

Asian Investor Completes £336M Loan Restructuring

4 January 2022 [Mike Phillips, Bisnow London](#)

A Thai investor that bought a major UK hotel portfolio just before the onset of Covid-19 has agreed to the restructuring of a £336M loan secured against the assets, as lenders continue to back business recovery in the struggling sector.

A notice just before Christmas said that **DTGO** had reached agreement with bondholders to waive defaults and extend the duration of the loan, which is secured against a portfolio of 17 UK hotels bought from **Marathon Asset Management** for £465M in December 2019.

The agreement includes a long-term waiver of the loan's debt yield covenant. This covenant specifies that income from a portfolio can't drop below a certain percentage of the amount of debt secured against it.

A waiver of this covenant had already been granted, but expired in December 2021, at which point the loan was due to mature. The loan can be extended for up to three years, but only if no covenants are in breach. DTGO sought a waiver until December 2022 so the loan can be extended, with a new maturity date of 2024.

The company said the loan-to-value covenant of the portfolio had not been breached at any point. **It was advised in its negotiation with bondholders by Brookland Partners.**

So far DTGO has put up £38M in the form of early loan prepayments and cash to cover income shortfalls in exchange for loan covenant waivers. It will put up another £17M in exchange for the new covenant waivers and loan extension.

The loan is split between a £271M senior loan originally provided by **Goldman Sachs**, and then securitised in March 2020, and a further £65M mezzanine loan.

The 17 hotels in the portfolio are operated under franchise agreements by **IHG, Hilton** and **Marriott**.

DTGO is not the only investor trying to stave off loan defaults on a UK hotel portfolio. Property company London & Regional in October agreed to pay £43.5M so that potential loan defaults on a £350M hotel loan hit by the coronavirus pandemic are waived.

A notice to bondholders who own the loan said the company, run by billionaire brothers Ian and **Richard Livingstone**, had agreed to repay £30M of the loan as well as putting £13.5M into an account to be used for future interest payments.

In return, bondholders agreed to waive a loan-to-value covenant default that happened in February last year and a debt-yield covenant default that first occurred in October 2020.

The loan is secured against 49 UK limited-service hotels totalling 6,129 rooms managed by Atlas, which the hotel company London & Regional bought from **Lone Star** for £550M in 2016. The majority are operated under franchise agreements with IHG and Hilton under brands like **Holiday Inn Express** and **Hampton by Hilton**.

Another hotel CMBS transaction arranged by Goldman has also seen the borrower make a top-up payment. In 2018, a company of Israel's **Dayan** family paid Apollo £742M for a portfolio of 20 UK hotels operated under **the Holiday Inn** brand. The transaction was funded by a £450M senior loan provided by Goldman, and then securitised, and a £70M mezzanine loan.

The Dayan-backed company in July 2020 made a £28M payment in exchange for a series of loan covenant waivers, according to CBRE, which is also the servicer to the loan.