

Loans on £890m hotel portfolio will be rolled over until 2012 or 2013

LRG secures deal to extend loan backing Tahiti CMBS

Lenders and investors have agreed to extend the loan to an £890m portfolio of UK Intercontinental Hotels for two or three years.

Around £730m of debt secured against the 61-asset portfolio was due to mature last month and is all performing, but would have been impossible to refinance.

It comprises a £535m loan by Citibank, securitised as the Tahiti Finance CMBS deal, and two unsecuritised senior tranches, which together make up the term loan. A further £121m of mezzanine debt is also split into junior and senior tranches.

In the past few days, Tahiti's Class A, B and C note holders and the lenders approved a

proposal from borrower LRG, which has three backers: the former Lehman Brothers Real Estate Partners, now called REPE Capital Partners, after a buyout by Mark Newman and Mark Walsh; GIC, Singapore's sovereign wealth fund; and the deal's asset manager, Realstar.

The vote extends the senior loans for two years, with the option to extend it again to 24 May 2013, subject to certain LTV and debt yield covenants being met. The final maturity of Tahiti's bonds has not been extended beyond May 2015.

The note holders will get £85m of new equity from the sponsors: £77m to amortise the loan now and the rest to pay the costs and fees of the restructuring.

There is a 100% cash sweep of all cash available after senior costs and interest on the senior facility to amortise the notes sequentially for the loan's life.

Other benefits include a small rise in the margin paid on the bonds and a bigger rise if the loan is extended until 2013.

Nassar Hussain, a principal of Brookland Partners, which advised servicer Capita Asset Services, said: "While talks with the borrower were intense, the final results had significant approval among all classes of note holders. The upfront and ongoing deleveraging through an equity contribution and cash sweep, combined with the sequential redemption structure, appealed to note holders."