

BH Targeting Distressed Retail, Hotels

A Los Angeles investment shop is looking to snap up several distressed retail and hotel properties, with the goal of deploying some \$200 million by yearend.

BH Properties, led by investor **Steve Gozini**, believes there are owners who need to sell quickly amid the ongoing distress caused by the pandemic. BH is telling would-be sellers that it's willing to pay all cash — up to \$100 million per deal. It would wait to put debt on the properties in order to expedite the closing process.

“We’ve set aside plenty of money, both in cash and a line of credit,” said **Andrew Van Tuyle**, BH’s senior managing director for investments. “We can write a check for \$100 million tomorrow if we had the right opportunity.”

While plenty of investors are flush with cash, BH is focusing on the beaten-down retail and hotel sectors — which most buyers are avoiding given the deep uncertainty about cash-flows. In addition, Van Tuyle said, some owners may want to sell if they expect federal tax laws will be less favorable under **President-elect Biden’s** administration. A number of states and municipalities also are weighing tax hikes to make up for revenue shortfalls.

“There are a lot of companies that want to get out in front of the problem and sell before the problem gets any worse,” Van Tuyle said.

Like many investors, BH is sitting on a pile of dry powder because it has closed less than \$30 million of acquisitions year to date. Van Tuyle said the firm had several deals under contract in March, but they fell apart amid the pandemic.

The firm, which has no outside investors, is telling potential sellers that it has the wherewithal and conviction to buy the most-distressed property types and close quickly. The fact that the firm has no limited partners means it can be more patient in holding properties pending an economic recovery — instead of counting on a quick recovery to generate double-digit returns, like most fund operators.

BH, whose portfolio consists of some 9 million square feet of commercial space and 2,100 apartments, also would look at



distressed office, apartment and industrial properties, including short-term sale-leaseback deals. But there is more competition for those asset classes, particularly for warehouses, stabilized multi-family properties and single-tenant or life-science office space.

“When the rubber hits the road, I wonder how many people are actually going to be interested in acquiring a 150,000-sf big box or a New York hotel right now,” Van Tuyle said. “We are.” ❖