


THRASHER PLLC

LAW OFFICES

Real Estate :: Corporate Transactions :: Commercial Finance



Matthew A. Thrasher

 (520) 638-8703

 info@thrasherpllc.com

 www.thrasherpllc.com

Hotel Resort Timeshare Projects Offer Developers Early-Stage Capitalization

Maximizing return on investment on a hotel timeshare resort project with mezzanine financing is now a common funding strategy for developers looking to offset the rising cost of capital associated with commercial real estate construction projects. In Arizona, where the demand for accommodations is year-round, the popularity of mixed-use hotel resort development projects reflects a growing trend in the industry.

Hotel Timeshare Resort Scheme

Hotel industry developers looking to capitalize on a hotel resort concept prior to completion acknowledge that a timeshare scheme combined with an agile financing strategy is the solution. While [timeshare properties are considered “condominiums” in some states](#), Arizona Title 33 – Property, Chapter 20 recognizes vertical sub-divisions “timeshare” part of mixed-use projects owned by multiple owners, as a separate category of property in definition of statutory provisions of developer, association, and ownership agreements, duties, and rights ([33—2022](#)).

Hotel resort timeshare properties constructed in stages, create optimal condition for a steady stream of funding throughout the life of the project as timeshare interests are sold to individual purchasers.

Mezzanine Financing Offers Incentive

Mezzanine financing is a blended debt and equity financing model for companies looking to add equity to their balance sheet upfront. Normally easier to obtain than other types of finance, mezzanine financing is not usually subject to the same due diligence by a lender. Higher than market rate returns of 20% to 30% in interest is the reason most mezzanine financing packages may also require little to no collateral. Mezzanine debt financing is convertible, incentivizing lender transfer of those funds to ownership or equity interest in a borrower's project if a loan is not paid back in full at the end of term.

Hotel resorts with a timeshare component can also allow a developer the flexibility of conveyance and a better loan-to-value ratio. Sold units can be released from mortgage, thus putting the developer in the right position to take out more equity in service of the project. Developers interested in attracting mezzanine financing for a hotel resort timeshare project must present potential investors with a plan that demonstrates a history of profitability, as well as a strategy that incentivizes investors to fund to the project.

Mezzanine financing strategies are a complex property investment tool. The key to a well-capitalized project, an incentivizing financing strategy is a formidable deal requiring a legal agreement. Developers and hotel investment partners will benefit from the counsel of a licensed attorney practice specializing in commercial real estate law. Plan a mezzanine financing strategy with the assistance of a legal professional. Thrasher Law Offices PLLC is a law practice with experience in mezzanine financing strategy. Contact [Thrasher Law Offices PLLC](#) for a consultation about a commercial property investment matter.

See Related Blog Posts

[*CRE Finance Trends in 2018*](#)

