

4041 Harney Street
San Diego, CA 92110

Collateral Asset Summary – Loan No. 12

Best Western Plus Hacienda Hotel Old Town

Cut-off Date Balance: \$31,500,000
Cut-off Date LTV: 54.2%
U/W NCF DSCR: 1.92x
U/W NOI Debt Yield: 11.1%

Mortgage Loan Information

Loan Seller:	LCM
Loan Purpose:	Refinance
Borrower Sponsor:	William H. McWethy, Jr.
Borrower:	Harney Hospitality, L.P.
Original Balance:	\$31,500,000
Cut-off Date Balance:	\$31,500,000
% by Initial UPB:	3.1%
Interest Rate:	5.1000%
Payment Date:	6 th of each month
First Payment Date:	May 6, 2018
Maturity Date:	April 6, 2028
Amortization:	Interest Only
Additional Debt:	None
Call Protection:	L(25), D(91), O(4)
Lockbox / Cash Management⁽¹⁾:	Hard / Springing

Reserves

	Initial	Monthly
Taxes:	\$0	\$16,500
Insurance:	\$78,000	\$6,500
Ground Rent⁽²⁾:	\$3,174	\$3,174
FF&E:	\$0	1/12 th of 4% of gross annual operating income

Financial Information

Cut-off Date Balance / Room:	\$157,500
Balloon Balance / Room:	\$157,500
Cut-off Date LTV:	54.2%
Balloon LTV:	54.2%
Underwritten NOI DSCR:	2.15x
Underwritten NCF DSCR:	1.92x
Underwritten NOI Debt Yield:	11.1%
Underwritten NCF Debt Yield:	9.9%

Property Information

Single Asset / Portfolio:	Single Asset
Property Type:	Full Service Hospitality
Collateral⁽²⁾:	Fee Simple/Leasehold
Location:	San Diego, CA
Year Built / Renovated:	1988 / 1997
Total Rooms:	200
Property Management:	Pacific Hospitality Group, Inc.
Underwritten NOI:	\$3,499,120
Underwritten NCF:	\$3,132,077
Appraised Value:	\$58,100,000
Appraisal Date:	September 13, 2017

Historical NOI

Most Recent NOI:	\$3,744,300 (December 31, 2017)
2016 NOI:	\$4,089,985 (December 31, 2016)
2015 NOI:	\$4,164,670 (December 31, 2015)
2014 NOI:	\$3,387,292 (December 31, 2014)

Historical Occupancy / ADR / RevPAR

Most Recent Occupancy:	83.7% / \$134.98 / \$113.02 (December 31, 2017)
2016 Occupancy:	82.3% / \$139.92 / \$115.11 (December 31, 2016)
2015 Occupancy:	82.3% / \$135.60 / \$111.57 (December 31, 2015)
2014 Occupancy:	81.6% / \$128.00 / \$104.47 (December 31, 2014)

- (1) A cash management period will be triggered (i) upon an event of default, (ii) if the debt yield falls below 8.0% until such time that the debt yield is at least 8.0% for two consecutive quarters, (iii) upon the death or incapacity of the borrower sponsor, (iv) upon a monetary or material non-monetary default under the franchise agreement, (v) upon the expiration or early termination of the franchise agreement or (vi) upon a monetary or material non-monetary default under the ground lease.
- (2) A portion of the Property (25,500 sq. ft. or approximately 17%) located at the northwestern-most parcel is subject to a long term ground lease with the County of San Diego. The remaining portion of the Property is owned in fee. The ground lease commenced on February 21, 2002 with a base term of 59 years and contains two, 20-year extension options. Ground rent is currently \$38,089 per annum and is subject to annual adjustments based on changes to the cost of living adjustments (which is similar to the consumer price index) with a capped increase of 5.0% annually. Every 10 years ground rent is reset (next reset is January 2022) to the prevailing fair market rent; provided that such reset cannot exceed 150.0% of the previous ground rent set as of the prior 10 year reset currently equal to \$35,231. Ground rent was underwritten based on the maximum possible ground rent payment reset in January 2022 equal to 150.0% of the prior rent or \$52,847.

TRANSACTION HIGHLIGHTS

- Property.** Best Western Plus Hacienda Old Town is a 200-room full service hotel with one restaurant and bar, approximately 4,500 sq. ft. of meeting space, an outdoor pool and garage parking structure located in the Old Town area of San Diego, California.
- Historical Performance.** The Property has achieved an average of 82.5% occupancy since 2014 and reported 83.7% occupancy as of December 31, 2017. RevPAR has remained stable and has averaged \$111.04 for the same time period.
- Location.** The Property is located on a 3.51-acre site adjacent to a public park with good frontage and visibility along Harney Street. The Property benefits from excellent access to downtown San Diego and the San Diego International Airport, which is located 3.8 miles southeast of the Property. Several of San Diego's most prominent tourist attractions including Sea World, San Diego Zoo, the Gaslamp Quarter and Balboa Park are all located within a 5-mile radius of the Property.
- Borrower Sponsor.** The borrower sponsor, William H. McWethy, Jr. has owned and operated the Property since developing the first 152 rooms in 1988. Having completed two subsequent expansions, in 1997 and 2003, and having been the only owner and manager of the asset, the borrower sponsor offers in-depth knowledge of the asset and how it competes within its submarket and competitive set.