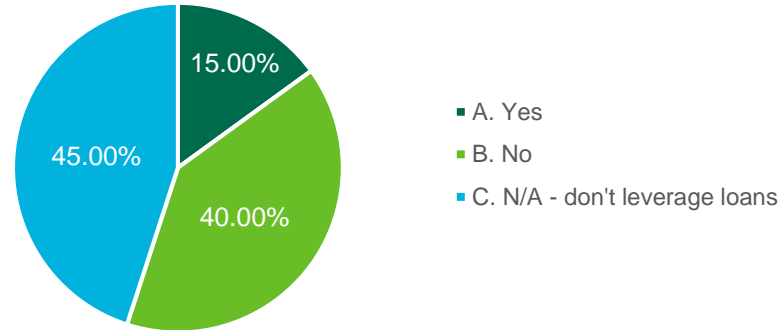


LOAN PAYMENT DELINQUENCY



MARGIN CALL

Are lenders receiving margin calls or any other restrictions from line lenders and/or source of leverage for loans?



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