

ASSET UNDERWRITING / BORROWER FIELD GUIDE

Hotels underwriting guide

Translate room inventory, occupancy and room rates into monthly cash coverage and reserve needs.

Hotel revenue is earned night by night while many operating and financing costs continue through the low season. Annual NOI alone can conceal the month in which cash runs out. Build a room-revenue bridge, a monthly operating schedule and a separate plan for property improvements, brand obligations and management transitions.

Reconcile room activity to revenue

Start with available room nights, paid occupancy and average daily rate using consistent periods. Separate rooms out of service, complimentary rooms, cancellations and other adjustments. Room revenue is not total hotel revenue: identify food and beverage, parking, resort or other charges separately and preserve their associated costs. Host Hotels' operating statistics illustrate the distinction among occupancy, room rate and revenue measures without supplying assumptions for this property.

Model costs by their actual behavior

Separate costs that move with occupied rooms or revenue from payroll, taxes, insurance and other obligations that do not fall proportionately in a slow month. Reconcile franchise, reservation, management and incentive fees to the actual agreements. Deduct an appropriate modeled replacement reserve separately from planned improvement spending and explain whether any reserve cash is available for that work.

Connect the calendar to funding

Show the seasonal cash trough before taking annual distributions or assuming all positive months occur first. A property improvement plan can remove rooms from sale while consuming construction cash. Match work, inspections, brand acceptance and reopening to loan-draw conditions. A completed renovation does not by itself establish that every room may reopen or that an operating agreement can be transferred.

Use this guide with the matching Excel model. Illustrative assumptions are editable; no lender approval, market quote or universal threshold is represented.

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What the lender needs to understand

Preparation questions and evidence to resolve them. Actual requests and acceptance standards depend on the lender and transaction.

01 / How do room statistics reconcile to cash revenue?

Property-management reports, room-night inventory and bank-reconciled operating statements.

02 / What costs continue during the low season?

Monthly expense history, payroll plan and fixed versus variable cost assumptions.

03 / What is owed to the brand and manager?

Franchise, management and reservation agreements with all fee and consent terms.

04 / What work is required and when can rooms reopen?

Current improvement plan, bids, room-outage schedule and acceptance milestones.

05 / When is the deepest cash deficit?

Monthly cash rollforward after debt service and required capital payments.

06 / Who funds an extended outage or transition?

Accessible sponsor liquidity and a documented management/brand transition plan.

Turn the request list into an evidence ledger

For each material question, record the document and date, the responsible owner, the unresolved fact, the party who can accept it, and the financing consequence if it remains unresolved. A file delivered to a lender is not necessarily an accepted answer.

Evidence state: requested / received / reconciled / accepted / still conditional. Preserve the lender response and avoid treating an unanswered question as approval.

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Document checklist: cash flow and collateral

Use a consistent cutoff date. Mark missing items, conflicts and explanations rather than simply counting files.

Cash flow and operations

Document / evidence request	Received / open
Monthly occupancy, average rate and available-room-night reports.	[] _____
Rooms, food and beverage, ancillary revenue and associated expense detail.	[] _____
Operating statements reconciled to cash and reservation-system records.	[] _____
Franchise, management, reservation and incentive fee calculations.	[] _____
Payroll, tax, insurance, utility and major service-contract support.	[] _____
Seasonal cash schedule with replacement reserves and planned distributions.	[] _____

Property and collateral

Document / evidence request	Received / open
Room inventory and evidence of legal operating capacity.	[] _____
Condition assessment and brand property-improvement requirements.	[] _____
Detailed work scope, contractor bids and room-outage calendar.	[] _____
Environmental, life-safety and other third-party reports requested.	[] _____
Franchise and management agreements affecting the property.	[] _____
Insurance terms relevant to restoration and business interruption assumptions.	[] _____

Reconciliation note

The schedules should agree with the source documents or identify the exact reason for a difference. Keep the source amount, the adjustment and the lender-accepted amount visible as separate fields.

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Document checklist: sponsor and closing

Confirm who provides the money, when it is available and what evidence permits the transaction to fund.

Sponsor and execution

Document / evidence request	Received / open
Sponsor hotel ownership and management experience with comparable operations.	☐ _____
Operating entity, property owner and guarantor structure.	☐ _____
Management team continuity and replacement plan.	☐ _____
Liquidity after committed improvements and other guarantees.	☐ _____
Historical performance of relevant sponsor-operated properties where requested.	☐ _____
Equity authority for seasonal deficits and improvement overruns.	☐ _____

Closing and funding

Document / evidence request	Received / open
Brand, manager and other required transfer or financing consents.	☐ _____
Loan improvement holdback and reimbursement acceptance conditions.	☐ _____
Payoff, title and closing cost support.	☐ _____
Documented treatment of restricted reserve balances.	☐ _____
Working-capital handover, deposits and prebooked revenue reconciliation.	☐ _____
Closing-to-reopening funding schedule with each responsible party named.	☐ _____

Before committing the next dollar

- ☐ Reconcile room statistics before accepting the revenue run rate.
- ☐ Fund the low season and improvement outage as dated events.
- ☐ Obtain the relevant brand and management consents before relying on uninterrupted operation.

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Use the model and reconcile the result

hotel-underwriting-model.xlsx | Summary, Assumptions, Room Nights, Operations, Debt and Funding, Review

1. Use Assumptions!D5 for Base (1) or Downside (2), and the labeled scenario input rows. Enter source data in Room Nights!D10:L21; preserve formula cells and an untouched workbook copy.
2. Inspect available room nights, occupancy, room rate and nonroom contribution monthly. Keep variable operating costs, fixed costs, reserves and improvement capital distinct; review the seasonal cash trough.
3. Reconcile Operations to Summary. Apply the entered lender adjustment separately to the modeled cash flow. Sizing uses amortizing debt service, while first-year payments reflect the entered interest-only period.
4. In Assumptions, replace illustrative value, LTV, DSCR, debt yield, rate, amortization and requested ceiling with the intended scenario. Review capacities in Debt and Funding. The smallest modeled capacity does not establish eligibility or approval.
5. Closing equity includes the entered opening cash and restricted reserves. Additional operating cash need is measured after that opening cash, so do not add it twice. Inspect monthly cash and remaining principal at maturity.
6. Read Review for model conventions and limitations. Save each scenario with its supporting evidence and date; actual lender definitions, legal rights and professional findings control the transaction.

Worked example: editable teaching assumptions

Illustrative Base / Downside inputs: Property value \$6,000,000 / \$5,200,000; Annual note rate 6.50% / 8.00%; Maximum LTV 65.00% / 60.00%; Minimum sizing DSCR 1.25 / 1.3; Minimum debt yield 9.00% / 10.00%; Amortization after IO (years) 25 / 25; Initial interest-only months 6 / 6.

Illustrative result	Base	Downside
Modeled revenue / contribution	\$4,025,303	\$3,467,358
NCF after reserve	\$1,668,877	\$1,010,230
NCF used for sizing	\$1,668,877	\$985,230
Modeled loan	\$3,900,000	\$3,120,000
Binding sizing constraint	LTV	LTV
First-year debt service	\$284,748	\$269,284
Required closing equity	\$2,000,000	\$2,780,000
Equity left / (closing gap)	\$500,000	-\$280,000
Additional operating cash need	\$0	\$0
Equity left / (combined gap)	\$500,000	-\$280,000
Principal at modeled maturity	\$3,574,328	\$2,907,601

Base NCF used for sizing is \$1,668,877. The modeled loan is \$3,900,000, with LTV binding. Closing uses of \$5,900,000 less that loan require \$2,000,000 of equity. Available equity is \$2,500,000; the signed combined surplus/gap is \$500,000 after any additional operating cash need. Downside changes the loan to \$3,120,000 and the combined result to -\$280,000.

Dollar results rounded to the nearest dollar; the workbook retains precision. Signed funding surplus is negative for a shortage. A positive funding surplus remains subject to actual source availability.

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Review the risks and the evidence

- Annual positive cash flow does not establish that the lowest month is funded.
- Occupancy and room rate must use compatible room-night definitions.
- Do not deduct the same franchise or management fee inside both a margin assumption and an expense line.
- An improvement reserve is not unrestricted cash unless the documents permit the contemplated use.

Sources and applicability

These references support the stated asset and risk context. The questions and document lists are preparation tools, not a statement that every lender requires or accepts the same package. Actual contracts, applicable rules and the chosen lender determine the transaction requirements.

1. Host Hotels & Resorts 2025 Form 10-K | Item 7, Comparable Hotel Operating Statistics and Results | Checked 2026-10-21

Source-specific context; numerical examples and decision workflow are original hypothetical analysis.

<https://www.sec.gov/Archives/edgar/data/1061937/000107075026000054/hst-20251231.htm>

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Hotel seasonality: calculate monthly cash coverage from occupancy and room rate

Hotel PIP funding: match lender draws to brand acceptance and reopening

Hotel management agreements: price the consents and transition before refinancing

Discuss a financing scenario with Jaken Finance Group

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Education and analysis do not establish a financing offer, appraisal, legal opinion or program eligibility. Confirm the current source, actual contract terms and professional advice relevant to the transaction.