

Hutch Tower Two



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Mortgage Loan Information

Mortgage Loan Seller:	KeyBank
Original Principal Balance:	\$80,500,000
Cut-off Date Principal Balance:	\$80,500,000
% of Pool by IPB:	6.3%
Loan Purpose:	Refinance
Borrower:	Hutch Tower Two Owner LLC
Sponsor:	Joseph Simone
Interest Rate:	4.57000%
Note Date:	9/12/2014
Maturity Date:	10/1/2024
Interest-only Period:	36 months
Original Term:	120 months
Original Amortization:	360 months
Amortization Type:	IO-Balloon
Call Protection:	L(24),Def(93),O(3)
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:	Office - Medical
Net Rentable Area (SF):	278,133
Location:	Bronx, NY
Year Built / Renovated:	2014 / N/A
Occupancy:	100.0%
Occupancy Date:	8/27/2014
Number of Tenants:	1
2011 NOI⁽¹⁾:	N/A
2012 NOI⁽¹⁾:	N/A
2013 NOI⁽¹⁾:	N/A
UW Economic Occupancy:	97.0%
UW Revenues⁽²⁾:	\$9,715,642
UW Expenses:	\$2,113,687
UW NOI⁽²⁾:	\$7,601,955
UW NCF⁽²⁾:	\$7,532,421
Appraised Value / Per SF⁽³⁾:	\$117,000,000 / \$421
Appraisal Date⁽³⁾:	10/1/2015

Escrows and Reserves⁽⁴⁾

	Initial	Monthly	Initial Cap
Taxes:	\$35,379	\$8,845	N/A
Insurance:	\$0	\$171	N/A
Replacement Reserves:	\$0	\$0	N/A
TI/LC:	\$0	\$0	N/A
Other:	\$8,158,568	\$0	N/A

Financial Information

Cut-off Date Loan / SF:	\$289
Maturity Date Loan / SF:	\$254
Cut-off Date LTV⁽³⁾:	68.8%
Maturity Date LTV⁽³⁾:	60.3%
UW NCF DSCR⁽²⁾:	1.53x
UW NOI Debt Yield⁽²⁾:	9.4%

Sources and Uses

Sources	Proceeds	% of Total	Uses	Proceeds	% of Total
Mortgage Loan	\$80,500,000	100.0%	Payoff Existing Debt	\$59,609,374	74.0%
			Return of Equity	11,628,803	14.4
			Upfront Reserves	8,193,947	10.2
			Closing Costs	1,067,876	1.3
Total Sources	\$80,500,000	100.0%	Total Uses	\$80,500,000	100.0%

(1) Historical NOI is not available because the property was built in 2014.

(2) UW Revenues, UW NOI and UW NCF assume a straight-line average of contractual rent due during the loan term under the Montefiore Medical Center lease. Based on the in-place rent, the UW NOI and UW NCF are \$6,552,033 and \$6,482,500, respectively and result in an UW NCF DSCR and UW NOI Debt Yield of 1.31x and 8.1%, respectively. Please refer to "Underwritten Net Cash Flow" table below.

(3) The Hutch Tower Two Appraised Value reflects the "Prospective Market Value As Complete and Physically Stabilized" value of \$117,000,000, which will be achieved when Montefiore Medical Center commences rent payments October 1, 2015. At origination, the borrower escrowed \$8,158,568, which covers abated rent from the first payment date of the loan through September 30, 2015. The "As-Is" value for the property, which reflects the property's current status as a master leased medical office building with rent commencement scheduled to occur on October 1, 2015, is \$106,000,000 and results in a corresponding Cut-off Date LTV and Maturity Date LTV of 75.9% and 66.6%, respectively. The appraisal also concluded an aggregate "Market Value Go Dark – Under Hypothetical Condition" of \$100,000,000 (approximately \$360 per square foot).

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

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The Loan. The Hutch Tower Two loan has an outstanding principal balance of \$80.5 million and is secured by a first mortgage lien on a Class A, 278,133 square foot medical office building located at 1250 Waters Place, Bronx, New York. The loan has a 10-year term, and subsequent to a three-year interest-only period, amortizes on a 30-year schedule.

The Borrower. The borrowing entity for the Hutch Tower Two loan is Hutch Tower Two Owner LLC, a Delaware limited liability company and special purpose entity.

The Sponsor. The loan sponsor and nonrecourse carve-out guarantor is Joseph Simone, the founder of Simone Development, a full-service, privately held commercial and residential real estate and management company. The sponsor owns and manages a portfolio of approximately 100 properties in the tri-state region including office, medical, industrial flex, and retail, totaling more than four million square feet.

The Property. Hutch Tower Two is a 278,133 square foot, Class A medical office building located in Bronx, New York. The property is located within the Hutchinson Metro Center Campus, a state-of-the-art, Class A office complex containing four buildings located on 42 acres in eastern Bronx, New York. Simone Development, which is controlled by the loan sponsor Joseph Simone, has been renovating and constructing the campus in phases over the past decade. The sponsor purchased the Hutch Tower Two land approximately 20 years ago and constructed the Hutch Tower Two improvements in 2014 for approximately \$66.0 million, and including the estimated land value of approximately \$20.9 million based on a condemnation payment received from New York City on an adjacent non-collateral parcel, the sponsor has a cost basis of approximately \$86.8 million.

Hutch Tower Two is 100.0% leased to Montefiore Medical Center ("Montefiore") on a 16-year lease through September 30, 2030, with three, five-year extension options. Montefiore utilizes the property as a medical office building and outpatient surgery center for several practices. Montefiore reportedly invested approximately \$114.6 million into the space, which includes approximately \$54.6 million for build out and an estimated \$60.0 million for furniture, fixtures, and equipment. Hutch Tower Two is connected via a common lobby and shares common parking with 1250 Waters Place, Unit I ("Hutch Tower One"), which is governed by the Declaration of Hutch Towers Condominium by-laws. Hutch Tower One features nine floors of office space over four levels of covered parking and is 100.0% occupied by multiple tenants and Hutch Tower One is not collateral for the Hutch Tower Two loan.

Montefiore is a New York State Not-for-Profit Corporation which provides health care and related services, primarily to residents of the Metropolitan New York area. Montefiore has approximately 50 primary care locations throughout the New York metropolitan area, and is the largest health system in their primary service area with approximately 54% to 71% market share. Montefiore Medical Center is ranked among the top hospitals nationally in Cardiology and Heart Surgery, Diabetes and Endocrinology, and Neurology and Neurosurgery by *U.S. News & World Report*. Founded in 1884, Montefiore has focused on innovating new treatments, new procedures and new approaches to patient care. Montefiore is the academic medical center and University Hospital for Albert Einstein College of Medicine ("Einstein"). Montefiore's partnership with Einstein is the second largest medical residency program in the country, with 1,251 residents and fellows across 89 programs. Operating revenue and net income have seen annual increases for the past three years. As of December 31, 2013, Montefiore reported approximately \$3.2 billion in assets, a net worth of \$895.9 million, \$3.3 billion in revenue and net income of \$181.8 million.

Montefiore will commence paying rent October 1, 2015 in the amount of \$32.80 per square foot modified gross after thirteen months of rent abatement, totaling approximately \$8.9 million (\$32.00 per square foot), for which approximately \$8.2 million was reserved at origination. The lease has annual base rent increases of \$0.80 per square foot each year through lease year four and annual base rent increases of \$0.96 per square foot thereafter through lease year 16.

Hutch Tower Two is located approximately two miles south of Co-Op City and less than one mile from some of the region's top medical hospitals, including Jack D. Weiler Hospital of the Albert Einstein College of Medicine, Montefiore Medical Center, Jacobi Medical Center, and Calvary Hospital. The property is located on Marconi Street, with a bus stop in front of the building served by MTA bus service and seven additional bus lines within blocks. The Metro-North Railroad has plans to build a Morris Park Station in 2018, which will provide direct access to Penn Station in Manhattan and Connecticut. Hutchinson River Parkway, directly east of the property, provides easy access to the Hutchinson Metro Center and is accessed via major arterials including I-95, Bronx and Pelham Parkway, Bruckner Expressway, and the Cross Bronx Expressway. In addition, subway service to New York City is located nearby and JFK and LaGuardia airports are less than 30 minutes away. According to the appraisal, the 2013 population within a three- and five-mile radius contains approximately 662,516 and 1,624,628 people, respectively.

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According to the appraisal, the Bronx office market has seen only 395,721 square feet of newly constructed office space in 2012 and 2013 (not including Hutch Tower Two) for a current supply of approximately 9.6 million square feet and a 13.3% vacancy rate as of the second quarter of 2014. The appraisal noted the immediate Class A office market consists of two buildings, totaling approximately 744,000 square feet, one of which is Hutch Tower One. The immediate Class A office market has an overall occupancy rate of 98.8% and average rents of \$32.26 per square foot as of the second quarter of 2014. The appraisal identified four comparable leases with asking rents from \$32.00 to \$35.00 per square foot. The comparable properties reported occupancies ranging from 84.0% to 100.0% with an average of 95.8%.

Historical and Current Occupancy ⁽¹⁾			
2011	2012	2013	Current ⁽²⁾
N/A	N/A	N/A	100.0%

(1) The property was constructed in 2014, and as such, historical occupancy is not available.

(2) Current occupancy as of August 27, 2014.

Tenant Summary ⁽¹⁾					
Tenant	Ratings Moody's/S&P/Fitch	Net Rentable Area (SF)	% of Total NRA	Base Rent PSF ⁽²⁾	Lease Expiration Date
Montefiore Medical Center	NA / NA / NA	278,133	100.0%	\$36.01	9/30/2030

(1) Based on the underwritten rent roll.

(2) Base Rent PSF is based on the straight-line contractual rent due during the loan term under the Montefiore Medical Center lease. Abated rent during lease year one is \$32.00 per square foot, and Montefiore Medical Center commences rent in the amount of \$32.80 per square foot October 1, 2015.

Lease Rollover Schedule ⁽¹⁾									
Year	Number of Leases Expiring	Net Rentable Area Expiring	% of NRA Expiring	Base Rent Expiring	% of Base Rent Expiring	Cumulative Net Rentable Area Expiring	Cumulative % of NRA Expiring	Cumulative Base Rent Expiring	Cumulative % of Base Rent Expiring
Vacant	NAP	0	0.0%	NAP	NAP	0	0.0%	NAP	NAP
2014 & MTM	0	0	0.0	\$0	0.0%	0	0.0%	\$0	0.0%
2015	0	0	0.0	0	0.0	0	0.0%	\$0	0.0%
2016	0	0	0.0	0	0.0	0	0.0%	\$0	0.0%
2017	0	0	0.0	0	0.0	0	0.0%	\$0	0.0%
2018	0	0	0.0	0	0.0	0	0.0%	\$0	0.0%
2019	0	0	0.0	0	0.0	0	0.0%	\$0	0.0%
2020	0	0	0.0	0	0.0	0	0.0%	\$0	0.0%
2021	0	0	0.0	0	0.0	0	0.0%	\$0	0.0%
2022	0	0	0.0	0	0.0	0	0.0%	\$0	0.0%
2023	0	0	0.0	0	0.0	0	0.0%	\$0	0.0%
2024	0	0	0.0	0	0.0	0	0.0%	\$0	0.0%
2025 & Beyond	1	278,133	100.0	10,016,126	100.0	278,133	100.0%	\$10,016,126	100.0%
Total	1	278,133	100.0%	\$10,016,126	100.0%				

(1) Based on the underwritten rent roll.

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Underwritten Net Cash Flow ⁽¹⁾			
	Underwritten	Per Square Foot	% ⁽²⁾
Rents in Place ⁽³⁾	\$10,016,126	\$36.01	100.0%
Vacant Income	0	0.00	0.0
Gross Potential Rent	\$10,016,126	\$36.01	100.0%
Total Reimbursements	0	0.00	0.0
Net Rental Income	\$10,016,126	\$36.01	100.0%
(Vacancy/Credit Loss) ⁽⁴⁾	(300,484)	(1.08)	(3.0)
Other Income	0	0.00	0.0
Effective Gross Income	\$9,715,642	\$34.93	97.0%
Total Expenses⁽⁵⁾	\$2,113,687	\$7.60	21.8%
Net Operating Income	\$7,601,955	\$27.33	78.2%
Total TI/LC, Capex/RR ⁽⁴⁾	69,533	0.25	0.7
Net Cash Flow	\$7,532,421	\$27.08	77.5%

(1) The property was constructed in 2014, and as such, historical financials are not available.

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

(3) Underwritten Rents in Place is based on the straight-line average contractual rent due during the loan term under the Montefiore lease. Abated rent during lease year one is \$32.00 per square foot and Montefiore Medical Center commences rent in the amount of \$32.80 per square foot October 1, 2015.

(4) A 3.0% economic vacancy and no TI/LC costs were underwritten due to Montefiore Medical Center's long term lease maturing September 2030 (six years beyond the Hutch Tower Two loan maturity date) and substantial investment by Montefiore Medical Center in the Hutch Tower Two property.

(5) Hutch Tower Two benefits from Industrial and Commercial Incentive Program ("ICIP"), which results in a reduced property tax expense. For a full description, please see "Industrial and Commercial Incentive Program" below.

Industrial and Commercial Incentive Program. Hutch Tower Two benefits from a 25-year Industrial and Commercial Incentive Program ("ICIP") from the City of New York with a benefit start date of July 1, 2009. The ICIP provides that the building portion of the property's assessed value is 100% exempt for the first 16 years, with such benefit reducing annually by 10% through year 26, when the building is fully taxable. The property's 2014-2015 assessed value results in real estate taxes of \$2,294,292, and after deducting the ICIP tax benefit of \$2,193,208, produces a property tax expense of \$101,084, which is underwritten.

Property Management. The property is managed by Hutch Management LLC, an affiliate of the borrower.

Escrows and Reserves. At origination, the borrower deposited into escrow approximately \$8,158,568 for outstanding rent abatements associated with Montefiore and \$35,379 for real estate taxes. Lender will disburse on a monthly basis \$741,688 from the rent abatement reserve fund to pay the monthly debt service payment with the excess to be released to the borrower as long as: (a) no event of default exists, (b) Montefiore Medical Center is in full occupancy and open for business to the public, (c) borrower has delivered evidence that all tenant improvements required to be completed by borrower have been completed in a lien free and workmanlike manner and/or owed tenant improvements and leasing commissions have been paid and (d) upon expiration of the free rent period on September 30, 2015, receipt of an estoppel from Montefiore Medical Center, confirming that full unabated rent has commenced.

Tax Escrows - On a monthly basis, the borrower is required to escrow 1/12 of the annual estimated tax payments, which currently equates to \$8,845.

Insurance Escrows - Except for flood insurance, the requirement for the borrower to make monthly deposits into the insurance escrow is waived so long as, among other things, no event of default exists and the borrower provides satisfactory evidence the property is insured as part of a blanket policy in accordance with the loan documents. For flood insurance, the borrower paid approximately \$2,054 at loan closing and is required to deposit approximately \$171 monthly in the flood insurance reserve.

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Lockbox / Cash Management. The loan is structured with a CMA lockbox. The borrower was required to send a tenant direction letter to the tenant instructing them to deposit all rents and payments into the lockbox account controlled by the lender. The funds will be disbursed to an account designated by the borrower until the occurrence of a Cash Sweep Event. Upon the occurrence, and during the continuance of a Cash Sweep Event, all sums on deposit in the lockbox account will be deposited into a cash management account. The lender will have a first priority security interest in the cash management account and such account will be under the lender's sole control.

A "Cash Sweep Event" means: (i) the occurrence of an event of default, (ii) the borrower or property manager becomes the subject of a bankruptcy, insolvency or similar action, (iii) the DSCR of the mortgage loan as calculated in the loan agreement based on the trailing three-month period immediately preceding the date of such determination falls below 1.20x, or (iv) the occurrence of an event of default by Montefiore under the lease, Montefiore has gone dark or vacated its space at the property, a bankruptcy or similar action by Montefiore, Montefiore reduces occupancy to less than 75% of the gross floor area, including subleases, or Montefiore is subject to a foreclosure action or deed in lieu under any lease approved mortgage secured by Montefiore's rights under the lease including any appurtenances and fixtures.