

Mortgage Loan No. 15 — City Place Apartments

Mortgage Loan Information

Mortgage Loan Seller:	BSP
Original Principal Balance:	\$15,000,000
Cut-off Date Principal Balance:	\$14,947,759
% of Pool by IPB:	1.9%
Loan Purpose:	Refinance
Borrower:	Detroit Apartment Corp.
Sponsor:	Raymond Clifford Stanton
Interest Rate:	5.2100%
Note Date:	1/29/2016
Maturity Date:	2/6/2026
Interest-only Period:	0 months
Original Term:	120 months
Original Amortization:	360 months
Amortization Type:	Balloon
Call Protection:	L(27),Def(89),O(4)
Lockbox⁽¹⁾:	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:	Multifamily – High Rise
Net Rentable Area (Units):	320
Location:	Detroit, MI
Year Built / Renovated:	1965 / 2015
Occupancy:	90.3%
Occupancy Date:	1/25/2016
Number of Tenants:	N/A
2013 NOI⁽²⁾:	N/A
2014 NOI⁽²⁾:	N/A
2015 NOI⁽²⁾:	\$700,661
TTM NOI⁽⁴⁾:	\$1,054,374
UW Economic Occupancy:	87.3%
UW Revenues:	\$2,643,721
UW Expenses:	\$1,252,500
UW NOI⁽³⁾:	\$1,391,221
UW NCF:	\$1,311,221
Appraised Value / Per Unit:	\$21,600,000 / \$67,500
Appraisal Date:	12/31/2015

Escrows and Reserves

	Initial	Monthly	Initial Cap
Taxes:	\$69,820	\$13,964	N/A
Insurance:	\$15,600	\$7,800	N/A
Replacement Reserves:	\$0	\$6,667	N/A
Performance Holdback⁽⁴⁾:	\$1,500,000	N/A	N/A

Financial Information

Cut-off Date Loan / Unit:	\$46,712
Maturity Date Loan / Unit:	\$38,799
Cut-off Date LTV:	69.2%
Maturity Date LTV:	57.5%
UW NCF DSCR:	1.33x
UW NOI Debt Yield:	9.3%

Sources and Uses

Sources	Proceeds	% of Total
Mortgage Loan	\$15,000,000	100.0%
Total Sources	\$15,000,000	100.0%

Uses	Proceeds	% of Total
Payoff Existing Debt	\$4,336,061	28.9%
Return of Equity	8,679,597	57.9
Performance Holdback	1,500,000	10.0
Upfront Reserves	85,420	0.6
Closing Costs	398,923	2.7
Total Uses	\$15,000,000	100.0%

- (1) The loan is structured with a springing lockbox and springing cash management. Upon an event of default or debt service coverage ratio for the trailing 12-months falling below 1.15x, the borrower is required to set up a lockbox and cash management will commence.
- (2) Historical financial information was not available due to the sponsor's acquisition of the property in 2014.
- (3) The property was purchased in 2014 and was undergoing renovation in 2015. The 2015 NOI reflects the property's average 2015 occupancy of 67.9%. The UW NOI reflects the in-place rents from a 90.3% occupied property, based on the underwritten rent roll dated January 25, 2016.
- (4) Represents the trailing twelve months ending April 30, 2016.

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- (5) A \$1,500,000 performance holdback reserve was established at origination as additional collateral for the loan. Disbursements to the borrower from the reserve are permitted so long as (i) no event of default exists, (ii) the property generates gross rents of at least \$2,650,000 over a trailing 12-month period, and (iii) the property generates an underwritten cash flow of at least \$1,300,000 over a trailing 12-month period.

The Loan. The City Place Apartments loan is a \$15.0 million first mortgage loan secured by the fee interest in a 320-unit high rise multifamily property located in Detroit, Michigan. The loan has a 10-year term and will amortize on a 30-year schedule.

The Borrower. The borrowing entity for the loan is Detroit Apartment Corp., a Michigan corporation and special purpose entity.

The Sponsor. The loan's sponsor and nonrecourse carve-out guarantor is Raymond Clifford Stanton. The sponsor is the owner of London Property Corp., a real estate management, construction and development company, founded in 1988 and currently managing over 3,200 apartment units and 126,000 SF of commercial properties. The sponsor has ownership interest in 67 commercial real estate properties, including over 3,200 apartments units.

The Property. The City Place Apartments property is a 320-unit high rise multifamily property located in Detroit, Michigan. The property was built in 1965 and renovated in 2015. It consists of a 21-story building located on approximately 4.23 acres. The property has a total of 164 parking spaces, or 0.51 parking spaces per unit. There is also a 400 SF convenience store that is leased through November 2020. As of January 25, 2016, the multifamily units were 90.3% occupied.

The property contains 177 studio units (55.3%) and 143 one-bedroom units (44.7%). Each studio unit measures 480 SF and the one bedroom units range from approximately 545 SF to 580 SF, with an overall average unit size of 518 SF. Apartment units feature city views, new kitchen cabinets and appliances, garbage disposals, updated bathrooms (full vanity and shower/tub combo), walk-in closets, new light fixtures, window coverings, hardwood floors, tile floors, air conditioning, high speed Internet access, cable and satellite. Shared amenities include a fitness center, business center, Wi-Fi lounge, recreation center game room, club house, bike storage, convenience store, laundry facilities, courtyard, secure parking lot, controlled access, 24-hour security, and package receiving service. Since acquiring the property in February 2014, the sponsor reported that it has invested approximately \$6.5 million in upgrades including: unit renovations, mechanical-HVAC, plumbing, hallways and laundry room, elevator refurbishment, and first floor renovations to the fitness center, guard house, convenience store, electric room, staff kitchen, and leasing office.

The property is located on the northeast edge of the Downtown Detroit submarket, within walking distance of various employers and entertainment, retail, and dining options. The property is located at the northern end of Lafayette Park, which is part of the Mies van der Rohe Residential District. The 78-acre Mies van der Rohe Residential District development is an example of modern urban architecture and urban planning and was recently added to the National Register of Historic Places. The 26 buildings by Mies van der Rohe are his only works in Michigan and the largest collection of his buildings in the world.

The property has access to the Detroit central business district and retail and entertainment options, including Ford Field (home of the Detroit Lions), Comerica Park (home of the Detroit Tigers), and Eastern Market (the largest historic public market in the United States with more than 150 food and specialty businesses – attracting as many as 45,000 people for their Saturday Market). Located a 10-minute commute from the property, Campus Martius Park is the epicenter of Detroit's central business district. Campus Martius Park is a regional destination, home to 50 retailers as well as some of Detroit's largest companies, including Quicken Loans, General Motors, Blue Cross Blue Shield, Wayne State, Compuware, City of Detroit and DTE Energy. Additionally, it serves as an entertainment venue and a community gathering spot, hosting the annual Winter Blast and Christmas tree lighting ceremony.

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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⁾
Studio	177	55.3%	157	88.7%	480	\$712	\$1.48	\$706	\$1.47
1 Bedroom, 1 Bath	59	18.4	54	91.5%	545	\$822	\$1.51	\$822	\$1.51
1 Bedroom, 1 Bath (Deluxe)	84	26.3	78	92.9%	580	\$899	\$1.55	\$889	\$1.53
Total/Wtd. Avg.	320	100.0%	289	90.3%	518	\$784	\$1.51	\$775	\$1.50

(1) Based on the underwritten rent roll dated January 25, 2016.

(2) Source: Appraisal. The majority of recent leases have been executed at \$729/unit for the Studios, \$890/unit for the standard 1 bedroom, and \$925/unit for the deluxe 1 bedroom.

The Market. The property is located in Detroit, Michigan and is part of the Downtown submarket, which contains 10,234 market rate rental units. According to a third party market research report, as of the fourth quarter of 2015, monthly asking rents in the Downtown submarket increased to \$1,044 per unit, compared to the metro Detroit monthly asking rent of \$924 per unit. The submarket's average vacancy rate was 5.8% as of the fourth quarter of 2015 compared to the Detroit metro average vacancy of 2.6% as of the fourth quarter of 2015.

The appraiser identified six comparable rental properties, ranging from 47 units to 584 units that were constructed between 1910 and 1983. The competitive set reported a weighted average occupancy of approximately 96.5%, with average rents ranging from \$730 to \$1,617 per unit. Average rents at the subject property are in line with the competitive set. The properties in the appraisal's competitive set are all located within approximately 2.9 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
City Place Apartments	1965	320⁽²⁾	518⁽²⁾	\$784⁽²⁾	90.3%⁽²⁾	
The Pavilion	1957	340	709	\$855	96.0%	0.4 miles
Lafayette Towers	1963	584	829	\$1,076	97.0%	0.6 miles
The Palms	1910	47	829	\$1,097	96.0%	0.9 miles
Elmwood Park Plaza	1973	205	579	\$730	99.0%	1.2 miles
Alden Park Towers	1938	378	715	\$811	90.0%	2.9 miles
Riverfront Towers	1983	556	1,046	\$1,617	100.0%	2.1 miles
Total/Wtd. Avg.⁽³⁾		2,110	822	\$1,102	96.5%	

(1) Source: Appraisal.

(2) Based on the underwritten rent roll dated January 25, 2016.

(3) Excludes the subject property.

Historical and Current Occupancy

2012 ⁽¹⁾	2013 ⁽¹⁾	2014 ⁽²⁾	2015 ⁽²⁾	Current ⁽³⁾
N/A	N/A	62.1%	90.3%	90.3%

(1) The property was purchased in 2014 and historical occupancy figures prior to 2014 were not available.

(2) Occupancies are as of December 31 of each respective year.

(3) Based on the January 25, 2016 rent roll.

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Operating History and Underwritten Net Cash Flow⁽¹⁾

	2015 ⁽²⁾	TTM ⁽³⁾	Underwritten ⁽²⁾	Per Unit	% ⁽⁴⁾
Rents in Place	\$2,776,165	\$3,026,007	\$2,714,925	\$8,484	89.7%
Vacant Gross Up	0	0	294,960	922	9.7%
Gross Potential Rent	\$2,776,165	\$3,026,007	\$3,009,885	\$9,406	99.4%
Other Income	12,454	14,220	18,454	58	0.6%
Net Rental Income	\$2,788,619	\$3,040,226	\$3,028,339	\$9,464	100.0%
(Vacancy)	(830,846)	(787,283)	(294,960)	(922)	(9.7%)
(Concessions & Credit Loss)	(39,155)	(39,155)	(89,658)	(280)	(3.0%)
Effective Gross Income	\$1,918,618	\$2,213,788	\$2,643,721	\$8,262	87.3%
Total Expenses	\$1,217,957	\$1,159,414	\$1,252,500	\$3,914	47.4%
Net Operating Income	\$700,661	\$1,054,374	\$1,391,221	\$4,348	52.6%
Replacement Reserves	0	0	80,000	250	3.0%
Non-Recurring Item ⁽⁵⁾	139,352	70,819	0	0	0.0%
Net Cash Flow	\$561,309	\$983,555	\$1,311,221	\$4,098	49.6%

(1) The property was purchased in 2014 and historical cash flows were not available.

(2) The property was purchased in 2014 and was undergoing renovation in 2015. The 2015 Net Operating Income reflects the property's average 2015 occupancy of 67.9%. The Underwritten Net Operating Income reflects the in-place rents from a 90.3% occupied property, based on the underwritten rent roll dated January 25, 2016.

(3) The TTM column represents the trailing twelve months ending April 30, 2016.

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

(5) Represents one-time expenses related to the renovation of the property.