

## Dealmaker: Continental Funding Group Secures \$19M for Hotel Refi

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Continental Funding Group, Los Angeles, secured \$19 million in refinancing for Courtyard by Marriott, a 195-room select-service hotel in Los Angeles' Baldwin Park submarket.

Continental Funding Group President Mitch Paskover arranged the fixed-rate financing.

"The financial markets for commercial properties have made a tremendous comeback over the last several years, yet the market for limited hotels is still a bit conservative," Paskover said. "Many lenders believe the hospitality industry may be reaching a plateau as rising occupancy and average daily rates have tapered off, indicating a potential slowdown in the tourism sector."

Paskover noted that the hotel construction boom--up 19.5 percent between 2014 and 2015--further raised uncertainty among lenders about whether the hotel market can sustain this growth and how the additional supply may affect the industry moving forward. "As a result, securing a lender for a hotel, particularly a limited-service one, requires a strategic approach," he said.

Built as a Hilton, the Courtyard by Marriott in Baldwin Park became franchised as a Marriott in 2004. The sponsor requested a fixed-rate, non-recourse loan that would refinance a maturing loan and provide a substantial cash-out component.

"Many lenders did not initially understand the potential of this asset and were coming up with loan amounts that did not meet the sponsor's requirements," Paskover said. "We broadened our search and approached a number of lenders including banks, commercial mortgage-backed securities lenders and life insurance companies," Paskover said. He said Continental emphasized the hotel's healthy 12-month history to secure a lender that recognized the potential of the asset, "ultimately securing a loan with a debt yield below 10.5 percent and providing enough cash out to meet the sponsor's needs."

Paskover said the lowered debt yield speaks to the lender's confidence in the asset, as most lenders will underwrite debt yields for this product type in the 11 to 12 percent range.

A U.S. investment bank provided the 10-year loan at 4.98 percent with a 68 percent loan-to-value leverage ratio and a 25-year amortization schedule.

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