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Troubled Mondrian hotel holds USD 40m in CMBS, CDO exposure

The Mondrian Hotel in Scottsdale, Arizona, which is headed for foreclosure, serves as the collateral for USD 40m in loans securitized in GCCFC 2006-FL4 and PTR A 2007-1A, according to data from Trepp.

The property's owner, Morgans Hotel Group, announced earlier this week its plan to hand back the keys to lenders (see posting, 11 December). "MHG is prepared for the lenders to exercise their remedies with respect to the hotel," the company noted in a release. The property registered a USD 1.4m EBITDA loss for the year ending 30 September. An auction of the property is scheduled for 10 March, according to press reports citing a trustee sale notice.

The debt on the property includes a USD 23.4m A-note, securitized at a 51% LTV in Greenwich Capital 2006-FL4, according to Trepp. The deal also houses USD 2.6m in mezzanine debt on the property, which goes towards paying two Rake bonds. The debt was transferred in May to special servicer Wachovia and is currently in default. There is an additional USD 13.9m in mezzanine debt in place, which is securitized in CRE CDO PTR A 2007-1A. Unpaid interest on the loans, due to shortfalls that Morgans stopped funding in June, totaled roughly USD 500m as of 30 September, the owner said in the release.

The property was built in 1966 and had once been branded as a Holiday Inn, complete with exterior corridors. Morgans purchased the hotel in 2006, branded then as the James Hotel, for USD 47.8m. "The James Hotel was a hip, urban hotel that had a good night club scene and drew the younger crowd," said Bill Murney, senior VP at HREC Investment Advisors, a Denver, Colorado-based lodging and gaming advisory firm. "Then the W hotel and Valley Ho opened up and the competition for that type of clientele dramatically increased."

Renovations were completed in 2007, but net cash flow remained negative and occupancy stood at 52%, according to a Fitch release. In July, the property was valued at USD 21.4m, according to data from Realpoint. Murney said he's already fielding calls from investors interested in potentially buying and rebranding the property.

Morgans is the owner of a number of high-profile properties, including the Delano, Shore Club and Mondrian in South Beach, Morgans, Royalton and Hudson in New York, the L.A. Mondrian, Clift in San Francisco, Ames in Boston and Sanderson and St Martins Lane in London.

The Mondrian Scottsdale's troubles are unique to the Morgans portfolio, Murney said. "This is one of Morgans Hotels lower performing properties and did not fit particularly well with the rest of their portfolio. It's an older property with structural issues that kept it from being considered a high-end hotel," he said.

by Sarika Gangar

Source Debtwire