Hotel foreclosures spread throughout California

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The "challenges" for San Francisco's biggest business are coming thick and fast. That oft-used word at last Tuesday's **San Francisco Visitors & Convention Bureau** luncheon rang loud and clear two days later when the **Four Seasons Hotel** on Market Street defaulted on a $90 million loan. Those who might have forgotten were reminded that Nob Hill's famed **Stanford Court Hotel** had gone into receivership two weeks earlier, owing $89 million after its new owners bought the place for $93 million two years ago and spent $32 million in renovations. But wait, there's more. Says **Joe D'Alessandro**, the bureau's CEO: "I would not be surprised to see at least a couple more go in the next few months."

There's a wave of hotel defaults and foreclosures sweeping up and down California, say D'Alessandro and other industry experts. Currently, 32 hotels are in foreclosure and 174 in default statewide, according to a June 28 report by the **Atlas Hospitality Group** in Irvine (www.atlashospitality.com). Listed among the more recent ones are a **Hawthorne Suites** and a **Residence Inn** in Sacramento.

"The bright spot is that this is going to be the best buying opportunity since the Great Depression," said **Alan Reay**, the group's founder.

Opportunity costs: That presumably is what Hong Kong's **Keck Seng Investments Ltd**. saw when it agreed to buy the **San Francisco W** last week for $90 million. As The Chronicle's **James Temple** pointed out, the price represents a 50 percent drop from peak values two years ago. The seller, **Starwood Hotels & Resorts Worldwide Inc.**, which owns numerous hotels in the Bay Area, including the recently opened four-star **Rosewood Sand Hill** in Silicon Valley, said the sale is one of those the company "is pursuing to further reduce its debt levels."

To D'Alessandro, the sale is a welcome bright spot on the local scene. But it doesn't fix the real dilemma the hotel business here faces. Yes, the city can boast an 80 percent vacancy rate, up there with New York's. And there are all those great room deals for recession-pinched tourists. Unfortunately, those deals have pushed room revenue down 35 percent, an underlying cause of the industry's financial woes.

"I don't see rates returning to what they were for two or three years," says D'Alessandro.

OK, what about a time-share? Just west of Union Square, where my colleague **Chuck Nevius** recommends you check out those bargain "boutique hotels for less than $150 a night," sits the **Wyndham Canterbury San Francisco**. The 70-year-old **Canterbury Hotel** and its adjoining **Whitehall Inn** were officially reincarnated earlier this month by their new owner, Wyndham Worldwide Inc., a big-time time-share developer that also owns the nearby **WorldMark San Francisco**. The two-year makeover brought 70 new jobs to the city, according to the New Jersey company, "and promises a steady stream of commerce to local businesses." The newly named urban "resort" is already 80 percent sold out, said a company spokeswoman.

May we wish it continued success, for both San Francisco's and Wyndham's sakes. Despite its more than 800,000 time-share owners, Wyndham has not escaped the Great Recession, as the market for time-shares has dropped along with the rest of the travel business. Still, the fact that there's something new on the scene is another hopeful bright spot for D'Alessandro.

"The fact is, nothing is selling very good right now."

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