

## Mortgage Loan No. 14 — Harlingen Corners

### Mortgage Loan Information

Mortgage Loan Seller:	AREF
Original Principal Balance:	\$17,945,000
Cut-off Date Principal Balance:	\$17,945,000
% of Pool by IPB:	2.3%
Loan Purpose:	Acquisition
Borrower:	Y&O Harlingen Corners LLC
Sponsor:	Y&O Investments Inc.
Interest Rate:	4.9470%
Note Date:	10/18/2018
Maturity Date:	11/6/2028
Interest-only Period:	60 months
Original Term:	120 months
Original Amortization:	360 months
Amortization Type:	IO-Balloon
Call Protection:	L(24), Def(93), O (3)
Lockbox:	Springing
Additional Debt:	No
Additional Debt Balance:	N/A
Additional Debt Type:	N/A
Additional Future Debt Permitted:	No

### Property Information

Single Asset / Portfolio:	Single Asset
Title:	Fee
Property Type - Subtype:	Retail – Anchored
Net Rentable Area (SF):	228,208
Location:	Harlingen, TX
Year Built / Renovated:	2008 / 2012
Occupancy:	96.7%
Occupancy Date:	8/1/2018
Number of Tenants:	21
2015 NOI <sup>(1)</sup> :	N/A
2016 NOI:	\$2,108,136
2017 NOI:	\$2,259,578
TTM NOI <sup>(2)</sup> :	\$2,376,911
UW Economic Occupancy:	91.7%
UW Revenues:	\$3,317,027
UW Expenses:	\$898,605
UW NOI:	\$2,418,421
UW NCF:	\$2,155,982
Appraised Value / Per SF:	\$33,100,000 / \$145
Appraisal Date:	8/24/2018

### Escrows and Reserves

	Initial	Monthly	Initial Cap
Taxes:	\$257,303	\$30,271	N/A
Insurance:	\$17,361	\$2,170	N/A
Replacement Reserves:	\$0	\$2,853	N/A
TI/LC <sup>(3)</sup> :	\$500,000	\$19,017	\$750,000
Deferred Maintenance:	\$375,000	\$0	N/A

### Financial Information

Cut-off Date Loan / SF:	\$79
Maturity Date Loan / SF:	\$72
Cut-off Date LTV:	54.2%
Maturity Date LTV:	50.0%
UW NOI / UW NCF Amortizing DSCR:	2.10x / 1.88x
UW NOI / UW NCF IO DSCR:	2.69x / 2.40x
UW NOI / UW NCF Debt Yield:	13.5% / 12.0%

### Sources and Uses

Sources	Proceeds	% of Total
Mortgage Loan:	\$17,945,000	64.8%
Sponsor Equity:	9,764,930	35.2
Total Sources:	\$27,709,930	100.0%

Uses	Proceeds	% of Total
Purchase Price:	\$26,620,000	96.1%
Upfront Reserves:	649,665	2.3
Closing Costs:	440,265	1.6
Total Uses:	\$27,709,930	100.0%

(1) The sponsor acquired the property in October 2018; as such, certain historical financials are not available.

(2) Represents the trailing twelve month period ending June 30, 2018.

(3) The borrower has delivered a \$500,000 letter of credit in lieu of an upfront deposit. To the extent that the rollover reserve subaccount cap reduction conditions are satisfied the TI/LC cap shall be \$500,000.



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**The Loan.** The Harlingen Corners loan is an approximately \$17.9 million first mortgage loan secured by the fee interest in a 228,208 SF anchored retail center located in Harlingen, Texas. The loan has a 10-year term and will amortize on a 30-year schedule following a 60-month interest-only period.

**The Borrower.** The borrowing entity for the loan is Y&O Harlingen Corners LLC, a Delaware limited liability company and special purpose entity. The borrowing entity is 95% owned by Y&O Investments Inc. and is 5% owned by Turnaround Trading & Advisory, LLC.

**The Sponsor.** The loan's sponsor and nonrecourse carve-out guarantor is Y&O Investments Inc. Y&O Investment Inc. is the real estate holding company for Yoav Rubinstein. As of origination, Y&O Investments Inc. has a portfolio of 34 properties, of which 28 are commercial assets totaling over 750,000 SF. The commercial properties contain single and multi-tenant retail, office and industrial properties. The remaining six assets are a mix of multi-family and land for future development.

**The Property.** The property is a 228,208 SF anchored retail center located in Harlingen, Texas. The property was constructed in 2008, expanded by 70,000 sf in 2012 and is situated on approximately 35.8 acres. The property has 121,633 SF of anchor tenants, 85,575 SF of in-line and junior tenants and 21,000 SF of outparcel tenants. Additionally, there are 1,906 surface parking spaces at the property resulting in a parking ratio of 8.4 spaces per 1,000 SF of net rentable area.

As of August 1, 2018, the property was approximately 96.7% leased by 21 tenants. The property's tenancy caters to mid-price point customers with mainly national tenants that include Burlington Coat Factory, Marshall's, Bed Bath & Beyond, Chuck E. Cheese's, Kirkland's, Mattress Firm, The Children's Place, Supercuts and Verizon Wireless. The property is also shadow anchored by Kohl's which shares a parking with the property.

The largest tenant at the property, Burlington Coat Factory, leases 70,000 SF (30.7% of NRA) through February 2024. Burlington Coat Factory is rated NR/BB/BB+ by Moody's, S&P and Fitch, respectively. The tenant is a national off-price department store retailer with over 631 stores in 45 states and Puerto Rico. Burlington Coat Factory has been in occupancy since September 2013 and has four, 5-year extension options remaining.

The second largest tenant at the property, Marshall's, leases 30,000 SF (13.1% of NRA) through February 2024. Marshall's is rated A2/A+/NR by Moody's, S&P and Fitch, respectively. The tenant is a retailer of apparel and home goods in the US. Marshall's has been in occupancy since February 2009, has recently exercised a five year renewal and has four, 5-year extension options remaining.

The third largest tenant at the property, Bed Bath & Beyond, leases 21,633 SF (9.5% of NRA) through January 2020. Bed Bath & Beyond is rated Baa3/BB+/NR by Moody's, S&P and Fitch, respectively. Bed Bath & Beyond is a chain of domestic merchandise retail stores that sells goods for the bedroom, bathroom, kitchen and dining room. As of March 3, 2018, Bed Bath & Beyond had 1,552 stores in the US, Puerto Rico, Canada and Mexico. Bed Bath & Beyond has been in occupancy since February 2009 and has five, 5-year renewal options remaining.

The borrower may release one or more of the property's two outparcels, Chuck E. Cheese's and Logan's Road house, six months after the closing date; *provided* that (i) no event of default has occurred, (ii) the remaining property, in each case after giving effect to the applicable permitted outparcel release, is required to have loan-to-value less than 66%, a debt service coverage ratio greater than 1.85x and a debt yield greater than 12.0%.

**The Market.** The property is located in Harlingen, Cameron County, Texas at a major retail corridor at the southwest intersection of US-77 and US-83. The property is located next to a Kohl's, and near several national retailers and restaurant chains, including Target and a Walmart Supercenter. The retail corridor, which consists of a one mile radius from the intersection of US-77 and US-83, consists of 2.63 million SF of retail space with a vacancy rate of 2.7%.

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According to the appraisal, the 2018 estimated population within a one-, three-, and five-mile radius of the property is 3,935, 50,231 and 93,603, respectively. The 2018 estimated average household income within the same radii is \$50,475, \$59,168 and \$61,630, respectively. The appraisal concluded PSF market rents of \$20.00 for in-line space, \$16.00 for Mid Size/Jr Anchor space, \$9.50 for Anchor space and \$25.00 for space fronting US-83. According to a third party research report, the property is located in the Brownsville-Harlingen retail market. As of Q2 2018, the submarket had an inventory of approximately 19.0 million SF, with an average rental rate of \$14.13 PSF and an average vacancy rate of 4.7%. The Greater Harlingen submarket had an inventory of approximately 5.5 million SF, with an average rental rate of \$14.83 and an average vacancy rate of 4.9%.

According to the appraisal, the property's competitive set consists of the 11 properties detailed in the table below.

### Competitive Set Summary<sup>(1)</sup>

Property	Year Built / Renovated	Total GLA (SF)	Est. Rent PSF	Est. Occ.	Proximity (miles)	Anchor Tenants
Harlingen Corners	2008 / 2012	228,208 <sup>(2)</sup>	Anchor: \$9.60 <sup>(2)</sup> Jr Anchor: \$14.81 <sup>(2)</sup> Inline: \$16.37 <sup>(2)</sup>	97% <sup>(2)</sup>	N/A	Burlington Coat Factory, Marshall's, Bed Bath & Beyond <sup>(2)</sup>
Harlingen Heights Plaza	2018 / NAP	14,300	Inline: \$24.00 - 27.96/SF	91%	0.8	Verizon Wireless, Just-a-Cat, Red Mango, Valley Dentistry, My Dental Cleaning
Central Park Shopping Center	1990 / NAP	79,811	Anchor: \$10.00/SF Jr. Anchor: \$12.00/SF Inline: \$20.00/SF	95%	0.7	HEB, Office Depot
Dixieland Plaza	1985 / NAP	20,552	Anchor: \$5.00/SF Inline: \$10.00 - \$12.00	38%	0.2	Tuesday Morning
Pharr Town Center	2017 / NAP	470,000	Inline: \$34.00/SF	89%	29.5	Main Event, Academy, TJ Maxx
Treasure Hills Plaza	1979 / NAP	95,720	Anchor/ Anchor Jr.: \$10.20/SF	69%	2.6	N/A
Sun Valley Mall	1993 / NAP	303,018	Jr. Anchor: \$12.00/SF Inline: \$14.00/SF	92%	2.8	Multiple
2307 W Expressway 83	2016 / NAP	9,501	Inline: \$18.00/SF	71%	17.9	Weslaco Family Dentistry, Kahn's Grill
1919 W Expressway 83	2015 / NAP	8,808	Inline & Endcap: \$30.00 - \$35.00/SF	100%	17.6	Chipotle, Verizon
1600 North Westgate Drive	2008 / NAP	40,782	Inline: \$13.00/SF	32%	17.4	Buffalo Wings and Things, Subway, Farmers
2436 Pablo Kisel Blvd	2000 / NAP	24,136	Inline & Endcap: \$15.00/SF	60%	20.8	Staples
1500 West Harrison Avenue	2000 / NAP	3,500	Endcap/Restaurant: \$16.00/SF	40%	1.0	All Star Dry Cleaning

(1) Source: Appraisal.

(2) Based on the August 1, 2018 underwritten rent roll.

### Historical and Current Occupancy<sup>(1)</sup>

2015 <sup>(2)</sup>	2016 <sup>(2)</sup>	2017	Current <sup>(3)</sup>
NAV	NAV	97.1%	96.7%

(1) Source: Historical Occupancy is provided by the sponsor. Occupancies are as of December 31 of each respective year.

(2) The sponsor acquired the property in October 2018; as such, certain historical occupancy is not available.

(3) Based on the August 1, 2018 underwritten rent roll.

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### Top Ten Tenant Summary<sup>(1)</sup>

Tenant	Ratings Moody's/S&P/Fitch <sup>(2)</sup>	NRA (SF)	% of Total NRA <sup>(3)</sup>	UW Base Rent PSF	% of Total UW Base Rents	Sales PSF <sup>(4)</sup>	Occupancy Costs <sup>(4)</sup>	Lease Expiration Date
Burlington Coat Factory	NR / BB / BB+	70,000	30.7%	\$9.75	24.8%	\$119	10.8%	2/1/2024
Marshall's	A2 / A+ / NR	30,000	13.1	\$10.75	11.7	\$333	4.1%	2/29/2024
Bed Bath & Beyond	Baa3 / BB+ / NR	21,633	9.5	\$7.54	5.9	\$300	3.0%	1/1/2020
Chuck E. Cheese's <sup>(5)</sup>	NR / NR / NR	13,800	6.0	\$7.97	4.0	NAV	NAV	9/1/2022
Ulta	NR / NR / NR	10,083	4.4	\$20.53	7.5	NAV	NAV	8/1/2024
Five Below	NR / NR / NR	10,000	4.4	\$14.50	5.3	NAV	NAV	1/1/2027
Melrose	NR / NR / NR	10,000	4.4	\$10.00	3.6	NAV	NAV	12/1/2019
Shoe Carnival	NR / NR / NR	8,000	3.5	\$14.00	4.1	\$201	8.6%	3/1/2019
Logan's Roadhouse <sup>(5)</sup>	NR / NR / NR	7,200	3.2	\$18.07	4.7	NAV	NAV	3/1/2028
Kirkland's	NR / NR / NR	7,000	3.1	\$14.00	3.6	\$156	11.2%	1/1/2025
<b>Total:</b>		<b>187,716</b>	<b>82.3%</b>		<b>75.3%</b>			

- (1) Based on the underwritten rent roll, including rent increases occurring through September 2019.
- (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 Total NRA is based off SF including ground leased units.
- (4) Sales PSF and Occupancy Costs represent comparable tenant sales (tenants with 12 months reported sales) and occupancy costs for the twelve-month period ending on August 31, 2018 as provided by the sponsor.
- (5) Chuck E. Cheese's and Logan's Roadhouse owns its improvements subject to a ground lease. Net Rentable Area presented are based on the improvements. Ground lease base rent and lease expiration provisions are presented.

### Lease Rollover Schedule<sup>(1)</sup>

Year	Number of Leases Expiring	NRA Expiring <sup>(2)</sup>	% of NRA Expiring <sup>(2)</sup>	UW Base Rent Expiring	% of UW Base Rent Expiring	Cumulative NRA Expiring <sup>(2)</sup>	Cumulative % of NRA Expiring <sup>(2)</sup>	Cumulative UW Base Rent Expiring	Cumulative % of UW Base Rent Expiring
MTM	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%
2019	5	26,178	11.5	350,391	12.7	26,178	11.5%	\$350,391	12.7%
2020	5	29,533	12.9	313,300	11.4	55,711	24.4%	\$663,690	24.1%
2021	2	10,698	4.7	258,963	9.4	66,409	29.1%	\$922,654	33.6%
2022	2	17,009	7.5	170,971	6.2	83,418	36.6%	\$1,093,625	39.8%
2023	0	0	0.0	0	0.0	83,418	36.6%	\$1,093,625	39.8%
2024	3	110,083	48.2	1,212,004	44.1	193,501	84.8%	\$2,305,629	83.8%
2025	1	7,000	3.1	98,000	3.6	200,501	87.9%	\$2,403,629	87.4%
2026	1	2,960	1.3	71,040	2.6	203,461	89.2%	\$2,474,669	90.0%
2027	1	10,000	4.4	145,000	5.3	213,461	93.5%	\$2,619,669	95.3%
2028	1	7,200	3.2	130,075	4.7	220,661	96.7%	\$2,749,744	100.0%
2029 & Beyond	0	0	0.0	0	0.0	220,661	96.7%	\$2,749,744	100.0%
Vacant	NAP	7,547	3.3	NAP	NAP	228,208	100.0%	NAP	NAP
<b>Total</b>	<b>21</b>	<b>228,208</b>	<b>100.0%</b>	<b>\$2,749,744</b>	<b>100.0%</b>				

- (1) Based on the underwritten rent roll. Base Rent includes base rent and rent increases occurring through September 2019.
- (2) Including improvements SF for ground lease tenants.

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### Operating History and Underwritten Net Cash Flow

	2015 <sup>(1)</sup>	2016	2017	TTM <sup>(2)</sup>	Underwritten <sup>(3)</sup>	PSF <sup>(4)</sup>	% <sup>(5)</sup>
Base Rent	N/A	\$2,358,098	\$2,579,340	\$2,635,660	\$2,749,744	\$12.05	76.1%
Recovery Income	N/A	594,141	664,447	665,642	731,955	\$3.21	20.2%
Percentage Rent in Lieu	N/A	49,596	58,471	36,747	0	\$0.00	0.0%
Vacant Space	N/A	0	0	0	133,972	\$0.59	3.7%
<b>Gross Potential Income</b>	<b>N/A</b>	<b>\$3,001,835</b>	<b>\$3,302,258</b>	<b>\$3,338,049</b>	<b>\$3,615,670</b>	<b>\$15.84</b>	<b>100.0%</b>
Vacancy - Stabilized/In-Place	N/A	0	0	0	(298,644)	(\$1.31)	(9.0%)
<b>Effective Gross Income</b>	<b>N/A</b>	<b>\$3,001,835</b>	<b>\$3,302,258</b>	<b>\$3,338,049</b>	<b>\$3,317,027</b>	<b>\$14.54</b>	<b>100.0%</b>
<b>Total Expenses</b>	<b>N/A</b>	<b>\$893,699</b>	<b>\$1,042,680</b>	<b>\$961,138</b>	<b>\$898,605</b>	<b>\$3.94</b>	<b>27.1%</b>
<b>Net Operating Income</b>	<b>N/A</b>	<b>\$2,108,136</b>	<b>\$2,259,578</b>	<b>\$2,376,911</b>	<b>\$2,418,421</b>	<b>\$10.60</b>	<b>72.9%</b>
Total TI/LC, Capex/RR	N/A	0	0	0	262,439	\$1.15	7.9%
<b>Net Cash Flow</b>	<b>N/A</b>	<b>\$2,108,136</b>	<b>\$2,259,578</b>	<b>\$2,376,911</b>	<b>\$2,155,982</b>	<b>\$9.45</b>	<b>65.0%</b>

(1) The sponsor acquired the property in October 2018; as such, certain historical financials are not available.

(2) TTM represents the trailing twelve month period ending June 30, 2018.

(3) Base Rent includes contractual rent Increases occurring through September 2019.

(4) PSF based off total SF including ground lease tenant improvements.

(5) % column represents percent of Gross Potential Income for all revenue lines and represents percent of Effective Gross Income for the remainder of fields.