

Mortgage Loan No. 11 — Campus Hill Apartments

Mortgage Loan Information

Mortgage Loan Seller:	Natixis
Original Principal Balance:	\$19,454,000
Cut-off Date Principal Balance:	\$19,454,000
% of Pool by IPB:	2.9%
Loan Purpose:	Acquisition
Borrowers:	Lehigh 1 LLC; Lehigh 2 LLC
Sponsor:	Winnie Chan
Interest Rate:	5.3310%
Note Date:	6/1/2018
Maturity Date:	6/5/2023
Interest-only Period:	24 months
Original Term:	60 months
Original Amortization:	360 months
Amortization Type:	IO-Balloon
Call Protection:	L(26), Def(31), O(3)
Lockbox:	Springing
Additional Debt⁽¹⁾:	Yes
Additional Debt Balance⁽¹⁾:	N/A
Additional Debt Type:	N/A
Additional Future Debt Permitted:	No

Property Information

Single Asset / Portfolio⁽²⁾:	Portfolio of 73 Properties
Title:	Fee
Property Type - Subtype:	Multifamily - Student Housing
Net Rentable Area (Beds):	383
Location:	Bethlehem, PA
Year Built / Renovated:	1890-1987 / NAP
Occupancy⁽³⁾:	98.4%
Occupancy Date:	5/7/2018
Number of Tenants:	N/A
2015 NOI:	\$1,900,923
2016 NOI:	\$2,064,162
2017 NOI:	\$2,156,613
TTM NOI⁽⁴⁾:	\$2,189,817
UW Economic Occupancy:	95.0%
UW Revenues:	\$3,543,194
UW Expenses:	\$1,382,804
UW NOI:	\$2,160,390
UW NCF:	\$2,083,407
Appraised Value / Per Bed:	\$31,700,000 / \$82,768
Appraisal Date:	3/1/2018

Escrows and Reserves

	Initial	Monthly	Initial Cap
Taxes:	\$131,691	\$18,716	N/A
Insurance:	\$11,464	\$11,464	N/A
Replacement Reserves:	\$0	\$6,415	N/A
Engineering Reserve:	\$219,091	\$0	N/A
Condominium Fee:	\$0	\$3,300	N/A

Financial Information

Cut-off Date Loan / Bed:	\$50,794
Maturity Date Loan / Bed:	\$48,679
Cut-off Date LTV:	61.4%
Maturity Date LTV:	58.8%
UW NOI DSCR:	1.66x
UW NCF DSCR:	1.60x
UW NOI Debt Yield:	11.1%
UW NCF Debt Yield:	10.7%

Sources and Uses

Sources	Proceeds	% of Total
Mortgage Loan:	\$19,454,000	61.5%
Equity:	12,153,333	38.5
Total Sources:	\$31,607,333	100.0%

Uses	Proceeds	% of Total
Purchase Price:	\$30,831,000	97.5%
Closing Costs:	414,086	1.3
Total Reserves:	362,247	1.1
Total Uses:	\$31,607,333	100.0%

- (1) There is a \$10,033,835 subordinate unsecured loan that has a 10-year initial term, bears interest at a rate of 12.0% per annum and can be extended up to five years.
- (2) The collateral consists of 73 properties that include 71 student-housing properties, one commercial unit (currently rented to a restaurant operator), and one vacant land parcel. The properties are all located in close proximity to Lehigh University and operate as one single property known as Campus Hill Apartments.
- (3) Excludes the commercial unit and vacant land.
- (4) Represents the trailing twelve month period ending April 30, 2018.

Mortgage Loan No. 11 — Campus Hill Apartments

The Loan. The Campus Hill Apartments loan is a \$19.5 million first mortgage loan secured by the fee interest in a 383-bed student housing property located in Bethlehem, Pennsylvania. The loan has a 5-year term with an initial 2-year interest only period and then will amortize on a 30-year schedule.

The Borrowers. Lehigh 1 LLC and Lehigh 2 LLC are newly formed single purpose Delaware limited liability companies structured to be bankruptcy remote.

The Sponsor. The loan's sponsor is Winnie Chan of Beacon Asset Development Limited. There is no nonrecourse carve-out guarantor for the loan. Founded by Winnie Chan, Beacon Assets Development Limited is a private real estate investment firm based in Hong Kong, investing in real estate in developed markets around the world on behalf of Winnie Chan's family as well as third party capital.

The Property. The collateral is a 383-bed student housing asset located in Bethlehem, Pennsylvania near Lehigh University. The asset consists of 73 properties located within walking distance of the Lehigh University campus on approximately 3.9 acres, in aggregate. The 73 properties include 71 student-housing properties, one commercial unit, which is currently rented to a restaurant operator, and one vacant land parcel. Campus Hill Apartments, includes a mix of both multifamily apartment style and row-home/townhouse style properties. All properties, comprising 107 units are unique in terms of architecture and design but are all homogenously branded and operated as a single property, known as Campus Hill Apartments. Over the next three years the sponsor plans to invest approximately \$1.3 million into a voluntary capital improvement plan focusing on unit enhancement, air conditioning, and building improvements.

The 71 student housing properties are comprised of 383 beds with units ranging from one to five bedrooms each. The portfolio is currently 98.4% occupied and, according to the borrower as of May 2018, the portfolio has leased approximately 74.5% of the beds for the 2018/2019 school year and 43.5% of the beds for the 2019/2020 school year.

The properties are all located across the street from the Lehigh University campus. Lehigh University is a private university in Bethlehem, PA founded in 1865 with a current undergraduate enrollment of 5,080 students and 2,165 graduate students. The university offers more than 600 international learning opportunities and internships, more than 150 clubs and organizations and over 25 Division I varsity sports. Lehigh's campus spans 2,358 acres, making it one of the largest private campuses in the country. The student-faculty ratio at Lehigh University is 9:1, and the school has 50.4% of its classes with fewer than 20 students. The average freshman retention rate, an indicator of student satisfaction, is 95%.

The properties are managed by Campus Apartments Management, LLC ("Campus Apartments"). Founded in 1958 and headquartered in Philadelphia, PA, Campus Apartments is one of the nation's largest providers of on-and off-campus student housing. Campus Apartments currently has over \$1.5 billion of assets under management including over 20,000 beds across 18 states and over 50 colleges and University.

Multifamily Unit Mix⁽¹⁾

Unit Type	No. of Beds	% of Total	Occupied Beds	Occupancy	Average Size (SF) Per Bed	Average Monthly Rental Rate	Average Monthly Rental Rate PSF	Monthly Market Rental Rate Per Bed ⁽²⁾	Monthly Market Rental Rate PSF ⁽²⁾
One Bed	7	1.8%	7	100.0%	700	\$734	\$1.05	\$705	\$1.01
Two Beds	56	14.6	56	100.0%	225	\$609	\$2.71	\$575	\$2.56
Three Beds	30	7.8	30	100.0%	167	\$643	\$3.85	\$620	\$3.71
Four Beds	80	20.9	76	95.0%	100	\$675	\$6.75	\$650	\$6.50
Five Beds	210	54.8	208	99.0%	77	\$728	\$9.51	\$620	\$8.10
Total/Wtd. Avg:.	383	100.0%	377	98.4%	137	\$678	\$4.93	\$634	\$4.61

(1) Based on the underwritten rent roll dated May 7, 2018.

(2) Source: Appraisal.

Mortgage Loan No. 11 — Campus Hill Apartments

The Market. The property is located in the Allentown-Bethlehem-Easton market. As of the first quarter of 2018, a third party research indicated that the Allentown market reported an average vacancy of 2.8%. The property is located in the southern portion of the city of Bethlehem known as South Side, and is considered a college town with industrial underpinnings characterized by the Lehigh University campus and the former Bethlehem Steel plant infrastructure along the Lehigh River. The market is anchored, both economically and demographically, by Lehigh University whose undergraduate enrollment growth initiatives are positive indicators for the area as a whole.

According to a third party research report, the 2017 population within a one-quarter, one-half- and one-mile radius of the Campus Hill Apartments were 3,860 and 3,989, 7,430 and 7,680, and 18,203 and 18,937, for Lehigh 1, LLC and Lehigh 2, LLC, respectively. The median household income within a one-quarter, one-half- and one-mile radius of the Campus Hill Apartments were \$31,211 and \$30,804, \$28,285 and \$28,118, and \$32,845 and \$33,057, for Lehigh 1, LLC and Lehigh 2, LLC, respectively.

The appraisal identified five sale transactions with comparable rental properties, ranging from 116 beds to 696 beds that were constructed between 1971 and 2013. The transactions dates ranged from December 2013 to November 2016. The competitive set reported NOI per bed ranging from \$3,783 to \$5,163. The properties in the appraisal's competitive set are shown below.

Competitive Set Summary⁽¹⁾

Property	Year Built	No. of Beds	Avg. Beds per Unit	Avg. Sale price Per Bed	Occupancy	Distance from Property
Campus Hill Apartments	Various	383	3.58	\$80,499	98.4%⁽²⁾	N/A
Nittany Crossing	1996	684	3.35	\$63,611	100.0%	176.0 miles
Lions Crossing	1995	696	3.41	\$56,121	100.0%	176.0 miles
The View	2013	584	2.70	\$74,914	100.0%	176.0 miles
Bloomsburg University Student Housing	2011 ⁽³⁾	394	2.68	\$60,406	100.0%	96.3 miles
Temple University Student Housing	2008	116	3.31	\$60,246	100.0%	58.9 miles
Total/Wtd. Avg.:		2,857	3.17			

(1) Source: Appraisal.

(2) Based on rent roll dated May 7, 2018. Excludes the commercial unit and vacant land.

(3) Built in 1971 and renovated in 2011.

Historical and Current Occupancy⁽¹⁾

2015 ⁽²⁾	2016	2017	Current ⁽³⁾
N/A	98.8%	98.8%	98.4%

(1) Source: Historical occupancy is provided by the sponsor. Occupancies are as of December 31 of each respective year. Excludes the commercial unit and vacant land.

(2) The previous owner purchased the Campus Hill Apartments in 2015.

(3) Based on underwritten rent roll dated May 7, 2018.

Mortgage Loan No. 11 — Campus Hill Apartments

Operating History and Underwritten Net Cash Flow

	2015	2016	2017	TTM ⁽¹⁾	Underwritten ⁽²⁾	Per Bed ⁽³⁾	% ⁽⁴⁾
Rents in Place	\$2,672,659	\$2,740,569	\$2,945,861	\$3,026,124	\$2,998,587	\$7,829	94.1%
Vacant Income	0	0	0	0	186,484	\$487	5.9%
Gross Potential Rent	\$2,672,659	\$2,740,569	\$2,945,861	\$3,026,124	\$3,185,071	\$8,316	100.0%
Total Reimbursements	0	0	0	0	0	\$0	0.0%
Net Rental Income	\$2,672,659	\$2,740,569	\$2,945,861	\$3,026,124	\$3,185,071	\$8,316	100.0%
(Vacancy/Collection Loss)	0	0	0	0	(186,484)	(\$487)	(5.9%)
Other Income	430,750	606,254	481,860	450,569	544,607	\$1,422	17.1%
Effective Gross Income	\$3,103,409	\$3,346,823	\$3,427,721	\$3,476,693	\$3,543,194	\$9,251	100.0%
Total Expenses	\$1,202,487	\$1,282,861	\$1,271,108	\$1,286,877	\$1,382,804	\$3,610	39.0%
Net Operating Income	\$1,900,923	\$2,064,162	\$2,156,613	\$2,189,817	\$2,160,390	\$5,641	61.0%
Total TI/LC, Capex/RR	0	0	0	0	76,983	\$201	2.2%
Net Cash Flow	\$1,900,923	\$2,064,162	\$2,156,613	\$2,189,817	\$2,083,407	\$5,440	58.8%

(1) Represents the trailing twelve month period ending April 30, 2018.

(2) Underwritten Rents in Place represent 2018-2019 rents for pre-leased units and 2017-2018 current rents for units not pre-leased.

(3) Per Bed values are based on 383 beds.

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