Asset-Backed Capital for GCC Hospitality: Financing Seasonality, Renovation and Ramp-Up

A Hotel Underwriting Framework for Cash Seasonality, Renovation Draws, Operator Performance, Reserves and Stabilisation

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Abstract

GCC hotels combine a long-lived real-estate asset with a daily operating business. Debt service is paid from rooms, food and beverage, events and ancillary revenue, while collateral value depends on the condition, brand, operator, licence, market position and continuing ability of the property to produce cash. The financing problem becomes more complex when seasonal demand, renovation downtime and post-opening ramp-up occur together.

The regional market contains both strong demand and material dispersion. Dubai's Department of Economy and Tourism reported 80.7 per cent hotel occupancy, an average daily rate of AED579 and revenue per available room of AED467 for 2025.[1] Saudi Arabia's General Authority for Statistics reported hotel room occupancy of 55.4 per cent in the second quarter of 2025.[2] Oman's National Centre for Statistics and Information reported 56.7 per cent occupancy for three-to-five-star hotels in 2025, alongside higher room nights and revenue.[3] These official measures describe markets or categories. They do not establish the financeability of an individual hotel.

This paper develops an asset-backed capital framework for operating hotels, renovation programmes and assets moving from opening to stabilisation. It constructs a seasonal cash curve, renovation draw schedule, operator scorecard, reserve waterfall and stabilisation covenant map. The framework connects operating evidence to facility size, draw conditions, cash control, covenants and remedies. It also separates value supported by land and building from value dependent on a brand, management agreement, licences, systems and forecast trading.

Every occupancy rate, average daily rate, revenue, margin, renovation cost, draw, reserve, advance, leverage ratio, debt-service measure and timing assumption in the worked examples is a hypothetical management assumption created solely to demonstrate the method. The examples are not forecasts, valuations, offers, investment recommendations or descriptions of an identified hotel, sponsor, operator or transaction. Actual financeability depends on current market evidence, title, licences, contracts, valuation, technical condition, insurance, law, regulation, tax, accounting, security, financing terms and credit approval.

JEL Classification: G21, G23, G32, L83, R33

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1. Underwrite a hotel as an asset and an operating system

A hotel cannot be underwritten as a conventional leased building. Its rooms are sold night by night, demand changes by season and event, and the operator continually converts labour, utilities, distribution, food, maintenance and guest experience into revenue. A vacant office can retain lease-up potential. A poorly operated hotel can lose rate, reputation, staff and distribution position while the physical building remains intact.

The credit analysis should therefore contain two connected cases. The property case tests title, use, replacement cost, physical condition, alternative use, insurance and sale value. The operating case tests room inventory, occupancy, average daily rate, revenue per available room, departmental profit, undistributed expenses, fixed charges, recurring capital expenditure, working capital and cash available for debt service.

The lender should identify which cash flows belong to the borrower. Ownership, operating company, hotel manager, franchisor, property company and central services company can be separate entities. Revenue may enter accounts controlled by the operator. Fees may be deducted before owner cash is released. Licences, staff and supplier contracts can sit outside the property owner. The structure should map every material right and payment from guest booking to debt service.

Asset value can provide loss protection, while current debt capacity should be anchored in stressed cash flow. A valuation based on stabilised earnings should not be treated as current operating evidence when rooms are closed, the brand is changing or the property has not completed a full demand cycle. The lender should bridge explicitly from current trading to stabilised value.

Table 1. Hotel asset and operating evidence stack

Layer	Core evidence	Underwriting question	Financing response
land and building	title, survey, planning, valuation and insurance	what remains recoverable if trading fails?	property security, valuation haircut and insurance control
licences and use	hotel classification, operating, tourism, food and other approvals	can the hotel lawfully continue operating?	licence covenant and change notification
brand and operator	management or franchise agreement, performance tests and termination rights	who controls trading and can the relationship survive enforcement?	lender recognition, cure and replacement mechanics
room inventory	keys, out-of-order rooms, room type and condition	how much sellable capacity exists?	verified available-room base
demand and pricing	channel, segment, occupancy, rate and booking pace	which revenue is repeatable through the cycle?	seasonal and segment stress
operating conversion	departmental and undistributed costs, payroll, utilities and fees	how much revenue becomes owner cash?	normalised operating margin and cost sensitivity
capital condition	property condition assessment, FF&E plan and backlog	what spending is required to protect the franchise and revenue?	funded reserve and renovation facility
cash and debt	bank accounts, taxes, reserve accounts and existing facilities	which cash is available and which claims rank ahead?	cash waterfall, priority and intercreditor controls

The required evidence and legal structure depend on the jurisdiction, ownership model and brand arrangement.

2. Start with official market evidence and property-level proof

GCC hospitality markets do not move as one portfolio. Dubai's 2025 performance reflects a mature international destination with 19.59 million overnight visitors and 80.7 per cent hotel occupancy.[1] Saudi official statistics for the second quarter of 2025 show a different national occupancy level and a broad establishment base.[2] Oman reported growth in guests, room nights and hotel revenue during 2025 with occupancy of 56.7 per cent for classified three-to-five-star hotels.[3] Each source uses its own coverage, period and methodology.

Market evidence should be used to define the competitive set and downside, not to replace hotel records. The lender needs monthly and daily property data, including rooms available, rooms sold, average daily rate, revenue per available room, cancellations, no-shows, length of stay, booking window, channel cost, segment, nationality where lawfully recorded, group blocks, events, food and beverage, spa, parking and other revenue.

The competitive set should match location, quality, room count, guest proposition, meeting capacity, resort or urban use and demand segment. A luxury beachfront resort should not rely on citywide occupancy without a reconciliation to its submarket and season. A serviced apartment, pilgrimage hotel, airport hotel and convention hotel can have different cash curves in the same city.

Management should explain the relationship between destination growth and property performance. If visitor arrivals rise while the hotel's market share falls, supply, product condition, distribution or operating execution may be the binding constraint. The underwrite should separate market support from property-specific recovery.

3. Reconstruct revenue from rooms available to cash collected

Rooms revenue should reconcile from physical inventory. Total keys less permanently unavailable rooms, renovation closures and temporary out-of-order rooms equals available rooms. Available rooms multiplied by occupancy gives rooms sold. Rooms sold multiplied by average daily rate gives gross rooms revenue before cancellations, refunds, taxes, commissions and other adjustments.

Revenue per available room combines occupancy and rate, but it does not capture distribution cost or operating margin. A heavily discounted online travel agency campaign can lift occupancy and reduce net contribution. The model should therefore calculate net rooms revenue after channel commissions, loyalty charges, promotions and direct booking costs.

Food and beverage, meetings, banqueting, spa and other departments require separate drivers. Some revenue follows occupied rooms; some depends on local customers or events. Each department should carry its direct payroll, cost of sales and operating expenses. The Uniform System of Accounts for the Lodging Industry provides a consistent industry structure for departmental and undistributed reporting.[4]

The lender should reconcile property-management, point-of-sale and event systems to the general ledger, tax returns and bank receipts. Differences caused by deposits, advance bookings, loyalty settlements, third-party collections, foreign currency, refunds and chargebacks should be visible. Guest deposits can be restricted by contract or law and should not be assumed to be free cash.

4. Build a seasonal cash curve before sizing debt

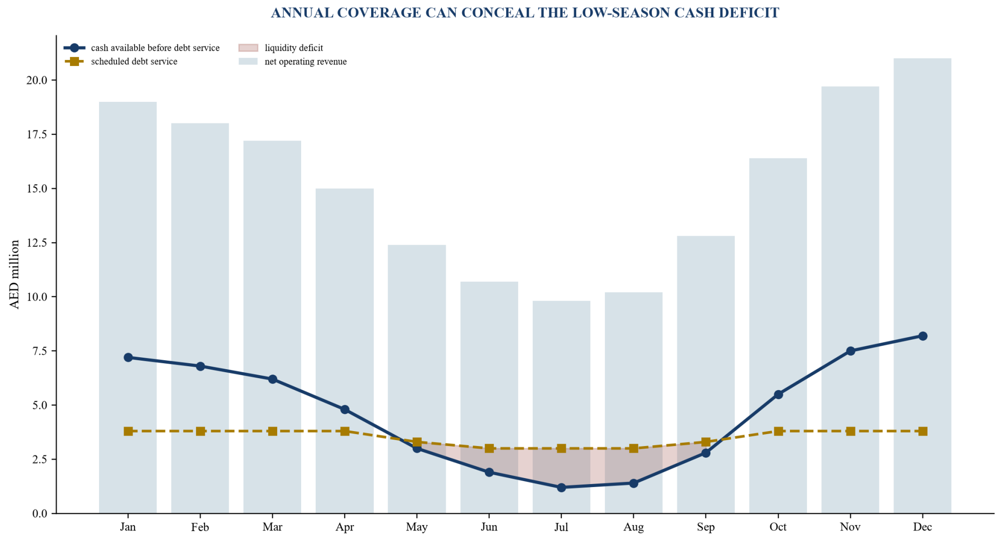
Seasonality affects more than occupancy. Rate, room mix, events, food and beverage, payroll, utilities, maintenance and working capital can move on different calendars. Hotel filings consistently identify seasonality as a source of quarterly revenue variation and note that renovations, travel disruption and events can amplify it.[5][6]

The base model should run monthly and, around renovation or opening, weekly. It should show bookings already on hand, expected transient demand, group blocks, cancellation assumptions, room nights, rate, departmental revenue, variable expense, fixed expense, fees, taxes, reserve funding and debt service. The low-cash point determines liquidity need even when the full-year debt-service ratio appears acceptable.

The lender should test at least four curves: expected trading, weak peak season, prolonged low season and combined disruption. A weak peak can be more damaging than an ordinary low season because it removes the cash usually accumulated to fund later fixed costs. A disruption case should include airline capacity, geopolitical event, extreme weather, public-health event, major system outage or loss of a key group booking where relevant.

Seasonal facilities can use sculpted amortisation, interest-only periods, quarterly rather than monthly testing, minimum cash and pre-funded debt service. The structure should preserve a clear final maturity and avoid capitalising routine underperformance into a growing balance.

Figure 1. Illustrative seasonal hotel cash curve and debt-service requirement



Hypothetical AED million amounts demonstrate monthly liquidity analysis and are not observed hotel data.

Table 2. Seasonal underwrite and financing response

Seasonal question	Required analysis	Failure signal	Potential structural response
when is demand earned?	daily rooms and event calendar by segment	revenue concentrated in a short peak	conservative peak capture and minimum booking pace
when is cash received?	deposits, card settlement, corporate billing and refunds	accounting revenue arrives before usable cash	cash-based debt sizing and receivable reserve
which costs are fixed?	payroll, utilities, rent, fees and maintenance	costs fail to flex in low season	minimum liquidity and operating action plan
what funds the low point?	monthly cash balance after reserves and debt	forecast cash falls below operating minimum	seasonal reserve or sculpted amortisation
what happens if the peak misses?	weak-peak and disruption scenarios	annual coverage falls and reserve is consumed	cash trap, draw stop and sponsor support
can the hotel recover next season?	booking pace, rate, channel and group pipeline	weak forward demand persists	revised business plan and independent review

Thresholds and remedies are transaction-specific management assumptions.

5. Use a cash measure that survives scrutiny

Hotel earnings can be presented at several levels. Rooms and departmental profit are useful operating indicators. Gross operating profit includes undistributed operating expenses under the selected reporting convention. Owner cash must then deduct management and franchise fees, insurance, property costs, recurring capital expenditure, taxes, leases and other fixed charges.

The financing definition should state every permitted add-back. A one-time cost should remain excluded from adjusted earnings only when it is genuinely non-recurring and supported by evidence. Pre-opening, repositioning and renovation costs can recur across a portfolio and should not disappear automatically. Management fees tied to revenue continue even when margins compress.

Recurring capital expenditure belongs above debt service in the sustainable cash calculation. Hotel owners commonly fund FF&E reserves through management, franchise or debt arrangements. Public hotel owners disclose typical reserve requirements around three to five per cent of hotel revenue, with Host Hotels reporting four to five per cent under many agreements and Park Hotels reporting a general four per cent reserve.[7][8]

The lender should compare reported profit with cash collected, accounts receivable, deposits, payables, taxes and reserve movements. A hotel can report positive operating profit and face a cash deficit if corporate customers pay slowly, supplier balances rise or renovation commitments consume liquidity.

6. Separate maintenance, brand compliance and value-creating renovation

Recurring replacement preserves the existing guest proposition. Brand-mandated work protects affiliation and standards. Repositioning aims to change the property's rate, segment, capacity or margin. These categories have different certainty and should not be combined under one optimistic return case.

A property condition assessment should identify life-safety, structure, mechanical, electrical, plumbing, façade, waterproofing, lifts, kitchens, fire systems, rooms, public areas, technology and sustainability needs. The operator or franchisor should identify the property-improvement plan and required completion dates. Management should map each item to room closure, guest disruption and revenue effect.

Deferred maintenance can overstate current cash flow because the hotel is temporarily avoiding spending required to preserve its value. The lender should normalise recurring capital expenditure and fund material backlog separately. A valuation should state whether it assumes completion of the renovation and who bears the cost.

Value-creating claims need a driver bridge. Room renovation can support higher rate, improved occupancy, lower maintenance or better reviews. Meeting-space work can support events. Energy systems can lower utilities. Each benefit should have a measurable operating mechanism, implementation period and downside.

7. Lock the renovation scope before releasing capital

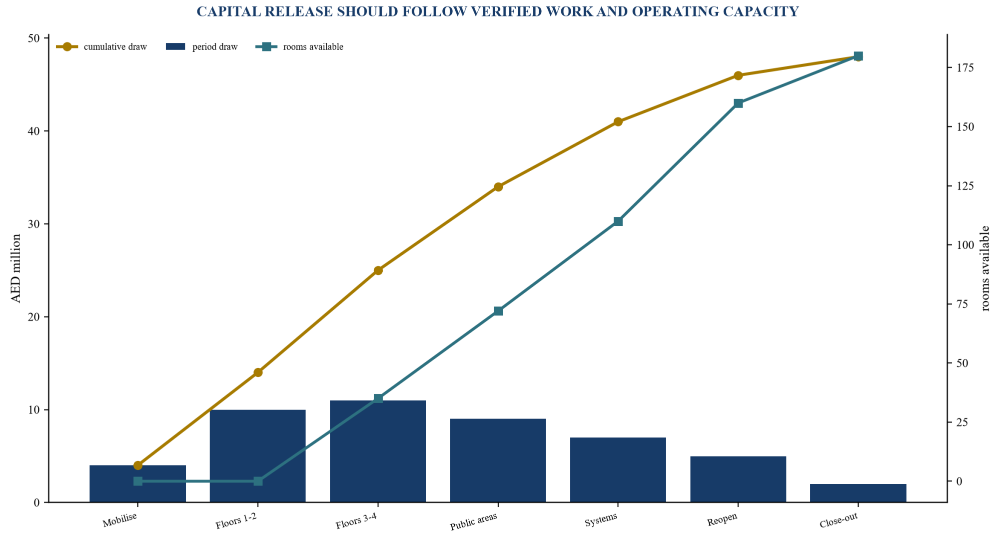
The approved scope should contain drawings, specifications, room counts, bill of quantities, contracts, programme, procurement schedule, permits, operator approval, brand approval, insurance and a cost plan. The budget should distinguish hard cost, soft cost, taxes, owner-supplied items, operating supplies, pre-opening, contingency, interest and lost cash flow.

The lender should understand package and contractor concentration. Long-lead lifts, chillers, façades, kitchens, furniture, fixtures, equipment and technology can control reopening. Imported items can introduce currency, shipping and customs risk. An alternative supplier may require brand or design approval.

The closure plan should be tested against guest operations. A floor-by-floor programme can preserve revenue, while noise, access or shared-system work can affect more rooms than the construction boundary suggests. Event space and food outlets can create indirect disruption.

Scope changes should require a written request showing cost, programme, contingency, room inventory and revenue impact. A change funded by removing essential work can produce a formally balanced budget and an economically incomplete hotel.

Figure 2. Illustrative renovation draw schedule and rooms returned to inventory



Hypothetical AED million draws and room counts demonstrate milestone-based funding.

8. Release renovation draws against completed value

Each draw request should reconcile opening committed cost, work completed, prior payments, current request, retention, remaining commitment, contingency and forecast cost to complete. Independent technical evidence should confirm physical progress and whether completed work matches the approved scope.

The lender should fund the lower of eligible cost incurred, independently certified progress and the amount allowed by the draw schedule. Sponsor equity can be required first or pari passu according to the agreed risk allocation. The facility should not become the sole source of completion capital after the sponsor's funds are exhausted.

Cost-to-complete testing should occur at every draw. Undrawn debt, committed equity, permitted hotel cash and contingency should exceed remaining cost, financing cost and required operating liquidity. If a deficit appears, the next draw should depend on an approved cure.

Practical completion is not the same as trading readiness. Rooms require testing, snagging, systems integration, cleaning, staffing, photography, channel loading and operator acceptance. Final retention should remain until completion evidence, warranties, as-built documents and material defects are resolved.

Table 3. Renovation draw controls

Draw control	Evidence	Release condition	Holdback or remedy
approved scope	signed contracts, design, brand and operator approval	no material unresolved scope gap	affected package excluded
work completed	independent certificate, photographs and site record	work exists and meets specification	disputed value withheld
payment status	invoices, payment certificates and prior payment proof	no unexplained duplicate or overdue claim	direct payment or retention
cost to complete	updated budget, commitment log and contingency	committed sources exceed remaining need	sponsor cure before further draw
programme	critical path, long-lead log and room closure schedule	opening date remains credible	revised reserve and business plan
insurance and permits	current policies, approvals and compliance record	work and operations remain lawful and insured	draw stop
room return	operator acceptance, systems and channel readiness	rooms are saleable, safe and correctly loaded	completion holdback
close-out	warranties, manuals, as-builts and defects list	defined completion evidence delivered	retention until cure

Documentation and certification should be adapted to local law and the construction contract.

9. Fund lost trading cash as deliberately as construction

Renovation affects both uses and sources. Closed rooms reduce revenue. Open rooms can suffer noise, access restrictions, view obstruction and weaker guest satisfaction. Group business may avoid the property during uncertainty. Staff and utility costs do not fall in proportion to unavailable rooms.

The financing model should show operating cash during the works, including deposit refunds, relocation, compensation, temporary facilities, staff retention, marketing relaunch and pre-opening. This requirement is separate from the physical renovation budget.

Working-capital funding should have a cap, eligible uses and monthly reconciliation. It should not absorb permanent cost overruns without approval. Sponsor support can cover specified overruns or weak trading, with clear evidence of availability and payment mechanics.

Debt service during closure can be paid from a funded interest reserve, permitted capitalised interest or sponsor cash. The documents should state when ordinary cash-pay debt service resumes and what happens if reopening is delayed.

10. Treat the operator and brand as material credit dependencies

Management and franchise agreements affect control, fees, standards, data, budget approval, bank accounts, assignment, transfer, termination and replacement. Public hotel owners disclose long agreement terms, transfer limitations, performance tests, cure rights and termination payments.[7][9][10]

The lender should abstract the term, renewal, base fee, incentive fee, system charges, central services, owner priority, budget process, working-capital obligation, FF&E reserve, performance test, cure, termination, sale restrictions, mortgage consent, casualty, default and dispute provisions. Side letters and guarantees should be included.

Operator performance tests can be based on profit, owner return or performance against a competitive set. Cure rights can allow the manager to pay a deficiency and preserve the agreement. A lender should not assume that weak operating results permit immediate replacement.

Brand value can support distribution and rate, while brand agreements can require capital and restrict transfers. A lender step-in or enforcement sale may need brand consent or a qualified transferee. Recognition and non-disturbance arrangements should be reviewed by transaction counsel.

11. Convert operator oversight into a measurable scorecard

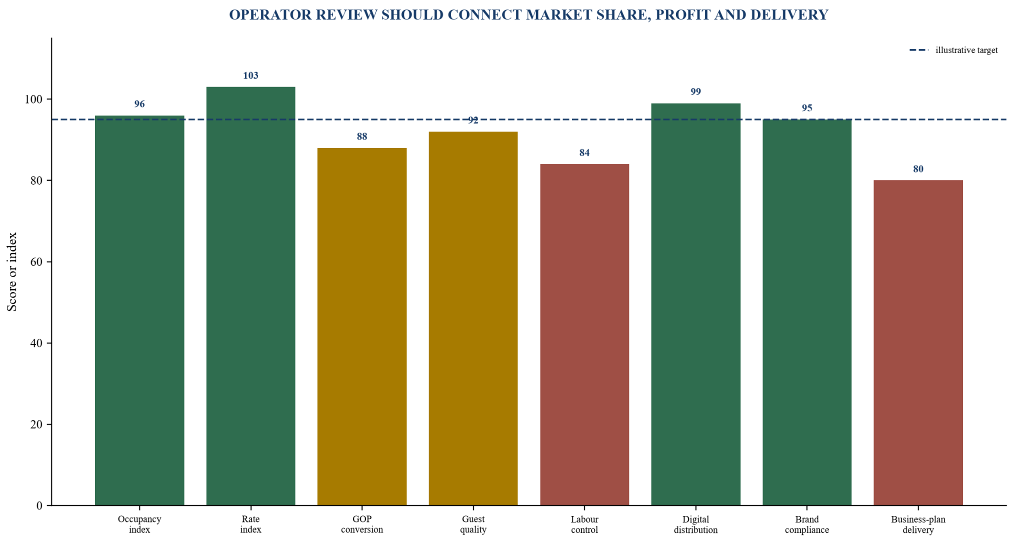
The scorecard should connect guest demand to owner cash. Market penetration, occupancy index, rate index and revenue index show competitive position. Gross operating profit, cash conversion and cost per occupied room show operating conversion. Guest quality, staff turnover, digital availability and brand audit show durability.

Budget variance should be analysed by driver, not only total amount. A revenue miss caused by fewer rooms available requires a different response from a rate miss or channel-cost increase. A favourable profit variance created by deferred maintenance can weaken long-term value.

Renovation and ramp-up measures should include rooms returned, defects, booking pace, channel loading, staff readiness and guest scores. The operator should certify the monthly operating report and explain changes to prior data.

The lender's rights should focus on information, cash, agreed covenants and remedies. Operating decisions remain with the authorised owner and operator unless transaction documents and applicable law provide otherwise.

Figure 3. Illustrative hotel operator performance scorecard



Hypothetical scores demonstrate a balanced monitoring framework and are not a rating of an identified operator.

Table 4. Operator and brand diligence matrix

Topic	Evidence	Credit concern	Required decision
authority and accounts	management agreement and bank mandates	operator controls cash or contracting beyond lender assumptions	document permitted account and approval structure
fees and central charges	fee schedules and historical invoices	gross revenue fees continue during margin pressure	model all recurring and contingent fees
annual business plan	budget process and approval rights	owner cannot impose required cost or capital action	align financing case with contractual process
performance test	definitions, competitive set and cure history	replacement right is delayed or curable	underwrite actual trigger and cure route
brand standards	audit, improvement plan and waiver	capital requirement exceeds funded plan	fund or condition required works
transfer and mortgage	consent, qualified owner and lender recognition	enforcement or sale disrupts brand	obtain consent or viable replacement plan
data and systems	ownership, access, retention and transition	lender or replacement operator loses operating history	secure reporting and transition rights
termination	default, sale, casualty and termination payment	replacement creates delay and cash cost	quantify payment, timing and interim operation

Agreement rights require legal review; the table is an analytical checklist.

12. Build a reserve waterfall around the hotel's real obligations

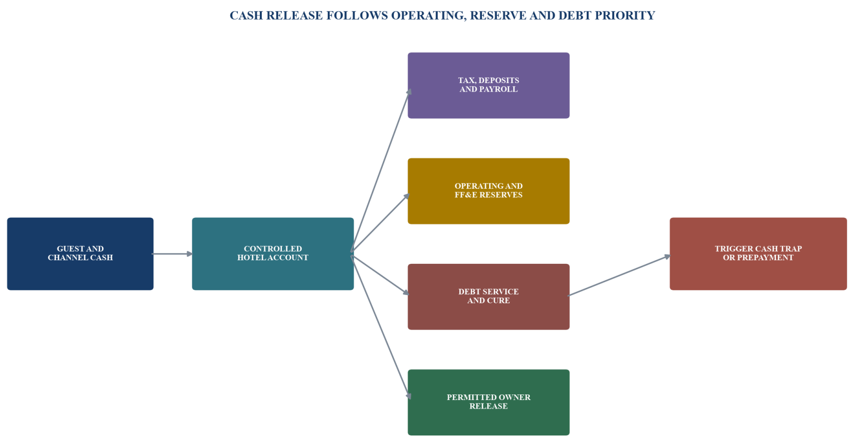
Hotel cash can be subject to taxes, guest deposits, payroll, service charges, operator accounts, insurance, FF&E reserves and existing security. The waterfall should begin with legally or contractually senior obligations and preserve the minimum cash required for safe operation.

A collection account can receive card, online travel agency, corporate, group and other proceeds. Daily or frequent reconciliation should separate restricted amounts and identify chargebacks or refunds. The operator's agreement and payment systems should permit the proposed control.

After required operating and statutory amounts, cash can fund the FF&E reserve, debt-service reserve, insurance and tax reserves, current interest, scheduled amortisation and approved owner distributions. During a trigger, surplus can remain trapped, replenish reserves or prepay debt.

Reserve accounts require permitted investments, control, release tests and replenishment rules. A headline reserve balance is not useful if the operator, brand or existing lender has prior rights that prevent application to the new facility.

Figure 4. Illustrative hotel reserve and cash waterfall



Priority and account control require transaction-specific legal, tax and operating advice.

13. Size the facility from uses, sources and downside liquidity

The facility can contain separate tranches for acquisition or refinancing, renovation, working capital and interest reserve. Each tranche should have its own purpose, draw conditions, maturity, amortisation and conversion test. A single undifferentiated loan can allow cost overruns to consume liquidity intended for operations.

Maximum debt should satisfy value, cash flow and completion tests. Loan-to-value uses a current and, where relevant, completed or stabilised valuation with explicit assumptions. Debt-service coverage uses sustainable cash after recurring capital expenditure. Completion testing requires committed sources to cover remaining work and operating needs.

The debt case should test rate, occupancy, channel mix, payroll, utilities, operator fees, completion delay, cost overrun and exit yield. Interest-rate hedging or fixed-rate treatment should be modelled where relevant. Foreign currency exposure can arise from imported renovation packages or non-local financing even when hotel revenue is local currency.

Sponsor support should be specific. A completion guarantee, cost-overrun undertaking, interest support or minimum-equity covenant should define amount, duration, evidence and enforcement. An uncommitted intention to support the hotel should receive no credit.

Table 5. Illustrative hotel facility structure

Tranche	Illustrative use	Draw basis	Repayment source	Principal protection
senior term	refinance existing property debt	closing conditions and current valuation	stressed operating cash and sale or refinance	property security, cash control and amortisation
renovation	approved rooms, public areas and systems	certified progress and cost-to-complete test	post-renovation operating cash	equity contribution, contingency and completion support
working capital	operating deficit during closure and reopening	approved monthly budget and reconciliation	trading recovery	cap, eligible uses and draw-stop triggers
interest reserve	scheduled interest during defined works period	time and progress conditions	refinance into ordinary cash pay	funded amount and mandatory cash-pay transition
delayed draw	later package or optional phase	prior phase completion and updated downside	incremental verified cash flow	fresh valuation, coverage and no-default tests
revolving seasonal line	recurring low-season working capital	borrowing period and minimum liquidity test	high-season cash sweep	annual clean-down and utilisation cap

Amounts and thresholds are hypothetical management assumptions for method demonstration.

14. Define stabilisation as a set of observed tests

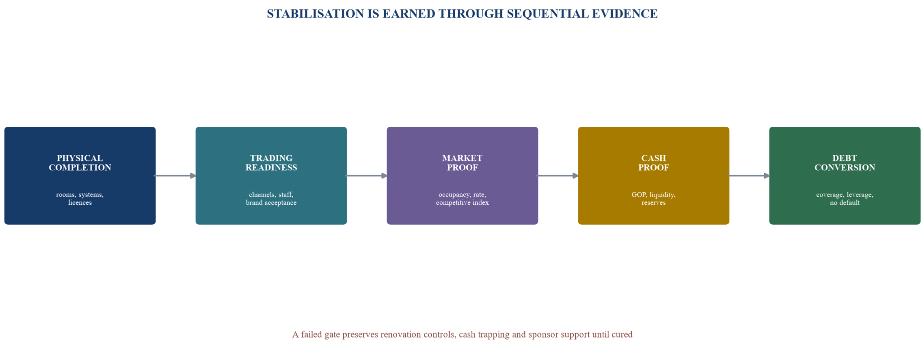
Stabilisation should not be a date selected in the original model. It should occur when the hotel has completed works, returned rooms to sale, operated through a meaningful period and demonstrated market and cash performance. The required duration depends on seasonality and the scale of repositioning.

Physical tests include practical completion, open rooms, operating systems, licences, insurance, brand acceptance and resolved material defects. Commercial tests include booking channels, competitive position, occupancy, rate and group pipeline. Financial tests include gross operating profit, cash available for debt service, reserve funding, liquidity and compliance.

A hotel that opens immediately before peak season can produce strong early revenue without proving low-season resilience. The lender should require a measurement period that includes enough of the relevant demand cycle or apply a conservative annualisation.

Stabilisation can trigger conversion from renovation or interest-reserve terms to ordinary amortising debt. Failure should trigger a revised plan, additional equity, extension fee, lower leverage, cash trap or sale process according to the documents. Automatic extension without a new cost-to-complete and liquidity test can compound risk.

Figure 5. Illustrative hotel stabilisation covenant map



Hypothetical thresholds demonstrate the sequence from completion to durable cash flow.

15. Design covenants that detect deterioration early

Financial covenants should include minimum liquidity, debt-service coverage, leverage and limits on distributions, additional debt and capital spending outside the plan. Definitions should specify recurring capital expenditure, management fees, reserves, restricted cash and treatment of renovation disruption.

Operating covenants can monitor rooms available, occupancy, average daily rate, revenue per available room, gross operating profit, booking pace, cancellations, guest scores, payroll and utilities. A covenant should have a reliable data source, reporting date and remedy.

Renovation covenants should cover milestone dates, cost to complete, contingency, contractor claims, permits, room closures and brand approval. Operator covenants should address agreement amendments, termination, replacement, performance-test notices and material disputes.

Remedies should escalate. An early warning can require an explanation and weekly reporting. A trigger can stop draws, increase reserves or trap cash. A material breach can require equity cure, mandatory prepayment, operator action or enforcement as documented. The response should address the underlying risk rather than create a purely technical default.

16. Stress renovation, seasonality and ramp-up together

The most useful downside combines risks. A four-month completion delay can move reopening from peak to low season. Cost overrun can consume working capital. Weak guest reviews can slow rate recovery. A competitor opening can reduce market share. Higher interest can increase debt service while cash remains below stabilised level.

The model should show monthly sources and uses through maturity. It should include construction cost, operating loss, interest, reserve funding, taxes, deposits and required sponsor support. Availability should follow the lower of draw conditions, cost-to-complete capacity and facility limit.

Reverse stress testing should identify the occupancy, rate, delay and overrun combination that exhausts liquidity or breaches coverage. Management should then define leading indicators:

procurement delay, rooms not returned, booking pace, channel availability, staffing, guest score and contractor claim.

The action plan should be executable. It can defer an optional phase, add equity, re-sequence rooms, reduce non-essential cost, change distribution, renegotiate a package or commence a sale process. It should not assume an unapproved brand change, immediate operator termination or additional debt that has not been committed.

17. Protect value through insurance, resilience and continuity

The insurance programme should cover property damage, business interruption, machinery breakdown, public liability, employer liability, cyber risk and other exposures appropriate to the hotel. Lender interests, loss-payee provisions, deductibles, waiting periods, limits and exclusions should be reviewed.

Business-interruption proceeds may depend on historical or forecast trading and can arrive after the cash need. The liquidity case should not assume immediate insurance recovery. Renovation works may require contractor and owner policies with coordinated coverage.

Operational continuity should address power, water, cooling, lifts, fire systems, food safety, technology, payment systems, reservations, data, key suppliers and staffing. A resort with one access road, central plant or water system can have a single point of failure.

Climate and resource risk can affect cooling cost, water, coastal exposure and insurance. Mitigation projects should be linked to measured consumption, cost and resilience. A sustainability label alone does not establish debt-service benefit.

18. Align accounting, valuation and financing definitions

IFRS 16 requires lessees generally to recognise right-of-use assets and lease liabilities for leases longer than twelve months, subject to specified exceptions.[11] Hotel ownership and operating structures can contain leases and service arrangements. The accounting presentation should be reconciled to contractual cash obligations used in debt analysis.

IAS 36 requires an asset not to be carried above its recoverable amount and defines recoverable amount as the higher of fair value less costs of disposal and value in use.[12] Renovation delay, operating decline or a changed business plan can create impairment indicators. The financing model should not rely on a carrying amount as proof of collateral value.

Valuation should distinguish current condition, completed renovation and stabilised trading. Capitalisation rate, discount rate, market occupancy, rate, margin, capital expenditure and stabilisation period should be explicit. Brand and operator assumptions should match the agreements that can survive a sale or enforcement.

The lender should reconcile accounting EBITDA, valuation net operating income and financing cash available for debt service. Each can be useful, but they are not interchangeable.

19. Structure security for the property and operating cash

The security package can include property mortgage, shares, movable assets, bank accounts, insurance proceeds, material contracts and receivables where lawful and appropriate. UAE Federal Law No. 4 of 2020 expressly addresses security rights over movables, including accounts receivable and bank credit accounts.[13] Transaction counsel should confirm creation, registration, priority and enforcement.

Hotel operating rights require special attention. Licences may not transfer automatically. Management and franchise agreements can restrict mortgage, change of control, transfer or replacement. The lender should seek recognition, notice, cure and step-in arrangements where available.

Cash control must work with the operator's ordinary systems. Card processors, online travel agencies, loyalty programmes and corporate accounts can settle through different channels. Every material channel should reach an agreed account or be subject to a reconciled transfer process.

Existing security, negative pledges, reserve rights and intercompany cash pooling should be mapped. UAE restructuring and bankruptcy law affects creditor and debtor processes and should be considered in enforcement and restructuring analysis.[14]

20. Establish an evidence-led diligence programme

The first workstream should map ownership, title, licences, brand, operator, rooms, systems, accounts, existing debt and facility purpose. Management should provide at least three years of daily and monthly operating data where available, alongside audited or reviewed financial statements, budgets, bank statements and tax records.

The second workstream should reconstruct revenue and cash, build the seasonal curve, normalise expenses, calculate recurring capital expenditure and test the operator scorecard. The competitive set and market evidence should be documented.

The third workstream should complete technical, insurance, valuation, legal, tax and accounting review. Renovation scope, contractor commitments, permits, brand approvals, contingency, programme and cost to complete should reconcile.

The final workstream should integrate facility size, tranches, reserves, cash waterfall, covenants, remedies, reporting and closing conditions. A shadow reporting cycle should be completed before funding so that the first certificate is reproducible.

Table 6. One-hundred-day hotel financing workplan

Period	Primary work	Required output	Approval gate
days 1-15	ownership, title, licence, brand, operator, account and debt map	legal and operating architecture	defined borrower, collateral and facility purpose
days 16-30	rooms, revenue, system, ledger and bank reconciliation	verified operating data spine	reproducible revenue and cash
days 31-45	seasonal curve, competitive set, cost and reserve analysis	sustainable cash-flow case	base and low-season liquidity established
days 46-60	condition, scope, contracts, permits and cost to complete	renovation and completion report	funded and executable scope
days 61-75	operator, brand, insurance, valuation, tax and accounting review	diligence exceptions register	material rights and risks resolved or conditioned
days 76-90	structure, tranches, draw controls, waterfall and covenants	credit-approved term sheet and model	downside and remedy package accepted
days 91-100	security, accounts, closing evidence and shadow reporting	final documents and first certificate	controlled funding readiness

Timing depends on data quality, technical scope, operator cooperation and legal requirements.

21. Use a credit committee gate that can decline the transaction

The credit paper should answer ten questions. Which assets and entities generate the cash? Which licences and agreements permit continued operation? How does revenue reconcile to rooms and bank receipts? Where is the seasonal low point? Which recurring capital spending preserves value? Is the renovation fully funded? Can the operator and brand survive a financing stress or transfer? What observed evidence supports stabilisation? Which cash is restricted or senior? Which downside can be survived without relying on new uncommitted capital?

Funding should pause when title or licences are uncertain, room inventory does not reconcile, operator accounts are inaccessible, historical revenue cannot reconcile to cash, renovation scope is incomplete, cost to complete exceeds committed sources, brand approval is missing, a valuation assumes unsupported stabilisation, restricted cash is counted as liquidity or sponsor support is uncommitted.

Every management estimate should be listed with owner, date and sensitivity. Every exception should have a resolver and closing, post-closing or exclusion treatment. Professional conclusions should remain within the scope of qualified legal, technical, tax, accounting, insurance and valuation advisers.

Approval can be conditional when the remaining item has a bounded effect and an enforceable condition. A material uncertainty that determines licence, completion, cash control or debt capacity should be resolved before funding.

22. Turn financing discipline into operating value

The financing framework can improve the hotel beyond the loan. A reconciled rooms bridge identifies hidden out-of-order capacity. A seasonal cash curve clarifies staffing, purchasing and maintenance timing. A renovation draw process exposes scope and procurement risk. An operator scorecard creates a common owner-manager fact base.

Reserve discipline protects the product and reduces abrupt capital calls. Cash reconciliation identifies channel leakage and delayed settlement. Stabilisation tests convert a broad ambition into observed milestones. The board can see which value depends on market demand, physical completion, operator execution and financing structure.

Reporting should remain proportional. Daily data are useful for rooms, rate and cash; monthly governance is appropriate for full financial and covenant review. Material events, cost overruns, licence notices, operator disputes and account changes should be reported promptly.

A successful facility supports the hotel's actual cash cycle. It provides capital when work and operating evidence justify release, preserves liquidity through the low season and converts to ordinary debt when the property demonstrates durable performance.

Conclusion

GCC hospitality assets can support asset-backed capital when property value and operating cash are underwritten together. Strong destination statistics provide context. Debt service still depends on the individual hotel's room inventory, demand mix, operating conversion, contractual structure, capital condition and cash controls.

The framework in this paper begins with a reconciled operating data spine and monthly seasonal curve. It funds renovation through certified progress and a current cost-to-complete test. It measures the operator and brand as credit dependencies, protects recurring FF&E and liquidity reserves, and defines stabilisation through observed physical, market and cash tests.

The result is a structure that can finance seasonality, renovation and ramp-up without treating forecast stabilisation as present cash. Sponsors gain a controlled route from capital work to stronger trading. Lenders gain transparent draw conditions, early-warning indicators, protected reserves and remedies linked to the risks that actually determine hotel value.

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