

Harborline Suites Renovation – Bridge-to-Takeout Proposal (Hospitality / Repositioning)

Document Type: *Investment Committee Memorandum – Hospitality Credit*

Overview:

Harborline Suites is a 102-key limited-service hotel in Charleston, SC originally built in 1995. The property sustained hurricane damage in 2022 and is currently 60 % operational. Borrower seeks a \$17.2 MM bridge loan to complete renovations and refinance existing construction debt.

Capital Structure:

Use	\$ MM	Source	\$ MM
Acquisition debt payoff	10.4	Bridge Loan	17.2
Renovation cap-ex	5.0	Borrower equity	3.2
FF&E / soft costs	2.0	—	—
Total	17.4	Total	20.4

Underwriting Summary:

- ADR \$156 (vs comp set \$171)
- Occupancy 61 % → 73 % stabilized
- RevPAR \$95 → \$125
- NOI 1.05 MM → 1.82 MM
- DSCR 0.94× → 1.25×
- Exit cap 7.0 % → value ≈ 26 MM
- Loan-to-value 86 %

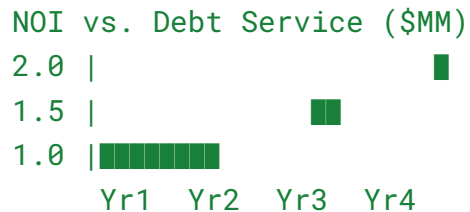
Key Observations:

1. Renovation contingency = 5 % (below typical 8–10 %).

2. Sponsor assumes 18-month stabilization—local comps average 30 months post-renovation.
3. Labor cost inflation not modeled (Charleston hospitality +9 % YoY).
4. Exit valuation implies 5.8× multiple on Year-3 NOI—optimistic.
5. Borrower liquidity \$850 k; weak to sustain construction overruns.

Market Snapshot:

Occupancy recovery uneven; STR forecast projects 2.1 % ADR growth vs 3 % CPI.
The sponsor's model assumes 5 %.

Visual:**Committee Discussion:**

Consensus: high execution risk, marginal liquidity, inflated exit. Recommend decline or limit to \$14 MM, require completion guarantee and 12-month interest reserve.
