

## Financing for the W Amsterdam Hotel € 135 million

July 2016

### Syndicated loan for W Amsterdam Hotel

pbb Deutsche Pfandbriefbank (as Lead Manager) and Deutsche Hypo (as Co-Lead Manager) provided loans totalling €135 million to various property companies of Grand City Hotels GmbH for the refinancing of the new “W Hotel” in Amsterdam, Netherlands. pbb’s contribution to the total loan volume amounts to €85 million. The closing of the transaction took place in July 2016.

The former Telephone Exchange Building and the former Kas Bank building were developed in order to build the five-star W Amsterdam Hotel located in the heart of Amsterdam, just opposite the Royal Palace. The hotel was partially opened in autumn last year, but only completed in May 2016. All in all, the hotel boasts 238 rooms, three restaurants, as well as a gym and spa area covering 620 m<sup>2</sup>. The hotel also has conference facilities and retail space. The hotel itself is operated by Starwood, the restaurants and the retail space by the Europe Hotels Private Collection and Entourage Group – all of which have extensive experience in Amsterdam.

### Financial solutions based on specific requirements

In the past months, pbb Deutsche Pfandbriefbank has financed hotel properties in Amsterdam, Hamburg and Vienna. Like the W Amsterdam Hotel, these financing projects have all had individual and specific characteristics. A credit institution offering hotel financing solutions must possess a high level of technical and market expertise in order to be able to offer its clients financial solutions tailored to the requirements of the respective hotel project. pbb has this expertise.

The bank has already financed hotels in Germany, France, the United Kingdom, Luxembourg, the Netherlands, Austria and Sweden. The current financing portfolio (EaD) for this asset class amounts to approx. €1.1 billion.

### Specialist property: hotel

Hotel properties are specialist properties, and are therefore regarded as riskier investments by financing institutions. For these particular assets, the operator and concept are key factors to the risk assessment of a financing project. Due to this very close link between the operations and the individual property, it is indispensable that the financing experts also have an understanding of the management of a hotel when carrying out their credit analysis.

Important factors are, for example, the ownership structure and the chosen operating option: is the property rented or leased by a hotel operator or does the property owner himself act as the operator, using services of specialised hotel companies? In the latter case, these companies either provide their reservation and sales network against payment, or fully take over management of the hotel.

The location of the hotel is, as with all real estate, of major importance. Good inner-city locations or hotspots for business travellers (such as airports or train stations) are easier to finance. The operator brand and the corresponding amenities also play an important role. And, last but not least, the financing institution needs to have the expertise to be able to comprehend the extensive contract structures found in the hotel sector. Every type of contract can include complex characteristics which have to be analysed, e.g. ownership and possession structure of the operating and business equipment, or also topics related to the operator brand and its intellectual property. Finally, the key operating performance indicators of the hotel (as described below) and its business plans have to be analysed and understood.

## Analysis via benchmark procedures

For their support, the banking experts use benchmark procedures typical for the hotel sector. The hotel industry has agreed upon a global uniform account management system for the sector. This system includes hotel-specific performance indicators like the average price per room or average daily rates, occupancy rates, return per room available, and gross profit. This standardised reporting method simplifies the evaluation of hotel performance data and enables an assessment of the expected cash flows. In addition, this method can be used to compare hotels while taking into account respective strengths and weaknesses, regardless of ownership structures and geographical locations.

## Hotel Financing sector team bundles know-how

pbb Deutsche Pfandbriefbank is one of the leading European specialist banks for real estate finance and public investment finance. pbb provides local know-how throughout the entire process chain, ranging from origination to experts in real estate and real estate law, financing experts, the management of loan exposures and syndicated lending. Our clients benefit from this expertise.

pbb has been working with its own cross-divisional team of hotel experts for a number of years now, who refine financing solutions and offer their expertise in order to support sales units confronted with specific challenges in hotel projects.

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