

Holiday Inn Baltimore Inner Harbor



Holiday Inn Baltimore Inner Harbor
301 West Lombard Street
Baltimore, MD 21201

BALTIMORE

BALTIMORE WASHINGTON INT'L THURGOOD MARSHALL AIRPORT

Johns Hopkins Hospital

Baltimore Convention Center

Harborplace

Baltimore Inner Harbor Marine Center

M&T Bank Stadium

Camden Yards

Inner Harbor

Patapsco River

1000 FT

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Mortgage Loan Information

Mortgage Loan Seller:	JPMCB
Original Principal Balance:	\$39,500,000
Cut-off Date Principal Balance:	\$39,500,000
% of Pool by IPB:	4.9%
Loan Purpose⁽¹⁾:	Acquisition
Borrower:	Harry G. Pappas & Sons, LLC
Sponsor:	TH Investment Holdings II, LLC
Interest Rate:	4.92600%
Note Date:	11/24/2015
Maturity Date:	12/01/2022
Interest-only Period:	None
Original Term:	84 months
Original Amortization:	360 months
Amortization Type:	Balloon
Call Protection:	L(25),Grtr1%orYM(55),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):	365
Location:	Baltimore, MD
Year Built / Renovated:	1964 / 2013
Occupancy / ADR / RevPAR:	63.1% / \$138.87 / \$87.57
Occupancy / ADR / RevPAR Date:	10/31/2015
Number of Tenants:	N/A
2012 NOI⁽²⁾:	\$3,302,233
2013 NOI⁽²⁾:	\$3,838,032
2014 NOI⁽²⁾⁽³⁾:	\$4,576,510
TTM NOI (as of 10/2015)⁽²⁾⁽³⁾:	\$4,141,377
UW Occupancy / ADR / RevPAR:	63.1% / \$138.87 / \$87.57
UW Revenues:	\$14,172,662
UW Expenses:	\$10,182,989
UW NOI:	\$3,989,673
UW NCF:	\$3,989,673
Appraised Value / Per Room⁽⁴⁾:	\$61,200,000 / \$167,671
Appraisal Date:	8/19/2015

Escrows and Reserves⁽⁵⁾

	Initial	Monthly	Initial Cap
Taxes:	\$233,530	\$46,706	N/A
Insurance:	\$0	Springing	N/A
FF&E Reserves:	\$47,242	4% of Gross Revenues	N/A
TI/LC:	\$0	\$0	N/A
Other:	\$4,000,000	Springing	N/A

Financial Information

Cut-off Date Loan / Room:	\$108,219
Maturity Date Loan / Room:	\$95,650
Cut-off Date LTV⁽⁴⁾:	64.5%
Maturity Date LTV⁽⁴⁾:	57.0%
UW NCF DSCR:	1.58x
UW NOI Debt Yield:	10.1%

Sources and Uses

Sources	Proceeds	% of Total	Uses	Proceeds	% of Total
Mortgage Loan	\$39,500,000	94.6%	Purchase Price of Leasehold Interest	\$35,000,000	83.8%
Sponsor Equity	2,243,874	5.4	Upfront Reserves	4,280,772	10.3
			Closing Costs	2,463,102	5.9
Total Sources	\$41,743,874	100.0%	Total Uses	\$41,743,874	100.0%

(1) The borrowing entity and an affiliate of the loan sponsor previously owned the fee interest in the property, while the former leasehold interest was acquired by another affiliate of the loan sponsor in 2012. The leasehold interest was collapsed in connection with the origination of the loan. Please see "The Loan Sponsor" below for additional details.

(2) 2012 NOI, 2013 NOI, 2014 NOI and TTM NOI are exclusive of amounts associated with ground rent paid as part of the previous leasehold structure.

(3) The decrease in TTM NOI from 2014 NOI is due to the Baltimore market losing demand after civil unrest took place in April 2015. Subsequently, groups cancelled trips to Baltimore from April through the latter half of 2015. Due to the property's location one block from the downtown convention center, the Holiday Inn Baltimore Inner Harbor property was more significantly impacted than competitors.

(4) The Appraised Value / Per Room, Cut-off Date LTV and Maturity Date LTV are calculated based on a "hypothetical value – assuming renovation is complete," which assumes that the proposed renovations to the property have been completed. At closing, the borrower reserved \$4,000,000 for the renovations. The "as-is" value as of August 19, 2015 is \$56.7 million, which results in a Cut-off Date LTV and Maturity Date LTV of 69.7% and 61.6%, respectively.

(5) For a full description of Escrows and Reserves, please refer to "Escrows and Reserves" below.

The Loan. The Holiday Inn Baltimore Inner Harbor loan has an outstanding principal balance of \$39.5 million and is secured by a first mortgage lien on the fee interest in a 365-room, full service hotel located in Baltimore, Maryland. The loan has a seven-year term and will amortize on a 30-year schedule.

The Borrower. The borrowing entity for the loan is Harry G. Pappas & Sons, LLC, a Maryland limited liability company and special purpose entity.

Holiday Inn Baltimore Inner Harbor

The Loan Sponsor. The loan sponsor and nonrecourse carve-out guarantor is TH Investment Holdings II, LLC (“TH Investment”), a fund of The Procaccianti Group (“TPG”). TPG is a privately-held real estate investment and management company. With over 25 years of hospitality and real estate experience, TPG has owned or managed over 100 hotels surpassing 20,000 guest rooms across 28 states.

In February 2012, The Procaccianti Group, in a joint venture partnership with Och-Ziff (Och-Ziff 85%/TPG 15%) (the “TPG/Och-Ziff JV”), purchased the leasehold interest in the property out of a portfolio foreclosure sale from Torchlight, who was acting as special servicer. The property was part of a 9-property crossed portfolio that was securitized in MLMT 2005-MKB2. Properties within the overall portfolio experienced a decline in performance due to the recession, and the portfolio was placed in receivership in February 2010.

TPG/Och-Ziff JV purchased the leasehold interest in the hotel in February 2012 for \$22.7 million, and invested an additional \$4.05 million (\$10,971/key) into the property between 2012 and 2015 to renovate the hotel, including an approximately \$2.94 million property improvement plan that was completed between 2012-2013 that included upgrades to the building exterior, renovations to the meeting and function space and guestrooms, including renovations to soft goods, bathrooms and corridors.

At the time of TPG/Och-Ziff JV’s acquisition in 2012, the property was subject to a long term ground lease with Harry G. Pappas & Sons, LLC, as landlord and lessor. In early 2015, having completed an upgrade of the property, TPG/Och-Ziff JV began the process of marketing the hotel for sale, prompting the landlord to exercise a right of first offer option contained in the ground lease. The landlord then negotiated with TPG to form a joint venture which collapsed the ground lease structure by combining the improvements and the land, and eliminating the ground lease. As part of the new joint venture, TPG remained property manager and operating partner. Under the new ownership structure, TPG retains a 9.11% ownership stake in the new venture and Och-Ziff is no longer involved.

The Property. Holiday Inn Baltimore Inner Harbor consists of a 13-story tower and a 10-story tower, and is a 365-room full service hotel located in Baltimore, Maryland. At origination, the borrower reserved \$4.0 million for renovations related to a proposed capital improvement plan, which includes exterior repairs, modernization of elevators and upgrades to the guestrooms. The capital improvement plan is not required by the franchise agreement.

The property has 365 rooms, including 206 double-queen rooms, 114 king rooms, 20 queen rooms, 13 Americans with Disabilities Act rooms and 12 suites. Guest room amenities include complimentary wireless internet, a microwave, a mini-refrigerator, a complimentary newspaper, laundry and valet service and a 32-inch HD flat screen television. Amenities at the property include 10,839 square feet of meeting space, which includes penthouse meeting rooms, three food and beverage outlets, an indoor swimming pool and sauna, a business center, a fitness center and a two-story parking garage. The property offers 212 parking spaces, for a parking ratio of approximately 0.58 spaces per room, which is operated by LAZ Parking Mid Atlantic LLC.

The hotel is well located in Baltimore’s central business district. Many of the largest generators of commercial room night demand are within a 1.4 mile radius of the property. This includes Legg Mason, T. Rowe Price, the University of Maryland School of Medicine, Constellation Energy (now an Exelon company) and IBM. The property is located only five blocks from the Inner Harbor, a historic waterfront section of Baltimore, one block from the approximately 1.2 million square foot Baltimore Convention Center, which holds an average of approximately 150 major events annually, and two blocks from Oriole Park at Camden Yards. Camden Yards is the home of the Baltimore Orioles, a Major League Baseball team, which drew in over 2.3 million attendees in 2015. The property is also in close proximity to many major demand generators in downtown Baltimore including the Hippodrome Theatre, the University of Maryland Baltimore, M&T Bank Stadium (the home of the NFL’s Baltimore Ravens) and Horseshoe Casino. According to the appraisal, there are several projects under development that are expected to generate strong demand for hotel rooms. Among such projects is the development of Harbor Point, a 27-acre waterfront project expected to bring approximately 910 apartments, 195,550 square feet of retail space, 1.6 million square feet of office space and 9.5 acres of open space. Additionally, the \$200.0 million Maryland Proton Treatment Center is expected to open in 2015 at the University of Maryland BioPark in Baltimore, which will bring a highly advanced form of cancer treatment to the Baltimore-Washington region.

Holiday Inn Baltimore Inner Harbor

There is currently a 200-room Crowne Plaza hotel under construction approximately six blocks east of the property with an estimated delivery date in 2016, though no opening date has been announced. The appraisal does not identify any additional properties that are currently under construction which are expected to be competitive with the property.

Historical Occupancy, ADR, RevPAR									
Competitive Set ⁽¹⁾				Holiday Inn Baltimore Inner Harbor ⁽²⁾			Penetration Factor ⁽³⁾		
Year	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR
2012	58.1%	\$123.49	\$71.75	64.6%	\$117.90	\$76.13	111.2%	95.5%	106.1%
2013	58.9%	\$123.69	\$72.89	65.7%	\$126.45	\$83.06	111.5%	102.2%	114.0%
2014 ⁽⁴⁾	63.3%	\$133.61	\$84.56	69.3%	\$135.64	\$94.03	109.5%	101.5%	111.2%
TTM ⁽⁴⁾⁽⁵⁾	62.9%	\$133.85	\$84.17	63.1%	\$138.87	\$87.57	100.3%	103.8%	104.0%

- (1) Data provided by a third party data provider. The competitive set contains the following properties: Sheraton Hotel Inner Harbor, Holiday Inn Express Baltimore @ The Stadiums, Days Inn Hotel Baltimore Inner Harbor, Lord Baltimore Hotel, Embassy Suites Baltimore Inner Harbor, Marriott Baltimore Inner Harbor @ Camden Yards and Hampton Inn Baltimore Downtown Convention Center.
- (2) Based on 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 mortgaged property.
- (4) The decrease in 2014 occupancy to TTM occupancy is due to the Baltimore market losing demand after civil unrest took place in April 2015. Occupancy was particularly impacted as groups cancelled trips to Baltimore from April through the latter half of 2015. Due to the property's location one block from the downtown convention center, the Holiday Inn Baltimore Inner Harbor property was more significantly impacted than competitors.
- (5) TTM represents the trailing 12-month period ending on October 31, 2015.

Competitive Hotels Profile ⁽¹⁾									
Property				2014 Estimated Market Mix			2014 Estimated Operating Statistics		
	Rooms	Year Opened	Meeting Space (SF)	Commercial	Leisure	Meeting & Group	Occ.	ADR	RevPAR
Holiday Inn Baltimore Inner Harbor	365	1964	10,839	45%	25%	30%	69.3%	\$135.64	\$94.03
Sheraton Hotel Inner Harbor	337	1985	12,460	40%	20%	40%	62.0%	\$149.00	\$92.38
Holiday Inn Express Baltimore @ The Stadiums	123	1963	600	45%	20%	35%	62.0%	\$99.00	\$61.38
Days Inn Hotel Baltimore Inner Harbor	249	1984	1,320	55%	30%	15%	62.0%	\$117.00	\$72.54
Lord Baltimore Hotel	431	1986	18,704	55%	35%	10%	54.0%	\$110.00	\$59.40
Embassy Suites Baltimore Inner Harbor	300	1967	32,312	60%	35%	5%	69.0%	\$145.00	\$100.05
Marriott Baltimore Inner Harbor @ Camden Yards	524	1985	6,200	50%	30%	20%	70.0%	\$142.00	\$99.40
Hampton Inn Baltimore Downtown Convention Center	126	2006	798	60%	30%	10%	80.0%	\$134.00	\$107.20
Total⁽²⁾	2,090								

- (1) Based on the appraisal.
- (2) Excludes the Holiday Inn Baltimore Inner Harbor property.

Holiday Inn Baltimore Inner Harbor

Operating History and Underwritten Net Cash Flow							
	2012	2013	2014	TTM ⁽¹⁾	Underwritten	Per Room ⁽²⁾	% of Total Revenue ⁽³⁾
Occupancy	64.6%	65.7%	69.3%	63.1%	63.1%		
ADR	\$117.90	\$126.45	\$135.64	\$138.87	\$138.87		
RevPAR ⁽⁴⁾	\$76.13	\$83.06	\$94.03	\$87.57	\$87.57		
Room Revenue	\$10,169,706	\$11,065,676	\$12,527,740	\$11,666,021	\$11,666,021	\$31,962	82.3%
Food and Beverage Revenue	1,905,418	1,957,291	1,900,883	1,868,768	1,868,768	5,120	13.2
Other Departmental Revenue	738,423	627,910	608,426	637,873	637,873	1,748	4.5
Total Revenue	\$12,813,547	\$13,650,877	\$15,037,049	\$14,172,662	\$14,172,662	\$38,829	100.0%
Room Expense	\$2,277,696	\$2,403,478	\$2,546,515	\$2,456,295	\$2,456,295	\$6,730	21.1%
Food and Beverage Expense	1,407,815	1,428,955	1,417,977	1,346,979	1,346,979	3,690	72.1
Other Departmental Expenses	207,829	108,742	19,768	19,239	19,239	53	3.0
Departmental Expenses	\$3,893,340	\$3,941,175	\$3,984,260	\$3,822,513	\$3,822,513	\$10,473	27.0%
Departmental Profit	\$8,920,207	\$9,709,702	\$11,052,789	\$10,350,149	\$10,350,149	\$28,357	73.0%
Operating Expenses	\$3,918,642	\$4,123,690	\$4,628,148	\$4,534,435	\$4,534,435	\$12,423	32.0%
Gross Operating Profit	\$5,001,565	\$5,586,012	\$6,424,641	\$5,815,714	\$5,815,714	\$15,933	41.0%
Management Fees	\$380,401	\$409,526	\$451,831	\$424,408	\$425,180	\$1,165	3.0%
Property Taxes	699,317	682,968	680,874	573,836	706,966	1,937	5.0
Property Insurance	107,072	109,451	113,944	109,187	126,989	348	0.9
FF&E	512,542	546,035	601,482	566,906	566,906	1,553	4.0
Total Other Expenses⁽⁵⁾	\$1,699,332	\$1,747,980	\$1,848,131	\$1,674,337	\$1,826,041	\$5,003	12.9%
Net Operating Income	\$3,302,233	\$3,838,032	\$4,576,510	\$4,141,377	\$3,989,673	\$10,931	28.2%
Net Cash Flow	\$3,302,233	\$3,838,032	\$4,576,510	\$4,141,377	\$3,989,673	\$10,931	28.2%

(1) TTM column represents the trailing 12-month period ending on October 31, 2015.

(2) Per Room values based on 365 guest rooms.

(3) % of Total Revenue for Room Expense, Food and Beverage Expense and Other Departmental Expenses is based on their corresponding revenue line item.

(4) Historical RevPAR for 2008, 2009, 2010 and 2011 was \$83.31, \$60.52, \$70.01 and \$76.50, respectively.

(5) 2012 Total Other Expenses, 2013 Total Other Expenses, 2014 Total Other Expenses and TTM Total Other Expenses are exclusive of amounts associated with ground rent paid as part of the previous leasehold structure.

Property Management. The property is managed by TPG BIH Hotel Manager, LLC, a Maryland limited liability company and an affiliate of the loan sponsor. The current management agreement commenced on November 24, 2015 and has an expiration date on December 31, 2022 with three three-year extension options. This agreement provides for a contractual management fee of 3.0% of gross revenues. There is also a beverage management agreement between the manager and PMD Beverage Services, LLC, a Maryland limited liability company. The beverage management agreement became effective on November 24, 2015 and has an expiration date on November 23, 2016 with automatic one-year extensions unless otherwise terminated by either party upon 30 days notice. The management fee is subordinate to the liens and interests of the Holiday Inn Baltimore Inner Harbor mortgage loan.

Franchise Agreement. The property has a franchise agreement with Holiday Hospitality Franchising, LLC. The current franchise agreement became effective on February 3, 2012 and will terminate on November 30, 2024. This agreement provides for a 3.0% services contribution fee based on gross room revenue, a 5.0% royalty fee based on gross room revenue and a technology fee of \$12.50 per guest room. All fees are payable on a monthly basis.

Escrows and Reserves. At origination, the borrower deposited into escrow \$4,000,000 for renovation reserves, \$233,530 for real estate taxes and \$47,242 for FF&E reserves.

Tax Escrows - On a monthly basis, the borrower is required to escrow 1/12 of the annual estimated tax payments, which currently equates to \$46,706.

Insurance Escrows - The requirement for the borrower to make monthly deposits to the insurance escrow is waived as long as no event of default exists and either (i) the borrower provides satisfactory evidence that the property is insured as part of a blanket policy in accordance with the loan documents or (ii) the borrower provides satisfactory evidence that the borrower is financing premiums through a premium financing agreement and deposits 115% of the regularly scheduled monthly installments in the reserve.

Holiday Inn Baltimore Inner Harbor

FF&E Reserves - On a monthly basis, the borrower is required to deposit an amount equal to 4.0% of gross revenues of the calendar month occurring two calendar months prior to such payment date for FF&E.

PIP Reserves - In the event the borrower is required to complete a property improvement plan, the borrower is required, on a monthly basis, to deposit an amount reasonably estimated by the lender to complete the plan.

Lockbox / Cash Management. The loan is structured with a CMA lockbox. The borrower was required to deliver written instructions to credit card companies to deposit all revenues into a restricted account controlled by the lender. The funds are then returned to an account controlled by the borrower until the commencement of a Cash Sweep Event (as defined below). During the continuance of a Cash Sweep Event, all funds in the lockbox account are swept daily to a segregated cash management account under the control of the lender. To the extent there is a Cash Sweep Event continuing, all excess cash flow after payment of the mortgage debt service, required reserves and operating expenses will be held as additional collateral for the loan. The lender has a first priority security interest in the cash management account.

A "Cash Sweep Event" means (i) the occurrence of an event of default, (ii) any bankruptcy action of the borrower or manager or (iii) the debt service coverage ratio (as calculated in the loan documents and tested quarterly) based on the trailing 12-month period immediately preceding the date of determination is less than 1.25x.