



[WESTIN EMERALD PLAZA TO BE SOLD](#)

Clearview looks to raise money for IPO

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Friday, July 2, 2010

A loan portfolio secured by 14 **Columbia Sussex**-owned upscale hotel properties -- including the 436-room Westin Emerald Plaza -- has been downgraded by Fitch Ratings as plans move forward to acquire the lodging assets.

Newport Beach-based **Clearview Hotel Trust**, a newly forming real estate investment trust, has announced its intent to raise \$375 million in stock to be used in an initial public offering that in turn would help acquire the hotels.

The properties represent some 5,815 rooms located in 13 major urban markets around the country.

The firm's executives could not comment, so the portfolio's purchase price wasn't clear, and it is uncertain when the transaction might close.

Clearview officials have stated in the firm's filing with the Securities and Exchange Commission that they believe the hospitality business will soon be making a comeback.

Those documents with the SEC said the hotels are located near convention centers and corporate headquarters among other strategic locations.

The Westin Emerald Plaza would seem to fill that bill.

Clearview expects its shares to be listed on the New York Stock Exchange under the symbol CVW.

The Clearview team is headed by Jon Kline, chairman and CEO, who has been no stranger to adversity in this recession.

Up until recently, Kline was the president of troubled San Clemente-based **Sunstone Hotel Investors** (NYSE: SHO).

While that hotel REIT completed more than \$2 billion worth of transactions while Kline was there, the firm has handed back or agreed to return a dozen of its hotel properties around the country including the W in Downtown San Diego.

Hotel consultant Robert Rauch said it isn't a bad thing that Kline is involved in this new venture, as he clearly is acquainted with many hotel markets including San Diego.

"He knows the market has hit bottom," Rauch said.

While Clearview gears up to buy the 14 hotels, Fitch Ratings has downgraded the ratings on a sizable portion of their debt that appears headed for default.

"The loan portfolio was transferred to special servicing on June 22, 2010, due to imminent default in advance of its final maturity date in October 2010," Fitch wrote.

Kentucky-based Columbia Sussex, a private REIT, had acquired what was then the Wyndham Emerald Plaza as part of the 14-hotel, \$1.4 billion transaction in 2005.

As loan servicer **Bear Stearns Commercial Mortgage Inc.** along with **Bank of America** (NYSE: BAC) provided \$1.1 billion in financing, this was a highly leveraged acquisition -- and that hasn't been the only issue.

These hotels, many of which are former Wyndhams, underwent a total of \$170.6 million in upgrades and re-branding costs in 2007 and the first half of 2008 (or about \$34,000 per key).

This was right before the bottom dropped out of the economy.

For the Emerald Plaza hotel it has meant spending millions of dollars in soft costs for furniture fixtures and equipment ranging from carpeting to new lighting.

The Fitch downgrades specifically identify \$36.8 million in Class G mortgage pass-through certificates from "A-minus" to "BBB-minus," the downgrade of \$16.6 million Class H certificates from "BBB-plus" to "BB" and \$8 million in Class J certificates from "BBB" to "B."

The remaining certificates in this pool have been given stable ratings, but that doesn't mean the hotels haven't had a struggle.

Bear Stearns reported the net operating income of the hotels has declined 25 percent since year-end 2007, and is almost 30 percent lower than what was expected by now when the mortgage pass-through certificates were issued three years ago.

While it is difficult to break out what has been happening at the Westin at Emerald Plaza specifically, the Fitch report said the portfolio's occupancy of the has declined from 76 percent in 2007 to 60.3 percent today.

Rauch believes the hotel is in the high-60 percent occupancy ranges.

The other problem is room rates that were around the \$150 range three years ago, are much closer to the \$100 range today.

While not all the debt is subject to the Fitch downgrade, portions of this loan portfolio and one known as the Citigroup Property Investors Hilton Portfolio have been identified as being at risk. That financial instrument, which is cross-collateralized with the Columbia Sussex portfolio, is also set to mature in October.

The CPI loan is secured by a group of limited service hotels including four Hilton Garden Inns and one Homewood Suites, with a total of 955 rooms.

The properties are located primarily in suburban markets, in or near Atlanta, Chicago, Denver, Orlando and San Francisco.