

Sheraton Salt Lake City

Mortgage Loan Information

Mortgage Loan Seller:	BSP
Original Principal Balance:	\$35,000,000
Cut-off Date Principal Balance:	\$35,000,000
% of Pool by IPB:	2.9%
Loan Purpose:	Acquisition
Borrower:	DHM Salt Lake City Hotel Lessee, LP
Sponsor:	Driftwood Acquisition & Development, L.P.
Interest Rate:	5.32000%
Note Date:	8/25/2016
Maturity Date:	9/6/2026
Interest-only Period:	None
Original Term:	120 months
Original Amortization:	360 months
Amortization Type:	Balloon
Call Protection:	L(24),Def(92),O(4)
Lockbox:	CMA
Additional Debt:	N/A
Additional Debt Balance:	N/A
Additional Debt Type:	N/A

Property Information

Single Asset / Portfolio:	Single Asset
Title:	Fee
Property Type - Subtype:	Hotel - Full Service
Net Rentable Area (Rooms):	362
Location:	Salt Lake City, UT
Year Built / Renovated:	1975 / 2015
Occupancy/ADR/RevPar:	82.2% / \$112.06 / \$92.08
Occupancy/ADR/RevPar Date:	6/30/2016
Number of Tenants:	N/A
2013 NOI:	\$3,006,081
2014 NOI:	\$3,194,349
2015 NOI⁽¹⁾:	\$3,747,543
TTM NOI (as of 6/2016) ⁽¹⁾:	\$4,087,955
UW Occupancy/ADR/RevPar:	82.2% / \$112.06 / \$92.08
UW Revenues:	\$16,909,592
UW Expenses:	\$12,801,111
UW NOI⁽¹⁾:	\$4,108,481
UW NCF:	\$4,108,481
Appraised Value / Per Room⁽²⁾:	\$50,200,000 / \$138,674
Appraisal Date⁽²⁾:	8/1/2017

Escrows and Reserves

	Initial	Monthly	Initial Cap
Taxes:	\$419,833	\$38,167	N/A
Insurance:	\$67,636	\$9,662	N/A
FF&E Reserves⁽³⁾	\$0	4% of Gross Revenues	N/A
TI/LC:	\$0	\$0	N/A
Other⁽⁴⁾:	\$2,094,996	\$0	N/A

Financial Information

Cut-off Date Loan / Room:	\$96,685
Maturity Date Loan / Room:	\$80,297
Cut-off Date LTV⁽²⁾:	69.7%
Maturity Date LTV⁽²⁾:	57.9%
UW NCF DSCR:	1.76x
UW NOI Debt Yield:	11.7%

Sources and Uses

Sources	Proceeds	% of Total	Uses	Proceeds	% of Total
Mortgage Loan	\$35,000,000	77.1%	Purchase Price	\$40,185,000	88.5%
Sponsor Equity	10,402,669	22.9	Closing Costs	2,635,204	5.8
			Upfront Reserves	2,582,466	5.7
Total Sources	\$45,402,669	100.0%	Total Uses	\$45,402,669	100.0%

(1) TTM NOI is higher than 2015 NOI because food & beverage revenue increased 10% during the same period on account of higher group traffic in 2016. Further, the increase in group rooms sold in 2016 led to an increase in banquet revenue from 2015.

(2) The Appraised Value / Per Room represents the "when complete" value of \$50,200,000, which assumes that the property improvement plan ("PIP") outstanding at origination will be completed by August 1, 2017. At origination, the borrower reserved \$2,021,626 (approximately \$5,585 per room) for the PIP, which represents 100.0% of the budgeted cost to complete the PIP. The "as-is" value as of July 20, 2016 was \$47,400,000, which results in a Cut-off Date LTV and Maturity Date LTV of 73.8% and 61.3%, respectively.

(3) The FF&E reserve monthly deposit is currently \$56,365.33.

(4) At origination, the borrower was required to escrow \$2,021,626 into a PIP reserve and \$73,370 into an immediate repair reserve. On the date that any PIP other than the scheduled PIP is imposed by the franchisor pursuant to the franchise agreement, the borrower will be required to deposit an amount equal to 100% of the sum required to pay for such new PIP.

Sheraton Salt Lake City

The Loan. The Sheraton Salt Lake City loan has an outstanding principal balance as of the Cut-off Date of \$35.0 million and is secured by a first mortgage lien on the borrower's fee interest in a 10-story, 362-room, full service hotel located in Salt Lake City, Utah. The loan has a 10-year term and will amortize on a 30-year schedule. The borrowing entity for the Sheraton Salt Lake City loan is DHM Salt Lake City Hotel Lessee, LP, a Delaware limited partnership and special purpose entity. The loan sponsor and nonrecourse carve-out guarantor is Driftwood Acquisition & Development, L.P., which is the acquisition fund of Driftwood Hospitality Management. As of July 31, 2016, Driftwood Acquisition & Development, L.P. reported a net worth of \$41.6 million and liquidity of \$10.5 million. Driftwood Hospitality Management is headquartered in North Palm Beach, Florida and currently owns and operates over 8,000 rooms across 40 properties in the U.S. Driftwood Hospitality Management initially acquired the property in a joint venture with Silverpeak Real Estate Partners (the successor-in-interest to Lehman Brothers Private Equity) in 2007 for \$33.3 million (approximately \$91,989 per room), with Driftwood Hospitality Management, as general partner, acquiring a 6% stake in the property and Silverpeak Real Estate Partners, as limited partner, acquiring a 94% interest. In July 2016, Driftwood Acquisition & Development, L.P. executed a purchase and sale agreement to buyout its limited partner's interest for approximately \$40.2 million (\$111,008 per room). As part of the loan origination, the property's franchise agreement with Sheraton has been extended for five years, expiring in December 2032.

The Property. The Sheraton Salt Lake City property is a 10-story full service hotel located in the center of downtown Salt Lake City. The property is surrounded by approximately 6 million square feet of Class A office space that serve as offices for companies including Goldman Sachs, Deloitte, IBM and Ernst & Young. The property is within walking distance of the Salt Palace Convention Center (four blocks away), Temple Square (seven blocks away), the headquarters of The Church of Jesus Christ of Latter-day Saints (five blocks away), City Creek Center, a \$1.5 billion mixed-use development with upscale retail, residential and office space (five blocks away), and the State Capitol building (1.0 mile away). The property is also located five blocks from the Vivint Smart Home Arena, a 19,911-seat arena home to the NBA's Utah Jazz. In addition, the property is located within a one hour drive to 11 of Utah's/Salt Lake City's mountain resorts. The property is one block away from a TRAX light rail station. The Salt Lake City Airport, located approximately five miles from the property, serviced approximately 22.2 million passengers in 2015, and is accessible from the TRAX light rail.

The property offers 32,291 square feet of indoor meeting space across 22 meeting rooms, providing the largest amount of total meeting space in its competitive set. The property has double the amount of meeting space than the average amount in its competitive set and approximately 30% more meeting space than the hotel in the competitive set with the second largest amount of meeting space. The property's meeting space allows it to attract groups that many of its competitors cannot accommodate. Additionally, the large amount of meeting space allows the property to generate its own group traffic in-house, rather than solely relying on convention business, thereby insulating the property from market fluctuations due to the Salt Lake Convention Center calendar.

The property features three restaurant outlets: (i) 5th Street Grill, a full service restaurant open for breakfast, lunch and dinner, (ii) Extra Innings Lounge, a casual restaurant open for dinner and cocktails and (iii) Starbucks. Other amenities include a seasonal outdoor pool with indoor whirlpool spa, fitness center, business center, outdoor fire pits, gift shop and a complimentary airport shuttle. The property was awarded the Project ICARUS Supplier Gold Medal by the Global Business Travel Association in 2013 for leadership, innovation and commitment to delivering best in class sustainability programs, products and services within the region and served as the hotel accommodations for President Obama during his trip to Utah in April 2015. The property signage sits high on the facade of the tower and is visible to passing motorists.

The Market. The property is located in downtown Salt Lake City, the largest city and the cultural and economic center in the state of Utah. Salt Lake City has benefited from strong growth in the high-tech sector (known as "Silicon Slopes"), an educated work force, low-cost living, being a pro-business city, state policies and a low unemployment rate (3.6% as of May 2016). Salt Lake City's annual population growth has outpaced the national average between 2010 and 2015 (1.4% vs 0.9%) and is projected to continue to outpace the national average between 2015 and 2020 (1.3% vs 1.0%).

In 2016, a third-party data provider ranked Utah the "Best State for Business" for the third consecutive year and a different third-party information provider recently ranked Utah as the #1 State for Business in its July 2016 report. There are over 4,000 technology firms in Utah. The state attracts prominent tech firms like Adobe Systems, Inc. and Electronic Arts Inc. Another third-party institute named Salt Lake City as the #11 best performing large city in the United States, citing the market's job creation in the past two years, primarily from high-tech companies and medical device manufacturing.

The property's market area can be defined by its combined statistical area: Salt Lake City – Provo – Orem, Utah. According to the appraisal, there are approximately 245,717 residents within a five-mile radius of the property with an estimated average household income of \$73,885, which is 38% higher than the 2014 national median household income of \$53,657.

Sheraton Salt Lake City

The appraisal identified new supply coming online in downtown Salt Lake City in the next 48 months, only one of which is expected to compete with the property as a secondary competitor. The expected secondary competitor is the 126-room AC Hotel by Marriott (0.6 miles from the property, expected to open in the fourth quarter of 2017). In addition, new supply includes the 190-room Regent Street Hotel (0.8 miles from the property, expected to open in the second quarter of 2019) and a speculative Salt Palace Convention Center Hotel. The AC Hotel by Marriott is expected to be a boutique hotel with a limited amount of meeting space and a focus on leisure and transient individual business travelers, rather than group business. The Regent Street Hotel is expected to be a luxury boutique, non-branded hotel as part of a mixed-use condominium complex with limited meeting space. The appraisal noted that the Regent Street Hotel is not yet under construction and is considered a speculative development. Lastly, the speculative Salt Palace Convention Hotel has not been approved, the site location is not yet determined, plans have not been filed and it is still in the process of negotiations. The appraisal noted that this project is not anticipated to come online before 2020, if at all.

Year	Competitive Set ⁽¹⁾			Historical Occupancy, ADR, RevPAR Sheraton Salt Lake City ⁽²⁾			Penetration Factor ⁽³⁾		
	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR
2013	67.5%	\$112.01	\$75.61	74.3%	\$106.14	\$78.87	110.1%	94.8%	104.3%
2014	68.6%	\$115.49	\$79.18	77.9%	\$105.98	\$82.55	113.6%	91.8%	104.3%
2015	71.9%	\$124.52	\$89.50	81.0%	\$111.86	\$90.62	112.7%	89.8%	101.3%
TTM ⁽⁴⁾	70.7%	\$124.91	\$88.36	82.2%	\$112.06	\$92.08	116.3%	89.7%	104.2%

(1) Data provided by a third-party data provider. The competitive set consists of Radisson Salt Lake City Downtown, Hilton Salt Lake City Center, Little America Salt Lake City, Marriott Salt Lake Downtown at City Creek, Red Lion Hotel Salt Lake Downtown and DoubleTree Suites Salt Lake City Downtown.

(2) Based on the operating statements provided by the borrower.

(3) Penetration Factor is calculated based on data provided by a third-party data provider for the competitive set and borrower-provided operating statements for the property.

(4) TTM represents the trailing 12-month period ending on June 30, 2016.

Property	Competitive Hotels Profile ⁽¹⁾				2015 Estimated Market Mix			2015 Estimated Operating Statistics		
	Rooms	Year Opened	Meeting Space(SF)		Commercial	Meeting and Group	Leisure	Occupancy	ADR	RevPAR
Sheraton Salt Lake City⁽²⁾	362	1975	32,291		35%	35%	30%	81%	\$111.86	\$90.62
DoubleTree Suites Salt Lake City Downtown	241	1986	5,000		50%	20%	30%	78%	\$122.50	\$92.50
Hilton Salt Lake City Center	499	1983	24,000		35%	50%	15%	73%	\$145.00	\$112.50
Little America Salt Lake City	850	1980	25,000		30%	40%	30%	68%	\$117.50	\$82.50
Radisson Salt Lake City Downtown	381	1985	9,500		40%	40%	20%	83%	\$107.50	\$87.50
Red Lion Hotel Salt Lake Downtown	393	1969	8,500		45%	25%	30%	58%	\$92.50	\$52.50
Marriott Salt Lake Downtown at City Creek	510	1981	22,000		35%	50%	15%	73%	\$155.00	\$117.50
Total⁽³⁾	2,874									

(1) Based on the appraisal.

(2) 2015 Estimated Occupancy, ADR and RevPAR reflect actual 2015 occupancy, ADR and RevPAR based on the operating statements provided by the borrower.

(3) Excludes the Sheraton Salt Lake City property.

Sheraton Salt Lake City

Operating History and Underwritten Net Cash Flow							
	2013	2014	2015	TTM ⁽¹⁾	Underwritten	Per Room ⁽²⁾	% of Total Revenue ⁽³⁾
Occupancy	74.3%	77.9%	81.0%	82.2%	82.2%		
ADR	\$106.14	\$105.98	\$111.86	\$112.06	\$112.06		
RevPAR ⁽⁴⁾	\$78.87	\$82.55	\$90.62	\$92.08	\$92.08		
Room Revenue	\$10,420,971	\$10,906,902	\$11,973,431	\$12,200,021	\$12,200,021	\$33,702	72.1%
Food & Beverage Revenue	3,031,894	2,950,487	3,135,620	3,458,460	3,458,460	9,554	20.5
Other Departmental Revenue	1,046,610	1,056,084	1,148,625	1,251,111	1,251,111	3,456	7.4
Total Revenue	\$14,499,475	\$14,913,473	\$16,257,676	\$16,909,592	\$16,909,592	\$46,712	100.0%
Room Expense	\$2,904,281	\$3,067,485	\$3,367,275	\$3,457,498	\$3,457,498	\$9,551	28.3%
Food & Beverage Expense	1,946,246	1,808,968	1,925,626	1,880,847	1,880,847	5,196	54.4
Other Departmental Expense	576,626	534,000	564,120	619,559	619,559	1,711	49.5
Departmental Expenses	\$5,427,153	\$5,410,453	\$5,857,021	\$5,957,904	\$5,957,904	\$16,458	35.2%
Departmental Profit	\$9,072,322	\$9,503,020	\$10,400,655	\$10,951,688	\$10,951,688	\$30,253	64.8%
Operating Expenses	\$4,515,267	\$4,761,082	\$4,946,973	\$5,085,588	\$5,085,588	\$14,049	30.1%
Gross Operating Profit	\$4,557,055	\$4,741,938	\$5,453,682	\$5,866,100	\$5,866,100	\$16,205	34.7%
Management Fees	\$434,984	\$447,389	\$487,713	\$507,126	\$507,288	\$1,401	3.0%
Property Taxes	434,634	402,998	449,386	467,211	458,000	1,265	2.7
Property Insurance	101,377	100,663	118,733	127,424	115,948	320	0.7
FF&E	579,979	596,539	650,307	676,384	676,384	1,868	4.0
Total Other Expenses	\$1,550,974	\$1,547,589	\$1,706,139	\$1,778,145	\$1,757,619	\$4,855	10.4%
Net Operating Income⁽⁵⁾	\$3,006,081	\$3,194,349	\$3,747,543	\$4,087,955	\$4,108,481	\$11,349	24.3%
Net Cash Flow⁽⁴⁾	\$3,006,081	\$3,194,349	\$3,747,543	\$4,087,955	\$4,108,481	\$11,349	24.3%

(1) TTM column represents the trailing 12-month period ending on June 30, 2016.

(2) Per Room values are based on 362 guest rooms.

(3) % of Total Revenue for Room Expense, Food & Beverage Expense and Other Departmental Expense are based on their corresponding revenue line items.

(4) Historical RevPAR for 2008, 2009, 2010, 2011 and 2012 was \$64.00, \$53.40, \$62.41, \$72.34 and \$71.74, respectively, and Net Cash Flow was approximately \$2,548,203, \$1,630,834, \$2,739,812, \$3,282,578 and \$2,795,364, respectively.

(5) UW Net Operating Income is based on the trailing 12-month period operating statements ending on June 30, 2016. TTM Net Operating Income is higher than 2015 Net Operating Income because food & beverage revenue increased 10% during the same period on account of higher group traffic in 2016. Further, the increase in group rooms sold in 2016 led to an increase in banquet revenue from 2015

Permitted Mezzanine Debt. On or after August 25, 2021, the owners of the borrower are permitted to obtain a mezzanine loan secured by the direct or indirect ownership interests in the borrower upon satisfaction of certain terms and conditions which include, without limitation, (i) the combined loan-to-value ratio not exceeding 70.0%, (ii) after giving effect to the mezzanine loan, the combined debt service coverage ratio (as calculated in the loan documents) not being less than 1.50x, (iii) after giving effect to the mezzanine loan, the combined debt yield (as calculated in the loan documents) not being less than 10.5%, (iv) the debt service on the mezzanine loan being payable only out of and solely to the extent of excess cash flow remaining after payment of debt service, required reserves and operating expenses, (v) the mezzanine loan being coterminous with the Sheraton Salt Lake City loan and (vi) the lenders entering into an intercreditor agreement reasonably acceptable to the mortgage lender.