

Mortgage Loan No. 15 — Pinnacle Lakes

Mortgage Loan Information

Mortgage Loan Seller:	AREF
Original Principal Balance:	\$16,950,000
Cut-off Date Principal Balance:	\$16,950,000
% of Pool by IPB:	2.2%
Loan Purpose:	Acquisition
Borrowers:	Trisun 57th Avenue LLC; TT Family Pinnacle LLC
Sponsors:	Azi Mandel; Adam Mermelstein
Interest Rate:	5.2070%
Note Date:	9/13/2018
Maturity Date:	10/6/2028
Interest-only Period:	60 months
Original Term:	120 months
Original Amortization:	360 months
Amortization Type:	IO-Balloon
Call Protection:	L(25), Def(91), O(4)
Lockbox:	Soft
Additional Debt:	No
Additional Debt Balance:	N/A
Additional Debt Type:	N/A
Additional Future Debt Permitted:	No

Escrows and Reserves

	Initial	Monthly	Initial Cap
Taxes:	\$90,744	\$10,591	N/A
Insurance:	\$155,621	\$14,147	N/A
Replacement Reserves:	\$0	\$4,803	N/A
Deferred Maintenance	\$264,552	\$0	N/A

Sources and Uses

Sources	Proceeds	% of Total
Mortgage Loan:	\$16,950,000	66.3%
Sponsor Equity:	8,599,631	33.7
Total Sources:	\$25,549,631	100.0%

Property Information

Single Asset / Portfolio:	Single Asset
Title:	Fee
Property Type - Subtype:	Multifamily – Garden
Net Rentable Area (Units):	226
Location:	Miami, FL
Year Built / Renovated:	1971 / 2002
Occupancy:	97.8%
Occupancy Date:	8/1/2018
Number of Tenants:	NAP
2015 NOI:	\$1,130,840
2016 NOI:	\$1,140,747
2017 NOI:	\$1,244,517
TTM NOI ⁽¹⁾⁽²⁾ :	\$1,357,203
UW Economic Occupancy:	97.6%
UW Revenues:	\$2,705,060
UW Expenses:	\$1,269,951
UW NOI ⁽²⁾ :	\$1,435,109
UW NCF:	\$1,377,479
Appraised Value / Per Unit ⁽³⁾ :	\$25,200,000 / \$111,504
Appraisal Date:	7/20/2018

Financial Information

Cut-off Date Loan / Unit:	\$75,000
Maturity Date Loan / Unit:	\$69,394
Cut-off Date LTV:	67.3%
Maturity Date LTV:	62.2%
UW NOI / UW NCF Amortizing DSCR:	1.28x / 1.23x
UW NOI / UW NCF IO DSCR:	1.60x / 1.54x
UW NOI / UW NCF Debt Yield:	8.5% / 8.1%

- (1) Represents trailing twelve month period ending June 30, 2018.
- (2) Based on borrower provided operating statement for the annualized trailing three months ending August 31, 2018, effective gross income was approximately \$2.75 million which represents a 4.8% increase from the trailing twelve months ending June 30, 2018. The increase was primarily due to increase in AMI and corresponding increase in the maximum allowable LIHTC rents on all newly signed leases.
- (3) The appraised value is the "As-Is with Restrictions & Tax Abatement" value which reflects the current rent restrictions and real estate tax abatements at the property including a land use restriction agreement expiring in 2031. The hypothetical "As-Is Without Restrictions" which reflects no rent restrictions and real estate tax abatement is \$34.4 million which would result in a Cut-off Date and Maturity Date LTV Ratio of 49.3% and 45.6%, respectively.

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The Loan. The Pinnacle Lakes loan is a \$16.95 million first mortgage loan secured by the fee interest in a 226-unit garden style multifamily property located in Miami, FL. The loan has a 10-year term and will amortize on a 360-month schedule after a initial 60-month interest-only period.

The Borrowers. The borrowing entities for the loan are Trisun 57th Avenue LLC and TT Family Pinnacle LLC, each a limited liability company and special purpose entity. The borrowing entities are 88.13% owned by Zell C. Hurwitz 1984 Trust and Lee R. Hurwitz 1984 Trust and 11.87% by Azi Mandel and Adam Mermelstein.

The Sponsors. The loan's sponsors and nonrecourse carve-out guarantors are Azi Mandel and Adam Mermelstein. Azi Mandel and Adam Mermelstein are the co-founders and Managing Partners of Treetop Development, LLC. Treetop Development, LLC owns 68 properties and approximately 7,956 residential units throughout the country, 79% of which are part of government or municipal supervised projects.

The Property. The property is a 226-unit garden style multifamily property located in Miami, Florida that was built in 1971 and renovated in 2002. The property consists of seven, three-story apartment buildings located on approximately 14.5 acres. The property contains 38 one-bedroom units (16.8%), 142 two-bedroom units (62.8%), 39 three-bedroom units (17.3%) and 7-four bedroom units (3.1%). As of August 1, 2018, the property was 97.8% leased. The property features lakeside apartments, a swimming pool, a clubhouse/leasing office, a business center, a fitness center, a playground, a volleyball court and on-site laundry facilities. Unit amenities include full appliance packages, including a microwave and disposal, and balconies or patios. Each unit is individually metered for electrical and natural gas usage. The landlord is responsible for water, sewer and trash costs to the individual units with the tenants paying all other utility costs. Management is responsible for utility costs for vacant units and common areas. Furthermore, the property provides a total of 396 parking spaces, or 1.75 parking spaces per unit.

The property is subject to three land use restriction agreements which together provide that 100.0% of the tenants must meet income eligibility requirements and are subject to restricted rental rates. As a result, the project received low-income housing tax credits ("LIHTC") over a ten year period in return for restricting occupancy to residents who earn no more than 60% of the area median income ("AMI"). As of 2018, Pinnacle Lakes qualifies for a 50% real estate tax abatement. Florida state law allows LIHTC properties to benefit from the abatement after 15 years of service as a rent restricted property. The existing rent and income restrictions as well as the real estate tax abatement expire in 2031 at which time the property may be converted to a market rate apartment complex and full real estate taxes will take effect. See "*Risk Factors—Risks Relating to the Mortgage Loans—Multifamily Properties Have Special Risks*" in the Prospectus.

The property is situated approximately 11.9 miles north of Downtown Miami. Most new developments in the area are infill/redevelopment in the northeastern area of Miami Gardens surrounding Hard Rock Stadium, home of the Miami Dolphins. The stadium, located 2.9 miles from the property, recently underwent a \$400 million-dollar renovation that was completed in the Fall of 2016. Additionally, within 4 miles radius of the property, a new Walmart center was recently completed, the City of Miami Gardens Municipal Complex, a 183,000 SF development which includes the Police Department Headquarters and Miami Gardens City Hall, and a 32.8 acre site was purchased with plans to redevelop the former flea market and shopping center with a new retail center over the next two years.

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Multifamily Unit Mix⁽¹⁾

Unit Type	No. of Units	% of Total	Occupied Units	Occupancy	Average Unit Size (SF)	Average Monthly Rental Rate	Average Monthly Rental Rate PSF	Monthly Market Rental Rate ⁽²⁾	Monthly Market Rental Rate PSF ⁽²⁾
One Bedroom, One Bath	38	16.8%	36	94.7%	582	\$818	\$1.41	\$1,000	\$1.72
Two Bedroom, Two Bath	142	62.8	140	98.6%	861	\$989	\$1.15	\$1,300	\$1.51
Three Bedroom, Two Bath	39	17.3	38	97.4%	1,171	\$1,141	\$0.97	\$1,550	\$1.32
Four Bedroom, Two Bath	7	3.1	7	100.0%	1,388	\$1,278	\$0.92	\$1,650	\$1.19
Total/Wtd. Avg.	226	100.0%	221	97.8%	884	\$996	\$1.13	\$1,305	\$1.48

(1) Based on the underwritten rent roll dated August 1, 2018.

(2) Source: Appraisal.

The Market. The property is located in Miami, Florida in the North Dade submarket. As of Q2 2018, The North Dade submarket reported an average vacancy rate of 3.7% with an average asking rent of \$1,692 per unit, approximately 1.9% higher than that of Q1 2018. According to the appraisal, the 2018 population within a one-, three- and five-mile radius was 21,835, 197,174 and 553,783, respectively, with 2018 average household income within the same radii of \$53,641, \$60,336, and \$64,329, respectively.

The appraiser identified eight comparable rental properties, ranging from 175 units to 468 units that were constructed between 1969 and 2002. The competitive set reported a weighted average occupancy of approximately 97%, with average rents ranging from \$847 to \$1,411 per unit. Average rents at the property are in-line with the competitive set. The properties in the appraisal's competitive set are all located in Greater Miami Area within approximately 4.0 miles of the property and are shown in the below table.

Competitive Set Summary⁽¹⁾

Property	Year Built	No. of Units	Avg. Unit Size (SF)	Avg. \$ / Unit	Occupancy	Distance from Property
Pinnacle Lakes	1971	226⁽²⁾	884⁽²⁾	\$996⁽²⁾	98%⁽²⁾	N/A
Vista Palms	1986	314	903	\$1,410	98%	0.2 miles
Cottage Cove	1969	468	707	\$1,142	94%	0.5 miles
Park Plaza	1972	234	737	\$1,314	96%	1.3 miles
Horizons North	1988	276	1,002	\$1,411	98%	1.0 miles
Crossing At University (LIHTC)	2000	210	793	\$847	98%	3.0 miles
Walden Pond (LIHTC)	1994	290	822	\$916	100%	2.0 miles
Douglas Pointe Apartments (LIHTC)	2000	175	897	\$1,146	100%	4.0 miles
Cedar Grove Apartments (LIHTC)	2002	288	1,083	\$1,060	95%	3.0 miles
Total/Wtd. Avg.⁽³⁾		2,255				

(1) Source: Appraisal.

(2) Based on the underwritten rent roll dated August, 1 2018.

(3) Excludes the subject property.

Historical and Current Occupancy⁽¹⁾

2015	2016	2017	Current ⁽²⁾
99.1%	98.1%	98.1%	97.8%

(1) Source: Historical Occupancy is provided by the sponsor. Occupancies are as of December 31 of each respective year.

(2) Based on the August, 1 2018 underwritten rent roll.

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Operating History and Underwritten Net Cash Flow

	2015	2016	2017	TTM ⁽¹⁾⁽²⁾	Underwritten ⁽²⁾	Per Unit	% ⁽³⁾
Rents in Place	\$2,368,478	\$2,378,203	\$2,478,723	\$2,553,968	\$2,639,368	\$11,679	97.8%
Vacant Income	21,826	7,651	20,060	29,302	60,236	\$267	2.2%
Gross Potential Rent	\$2,390,304	\$2,385,854	\$2,498,783	\$2,583,270	\$2,699,604	\$11,945	100.0%
Total Reimbursements	0	0	0	0	0	\$0	0.0%
Net Rental Income	\$2,390,304	\$2,385,854	\$2,498,783	\$2,583,270	\$2,699,604	\$11,945	100.0%
(Vacancy/Collection Loss)	(31,217)	(9,394)	(25,230)	(32,603)	(63,537)	(\$281)	(2.3%)
Other Income	72,155	80,086	69,866	68,993	68,993	\$305	2.6%
Effective Gross Income	\$2,431,242	\$2,456,546	\$2,543,419	\$2,619,660	\$2,705,060	\$11,969	100.0%
Total Expenses	\$1,300,402	\$1,315,799	\$1,298,902	\$1,262,457	\$1,269,951	\$5,619	46.9%
Net Operating Income	\$1,130,840	\$1,140,747	\$1,244,517	\$1,357,203	\$1,435,109	\$6,350	53.1%
Total TI/LC, Capex/RR	0	0	0	0	57,630	\$255	2.1%
Net Cash Flow	\$1,130,840	\$1,140,747	\$1,244,517	\$1,357,203	\$1,377,479	\$6,095	50.9%

(1) Represents the trailing twelve months ending June 30, 2018.

(2) Based on borrower provided operating statement for the annualized trailing three months ending August 31, 2018, effective gross income was approximately \$2.75 million which represents a 4.8% increase from the trailing twelve months ending June 30, 2018. The increase was primarily due to increase in AMI and corresponding increase in the maximum allowable LIHTC rents on all newly signed leases.

(3) % column represents percent of Net Rental Income for all revenue lines and represents percent of Effective Gross Income for the remainder of fields.