

Mortgage Loan No. 12 — Hilton Garden Inn Albuquerque Uptown

Mortgage Loan Information

Mortgage Loan Seller:	AREF
Original Principal Balance:	\$17,200,000
Cut-off Date Principal Balance:	\$17,200,000
% of Pool by IPB:	2.6%
Loan Purpose:	Refinance
Borrower:	New Omni Hospitality, LLC
Sponsors:	Faizel M. Kassam, Aleem M. and Tazim P. Kassam
Interest Rate:	5.2650%
Note Date:	7/24/2018
Maturity Date:	8/6/2028
Interest-only Period:	12 months
Original Term:	120 months
Original Amortization:	360 months
Amortization Type:	IO-Balloon
Call Protection:	L(24), Def(92), O(4)
Lockbox:	Springing
Additional Debt:	No
Additional Debt Balance:	N/A
Additional Debt Type:	N/A
Additional Future Debt Permitted:	No

Property Information

Single Asset / Portfolio:	Single Asset
Title:	Fee
Property Type - Subtype:	Hotel – Select Service
Net Rentable Area (Rooms):	149
Location:	Albuquerque, NM
Year Built / Renovated:	2008 / 2016-2017
Occupancy / ADR / RevPAR:	80.3% / \$114.69 / \$92.14
Occupancy / ADR / RevPAR Date:	5/31/2018
Number of Tenants:	NAP
2015 NOI:	\$2,126,070
2016 NOI:	\$2,023,127
2017 NOI:	\$2,301,613
TTM NOI⁽¹⁾:	\$2,218,685
UW Occupancy / ADR / RevPAR:	80.3% / \$114.69 / \$92.14
UW Revenues:	\$5,615,249
UW Expenses:	\$3,373,684
UW NOI:	\$2,241,565
UW NCF:	\$2,016,955
Appraised Value / Per Room:	\$25,000,000 / \$167,785
Appraisal Date:	6/1/2018

Escrows and Reserves

	Initial	Monthly	Initial Cap
Taxes:	\$0	\$8,362	N/A
Insurance:	\$10,529	Springing ⁽²⁾	N/A
FF&E Reserve:	\$250,000	\$18,718	N/A
PIP Reserve:	Springing ⁽³⁾	\$0	N/A

Financial Information

Cut-off Date Loan / Room:	\$115,436
Maturity Date Loan / Room:	\$98,215
Cut-off Date LTV:	68.8%
Maturity Date LTV:	58.5%
UW NOI DSCR:	1.96x
UW NCF DSCR:	1.77x
UW NOI Debt Yield:	13.0%
UW NCF Debt Yield:	11.7%

Sources and Uses

Sources	Proceeds	% of Total
Mortgage Loan:	\$17,200,000	100.0%
Total Sources	\$17,200,000	100.0%

Uses	Proceeds	% of Total
Payoff Existing Debt:	\$14,300,007	83.1%
Return of Equity:	2,237,873	13.0
Closing Costs:	401,590	2.3
Reserves:	260,529	1.5
Total Uses	\$17,200,000	100.0%

(1) Represents trailing twelve months ending May 31, 2018.

(2) The Borrower shall not be required to make monthly deposits so long as (i) no event of default has occurred and is continuing, (ii) the borrower delivers evidence acceptable to the lender that the insurance required hereunder is maintained under a blanket insurance policy meeting and that the applicable insurance premiums for the policy year have been paid in full in advance and (iii) the borrower maintains on deposit an amount equivalent to three months of the insurance premiums attributable to the property.

Mortgage Loan No. 12 — Hilton Garden Inn Albuquerque Uptown

(3) If at any time, the franchisor or any new replacement franchisor or licensee requires a PIP to be instituted for the Hilton Garden Inn Albuquerque Uptown property, the Borrower is required to deposit an amount equal to the PIP deposit amount within 30 days after the final determination of the PIP.

The Loan. The Hilton Garden Inn Albuquerque Uptown loan, is a \$17.2 million first mortgage loan secured by the fee interest in a 149-room select service hotel property located in Albuquerque, NM. The loan has a 10-year term and will amortize on a 30-year schedule following an initial interest-only period of 12 months.

The Borrower. The borrowing entity for the loan is New Omni Hospitality, LLC, a New Mexico limited liability company and special purpose entity. The borrowing entity is 99.0% owned by Legacy Development & Management, LLC and 1.0% owned by New Omni SPE, Inc.

The Sponsors. The loan's sponsors and nonrecourse carve-out guarantors are Faizel M. Kassam, Aleem M. Kassam and Tazim P. Kassam, who are collectively a part of Legacy Hospitality. Incorporated in 1999, Legacy Hospitality is based in Albuquerque, NM and is a hotel management and development company, specializing in full service and limited service hotels.

The Property. The Hilton Garden Inn Albuquerque Uptown property is a seven-story, 149-room, select service hotel located in Albuquerque, NM. The property was built in 2008 and last renovated in 2016-2017, when a portion of the guestrooms and public spaces were upgraded. Amenities at the property include a restaurant (75-seat Garden Grille & Bar), indoor pool, fitness center, guest laundry facilities, business center, and sundry shop. There is also approximately 3,520 SF of meeting space contained within a single meeting room. Guestrooms are located on all floors of the building and are comprised of 61 kings, 75 queens and 13 ADA rooms. The guestrooms are approximately 350 SF in size. Standard amenities include a work area, nightstand, dresser, sofa chair, LCD flat screen TV, microwave, mini-refrigerator, and coffee maker. In addition, the property offers 150 spaces of surface parking.

The Hilton Garden Inn Albuquerque Uptown property is situated along the southeast side of Americas Parkway, approximately 64 miles southwest of Santa Fe, NM and is in close proximity to Interstate 40 and downtown Albuquerque. The neighborhood consists primarily of hotels, retail, businesses, and residential communities.

Historical Occupancy, ADR, RevPAR

Year	Competitive Set ⁽¹⁾			Hilton Garden Inn Albuquerque Uptown ⁽²⁾			Penetration Factor		
	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR
2016	70.0%	\$98.31	\$68.80	75.6%	\$112.53	\$85.11	108.1%	114.5%	123.7%
2017	73.1%	\$101.13	\$73.94	82.4%	\$113.48	\$93.48	112.7%	112.2%	126.4%
TTM ⁽³⁾	74.1%	\$101.23	\$74.98	80.3%	\$114.69	\$92.14	108.5%	113.3%	122.9%

(1) Source: Third Party Data Provider. The Hilton Garden Inn Albuquerque Uptown property's competitive set consists of the Sheraton Hotel Albuquerque Uptown, Crowne Plaza Albuquerque, Hampton Inn Albuquerque University, Hyatt Place Albuquerque Uptown and Homewood Suites Albuquerque Uptown.

(2) Source: Borrower Financials.

(3) Represents the trailing-twelve month period ending May 31, 2018.

The Market. The property is located in Albuquerque, NM, which serves as the economic and geographic center of New Mexico. Albuquerque is bordered by Rio Rancho, NM to the north, Isleta Pueblo, NM to the south, Sandia Mountains, NM to the east, and the Tohajiilee Indian Reservation to the west. Demand generators in the property's market include the University of New Mexico, Balloon Fiesta Park, Dreamstyle Arena, Historic Old Town, and the Albuquerque International Sunport. According to the appraisal, the property's demand segmentation is 65% commercial, 25% leisure, and 10% meeting & group. The property's market draws commercial demand from the nearby corporations, such as Intel, Honeywell Defense & Space Electronics System, Lockheed Martin, Ethicon Endo-Surgery, General Mills, Boeing, IBM, the University of New Mexico, Sandia National Laboratories, and various hospitals in the area. Group business demand at the property derives from the various headquarters and large regional offices located in the immediate area. The subject market also benefits from business from religious groups, tour & travel, educational, weddings, and youth sport teams. Leisure demand is drawn by family and friends in the immediate area, visiting relatives, youth sports and other related travel, as well as local weddings, family reunions and other social events.

Mortgage Loan No. 12 — Hilton Garden Inn Albuquerque Uptown

According to an industry report, there are five hotels in the property's competitive set ranging from 126 rooms to 295 rooms. The competitive set has a 74.1% occupancy rate, ADR of \$101.23, and a resulting RevPar of \$74.98 as of trailing twelve month as of May 2018. Based on these statistics, the Hilton Garden Inn Albuquerque Uptown property has penetration rate for occupancy, ADR, and RevPar of 108.5%, 113.3%, and 122.9%, respectively.

Competitive Hotels Profile⁽¹⁾

Property	Rooms	Year Built	Meeting Space (SF)	Estimated Market Mix			2017 Estimated Operating Statistics		
				Commercial	Meeting & Group	Leisure	Occupancy	ADR	RevPAR
Hilton Garden Inn Albuquerque Uptown	149	2008	3,520	65%	10%	25%	82.4%	\$113.48	\$93.48
Sheraton Hotel Albuquerque Uptown	295	1980	17,000	55%	25%	20%	70% - 75%	\$105 - \$110	\$75 - \$80
Crowne Plaza Albuquerque	261	1971	26,000	45%	35%	20%	60% - 65%	\$90 - \$95	\$55 - \$60
Hampton Inn Albuquerque University	126	1999	1,152	45%	20%	35%	75% - 80%	\$90 - \$95	\$65 - \$70
Hyatt Place Albuquerque Uptown	126	1997	1,127	65%	10%	25%	80% - 85%	\$110 - \$115	\$90 - \$95
Homewood Suites Albuquerque Uptown	151	2001	432	65%	10%	25%	85% - 90%	\$105 - \$110	\$90 - \$95
Total:	1,108								

(1) Source: Appraisal.

Mortgage Loan No. 12 — Hilton Garden Inn Albuquerque Uptown

Operating History and Underwritten Net Cash Flow

	2016	2017	TTM ⁽¹⁾	Underwritten	Per Room ⁽²⁾	% ⁽³⁾
Occupancy	75.6 %	82.4%	80.3%	80.3%		
ADR	\$112.53	\$113.48	\$114.69	\$114.69		
RevPAR	\$85.11	\$93.48	\$92.14	\$92.14		
Room Revenue	\$4,641,167	\$5,084,031	\$5,010,976	\$5,010,976	\$33,631	89.2%
Food and Beverage	533,025	559,825	537,166	537,166	\$3,605	9.6%
Other Departmental Revenues	70,005	67,894	67,107	67,107	\$450	1.2%
Total Revenue	\$5,244,197	\$5,711,750	\$5,615,249	\$5,615,249	\$37,686	100.0%
Room Expense	1,096,194	1,163,213	1,159,347	1,159,347	\$7,781	23.1%
Food and Beverage Expense	374,730	396,396	372,994	372,994	\$2,503	69.4%
Other Departmental Expenses	20,360	20,712	19,750	19,750	\$133	29.4%
Departmental Expenses	\$1,491,284	\$1,580,321	\$1,552,091	\$1,552,091	\$10,417	27.6%
Departmental Profit	\$3,752,913	\$4,131,429	\$4,063,158	\$4,063,158	\$27,270	72.4%
Operating Expenses	\$1,565,121	\$1,679,204	\$1,689,627	\$1,669,155	\$11,202	29.7%
Gross Operating Profit	\$2,187,792	\$2,452,225	\$2,373,531	\$2,394,003	\$16,067	42.6%
Fixed Expenses	164,665	150,612	154,846	152,438	\$1,023	2.7%
Net Operating Income	\$2,023,127	\$2,301,613	\$2,218,685	\$2,241,565	\$15,044	39.9%
FF&E	0	0	0	224,610	\$1,507	4.0%
Net Cash Flow	\$2,023,127	\$2,301,613	\$2,218,685	\$2,016,955	\$13,537	35.9%

(1) The TTM column represents the trailing twelve month period ending May 31, 2018.

(2) Per room values are based on 149 rooms.

(3) % column represents percent of Total Revenue except for Room Expense, Food and Beverage Expense and Other Departmental Expenses, which is based on their corresponding revenue line items.