

1600 Bear Creek Lane
Petoskey, MI 49770

Collateral Asset Summary – Loan No. 13

Bear Creek Apartments

Cut-off Date Balance: \$24,375,000
Cut-off Date LTV: 71.3%
U/W NCF DSCR: 1.26x
U/W NOI Debt Yield: 8.5%

Mortgage Loan Information

Loan Seller: CREFI
Loan Purpose: Acquisition
Sponsors: Derron M. Sanders; The Derron M. Sanders Trust of January 5, 2001
Borrower: SG Bear Creek Meadows, LLC
Original Balance: \$24,375,000
Cut-off Date Balance: \$24,375,000
% by Initial UPB: 3.4%
Interest Rate: 5.18000%
Payment Date: 6th of each month
First Payment Date: August 6, 2018
Maturity Date: July 6, 2028
Amortization: Interest Only for first 60 months; 360 months thereafter
Additional Debt: None
Call Protection: L(25), D(92), O(3)
Lockbox / Cash Management⁽¹⁾: Springing Hard / Springing

Reserves

	Initial	Monthly
Taxes:	\$93,169	\$15,528
Insurance:	\$10,114	\$5,057
Replacement⁽²⁾:	\$0	\$5,000
Designated Replacement Reserve⁽³⁾:	\$660,400	\$0

Financial Information

Cut-off Date Balance / Units:	\$101,563
Balloon Balance / Units:	\$93,937
Cut-off Date LTV⁽⁴⁾:	71.3%
Balloon LTV⁽⁴⁾:	65.9%
Underwritten NOI DSCR⁽⁵⁾:	1.30x
Underwritten NCF DSCR⁽⁵⁾:	1.26x
Underwritten NOI Debt Yield:	8.5%
Underwritten NCF Debt Yield:	8.3%

Property Information

Single Asset / Portfolio: Single Asset
Property Type: Garden Multifamily
Collateral: Fee Simple
Location: Petoskey, MI
Year Built / Renovated: 2005 / 2018
Total Units: 240
Property Management: Sanders Management Group, Ltd.
Underwritten NOI⁽⁶⁾: \$2,081,236
Underwritten NCF: \$2,021,236
Appraised Value⁽⁴⁾: \$34,200,000
Appraisal Date⁽⁴⁾: June 1, 2019

Historical NOI

Most Recent NOI⁽⁶⁾:	\$2,202,860 (T-12 May 31, 2018)
2017 NOI:	\$2,166,708 (December 31, 2017)
2016 NOI:	\$1,970,209 (December 31, 2016)
2015 NOI:	\$1,835,099 (December 31, 2015)

Historical Occupancy

Most Recent Occupancy:	97.9% (June 14, 2018)
2017 Occupancy:	97.5% (December 31, 2017)
2016 Occupancy:	99.2% (December 31, 2016)
2015 Occupancy:	100.0% (December 31, 2015)

- (1) In place cash management will be triggered upon the occurrence of (i) an event of default or (ii) the debt service coverage ratio being less than 1.15x.
- (2) The Replacement Reserve account is subject to a cap of \$180,000.
- (3) On the origination date of the mortgage loan, the borrower deposited \$660,400 into a Designated Replacement Reserve account for planned capital expenditures at the mortgaged property.
- (4) The Cut-off Date LTV and Balloon LTV are calculated using the "As Stabilized" value of \$34,200,000 as of June 1, 2019. The "As Stabilized" value assumes that the mortgaged property is able to achieve higher rents on the 50 units being renovated as part of the planned capital expenditures associated with the Designated Replacement Reserve. The renovation for the 50 units consists of new kitchen cabinets and countertops, bathroom vanities, flooring and appliances. The planned capital expenditures will also be used for exterior maintenance and improvement of the outdoor space at the property. The "As-is" value as of June 1, 2018 is \$32,460,000. Calculated using the "As-is" value, the Cut-off Date LTV and Balloon LTV are 75.1% and 69.5%, respectively.
- (5) DSCR is calculated based on the Bear Creek Apartments loan's amortizing debt service payments. Based on the initial interest only payments, the Underwritten NOI DSCR and Underwritten NCF DSCR are equal to 1.63x and 1.58x, respectively.
- (6) The decrease from Most Recent NOI to Underwritten NOI is primarily attributable to underwriting a 3.0% management fee, increased payroll & benefits expense and increased real estate taxes which were underwritten to \$200,000 based on the appraisal, which assumes a 10% increase in the assessed value.

TRANSACTION HIGHLIGHTS

- **Property.** The Bear Creek Apartments property is a 240-unit garden-style Class A multifamily community located in Petoskey, Michigan. The property was built in 2005 and is currently undergoing renovations that are expected to be completed by June 1, 2019. On the origination date of the mortgage loan, \$660,400 was reserved for the planned capital expenditures, which include in-unit renovations, exterior maintenance, and expansion and renovation of outdoor amenities such as the clubhouse, swimming pool and social areas. The Bear Creek Apartments property offers a unit-mix of 28 one-bedroom, one-bathroom units (750-870 sq. ft.), 164 two-bedroom, two-bathroom units (1,000-1,100 sq. ft.) and 48 three-bedroom, two-bathroom units (1,150-1,250 sq. ft.) with an average unit size of 1,052 sq. ft. Features and amenities at the Bear Creek Apartments property include an in-unit washer and dryer, individual terraces, a community clubhouse, a social area with WiFi, a fitness center and tanning facilities. The Bear Creek Apartments property also offers a total of 635 parking spaces which consists of 515 open spaces and 120 carports. Since January 2015, the Bear Creek Apartments property has had an average physical occupancy of 98.5%.
- **Market.** The Bear Creek Apartments property is located in Petoskey, Michigan, within Emmet County. Petoskey is located in the northwest portion of Michigan approximately 55.0 miles north of Traverse City. According to the appraisal, the estimated 2018 median household income in Emmet County is \$55,376 which is in-line with the estimated median household income for Michigan of \$55,464. According to the appraisal, top employers in Emmet County consist of McLaren Northern Michigan Hospital, Moeller Aerospace Technology, Bay Harbor Co. Inc., Home Depot USA Inc. and Walmart Store Inc. Primary access to the Bear Creek Apartments property is provided by US Highway 131 which connects Mackinaw City to the northeast to Traverse City to the southwest. US Highway 131 runs near the shoreline of Lake Michigan and provides access to several communities including Petoskey. Downtown Petoskey contains a historic shopping district that includes a variety of restaurants, bars, coffee shops, art galleries, retailers, offices and parks. According to the appraisal, the Bear Creek Apartments property is located in the Northern Michigan multifamily market, which had a year-end 2017 vacancy rate of 2.8% and a five-year average vacancy rate of 4.4%. According to the appraisal, the average market asking rent per unit is \$1,031 compared to the in-place underwritten rent per unit at the Bear Creek Apartments property of \$994.
- **Borrower Sponsors.** The borrower sponsors for the Bear Creek Apartments loan are Derron M. Sanders and The Derron M. Sanders Trust of January 5, 2001. Derron M. Sanders is a managing partner of SG Companies, a private real estate company specializing in the repositioning of multifamily assets. SG Companies currently owns and manages approximately 1,600 multifamily units throughout southeastern Michigan.