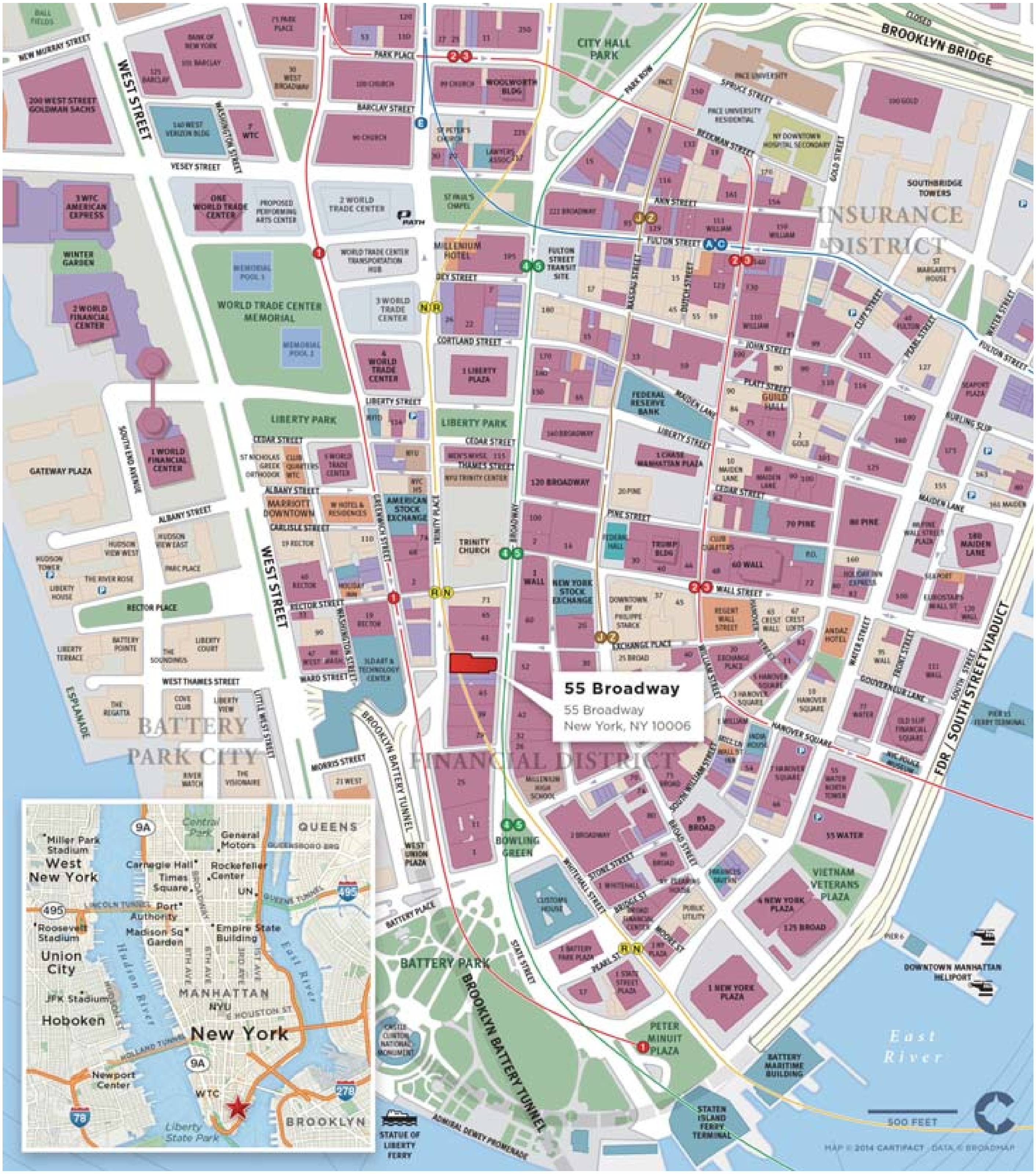
## 55 Broadway







# 55 Broadway






J.P.Morgan

# 55 Broadway

## Mortgage Loan Information

| | |
|---|---|
| **Mortgage Loan Seller:** | JPMCB |
| **Original Principal Balance[(1)]:** | $35,000,000 |
| **Cut-off Date Principal Balance[(1)]:** | $35,000,000 |
| **% of Pool by IPB:** | 4.0% |
| **Loan Purpose:** | Acquisition |
| **Borrowers:** | 55 Broadway Associates, LLC and EAR 55 Broadway, LLC |
| **Sponsors[(3)]:** | Various |
| **Interest Rate:** | 4.78650% |
| **Note Date:** | 4/1/2014 |
| **Maturity Date:** | 4/1/2021 |
| **Interest-only Period:** | 84 months |
| **Original Term:** | 84 months |
| **Original Amortization:** | None |
| **Amortization Type:** | Interest Only |
| **Call Protection:** | L(26),Def(55),O(3) |
| **Lockbox:** | Hard |
| **Additional Debt:** | Yes |
| **Additional Debt Balance:** | $70,000,000 |
| **Additional Debt Type:** | Pari Passu |

## Property Information

| | |
|---|---|
| **Single Asset / Portfolio:** | Single Asset |
| **Title:** | Fee |
| **Property Type - Subtype:** | Office - CBD |
| **Net Rentable Area (SF):** | 347,023 |
| **Location:** | New York, NY |
| **Year Built / Renovated:** | 1981 / 1987 |
| **Occupancy[(2)]:** | 89.1% |
| **Occupancy Date:** | 4/1/2014 |
| **Number of Tenants:** | 43 |
| **2011 NOI:** | $8,671,396 |
| **2012 NOI:** | $8,560,405 |
| **2013 NOI[(4)]:** | $6,783,835 |
| **UW Economic Occupancy:** | 88.9% |
| **UW Revenues:** | $15,630,793 |
| **UW Expenses:** | $7,582,421 |
| **UW NOI[(4)]:** | $8,048,372 |
| **UW NCF:** | $7,285,447 |
| **Appraised Value / Per SF:** | $157,000,000 / $452 |
| **Appraisal Date:** | 4/1/2014 |

## Escrows and Reserves[(5)]

| | Initial | Monthly | Initial Cap |
|---|---|---|---|
| **Taxes:** | $1,077,943 | $215,589 | N/A |
| **Insurance:** | $0 | Springing | N/A |
| **Replacement Reserves:** | $5,784 | $5,784 | N/A |
| **TI/LC:** | $57,837 | $57,837 | $1,388,092 |
| **Other:** | $2,964,242 | $0 | N/A |

## Financial Information[(1)]

| | |
|---|---|
| **Cut-off Date Loan / SF:** | $303 |
| **Maturity Date Loan / SF:** | $303 |
| **Cut-off Date LTV:** | 66.9% |
| **Maturity Date LTV:** | 66.9% |
| **UW NCF DSCR:** | 1.43x |
| **UW NOI Debt Yield:** | 7.7% |

## Sources and Uses

| Sources | Proceeds | % of Total | Uses | Proceeds | % of Total |
|---|---|---|---|---|---|
| Mortgage Loan[(1)] | $105,000,000 | 63.4% | Purchase Price | $157,339,776 | 94.9% |
| Sponsor Equity | 60,726,527 | 36.6 | Closing Costs | 4,280,945 | 2.6 |
| | | | Upfront Reserves | 4,105,806 | 2.5 |
| **Total Sources** | **$165,726,527** | **100.0%** | **Total Uses** | **$165,726,527** | **100.0%** |

(1) 55 Broadway is part of a loan evidenced by two *pari passu* notes with an aggregate principal balance of $105.0 million. The Financial Information presented in the chart above reflects the Cut-off Date balance of the $105.0 million 55 Broadway Whole Loan.
(2) Occupancy includes Knight Capital Group. Of Knight Capital Group's 20,964 square feet, 5,352 square feet is subleased to two tenants and the remaining space is currently dark. Knight Capital Group represents approximately 6.0% of the net rentable area on a lease through October 2015 and continues to remain in compliance with its obligations under the lease. Excluding Knight Capital Group's dark space, the Occupancy is 84.6%.
(3) For a full description of the loan sponsors, please refer to "*The Sponsors*" below.
(4) UW NOI is higher than 2013 NOI primarily due to seven recently executed leases with start dates in 2014, totaling 38,860 square feet which account for approximately $1.5 million of underwritten rent.
(5) For a full description of Escrows and Reserves, please refer to "*Escrows and Reserves*" below.



J.P.Morgan

## 55 Broadway

***The Loan.*** The 55 Broadway loan is secured by a first mortgage lien on a 32-story, 347,023 square foot office building located on the southwest corner of Broadway and Exchange Alley in New York, New York. The loan has an outstanding principal balance of $105.0 million (the "55 Broadway Whole Loan"), which is comprised of two *pari passu* notes, Note A-1 and Note A-2. Note A-1 has an outstanding principal balance as of the Cut-off Date of $35.0 million and is being contributed to the JPMCC 2014-C20 Trust. Note A-2, with an outstanding principal balance as of the Cut-off Date of $70.0 million, was securitized in the JPMBB 2014-C19 Trust. The holder of Note A-1 (the "Controlling Noteholder") will be the Trustee of the JPMCC 2014-C20 Trust. The Trustee (or, prior to the occurrence and continuance of a Control Event, the Directing Certificateholder) will be entitled to exercise all of the rights of the Controlling Noteholder with respect to the 55 Broadway Whole Loan; however, the holder of Note A-2 will be entitled, under certain circumstances, to consult with respect to certain major decisions. The 55 Broadway Whole Loan has a seven-year term and is interest-only for the term of the loan.

***The Borrowers.*** The borrowing entities for the 55 Broadway loan are 55 Broadway Associates, LLC and EAR 55 Broadway, LLC, each a Delaware limited liability company and special purpose entity. The borrowers own the property as tenants-in-common.

***The Sponsors.*** The loan sponsors and nonrecourse carve-out guarantors are HGGP Capital, LLC, HGGP Capital II, LLC, HGGP Capital III, LLC, HGGP Capital IV, LLC, HGGP Capital V, LLC, HGGP Capital VI, LLC, HGGP Capital VII, LLC, HGGP Capital VIII, LLC, and HGGP Capital IX, LLC. The loan sponsors are affiliated with Harbor Group International, LLC ("Harbor Group"), a global real estate investment firm focusing on national and international real estate investment opportunities. Harbor Group currently owns more than 10.5 million square feet of commercial properties and 24,500 apartment units with an estimated value of approximately $3.8 billion. The loan sponsors acquired the property for approximately $157.3 million from affiliates of Broad Street Development and contributed $60.7 million of fresh equity.

***The Property.*** 55 Broadway is a Class A office building located on the southwest corner of Broadway and Exchange Alley in downtown Manhattan. The property was constructed in 1981 and renovated in 1987 and has undergone various renovations between 2007 and 2013. The 32-story property totals 347,023 square feet and consists of primarily office space with a small retail and storage component. 55 Broadway has floor plates ranging from approximately 11,000 square feet to 17,000 square feet, which allows the borrowers to market the property to full-floor boutique users such as technology, advertising and publishing firms, which generally have smaller square footage requirements. According to a third party research firm, there are only 19 Class A office properties in the Downtown market with floor plates less than 20,000 square feet. These properties report a weighted average occupancy of approximately 94.0%.

As of April 1, 2014, the property was 89.1% leased by 43 tenants. The largest tenant at the property, Bank of Communications, leases 6.8% of the net rentable area through December 2019 and has been a tenant at the property since 1994. Bank of Communications was founded in 1908 and is among the largest commercial banks in China. Bank of Communications offers clients commercial banking, securities, trust, financial leasing, fund management, insurance and offshore financial services. The bank has a network of over 2,600 branches covering more than 80 major cities. The bank is currently traded on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange. The second largest tenant, Knight Capital Group, leases 6.0% of the net rentable area through October 2015. In 2013, Knight Capital Group was merged with GETCO Holding Company, LLC ("GETCO") to create KCG Holdings, Inc. The parent company of Knight Capital Group, KCG Holdings, Inc., trades on the NYSE (KCG) and has a current market capitalization of approximately $1.4 billion. KCG Holdings, Inc. is an independent securities firm which provides a range of services designed to address trading needs across asset classes, product types and time zones. Of Knight Capital Group's 20,964 square feet, 5,352 square feet is subleased to two tenants and the remaining space is currently dark. Knight Capital Group continues to remain in compliance with its obligations under the lease. The third largest tenant, Hugh Wood, leases 4.0% of the net rentable area through December 2018. Hugh Wood was founded in 1982 and is a provider of insurance and risk management services.

The property has the potential to add an additional 11,000 square feet of ground floor retail space, a portion of which would have frontage along Broadway. The previous owner obtained approvals from the city to eliminate an exterior pedestrian plaza which will allow the borrowers to enclose the space in order to create new street level retail space. According to the appraisal, the estimated market rent for retail space with frontage along Broadway is $100 per square foot. The borrowers believe the proposed retail space will benefit from the newly emerging Fulton Street retail corridor, which is approximately four blocks north and has recently attracted retailer tenants such as Michael Kors, Hermes, Salvatore Ferragamo, Zara, Gap and Urban Outfitters. The borrowers are currently working to identify the right tenant for the space and do not have a definitive date as to when the retail space will be developed. In the event the borrowers begin construction of the new retail space, they will be required to escrow all expected construction costs. The loan agreement also gives the borrowers the option to convert the entire property to a commercial condominium and to release the retail portion to a third party developer, subject to the conditions described in "*Release of Retail Component*" below.

The property was recently re-measured by the seller based on a 27.0% loss factor, which is consistent with market standards. The re-measured total net rentable area is approximately 358,637 square feet, resulting in an additional 11,699 square feet of rentable area. As leases expire, the new or renewal tenants will be paying rent based on their re-measured area, which is standard in the market. Please note that the underwritten net operating income and net cash flow do not account for the potential future income associated with the re-measured space or the potential retail space.

# 55 Broadway

The property is located on the southwest corner of Broadway and Exchange Alley in the Financial West office submarket of downtown Manhattan. 55 Broadway is approximately one block west of the New York Stock Exchange and four blocks south of the World Trade Center development site and the Fulton Street retail corridor. The property is also within a few blocks of several subway lines including the 1, 2, 3, 4, 5, J and R lines. According to the appraisal, despite the increase in supply coming to the market, downtown Manhattan has benefited from the conversion of office space to residential units. This resulted in an increased residential population, which is, in turn, driving demand for new restaurants, shops and additional retail development. In addition to the residential development, downtown's office space continues to be priced lower than the Midtown market where asking rents are $69.52 per square foot compared to downtown office space of $48.26 per square foot.

According to the appraisal, the Downtown, Class A office market consists of 48 buildings totaling approximately 49.8 million square feet with an overall vacancy rate of 13.8% and average rents of $51.69 as of the fourth quarter of 2013. The Class A, Financial West submarket consists of two properties, one of which is 55 Broadway, and reported a vacancy rate of 10.9% as of the fourth quarter of 2013. The Financial West office market is the smallest submarket in downtown Manhattan and has traditionally been the beneficiary of overflow demand for office space in the Financial East and World Financial districts. The appraisal identified eight directly competitive properties, which were built between 1915 and 2000 and range in size from approximately 91,000 to 1,916,700 square feet. The comparable properties reported occupancies ranging from 45.6% to 100.0% with a weighted average of 86.4%. Asking rents for the comparable properties range from $33.00 to $57.00 per square foot. The appraisal also identified 10 comparable leases within the competitive set with adjusted rental rates ranging from $38.50 to $49.91 with an average of $42.10 per square foot. According to the appraisal, approximately 3.0 million square feet of office space has become available at several buildings in the Brookfield Place complex and the newly completed Four World Trade Center. The majority of the new space coming online has larger floor plates with asking rents of $55 to $70 per square foot and caters to a different tenant profile than 55 Broadway which has smaller floor plates and asking rents in the low $40 per square foot range.

**Historical and Current Occupancy(1)**

| 2009 | 2010 | 2011 | 2012 | 2013 | Current(2)(3) |
|---|---|---|---|---|---|
| 92.3% | 98.6% | 96.4% | 91.7% | 88.0% | 89.1% |

(1) Historical Occupancies are as of December 31 of each respective year.
(2) Current Occupancy is as of April 1, 2014.
(3) Current Occupancy includes Knight Capital Group. Of Knight Capital Group's 20,964 square feet, 5,352 square feet is subleased to two tenants and the remaining space is currently dark. Knight Capital Group represents approximately 6.0% of the net rentable area on a lease through October 2015 and continues to remain in compliance with its obligations under the lease. Excluding Knight Capital Group's dark space, the Occupancy is 84.6%.

**Tenant Summary(1)**

| Tenant | Ratings(2) Moody's/S&P/Fitch | Net Rentable Area (SF) | % of Total NRA | Base Rent PSF | Lease Expiration Date |
|---|---|---|---|---|---|
| Bank of Communications | A3 / A- / A | 23,434 | 6.8% | $62.36 | 12/31/2019 |
| Knight Capital Group(3) | NA / NA / NA | 20,964 | 6.0% | $27.50 | 10/31/2015 |
| Hugh Wood | NA / NA / NA | 13,779 | 4.0% | $54.01 | 12/31/2018 |
| Syscom (USA), Inc | NA / NA / NA | 12,704 | 3.7% | $36.90 | 5/31/2016 |
| ProPublica | NA / NA / NA | 10,790 | 3.1% | $71.05 | 3/31/2015 |
| Fog Creek | NA / NA / NA | 10,790 | 3.1% | $70.00 | 9/30/2018 |
| City of NY DCAS(4) | Aa2 / AA / AA | 10,790 | 3.1% | $60.90 | 10/31/2018 |
| Roosevelt & Cross, inc | NA / NA / NA | 10,591 | 3.1% | $32.15 | 2/28/2020 |
| Bank of Nagara Indonesia | NA / NA / NA | 10,514 | 3.0% | $35.00 | 4/30/2024 |
| Discover Ready | NA / NA / NA | 10,370 | 3.0% | $41.35 | 6/30/2020 |

(1) Based on the underwritten rent roll.
(2) Ratings provided are for the parent company of the entity listed in the "Tenant" field whether or not the parent company guarantees the lease.
(3) Of Knight Capital Group's 20,964 square feet, 5,352 square feet is subleased to two tenants and the remaining space is currently dark. Knight Capital Group represents approximately 6.0% of the net rentable area on a lease through October 2015 and continues to remain in compliance with its obligations under the lease.
(4) The City of NY DCAS has the right to terminate its lease on or after November 10, 2018, with 90 days' notice and payment of a termination fee.

## 55 Broadway

| 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 | 37,979 | 10.9% | NAP | NAP | 37,979 | 10.9% | NAP | NAP |
| 2014 & MTM | 2 | 10,847 | 3.1 | $421,320 | 3.1% | 48,826 | 14.1% | $421,320 | 3.1% |
| 2015 | 6 | 52,030 | 15.0 | 2,134,611 | 15.7 | 100,856 | 29.1% | $2,555,931 | 18.8% |
| 2016 | 4 | 31,395 | 9.0 | 1,200,250 | 8.8 | 132,251 | 38.1% | $3,756,182 | 27.7% |
| 2017 | 2 | 13,776 | 4.0 | 642,660 | 4.7 | 146,027 | 42.1% | $4,398,841 | 32.4% |
| 2018 | 12 | 82,239 | 23.7 | 4,169,915 | 30.7 | 228,266 | 65.8% | $8,568,756 | 63.1% |
| 2019 | 7 | 54,575 | 15.7 | 2,691,720 | 19.8 | 282,841 | 81.5% | $11,260,476 | 83.0% |
| 2020 | 4 | 33,662 | 9.7 | 1,210,746 | 8.9 | 316,503 | 91.2% | $12,471,222 | 91.9% |
| 2021 | 3 | 13,419 | 3.9 | 495,161 | 3.6 | 329,922 | 95.1% | $12,966,383 | 95.5% |
| 2022 | 0 | 0 | 0.0 | 0 | 0.0 | 329,922 | 95.1% | $12,966,383 | 95.5% |
| 2023 | 0 | 0 | 0.0 | 0 | 0.0 | 329,922 | 95.1% | $12,966,383 | 95.5% |
| 2024 | 2 | 15,898 | 4.6 | 604,886 | 4.5 | 345,820 | 99.7% | $13,571,269 | 100.0% |
| 2025 & Beyond | 1 | 1,203 | 0.3 | 0 | 0.0 | 347,023 | 100.0% | $13,571,269 | 100.0% |
| **Total** | **43** | **347,023** | **100.0%** | **$13,571,269** | **100.0%** | | | | |

(1) Based on the underwritten rent roll.

| Operating History and Underwritten Net Cash Flow | | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | Underwritten | Per Square Foot | %[1] |
| Rents in Place[2] | $13,831,891 | $13,817,164 | $12,703,291 | $13,571,269 | $39.11 | 77.2% |
| Vacant Income | 0 | 0 | 0 | 1,686,807 | 4.86 | 9.6 |
| **Gross Potential Rent** | **$13,831,891** | **$13,817,164** | **$12,703,291** | **$15,258,076** | **$43.97** | **86.8%** |
| Total Reimbursements | 1,936,095 | 2,117,251 | 2,094,344 | 2,315,507 | 6.67 | 13.2 |
| **Net Rental Income** | **$15,767,987** | **$15,934,415** | **$14,797,635** | **$17,573,584** | **$50.64** | **100.0%** |
| (Vacancy/Credit Loss) | (147,046) | (203,827) | (313,044) | (1,942,790) | (5.60) | (11.1) |
| Other Income | 0 | 0 | 0 | 0 | 0.00 | 0.0 |
| **Effective Gross Income** | **$15,620,940** | **$15,730,588** | **$14,484,591** | **$15,630,793** | **$45.04** | **88.9%** |
| **Total Expenses** | **$6,949,544** | **$7,170,183** | **$7,700,756** | **$7,582,421** | **$21.85** | **48.5%** |
| **Net Operating Income** | **$8,671,396** | **$8,560,405** | **$6,783,835** | **$8,048,372** | **$23.19** | **51.5%** |
| Total TI/LC, Capex/RR | 0 | 0 | 0 | 762,925 | 2.20 | 4.9 |
| **Net Cash Flow** | **$8,671,396** | **$8,560,405** | **$6,783,835** | **$7,285,447** | **$20.99** | **46.6%** |

(1) Percentage column represents percent of Net Rental Income for all revenue lines and represents percent of Effective Gross Income for the remainder of fields.
(2) Underwritten Rents in Place are higher than 2013 primarily due to seven recently executed leases with start dates in 2014, totaling 38,860 square feet which account for approximately $1.5 million of underwritten rent.

***Property Management.*** The property is managed by Harbor Group Management Co., an affiliate of the borrowers.

***Escrows and Reserves.*** At origination, the borrowers deposited into escrow approximately $1.4 million for elevator modernization, $1.1 million for real estate taxes, $928,367 for outstanding free rent associated with nine tenants, $605,876 for outstanding tenant improvements and leasing commissions associated with two tenants, $57,837 for TI/LC reserves, $12,500 for deferred maintenance and $5,784 for replacement reserves.

*Tax Escrows* - On a monthly basis, the borrowers are required to escrow 1/12 of the annual estimated tax payments, which currently equates to $215,589.

*Insurance Escrows* - The requirement for the borrowers to make monthly deposits to the insurance escrow is waived so long as no event of default has occurred and is continuing, and the borrowers provide satisfactory evidence that the property is insured pursuant to an acceptable blanket insurance policy.

*Replacement Reserves* - On a monthly basis, the borrowers are required to escrow $5,784 (approximately $0.20 per square foot annually) for replacement reserves.

*TI/LC Reserves* - On a monthly basis, the borrowers are required to deposit $57,837 (approximately $2.00 per square foot annually) into the TI/LC escrow. The reserve is subject to a cap of approximately $1.4 million (approximately $4.00 per square foot).

## 55 Broadway

***Lockbox / Cash Management.*** The loan is structured with a hard lockbox and in-place cash management. The borrowers are required to send tenant direction letters to all tenants instructing them to deposit all rents payable into the lockbox account controlled by the lender. All funds in the lockbox account are swept weekly to a cash management account under the control of the lender and disbursed during each interest period of the loan term in accordance with the loan documents. To the extent (i) the DSCR as calculated in the loan documents based on the immediately preceding trailing three-month period falls below 1.05x, (ii) there is an event of default under the loan documents or (iii) the borrowers or the property manager becomes the subject of a bankruptcy, insolvency or similar action, then all excess cash flow after payments of debt service, operating expenses and required reserves is required to be deposited into the cash management account and will be held as additional collateral for the loan.

***Release of Retail Component.*** In the event that the borrowers develop the retail space and consummate a condominium conversion as contemplated by the loan documents, the borrowers may release the individual retail units from the collateral for the loan after the expiration of the lockout period provided that, among other conditions (i) no event of default exists; (ii) the borrowers pay the related release price, which will be determined by the lender during the conversion process in accordance with the loan documents and based upon an updated appraisal, together with the yield maintenance premium if applicable and (iii) the DSCR as calculated in the loan documents for the remaining property after giving effect to such release is equal to or greater than the greater of (a) 1.10x and (b) the DSCR as calculated in the loan documents of all of the property (including the unit being released) as of the date immediately prior to the date of the release or the date that borrowers provided notice to lender of the proposed release.