Banks read the file. This method reads the asset.

A structured methodology for underwriting hospitality real estate.

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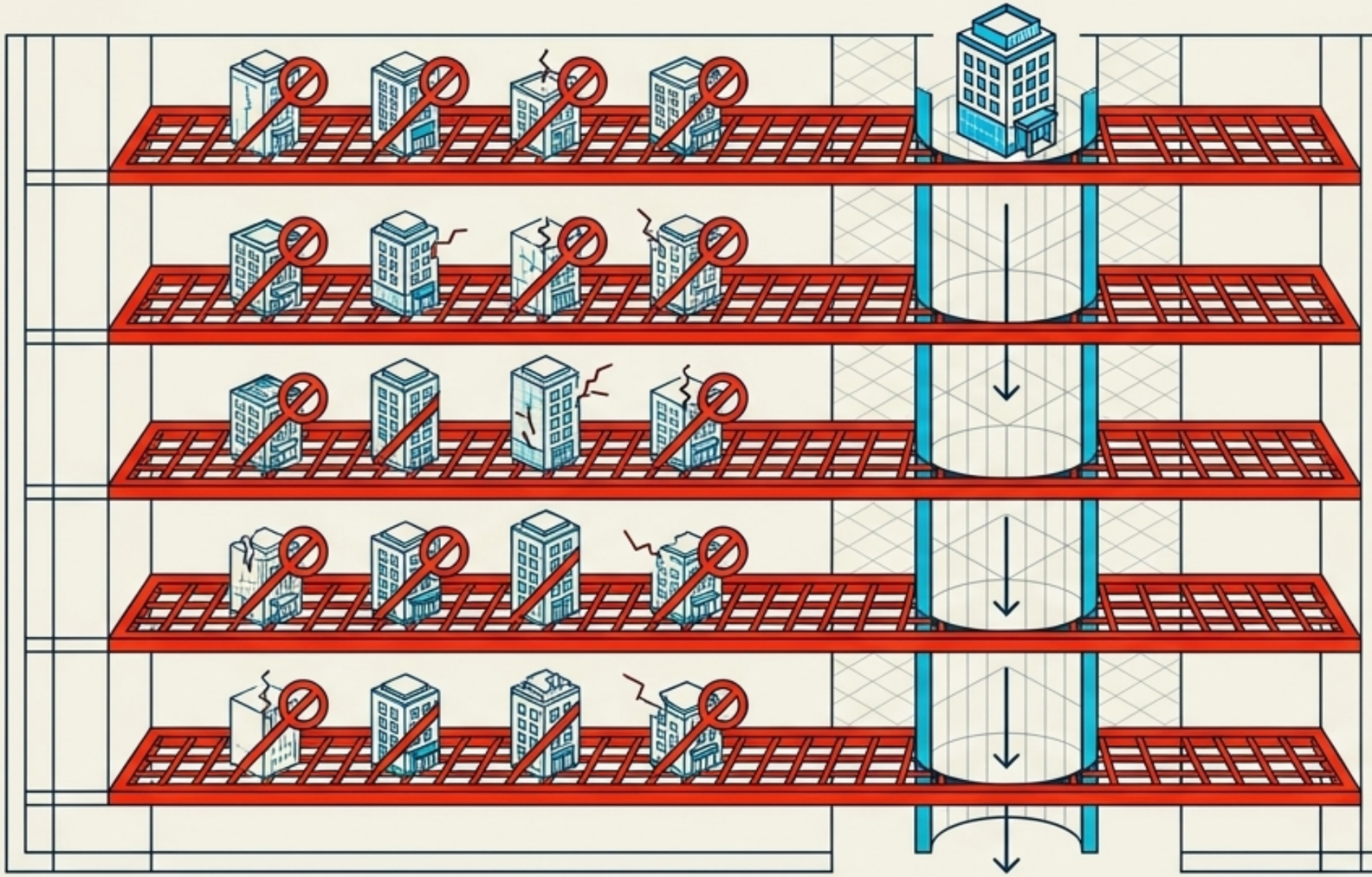
An exercise in operational reality.

This is an academic capstone for a Master's degree—an engineered argument against the traditional capital markets approach to hotel financing.

Not a lending platform. No loans, credit, or investments are offered or solicited here. This document exists exclusively to map the operational reality of hospitality assets against the structural failures of traditional bank scorecards.

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The Five Boxes: Where good hotels fail.

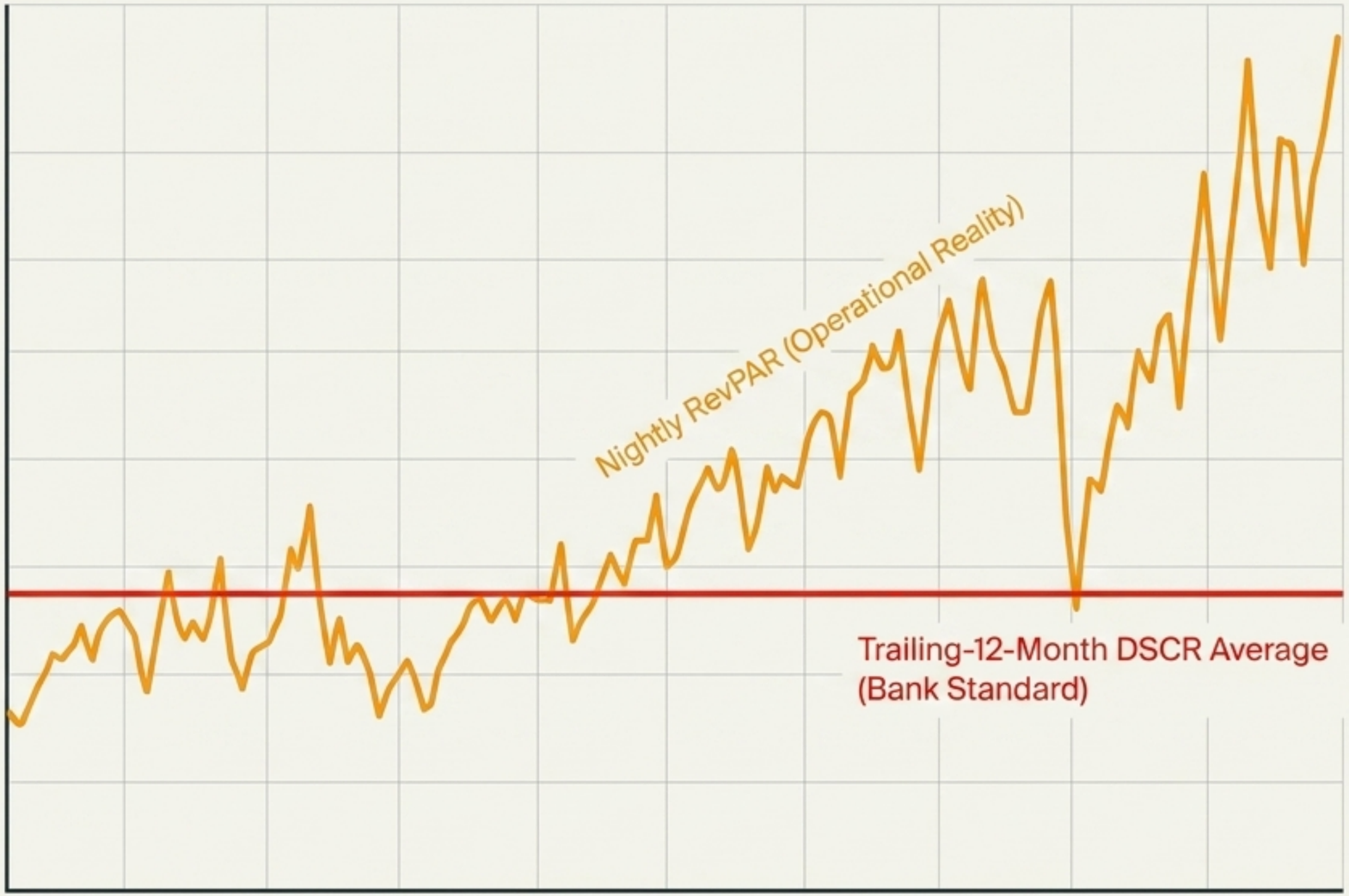


1. Seasoning
2. Debt-Service Coverage (DSCR)
3. Property Type
4. Borrower Profile
5. Brand and PIP

Owners with real assets and real cash flow are consistently declined on structure, not on merit. A bank scorecard is a template built for other asset classes.

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The failure of the trailing indicator



Trap 01: Seasoning

Banks demand two years of clean, stabilized statements. By definition, a recently renovated or repositioned hotel cannot provide this.

Trap 02: Debt-Service Coverage

A single ratio taken from a trailing period is violently misapplied to an asset whose revenue moves nightly.

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Trap 03: Property Type

Reads hospitality purely as Commercial Real Estate (CRE).

Hospitality is an operating business with real estate attached.

Trap 04: Borrower Profile

Evaluates global cash flow and net worth tests calibrated for passive investors.

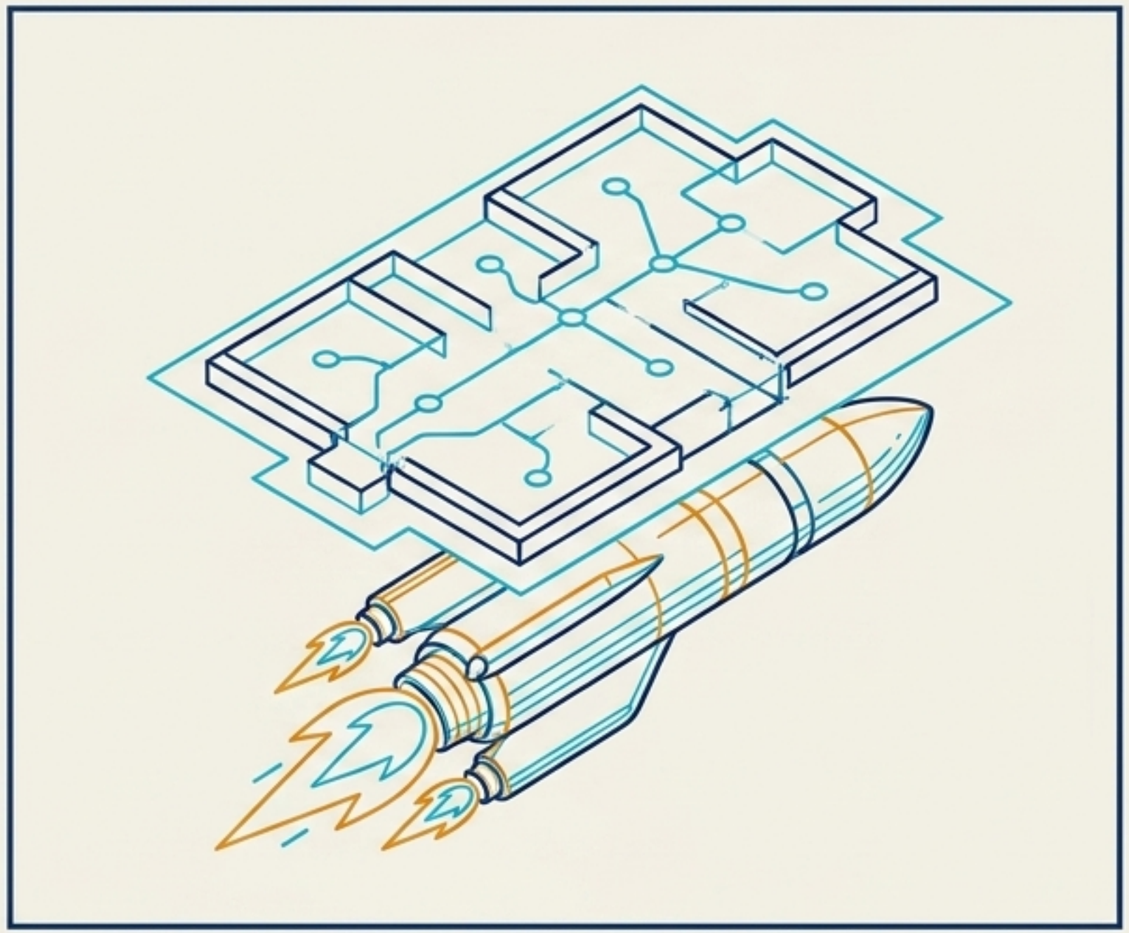
Requires owner-operator competence and daily operational agility.

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Trap 05: The PIP Paradox



Banks read brand mandates strictly as balance sheet liabilities.



The method reads PIPs as the definitive capital plan and primary value-creation driver

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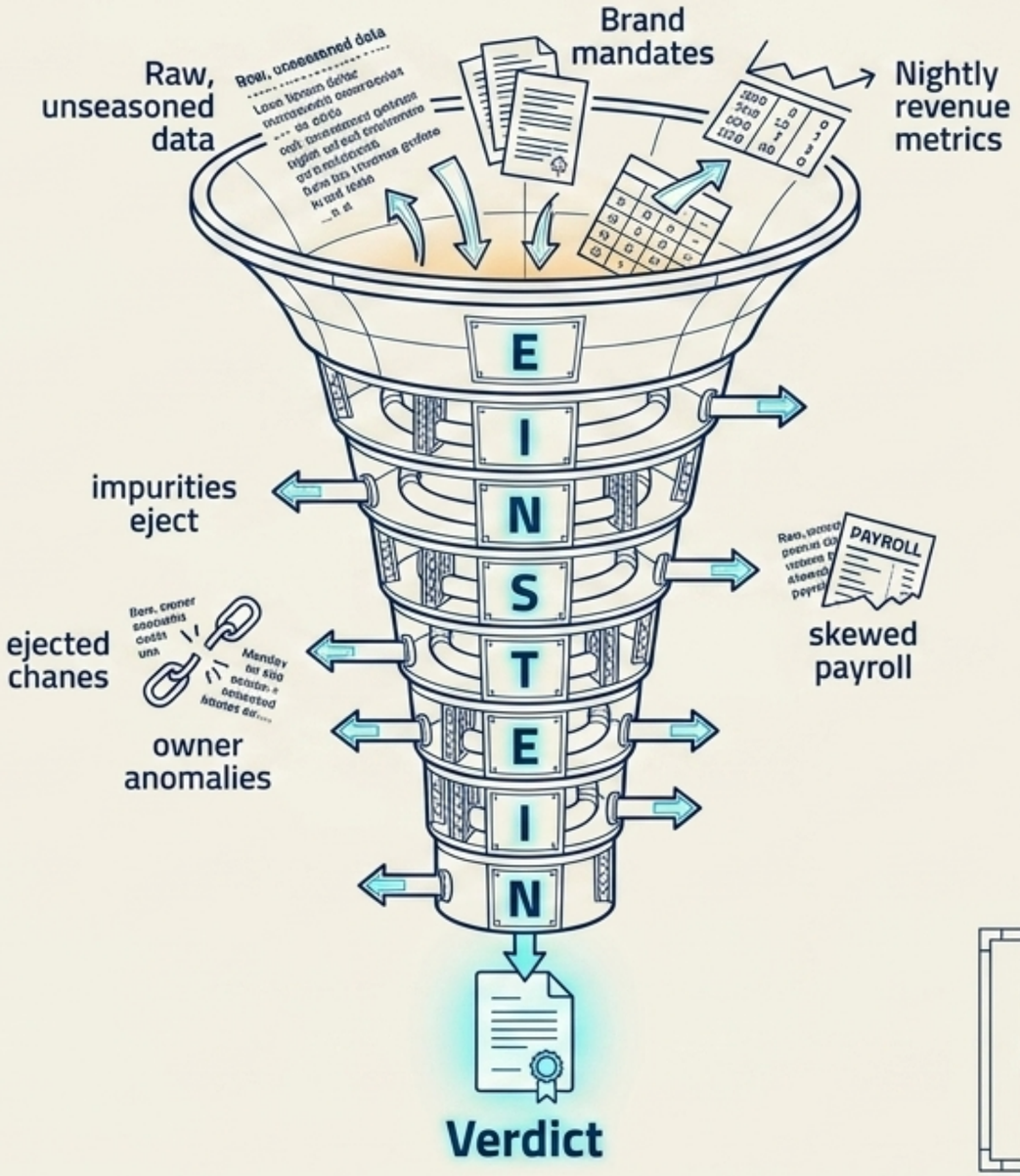
The Matrix: The File vs. The Asset

Dimension	Bank Standard (The File)	Operational Reality (The Asset)
Property	Commercial Real Estate (CRE)	Operating Business + Real Estate
Cash Flow	Trailing-12-Month Ratios (DSCR)	Nightly Revenue Resilience
PIP/Brand	Balance Sheet Liability	Value-Creation Capital Plan
Borrower	Global Net Worth Tests	Owner-Operator Competence

The traditional system is not broken; it is simply calibrated for the wrong machine.

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The Methodology: Eight steps, in order, every time.



The Einstein Method reads a hotel deal the way an operator would, and writes down the reasoning at each step.

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[E]

Examine Market

Analyzes the supply pipeline, demand drivers, and whether the submarket can actually absorb what is already under construction.



[I]

Interpret Meaning

Measures pricing power and RevPAR resilience—specifically evaluating whether the asset holds rate when the broader market softens.

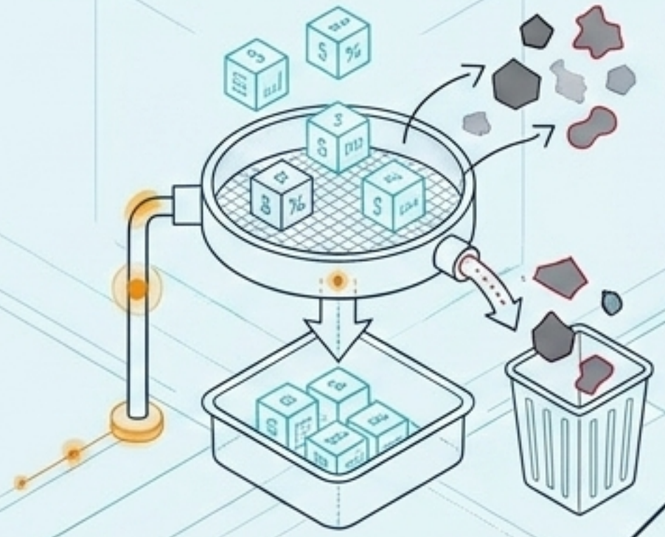


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[N]

Normalize Financials

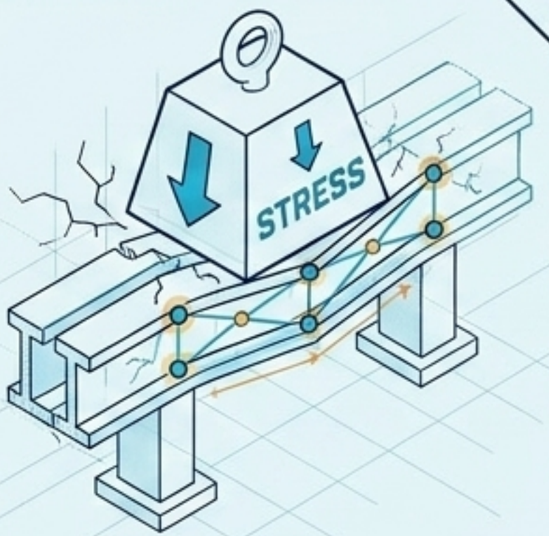
Extracts the noise. Owner anomalies, skewed payroll, related-party charges, and under-reserved FF&E are identified and removed from the financial reality.



[S]

Stress-Test Assumptions

Capital budgets and wage inflation are aggressively tested against what actually happened in the market, not what the sponsor projected.

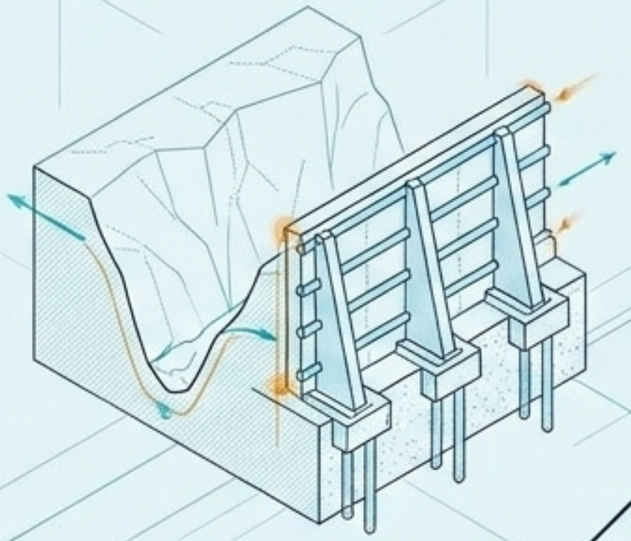


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[T]

Test Downside

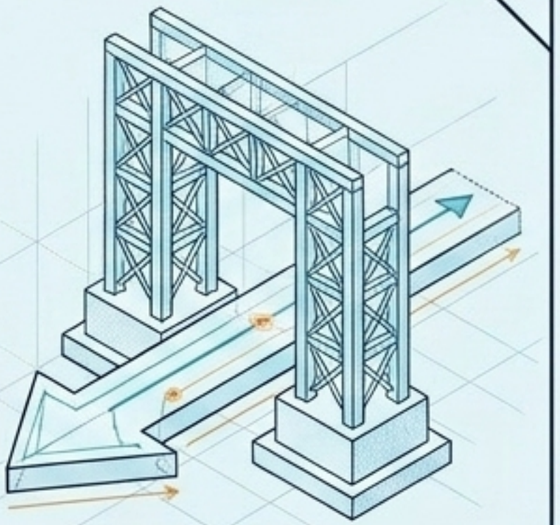
Recession-level occupancy troughs are are mapped and run straight against the proposed debt service to ensure survival in the worst-case scenario.



[E]

Evaluate Exit

Refinance and sale scenarios are stress-tested under cap-rate expansion, strictly targeting a debt yield that would actually clear the market.

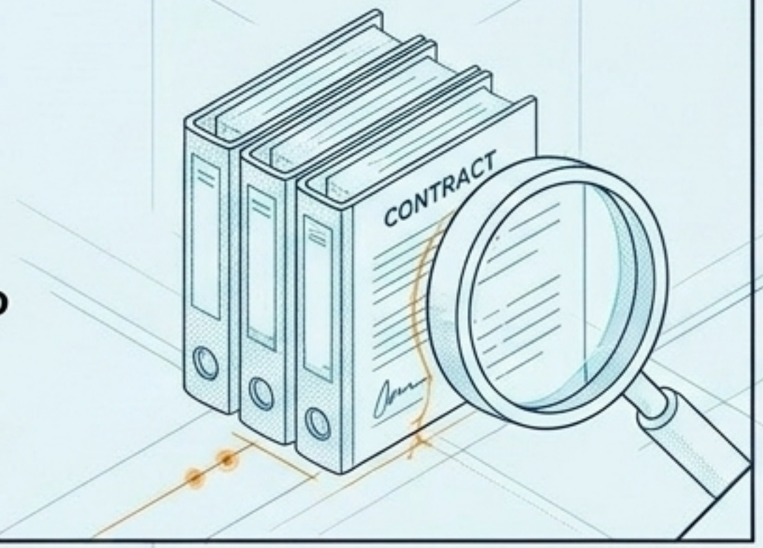


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[I]

Identify Risk

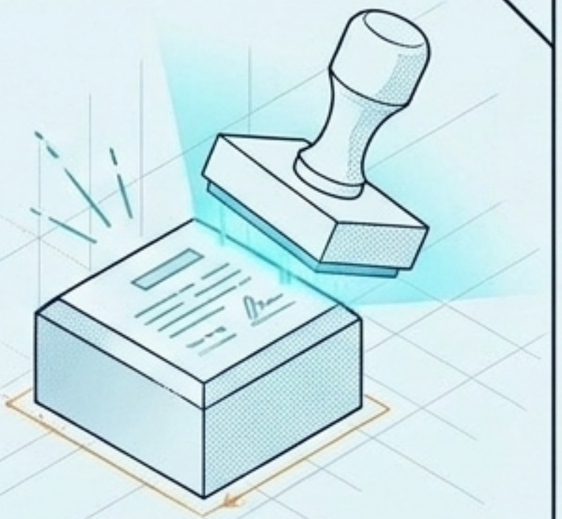
Every governing document—franchise agreements, management contracts, PIP obligations, and ground leases—is read in full, not summarized by a third party.



[N]

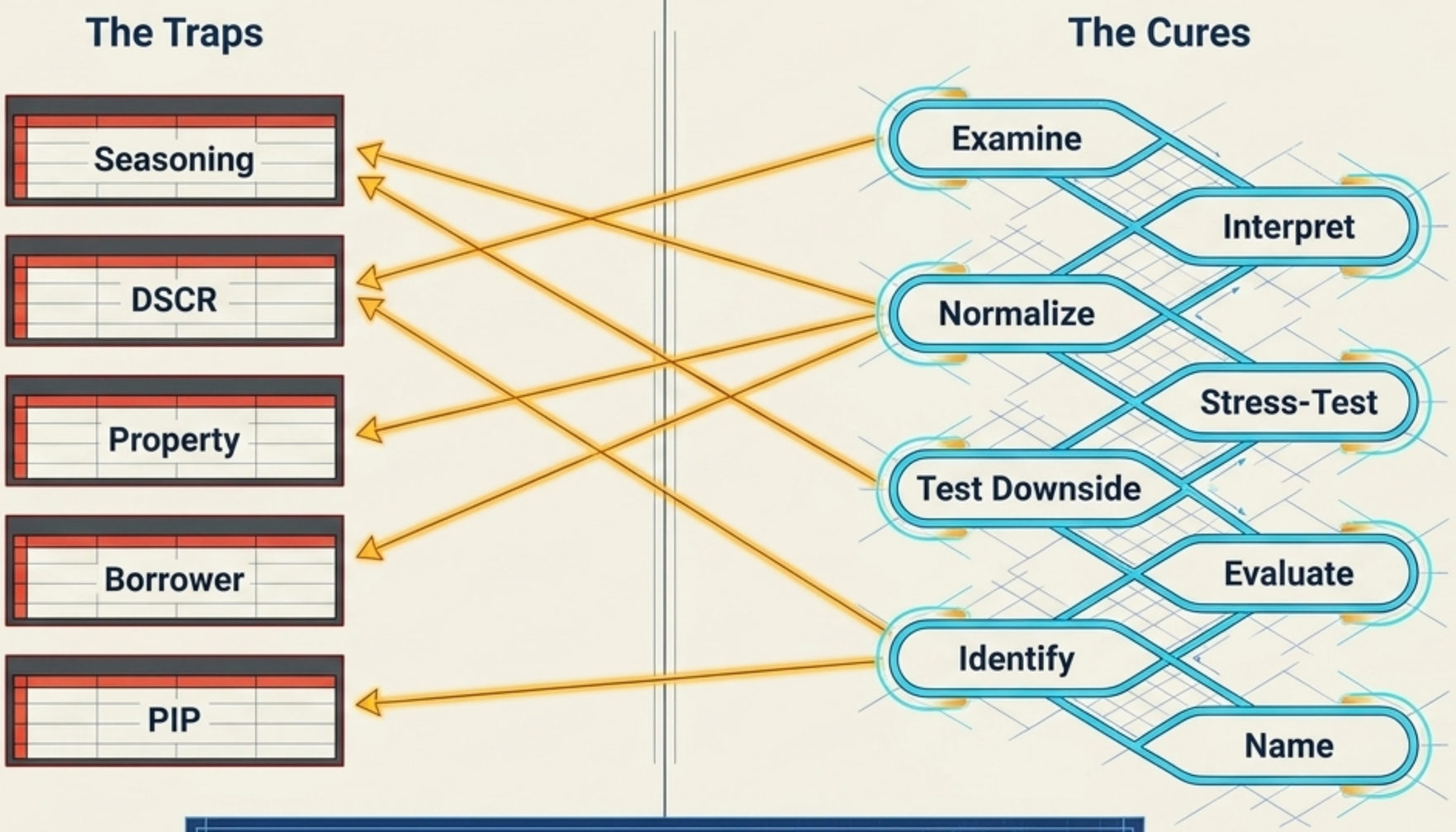
Name Decision

A documented posture. The analysis yields a definitive decision, with the exact reasoning written down beside it. Analysis without a verdict is just a memo.



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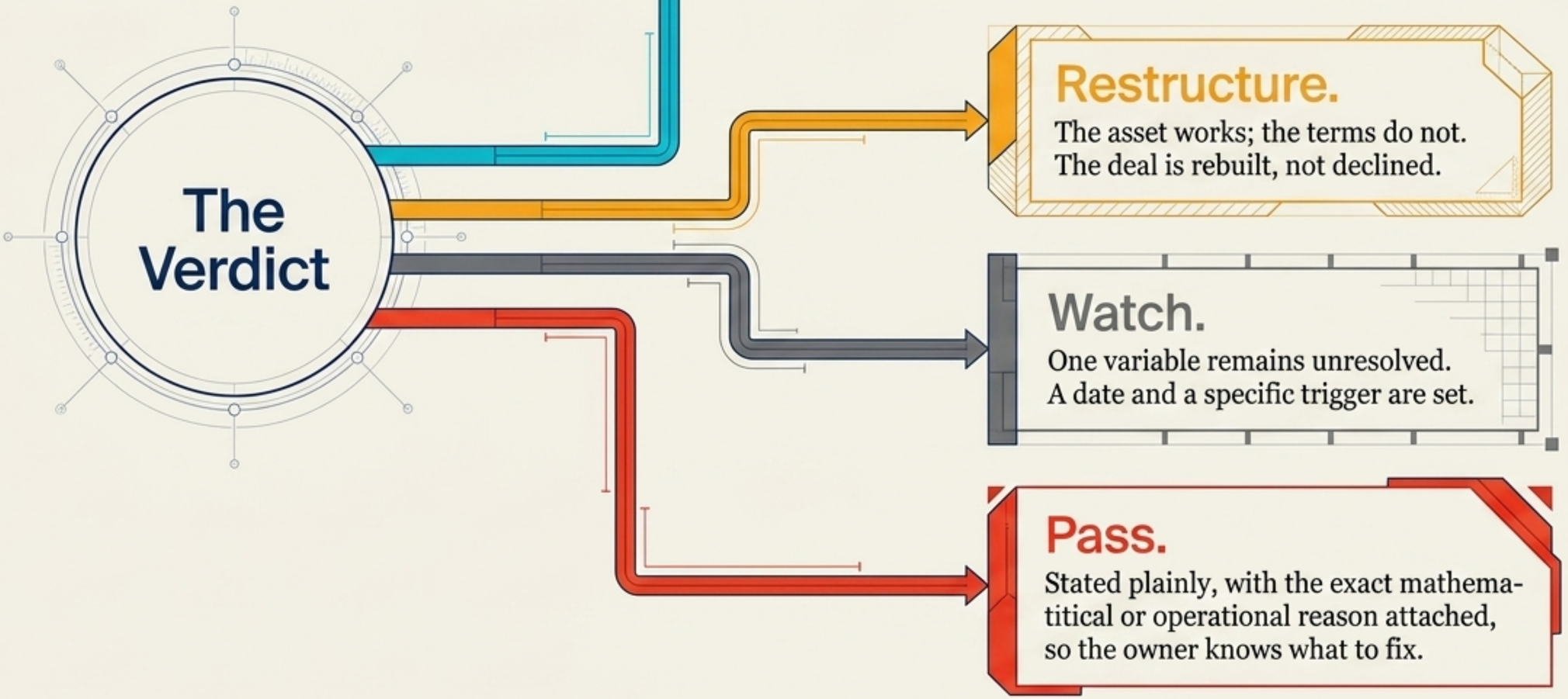
The Blueprint cures The Ledger.



The acronym is not arbitrary. Each step of the methodology acts as a precision tool designed to bypass a specific roadblock created by traditional commercial banking.

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The Verdict Tree: Every file ends here.



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The Capital Gap:
Where the banks leave the room.



What happens to a deal the method approves and a bank declines?
It reveals four specific capital gaps in the market.

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Sizing the structural void.

01 | Acquisition

Owner-operators buying assets they already know how to run. Financing is priced off operating reality rather than trailing paperwork.

02 | Refinance

Catching debt maturities that arrive before a repositioning has had the necessary time to fully season.

03 | Renovation & PIP

Brand-mandated capital is finally treated as a value plan, with the deal underwritten to the post-PIP asset.

04 | Reserve

Capital held specifically against the downside case the method has already priced, rather than held arbitrarily against a rigid bank covenant.

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Forty years of operational reality.



This framework **is not theoretical.** It is the synthesis of four decades spent building, financing, and governing in the hospitality sector, now codified as a graduate capstone.

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Tell me where this is wrong.

This document exists to attract judgment on the concept, not applause. If you have built, financed, or governed something in this sector, I would rather hear the flaw than than the compliment.

Submit critique.

[Contact: Miles Greve]

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