

Hilton Virginia Beach Oceanfront Hotel

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Mortgage Loan Information

Mortgage Loan Seller:	Barclays
Original Principal Balance:	\$40,000,000
Cut-off Date Principal Balance:	\$40,000,000
% of Pool by IPB:	3.2%
Loan Purpose:	Refinance
Borrower:	Thirty-First Street, L.C.
Sponsors⁽¹⁾:	Various
Interest Rate:	4.41000%
Note Date:	6/4/2014
Maturity Date:	6/6/2024
Interest-only Period:	48 months
Original Term:	120 months
Original Amortization:	360 months
Amortization Type:	IO-Balloon
Call Protection:	L(25),Def(91),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 / Leasehold
Property Type - Subtype:	Hotel – Full Service
Net Rentable Area (Rooms):	289
Location:	Virginia Beach, VA
Year Built / Renovated:	2005 / N/A
Occupancy / ADR / RevPAR:	71.9% / \$206.13 / \$148.17
Occupancy / ADR / RevPAR Date:	4/30/2014
Number of Tenants:	N/A
2011 NOI:	\$6,569,244
2012 NOI:	\$7,181,543
2013 NOI:	\$6,826,677
TTM NOI (as of 4/2014):	\$6,821,875
UW Occupancy / ADR / RevPAR:	71.9% / \$206.13 / \$148.17
UW Revenues:	\$33,762,558
UW Expenses:	\$27,834,515
UW NOI:	\$5,928,043
UW NCF:	\$5,928,043
Appraised Value / Per Room:	\$73,900,000 / \$255,709
Appraisal Date:	4/28/2014

Escrows and Reserves⁽²⁾

	Initial	Monthly	Initial Cap
Taxes:	\$0	\$41,803	N/A
Insurance:	\$25,253	Springing	N/A
FF&E Reserves:	\$405,151	3% of Gross Revenues	N/A
TI/LC:	\$0	\$0	N/A
Other:	\$0	Springing	N/A

Financial Information

Cut-off Date Loan / Room:	\$138,408
Maturity Date Loan / Room:	\$123,761
Cut-off Date LTV:	54.1%
Maturity Date LTV:	48.4%
UW NCF DSCR:	2.46x
UW NOI Debt Yield:	14.8%

Sources and Uses

Sources	Proceeds	% of Total	Uses	Proceeds	% of Total
Mortgage Loan	\$40,000,000	100.0%	Payoff Existing Debt	\$35,860,254	89.7%
			Return of Equity	3,206,111	8.0
			Closing Costs	503,231	1.3
			Upfront Reserves	430,404	1.1
Total Sources	\$40,000,000	100.0%	Total Uses	\$40,000,000	100.0%

(1) For a full description of the loan sponsors, please refer to "The Sponsors" below.

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

The Loan. The Hilton Virginia Beach Oceanfront Hotel loan has an outstanding principal balance of \$40.0 million and is secured by a first mortgage lien on a 289-room full service hotel in Virginia Beach, Virginia. The loan has a 10-year term, and subsequent to a 48-month interest-only period, amortizes on a 30-year schedule.

The Borrower. The borrowing entity for the loan is Thirty-First Street, L.C., a Virginia limited liability company and special purpose entity.

The Sponsors. The loan sponsors and nonrecourse carve-out guarantors are Bruce L. Thompson, John R. Lawson and Edmund C. Ruffin. Bruce L. Thompson is the CEO of Gold Key | PHR Hotels and Resorts ("Gold Key"). Gold Key was launched in 1986 as a hotel management company and today controls approximately half the rooms on the Virginia Beach oceanfront. Professional Hospitality Resources, the hotel management group, operates over 1,700 guest rooms from limited service to select service to full service in the Virginia Beach resort area. One of the three guarantors of the related Mortgage Loan was charged with a felony approximately 23 years

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ago in connection with his previous partner's understatement of income on their company's tax returns. The guarantor was not involved in any day-to-day operations or management of the financial records of the prior company. This guarantor entered into a plea agreement and a minimal penalty was imposed. Please see "Description of the Mortgage Pool – Litigation Considerations; Bankruptcy Issues and Other Proceedings" in the Prospectus Supplement.

The Property. The Hilton Virginia Beach Oceanfront Hotel is a 289-room, 21-story, full service beach resort hotel situated on approximately 3.2 acres located along the Virginia Beach coastline. The property opened in 2005 and was developed by the borrower and the City of Virginia Beach. In June 2012, the borrower exercised its purchase option for the hotel site and acquired the land and its related fee interest from the City of Virginia Beach. The property features two restaurants, a rooftop lounge, 10,105 square feet of meeting space, a rooftop indoor pool and whirlpool, a seasonal outdoor infinity pool, an exercise room, a business center, a parking garage and 27,146 square feet of leased retail space. The rooftop lounge offers guests views that encompass Virginia's Eastern Shore to the north, North Carolina's border to the south, downtown Norfolk to the west and the Atlantic Ocean's horizon to the east. Adjacent to the property and part of the collateral is Neptune Park, a 72,000 square foot green space overlooking the Atlantic Ocean. Neptune Park can accommodate up to 2,500 live entertainment fans and plays host to a number of special events throughout the year.

Attached to the property by way of an overhead walkway is a 1,000 car parking garage with ground floor retail. The borrower has a leasehold interest in a portion of the garage consisting of 380 parking garage spaces. The leased fee holder of the garage is the City of Virginia Beach Development Authority (the "Development Authority"). Rent under the parking lease currently consists of a \$297,538 annual payment and expires in June 2070. Additionally, the borrower has also entered into a lease for the ground floor retail portion of the parking garage, which provides 27,146 square feet of commercial space to the borrower as well as an additional 58 parking spaces for exclusive retail use. The annual lease expense is \$15.00 per square foot (\$470,190 annually) with the lease term expiring in July 2029. There are currently 13 tenants leasing the retail space for a total base rent of \$726,775 resulting in a net positive cash flow. Tenants include Starbucks, Haagan-Daz/Blimpie's, Harley Davidson and other small shops that cater to the hotel's customer base.

Virginia Beach has more than 35 miles of ocean and bay beaches from the mouth of the Chesapeake Bay to the North Carolina border. The city has more than 30 area golf courses, many types of cruises, charters, ferries and kayaking trips, four nationally ranked museums, a nationally ranked state park and year-round whale and dolphin watching trips. The beach offers not only water recreation but also attracts special events such as the East Coast Surfing Championships, North American Sand Soccer Championships, Verizon Wireless American Music and Neptune Festivals, February Polar Plunge and the Rock 'n Roll and Shamrock Marathons. The region is home to the Virginia Air and Space Center, Joint Base Langley-Eustis, NASA Langley Research Center and the Naval Air Station Oceana. Furthermore, the area is home to a number of higher-education facilities, including the College of William and Mary, Hampton University, Thomas Nelson Community College, the University of Virginia Hampton Roads Center and Old Dominion University.

Historical Occupancy, ADR, RevPAR									
Year	Competitive Set ⁽¹⁾			Hilton Virginia Beach Oceanfront Hotel ⁽²⁾			Penetration Factor ⁽³⁾		
	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR
2011	62.0%	\$149.32	\$92.65	71.0%	\$197.44	\$140.08	114.5%	132.2%	151.2%
2012	62.3%	\$155.53	\$96.97	73.7%	\$199.06	\$146.68	118.3%	128.0%	151.3%
2013	61.7%	\$156.50	\$96.50	72.0%	\$204.64	\$147.29	116.7%	130.8%	152.6%
TTM ⁽⁴⁾	63.1%	\$155.20	\$97.99	71.9%	\$206.13	\$148.17	113.9%	132.8%	151.2%

(1) Data provided by industry research specialists. Competitive set contains the following properties: Holiday Inn Virginia Beach Oceanside 21st Street, Sheraton Virginia Beach Oceanfront, Hampton Inn Virginia Beach Oceanfront North, Ramada Inn Virginia Beach, Holiday Inn Express & Suites Virginia Beach Surfside, Courtyard Virginia Beach Oceanfront South and Courtyard Virginia Beach Oceanfront North 37th Street.

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

(3) Penetration Factor is calculated based on data provided by industry research specialists for the competitive set and based on operating statements provided by the borrower for the property.

(4) TTM represents the trailing twelve-month period ending April 30, 2014.

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Competitive Hotels Profile ⁽¹⁾								
Property	Rooms	Year Built	2013 Estimated Market Mix			2013 Estimated Operating Statistics		
			Commercial	Meeting and Group	Leisure	Occupancy	ADR	RevPAR
Hilton Virginia Beach Oceanfront Hotel	289	2005	40%	20%	40%	72.3%	\$204.13	\$147.60
Courtyard Virginia Beach Oceanfront North 37 th St.	160	2002	40%	15%	45%	67.0%	\$177.00	\$118.59
Courtyard Virginia Beach Oceanfront South	141	1999	40%	15%	45%	74.0%	\$146.00	\$108.04
Hampton Inn Virginia Beach Oceanfront North	120	1988	35%	15%	50%	67.0%	\$171.00	\$114.57
Sheraton Virginia Beach Oceanfront	214	1974	35%	20%	45%	56.0%	\$161.00	\$90.16
Total⁽²⁾	635							

(1) Based on the appraisal.

(2) Excludes the subject property.

Operating History and Underwritten Net Cash Flow							
	2011	2012	2013	TTM ⁽¹⁾	Underwritten	Per Room ⁽²⁾	% of Total Revenue ⁽³⁾
Occupancy	71.0%	73.7%	72.0%	71.9%	71.9%		
ADR	\$197.44	\$199.06	\$204.64	\$206.13	\$206.13		
RevPAR	\$140.08	\$146.68	\$147.29	\$148.17	\$148.17		
Room Revenue	\$14,776,075	\$15,514,520	\$15,536,533	\$15,629,970	\$15,629,970	\$54,083	46.3%
Food & Beverage Revenue	15,967,639	17,206,638	16,715,479	16,678,009	16,678,009	57,709	49.4
Telephone Revenue	588,340	690,119	743,957	740,133	740,133	2,561	2.2
Other Departmental Revenues	715,583	675,622	697,526	714,446	714,446	2,472	2.1
Total Revenue	\$32,047,637	\$34,086,899	\$33,693,495	\$33,762,558	\$33,762,558	\$116,825	100.0%
Room Expense	\$3,684,838	\$4,019,595	\$4,261,979	\$4,315,324	\$4,315,324	\$14,932	27.6%
Food and Beverage Expense	13,191,570	13,974,965	13,687,790	13,751,299	13,751,299	47,582	82.5
Telephone Expense	135,393	153,416	153,162	144,197	144,197	499	19.5
Other Departmental Expenses	451,003	445,275	483,358	487,060	487,060	1,685	68.2
Departmental Expenses	\$17,462,804	\$18,593,251	\$18,586,289	\$18,697,880	\$18,697,880	\$64,699	55.4%
Departmental Profit	\$14,584,833	\$15,493,648	\$15,107,206	\$15,064,678	\$15,064,678	\$52,127	44.6%
Operating Expenses	\$6,624,638	\$6,865,122	\$6,881,549	\$6,881,158	\$6,874,605	\$23,788	20.4%
Gross Operating Profit	\$7,960,195	\$8,628,526	\$8,225,657	\$8,183,520	\$8,190,073	\$28,339	24.3%
Fixed Expenses	\$1,390,951	\$1,446,983	\$1,398,980	\$1,361,645	\$1,249,153	\$4,322	3.7%
FF&E	0	0	0	0	1,012,877	3,505	3.0
Total Other Expenses	\$1,390,951	\$1,446,983	\$1,398,980	\$1,361,645	\$2,262,030	\$7,827	6.7%
Net Operating Income	\$6,569,244	\$7,181,543	\$6,826,677	\$6,821,875	\$5,928,043	\$20,512	17.6%
Net Cash Flow	\$6,569,244	\$7,181,543	\$6,826,677	\$6,821,875	\$5,928,043	\$20,512	17.6%

(1) TTM column represents the trailing twelve-month period ending April 30, 2014.

(2) Per Room Values based on 289 guestrooms.

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

Franchise Agreement. The Hilton Virginia Beach Oceanfront Hotel property has a franchise agreement with Hilton Hotels Corporation for use of the Hilton flag through August 2024 with no extension options. The franchise agreement provides for a maximum aggregate franchise fee of 5.0% of the hotel's gross room revenues.

Property Management. The hotel is managed by Professional Hospitality Resources, Inc., an affiliate of the loan sponsor.

Escrows and Reserves. At origination, the borrower was required to deposit \$405,151 for FF&E reserves and \$25,253 for insurance premiums.

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Additionally, the borrower deposited \$1,000,000 (the “Seasonality Reserve Required Deposit Amount”) for seasonality reserves in a borrower controlled bank account. The borrower will provide evidence to the lender on October 31st of each year that the amount deposited into such account equals the Seasonality Reserve Required Deposit Amount. Beginning on July 6, 2018, the Seasonality Reserve Required Deposit Amount will equal \$1,400,000. If the DSCR falls below 1.30x all funds deposited in such account will be transferred to a lender controlled seasonality reserve account.

Tax Escrows - The borrower is required to escrow 1/12 of the annual estimated tax payments monthly, which currently equates to a monthly payment of \$41,803.

Insurance Escrows - The requirement for the borrower to make monthly deposits to the insurance escrow will be waived so long as there is no event of default and the borrower provides the lender with evidence that the property is insured pursuant to an acceptable blanket insurance policy.

FF&E Reserve - For each year after the calendar year in which the loan was funded, the borrower is required to escrow a monthly amount on the May, June, July, August and September payment dates equal to one-fifth (1/5th) of the FF&E Annual Amount. The borrower is required to escrow a monthly amount equal to \$202,575 for the balance of the calendar year in which the loan was funded. After March 1, 2022, in addition to the FF&E Annual Amount, the borrower will deposit the Required PIP Adjustment.

The “FF&E Annual Amount” is (i) an amount equal to 3.0% of gross income for the prior calendar year or (ii) upon the occurrence of the DSCR falling below 1.30x, an amount equal to 4.0% of gross income for the prior calendar year.

The “Required PIP Adjustment” is an amount equal to the difference between (A) the total cost of PIP as set forth in the PIP assessment report and (B) the sum of (y) the then current amount held in the FF&E reserve account and (z) the total sum of future FF&E reserve deposits projected by the lender to be deposited into the FF&E reserve account for the remainder of the loan term, divided by ten.

Parking Lease Reserve - Following an event of default, the borrower is required to deposit a monthly amount that is estimated by the lender to be due and payable by the borrower for all rent and any and all other charges which may be due by the borrower under the parking lease.

Retail Lease Reserve - Following an event of default, the borrower is required to deposit a monthly amount that is estimated by the lender to be due and payable by the borrower for all rent and any and all other charges which may be due by the borrower under the retail lease.

Lockbox / Cash Management. The loan is structured with a CMA lockbox. The borrower and the manager are required to immediately deposit all gross income from operations and all other revenue of any kind into the lockbox account. In addition, the borrower and the manager are required to direct all credit card companies to send all revenues directly to the lockbox account. The funds are then returned to an account controlled by the borrower until the occurrence of an event of default. During an event of default, all rents will be swept to a segregated cash management account and all excess cash flow after the payment of debt service and required reserves will be disbursed to an excess cash reserve account to be held as additional collateral for the loan.