

# Hotel owners facing ‘unprecedented wave’ of foreclosures, group says

By Mike Shoro Las Vegas Review-Journal

August 18, 2020 - 1:13 pm

Hotel owners are facing an “unprecedented wave” of foreclosures, without federal help with commercial debt relief, according to a Tuesday letter from the industry to Congress.

Nearly 1 in 4 hotels were at least a month late on their mortgage loan payments as of July, the highest figure on record, according to a recent report released by analysis firm Trepp. Just 1.34 percent of hotels were in the same boat at the end of 2019, the report said. Industry watchers said that figure is alarming, if expected.

Sahara Las Vegas Vice President of Sales Christopher Bond, Nevada Hotel and Lodging Association President Diane Gandy and Henderson-based Argento Hospitality Group Managing Director Paula Argento are among the 20 people from Nevada who signed the letter to Congress with nearly 4,000 others from across the country.

A statement on behalf of Bond said he signed the letter as an individual member of the American Hospitality and Lodging Association, not as a representative of Sahara Las Vegas. Requests for comment from the Nevada Hotel and Lodging Association and others were not immediately returned.

The letter to Congress called for passage of the Helping Open Properties Endeavor Act, or HOPE Act, which is billed as helping to prevent commercial real estate foreclosures, specifically to borrowers of commercial mortgages.

## **More jobs at risk**

A UNLV hospitality professor was surprised there weren't more Nevada names on the letter given the state's economic reliance on tourism and the industry's unknown future.

"This is a time where you need big brother helping you to keep the economy going," said Mehmet Erdem, associate professor of hotel operations and technology.

Low demand for travel means "thousands of hotels" won't be able to pay their mortgages and could be forced to close their doors for good, stated Chip Rogers, president and CEO of the American Hotel and Lodging Association.

"Tens of thousands of hotel employees will lose their jobs and small business industries that depend on these hotels to drive local tourism and economic activity will likely face a similar fate," Rogers said.

UNLV finance and gaming professor Toni Repetti is somewhat skeptical banks are itching to foreclose on hotels at a time when there's unlikely to be much demand to buy it off their books.

"If you don't know when your customer is going to come back, then why would you buy a hotel?" she said.

However, she said hotel managers are asking Congress for help to protect themselves from the possibility of foreclosure and keep on the thousands of people they employ.

## **‘Writing on the wall’**

The HOPE Act would represent the first federal pandemic legislation with a real-estate focus and could provide a much-needed boost to the hotel industry, said Brendan Bussman, partner at Global Market Advisors.

Hotels in Nevada were forced to close for two months and many, upon reopening, are unable to operate as they did before the pandemic hit.

“That’s where I think the HOPE Act’s goal is to try to fill that gap for those that (are) trying to recover and have been limited in their ability to recover because of current health and safety conditions,” Bussman said.

Few smaller or independent hotels, if any, have the savings to withstand zero income over the course of months, Bussman said. Corporate-owned hotels may be better positioned to ride out “the tsunami that the industry has faced because of the pandemic,” but even they may not all be spared the possibility of shuttering, he said.

Erdem said a large hotel on the Strip brings in most of its revenue from gaming, with assists from dining and drinking; smaller hotels don’t have that luxury. They rely almost entirely on room revenue, and when there’s no festivals, conventions or any of the other mass gatherings that draw people to Southern Nevada, they’re not making any money.

Foreclosures are an unfortunate reality on the horizon for some smaller hotels, he said. And it's more difficult to close and reopen than it is to stay open.

"If this trend continues, I mean, the writing is on the wall," he said.

Erdem said he was unclear on specific details within the proposed HOPE Act. Passing the legislation through Congress and the president signing it into law poses its own challenges.

Still, he said, "Anything they can do to keep people afloat, they should do it."

Contact Mike Shoro at [mshoro@reviewjournal.com](mailto:mshoro@reviewjournal.com) or 702-387-5290.

Follow [@mike\\_shoroon](https://twitter.com/mike_shoroon) on Twitter.