

Ensuring Your Deal Closes: Three Areas to Focus On

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Both buyers and sellers want a seamless hotel transaction closing, but a variety of potential pitfalls can slow a deal's closing. Below, we review three key areas of a hotel sale that may present obstacles: financing, PIP costs, and property insurance premiums. We also provide recommendations that help you to anticipate and prevent issues.

Financing

Securing debt at a reasonable market rate with good terms is still one of largest obstacles in closing a deal. In order to obtain a good loan, a buyer must have a strong balance sheet with a credible global cash-flow and solid track record of success in owning and operating other hotels.

Buyers should also understand that current interest rates are not what they were just a few years ago and be prepared for higher interest costs than in the past. Consequently, having debt quotes available to a buyer before going under contract will help mitigate financing issues and prevent any surprises during escrow.

PIPs

Change-of-ownership PIPs are still heavily influencing pricing. With PIP costs increasing, a surprise in the estimated PIP cost can lead to a re-trade in pricing during the escrow period. A serious seller should order a change-of-ownership PIP report when listing the property for sale. Once the PIP report is available, it is helpful to take the extra step to identify the budget that will be required to fulfill the PIP and provide this budget to prospective buyers before they make an offer.

Insurance

Current property insurance premiums are another important component when closing a deal. If a buyer is unaware of the current property insurance premiums, they may be surprised at closing if the insurance expense is significantly above (such as 1.5x or 2x) the seller's insurance premium. Therefore, the buyer should be encouraged to reach out to their insurance broker early in the due diligence process, once they are in escrow, so that they know the premium costs early in the process.

Conclusion

Following these recommendations, and others provided by our brokerage experts during the process, can help ensure a smooth and seamless transaction. We'd love to hear your feedback and comments, as well as your ideas for other areas on which you'd like our expert perspective. And of course, please reach out to **Eric Guerrero** directly at [\[email protected\]](#) or +1 (713) 955-0012 if our team can help with your transactions.

Summary

Both buyers and sellers want a seamless hotel transaction closing, but a variety of potential pitfalls can slow a closing. In this article, we review three key areas of a hotel sale that may present obstacles: financing, PIP costs, and property insurance premiums. We also provide recommendations to anticipate and prevent issues. Be sure to read this article if you are close to closing and want to ensure your transaction closes smoothly!

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About **Eric Guerrero**



Eric Guerrero is a Senior Managing Director and a Partner at HVS, leading the firm's Brokerage & Advisory division in the United States. With over a decade of investment sales experience, he has participated in hundreds of hotel transactions with an aggregate value of over \$800 million across the nation. Eric has advised both private investors and institutional clients and has managed hotel transactions of all classes and sizes, from independent, \$1-million, limited-service hotels to \$50-million, select-service portfolios across multiple states. Contact Eric at (713) 955-0012 or [\[email protected\]](#).