

Real Estate Finance & Investment

Excel snags mezzanine loan for Florida hotel recap

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By Sherry Hsieh

Excel Group has secured \$7.5m of mezzanine financing to help recapitalize two **Hilton**-branded limited-service hotels in Sarasota, Fla. The mezzanine financing sits behind an existing \$17m securitized first mortgage. A portion of proceeds was used to refinance \$2m of existing subordinate debt on the Hilton Garden Inn Sarasota and Hampton Inn Sarasota. Both debt pieces terminate in 2018, *REFI* has learned. **Mission Capital Advisors** arranged the financing.

The transaction allowed Excel to refinance the subordinate debt and return sponsor capital while avoiding defeasance on the senior loan. "The new [mezzanine loan] is structured to co-terminate with the senior in 2018 and carries a very competitive rate for this asset class in this market," said **Tom Hall**, a managing director in the sales and trading group at Mission. "There were not a lot of mezzanine lenders in the sub-\$10m [space who could] meet the requirement of a qualified mezzanine lender per the senior loan documents for this transaction," he added.

The requirements were challenging. First, the lender needed to focus on smaller mezzanine loans but have deep enough pockets to meet the requirements of the special servicer on the existing CMBS mortgage. "CMBS loan documents generally restrict who qualifies as a mezzanine lender. To qualify, the lender has to be well-capitalized and has to [be able to] demonstrate that they are capable of taking over the borrower if needed," explained **Ari Hirt**, a managing director in the debt & equity finance group at Mission. Hirt declined to name the lender, but noted it is a private investment fund that provides mezzanine and bridge financing.

The financing marks the second transaction where Mission has secured mezzanine debt above existing securitized senior debt. But given the anticipated wall of CMBS maturities and the unprecedented low long-term fixed rate environment (recently closed 10-year fixed rate products are in the plus or minus 4% range), Hirt believes more transactions of this type will arise as borrowers seek more leverage on properties.

Excel acquired the 115-room Hilton Garden and 121-room Hampton Inn for \$11m and \$9m, respectively in 2013. The Washington D.C.-based private equity firm owns and asset manages branded select service hotels across the U.S.