Sheraton Universal Hotel Sale Facilitated by JMBM’s Global Hospitality Group®

5 January 2011

Jeffer Mangels Butler & Mitchell LLP (JMBM), one of California’s foremost full-service law firms, today announced that its Global Hospitality Group® facilitated the sale of the Sheraton Universal Hotel to Shenzhen New World Group Co. JMBM represented the receiver and structured the sale so that the 20-story, 451 room hotel could be conveyed while the hotel was in receivership.

“Buyers, sellers and lenders face significant challenges when a hotel is in financial trouble,” said JMBM hotel lawyer, Guy Maisnik, the lead lawyer in the transaction. “We structured this sale through a receivership, which enabled all parties to address the real estate and legal issues without the lender having to foreclose on the property.” The result is similar to a foreclosure, including providing the buyer with clean, insurable title, but without the lender taking on the risks of owning the asset, he explained.

“Given its proximity to Universal Studios, Shenzhen’s strategic purchase could prove one of the best purchases in this economic cycle,” said Jim Butler, Chairman of JMBM’s Global Hospitality Group®. Butler noted that the hotel sector’s recovery is leading other commercial real estate sectors, and that numerous investment groups and private equity firms are circling coveted assets. “This new wave of investment includes significant participation by foreign investors who believe U.S. hotels are ‘really cheap’ due to current exchange rates,” he said.

Butler pointed out that, in addition to the favorable exchange rate, Asian investors are looking to capitalize on the growing number of Asian tourists visiting the U.S. by providing them with U.S. hotels that are culturally in tune with their needs. Chinese tourists now rank 4th and South Korean visitors 5th, among all foreign citizens visiting Los Angeles, according to the Los Angeles Times.

“Hotel values rose 10% nationwide in 2010, and projections show the increase could be twice that in 2011,” he said, noting that many investors see 2011 as the window of opportunity for hotel investment. “It is also one of the reasons the lender was comfortable with the Sheraton Universal sale,” he added.

“Hotel acquisitions are complex in the best of times,” said Butler, who has been involved in hotel purchases and sales for more than two decades. In this market, many hotel assets are troubled, so the legal and business issues are compounded, he said.

“The sale of passive real estate by a receiver is fairly straightforward,” said Maisnik. “But the sale, by a receiver, of a hotel — which includes both real estate and a complex operating business — is very unusual. It’s a cutting-edge legal process, and not allowed in all states.”

“Buyers, sellers and lenders need to approach these transactions with their eyes wide open, as the downside is significant,” said Butler. “But experienced lawyers and advisors are able to structure these deals so that significant value is added to the hotel asset, which provides benefits to all parties.”
According to Maisnik, that is the case with the Sheraton Universal acquisition. “This deal is a real industry success story,” he said. “Before the acquisition, this property had negative EBITDA, major liens, lapsed labor union contracts, and a host of other problems. Together, we turned it around — including recovering on the debt — and the hotel is now poised for growth.”

JMBM’s Global Hospitality Group® structured the first-ever hotel sale by a receiver in the early 1990s, and has represented receivers in six hotel sales in the last 18 months.

JMBM Attorneys for Receiver: Guy Maisnik; Neil Erickson; Jeffrey Steiner
RIM Hospitality: Mark Burden
Jones Lang LaSalle: John Strauss
Attorney for Special Servicer: Diane Stanfield

This is Jim Butler, author of www.HotelLawBlog.com and hotel lawyer, signing off. We’ve done more than $87 billion of hotel transactions and have developed innovative solutions to unlock value from troubled hotel transactions. Who’s your hotel lawyer?

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Our Perspective. We represent hotel lenders, owners and investors. We have helped our clients find business and legal solutions for more than $87 billion of hotel transactions, involving more than 3,900 properties all over the world. For more information, please contact Jim Butler at jbutler@jmbm.com or 310.201.3526.

Jim Butler is a founding partner of JMBM and Chairman of its Global Hospitality Group®. Jim is one of the top hospitality attorneys in the world. GOOGLE “hotel lawyer” and you will see why.

JMBM’s troubled asset team has handled more than 1,000 receiverships and many complex insolvency issues. But Jim and his team are more than “just” great hotel lawyers. They are also hospitality consultants and business advisors. For example, they have developed some unique proprietary approaches to unlock value in underwater hotels that can benefit lenders, borrowers and investors. (GOOGLE “JMBM SAVE® program”.)

Whether it is a troubled investment or new transaction, JMBM’s Global Hospitality Group® creates legal and business solutions for hotel owners and lenders. They are deal makers. They can help find the right operator or capital provider. They know who to call and how to reach them.