

Virus concerns could halt this type of real estate deal

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Thinking strictly in real estate terms, right now is a rough time to be an investor buying a hotel — or trying to refinance debt on a hotel already in their portfolio.

Nashville's otherwise booming hotel industry is starting to feel the impact of spreading coronavirus, or COVID-19. Cancelations are rising, and Ryman Hospitality Properties Inc. (NYSE: RHP) has joined a list of hospitality companies withdrawing their earnings forecasts, facing such uncertainty about bookings in the weeks and months ahead.

The onset of coronavirus will freeze many deals in the works for hotels, said Lance Patterson, founder of Atlanta-based Patterson Real Estate Advisory Group. The firm connects developers with sources of equity and debt, and in that role, Patterson spoke on a March 5 panel at Vanderbilt University's annual Project Management Symposium. Part of the discussion centered on the impact coronavirus could have on Nashville's growth this year.

"If it's a construction deal, [the hotel] doesn't open for two years — we'll be past this," Patterson said. "If this was ... a lender trying to make a loan on an existing hotel? Would not happen. That would stop."

Real estate investors have pounced on Nashville hotels, which have churned out eye-popping profits as they ride the city's wave of tourist visits, business travel and conventions. Four of the five largest hotel purchases on record have happened in 2018 and 2019, based on average price paid per room, according to Business Journal research. At least one top-10 purchase happened earlier this year.

Developers trying to build hotels also are facing pressure from coronavirus, Patterson said. He cited a \$100 million hotel deal in Atlanta's upscale Buckhead district that his firm has been working on for two years. Patterson said his client was hustling to finalize the loan, thinking it was possible that the lender — Goldman Sachs — might pause any new dealmaking until the outlook on coronavirus became clearer.

"It can spiral," Patterson added. "That sort of stuff is happening, for sure."

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