

HOTEL COMMERCIAL REAL ESTATE

SIMPLIFIED

A commercial establishment providing lodging, meals, and other guest services. In general, to be called a hotel, an establishment must have a minimum of six bedrooms, at least three of which must have attached private bathroom facilities.

Hotels into five separate service categories.

- **Limited-service:** Does not have room service, on-site restaurant, or concierge.
- **Full-service:** Includes room service and has on-site restaurant.
- **Boutique:** Located in an urban or resort location, has full-service amenities, is not part of a national chain, and has fewer rooms.
- **Casino:** Has a gaming component, such as video poker or slot machines.
- **Extended-stay:** Limited-service with fully equipped kitchens in guest rooms and larger rooms for long stays.

Flagged vs Unflagged Hotels

A hotel may be independent (boutique) or flagged (apart of a chain). A flagged hotel property is simply a hotel that belongs to a national franchise. An example of a flagged property would be a Holiday Inn or a Best Western. For the guest, a flagged property provides the benefits of a uniform standard that is upheld by the franchisor. A guest could stay in a flagged property on the east coast and could expect the same flag on the west coast to have the same standard of cleanliness and amenities.

The owner of the property gets the benefit of a nationwide reservation system and marketing. For this benefit the operator is expected to pay a franchise fee which can typically range anywhere from 5% to 10% of room revenue.

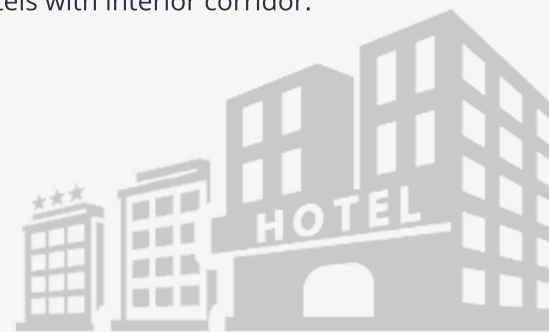
Because of the advantages that a flagged property has, most commercial lenders prefer to finance them over an unflagged property. Sometimes it can be extremely difficult to get a commercial loan for an unflagged property, especially if the property isn't in what is considered a destination resort area. A destination resort area would be an area like Miami, Myrtle Beach, or Orlando FL. An unflagged property in a destination resort is easier to obtain a commercial loan on than an unflagged property in other areas of the country.

Interior Corridor vs Exterior Corridor

An exterior corridor property is a hotel property where you can actually see the door to the rooms from the exterior of the property. These are sometimes referred to as a motel instead of a hotel. The term motel is actually derived from the term motor hotel where most travelers would park their vehicle directly in front of their room. Most exterior corridor properties are older and subsequently will not have the quality of furnishings and will have more deferred maintenance than an interior corridor property.

An interior corridor property is going to be more energy efficient and would have a lower utility expense as a percentage of gross revenue. Lenders have a strong preference for financing flagged hotels with interior corridor.

Continued on page 2.



Call Pioneer Realty Capital at **682-518-9416**, and see why multiple options matter!



PIONEER
REALTY CAPITAL

682.518.9416 or www.PioneerRealtyCapital.com
701 Highlander Blvd., Ste. 520 Arlington, TX 76015

HOTEL COMMERCIAL REAL ESTATE

SIMPLIFIED (Continued)

The quality of the hotel is generally rated on a **5-Star system**.

- A **1-Star hotel** provides a limited range of amenities and services, but adheres to a high standard of facility-wide cleanliness.
- A **2-Star hotel** provides good accommodation and better equipped bedrooms, each with a telephone and attached private bathroom.
- A **3-Star hotel** has more spacious rooms and adds high-class decorations and furnishings and color TV. It also offers one or more bars or lounges.
- A **4-Star hotel** is much more comfortable and larger, and provides excellent cuisine, room service, and other amenities such as spas or shops.
- A **5-Star hotel** offers most luxurious premises, widest range of guest services, as well as swimming pool, sport and exercise facilities.

REQUIRED DOCUMENTS

- Brief Description of Loan Request
- Description of Subject Property
- Sources and Uses of Funds
- Borrower's personal financial statement
- Copy of borrower's last 3 years personal federal tax returns (all pages required)
- Copy of borrower's last 3 years business federal tax returns (all pages required)
- Borrower's business year-to-date Profit & Loss Statement (date ending within last 60 days)
- Borrower Resume
- Most recent STR Report
- Digital Photos of Subject Property
- Purchase Contract (if applicable)
- Copy of last appraisal (if available)
- Copy of most recent mortgage statement (for refinance)
- Franchise Agreement
- Management Agreement



If **new construction**, the following is also needed:

- Feasibility/Market Study
- Property Renderings
- 3-Year Projections
- Construction Contract and Budget
- Purchase Sale Agreement for land if under contract or Land settlement statement
- Timeline of Completion



Call Pioneer Realty Capital at **682-518-9416**, and see why multiple options matter!

**PIONEER**
REALTY CAPITAL

682.518.9416 or www.PioneerRealtyCapital.com
701 Highlander Blvd., Ste. 520 Arlington, TX 76015