

Hutton Creek Apartments



The map displays the location of Hutton Creek Apartments in Carrollton, Texas, marked with a red star. The address is 3525 Country Square Drive, Carrollton, TX 75006. The map shows major highways including I-35E, I-75, I-30, and I-67. Surrounding cities and areas include Dallas, Fort Worth, Irving, Carrollton, Addison, Richardson, Farmers Branch, and Grapevine. Key landmarks such as Dallas Fort Worth International Airport, Dallas Love Field, and various parks and golf courses are labeled. An inset map in the top left corner provides a broader view of the Dallas-Fort Worth metropolitan area, highlighting the location of the main map area. The Cartifact logo is visible in the top right corner.

Hutton Creek Apartments

Mortgage Loan Information

| | |
|--|----------------------|
| Mortgage Loan Seller: | LCF |
| Original Principal Balance: | \$18,500,000 |
| Cut-off Date Principal Balance: | \$18,500,000 |
| % of Pool by IPB: | 2.4% |
| Loan Purpose: | Refinance |
| Borrower: | BW Hutton Creek LLC |
| Sponsor: | Gideon Zeus Friedman |
| Interest Rate: | 4.65000% |
| Note Date: | 10/8/2015 |
| Maturity Date: | 11/6/2025 |
| Interest-only Period: | 36 months |
| Original Term: | 120 months |
| Original Amortization: | 360 months |
| Amortization Type: | IO-Balloon |
| Call Protection: | L(24),Def(92),O(4) |
| Lockbox: | CMA |
| Additional Debt: | N/A |
| Additional Debt Balance: | N/A |
| Additional Debt Type: | N/A |

Property Information

| | |
|------------------------------------|-------------------------|
| Single Asset / Portfolio: | Single Asset |
| Title: | Fee |
| Property Type - Subtype: | Multifamily - Garden |
| Net Rentable Area (Units): | 258 |
| Location: | Carrollton, TX |
| Year Built / Renovated: | 1978 / 2015 |
| Occupancy: | 99.6% |
| Occupancy Date: | 9/14/2015 |
| Number of Tenants: | N/A |
| 2012 NOI⁽¹⁾: | N/A |
| 2013 NOI: | \$1,042,949 |
| 2014 NOI⁽²⁾⁽³⁾: | \$1,283,356 |
| TTM NOI (as of 9/2015): | \$1,289,910 |
| UW Economic Occupancy: | 93.4% |
| UW Revenues: | \$2,701,252 |
| UW Expenses: | \$1,120,608 |
| UW NOI⁽³⁾: | \$1,580,644 |
| UW NCF: | \$1,516,144 |
| Appraised Value / Per Unit: | \$24,800,000 / \$96,124 |
| Appraisal Date: | 8/27/2015 |

Escrows and Reserves

| | Initial | Monthly | Initial Cap |
|------------------------------|----------|----------|-------------|
| Taxes: | \$28,595 | \$28,595 | N/A |
| Insurance: | \$42,427 | \$5,303 | N/A |
| Replacement Reserves: | \$0 | \$5,375 | N/A |
| TI/LC: | \$0 | \$0 | N/A |
| Other: | \$0 | \$0 | N/A |

Financial Information

| | |
|-----------------------------------|----------|
| Cut-off Date Loan / Unit: | \$71,705 |
| Maturity Date Loan / Unit: | \$62,984 |
| Cut-off Date LTV: | 74.6% |
| Maturity Date LTV: | 65.5% |
| UW NCF DSCR: | 1.32x |
| UW NOI Debt Yield: | 8.5% |

Sources and Uses

| Sources | Proceeds | % of Total | Uses | Proceeds | % of Total |
|----------------------|---------------------|---------------|----------------------|---------------------|---------------|
| Mortgage Loan | \$18,500,000 | 100.0% | Payoff Existing Debt | \$14,082,830 | 76.1% |
| | | | Return of Equity | 3,878,053 | 21.0 |
| | | | Closing Costs | 468,095 | 2.5 |
| | | | Upfront Reserves | 71,022 | 0.4 |
| Total Sources | \$18,500,000 | 100.0% | Total Uses | \$18,500,000 | 100.0% |

(1) 2012 NOI is not available because the property was acquired in June 2014 and the previous owner did not deliver 2012 financials to the loan sponsor.

(2) 2014 NOI represents trailing six months annualized as of December 2014. Full-year NOI was not available to the loan sponsor because the property was acquired in June 2014.

(3) The increase in UW NOI from 2014 NOI is due to increased occupancy, which resulted in increased revenues at the Hutton Creek Apartments property.

The Loan. The Hutton Creek Apartments loan has an outstanding principal balance as of the Cut-off Date of \$18.5 million and is secured by a first mortgage lien on the borrower's fee interest in a 258-unit, garden-style multifamily property located in Carrollton, Texas. The loan has a 10-year term and, subsequent to a three-year interest-only period, will amortize on a 30-year schedule.

The Borrower. The borrowing entity for the loan is BW Hutton Creek LLC, a Texas limited liability company and special purpose entity.

The Loan Sponsor. The loan sponsor and nonrecourse carve-out guarantor is Gideon Zeus Friedman. Mr. Friedman is a managing member of Beachwold Residential and General Partner of Beachwold Partners LP. He has acquired 11 assets with an aggregate of over 3,000 units since 2013. Beachwold Residential and its principals have built, owned and managed multifamily properties for 40 years. Beachwold presently controls over 40 properties and over 12,000 multifamily units in Connecticut, Texas, Florida, New Jersey, Maryland, Tennessee and Virginia.

Hutton Creek Apartments

The Property. The Hutton Creek Apartments property is a 258-unit, Class B multifamily property located in Carrollton, Texas. Developed in 1978, the property is situated on an 18.93 acre parcel of land improved with 19 structures that includes 18 apartment buildings plus one leasing office/clubhouse. As of September 14, 2015, the Hutton Creek Apartments property was 99.6% occupied. The apartment structures at the Hutton Creek Apartments property are two stories in height. Amenities include central heat and air conditioning, in-unit washers and dryers, a newly renovated leasing/management office complete with a business center and newly renovated fitness center. There is covered parking available and first floor units have enclosed private yards. There is a swimming pool with an attached wading pool. The property has large open areas for parks, dog play areas, picnic areas and a children's playground.

The Hutton Creek Apartments property is situated approximately 15 miles north of the Dallas central business district, 25 miles east of Dallas/ Fort Worth International Airport, and 10 miles north of Love Field.

The Market. The Hutton Creek Apartments property is located within the Dallas/Fort Worth apartment market and the Carrollton/Addison/Coppell multifamily submarket. The submarket had a 3.8% vacancy rate as of Q2 2015. The submarket vacancy has trended downward over the last 10 years from 7.6% in 2005. Vacancy rates have been below 5.0% since 2012. According to the appraisal, the 2015 estimated population within a one-, three- and five-mile radius of the property is 11,294, 144,364 and 337,260, respectively, and the 2015 estimated average household income within a one-, three- and five-mile radius of the property is \$80,605, \$74,805 and \$85,221, respectively. As of Q2 2015, the submarket contained an inventory of 35,997 units with average asking rents at \$925 per unit per month. The appraisal identified six comparable rentals proximate to the Hutton Creek Apartments property. The property's comparables range in average unit size from 822 to 1,010 square feet with an average of 924 square feet, and indicate an asking rental range of \$789 to \$1,083, with an average of \$925.

| Historical and Current Occupancy ⁽¹⁾ | | | |
|---|-------|--------------------|------------------------|
| 2013 | 2014 | TTM ⁽²⁾ | Current ⁽³⁾ |
| 97.0% | 95.0% | 92.0% | 99.6% |

(1) Historical Occupancies for 2013 and 2014 represent the average occupancy over the 12 months ended December 31 of each respective year.

(2) TTM occupancy represents the average occupancy over the 12 months ended August 31, 2015.

(3) Current occupancy represents the occupancy as of September 14, 2015.

| Unit Mix ⁽¹⁾ | | | | | | | |
|--------------------------|------------|---------------|----------------|--------------|------------------------|------------------------------|--------------------------------|
| Unit Type | # of Units | % of Total | Occupied Units | Occupancy | Average Unit Size (SF) | Average Market Rent Per Unit | Average Monthly In-Place Rents |
| 1 BR / 1 BA | 88 | 34.1% | 88 | 100.0% | 642 | \$810 | \$767 |
| 2 BR / 1 BA | 80 | 31.0 | 79 | 98.8% | 819 | \$950 | \$869 |
| 2 BR / 2 BA | 80 | 31.0 | 80 | 100.0% | 989 | \$1,015 | \$973 |
| 3 BR / 2 BA | 10 | 3.9 | 10 | 100.0% | 1,208 | \$1,460 | \$1,313 |
| Total / Wtd. Avg. | 258 | 100.0% | 257 | 99.6% | 826 | \$942 | \$883 |

(1) Based on the rent roll dated September 14, 2015 provided by the borrower.

Hutton Creek Apartments

| Operating History and Underwritten Net Cash Flow | | | | | | |
|--|--------------------|---------------------|--------------------|--------------------|-----------------|------------------|
| | 2013 | 2014 ⁽¹⁾ | TTM ⁽²⁾ | Underwritten | Per Unit | % ⁽³⁾ |
| Rents in Place | \$2,176,259 | \$2,414,998 | \$2,559,755 | \$2,890,516 | \$11,204 | 105.9% |
| Vacant Income | 0 | 0 | 0 | 161,716 | 627 | 5.9 |
| Gross Potential Rent | \$2,176,259 | \$2,414,998 | \$2,559,755 | \$2,728,800 | \$10,577 | 100.0% |
| Total Reimbursements | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Net Rental Income | \$2,176,259 | \$2,414,998 | \$2,559,755 | \$2,728,800 | \$10,577 | 100.0% |
| (Vacancy/Credit Loss) | (109,536) | (259,236) | (295,673) | (179,768) | (697) | (6.6) |
| Other Income ⁽⁴⁾ | 114,594 | 96,396 | 158,240 | 152,220 | 590 | 5.6 |
| Effective Gross Income | \$2,181,317 | \$2,252,158 | \$2,422,322 | \$2,701,252 | \$10,470 | 99.0% |
| Total Expenses | \$1,138,368 | \$968,802 | \$1,132,412 | \$1,120,608 | \$4,343 | 41.5% |
| Net Operating Income | \$1,042,949 | \$1,283,356 | \$1,289,910 | \$1,580,644 | \$6,127 | 58.5% |
| Replacement Reserves | 0 | 60,258 | 39,161 | 64,500 | 250 | 2.4 |
| Net Cash Flow | \$1,042,949 | \$1,223,098 | \$1,250,750 | \$1,516,144 | \$5,877 | 56.1% |

(1) 2014 column represents trailing six months, annualized as of December 31, 2014. The full 2014 financial statements were unavailable as the property was purchased in June 2014.

(2) TTM column represents the trailing 12-month period ending on September 30, 2015.

(3) Percentage column represents percent of Net Rental Income for all revenue lines and represents percent of Effective Gross Income for the remainder of fields.

(4) Other Income represents pet fees, application fees, administrative fees, late fees and other miscellaneous fees.

Property Management. The Hutton Creek Apartments property is managed by U.S. Residential Group LLC. The current management agreement commenced on October 8, 2015 and has a 12-month term. The management agreement provides for a contractual management fee of 3.0% of the gross income, payable on a monthly basis. There is a 2.0% asset management fee paid to Beachwold Partners, L.P., an affiliate, which can only be paid after the payment of debt service, reserve funds, operating expenses and amounts due under the loan.

Escrows and Reserves. At origination, the borrower was required to deposit into escrow \$28,595 for tax reserves and \$42,427 for insurance reserves.

Tax Escrows – On a monthly basis, the borrower is required to escrow 1/12 of the annual estimated tax payments, which currently equates to \$28,595.

Insurance Escrows – On a monthly basis, the borrower is required to escrow 1/12 of the annual estimated insurance premium payments, which currently equates to \$5,303.

Replacement Reserves – On a monthly basis, the borrower is required to escrow \$5,375 for replacement reserves (\$250 per unit annually). The reserve is not subject to a cap.

Lockbox / Cash Management. The loan is structured with a CMA lockbox. The borrower and manager are required to deposit all rents received into the lockbox account within one business day of receipt. Until the occurrence of a Cash Management Trigger Event, funds in the lockbox account get swept to the borrower's account. During the continuance of a Cash Management Trigger Event, all funds in the lockbox account are swept daily to a cash management account under the control of the lender, and all excess cash flow after payment of debt service, required reserves and operating expenses will be held as additional collateral for the loan.

“Cash Management Trigger Event” means the occurrence of (i) an event of default under the loan documents, the property management agreement or the asset management agreement, or (ii) the date on which the debt service coverage ratio (as calculated in the loan documents) based on the trailing six months is less than 1.15x.