

Firms Offer Hotel Workout Services

Three Chicago firms have joined forces to create a hotel-receivership platform to help lenders work through troubled loans in the sector hit hardest by the pandemic.

Frontline Real Estate is working with **Four Corners Advisors** and **Aries Capital** to provide “beginning to end” services ranging from initial evaluations and marketplace analysis to lining up new debt and equity, managing receiverships, conducting note sales or brokering property sales.

Under the banner of Frontline Real Estate Partners: Hospitality Division, the unit will work with banks and other financial institutions, debt funds, special servicers and receivers to help resolve distressed loans backed by hotels in the U.S., Canada and the Caribbean valued at \$5 million and up.

Spearheading the effort on behalf of Frontline are principal **Joshua Joseph** and **Matthew Tarshis**, an executive vice president. They have partnered with **Michael Shindler**, president and chief executive of Four Corners, an advisory and consulting firm focused on hotels, and **Neil Freeman**, chairman and chief executive of investment and mortgage-banking firm Aries.

“This team we have assembled has complementary skill sets in terms of industry expertise, relationships and breadth and depth of knowledge,” Joseph said. He added that all three also have direct experience owning and operating properties in different asset classes.

While the group will be equipped to help lenders take over properties from borrowers, that won’t necessarily be the goal. It could help identify “rescue capital” that would keep the original borrower in place, or restructure or sell off loans. “We are here to provide strategic solutions,” Tarshis said. “We are trying to maximize recovery for our clients.”

The firms had discussed creating the platform prior to the pandemic, but accelerated the effort as lodging properties suffered the brunt of the coronavirus’ economic impact. Plunging occupancy rates and the shuttering of many hotels have left owners unable to cover debt service. In many cases, lenders have agreed to forbearance of roughly 90 days — but it’s expected some hotels will struggle long after that to stabilize revenues.

“We would get involved in some of the messier transactions — and 90% of hotel deals right now are messy,” said Freeman. “Lenders typically don’t have the operational expertise, they



don't know how to solve these problems.”

During the last recession, borrowers often complained that lenders and servicers didn't understand the hotel business, Shindler said. “We will understand the issues . . . We will understand a hotel that is just being hammered by the virus compared to a hotel that was being hammered before the virus.”

Joseph said the platform will tap into Frontline's existing relationships with special servicers — who have been hit with a wave of forbearance requests and payment defaults on hotel loans. With initial forbearance agreements expiring in the next month or two, owners are likely to seek additional relief — or simply turn over the keys. “These hotels are still going to be challenged for quite some time,” Tarshis said. ❖