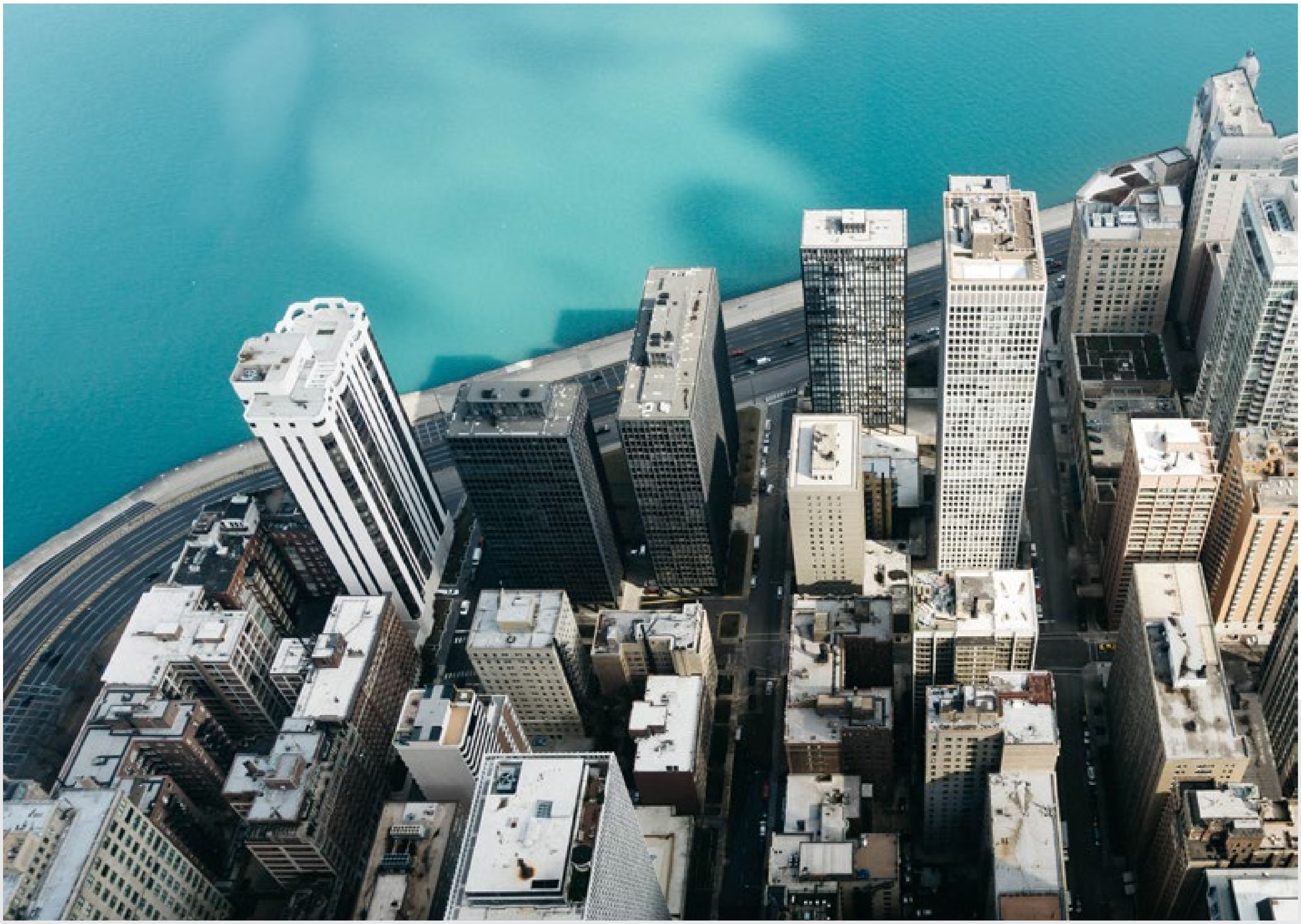
PRESALE REPORT

# Fontainebleau Miami Beach Trust 2019-FBLU



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NOVEMBER 2019

STRUCTURED FINANCE: CMBS

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## Capital Structure

| Description | Rating Action | Balance | Subordination | DBRS Morningstar Rating | Trend |
|---|---|---|---|---|---|
| Class A | New Rating – Provisional* | $250,900,000 | 74.267% | AAA (sf) | -- |
| Class B | New Rating – Provisional* | $147,400,000 | 59.149% | AA (sf) | -- |
| Class C | New Rating – Provisional* | $60,100,000 | 52.985% | AA (low) (sf) | -- |
| Class X-A | New Rating – Provisional* | $525,200,000 | - | A (high) (sf) | -- |
| Class D | New Rating – Provisional* | $66,800,000 | 46.133% | A (sf) | -- |
| Class E | New Rating – Provisional* | $94,896,000 | 36.400% | BBB (low) (sf) | -- |
| Class F | New Rating – Provisional* | $135,118,000 | 22.542% | BB (low) (sf) | -- |
| Class X-B | New Rating – Provisional* | $365,132,000 | - | B (sf) | -- |
| Class G | New Rating – Provisional* | $135,118,000 | 8.684% | B (low) (sf) | -- |
| Class H | NR | $30,600,000 | 5.545% | NR | N/A |
| Class HRR | NR | $54,068,000 | - | NR | N/A |

Notes:
1. NR = Not Rated.
2. All classes will be privately placed.
3. The Class X-A and Class X-B balances are notional. The Class X-A balances are based on the aggregate Certificate Balance of the Class A, Class B, Class C and Class D Certificates. The Class X-B balances are based on the aggregate Certificate Balance of the Class E, Class F and Class G Certificates.
4. Class HRR represents the Eligible Horizontal Residual Interest and will be retained by the Retaining Sponsor in accordance with the credit risk retention rules applicable to this securitization transaction.

* DBRS Morningstar subsequently placed all provisional ratings Under Review with Developing Implications because of the request for comments (RFC) on the *North American Single-Asset/Single-Borrower Ratings Methodology* on November 14, 2019. If the updated methodology is adopted following the RFC, there will likely be no ratings impact to the provisional ratings assigned to this transaction.

## Transaction Summary

**LOAN CHARACTERISTICS**

| | | | |
|---|---|---|---|
| **Trust Balance** | $975,000,000 | **DBRS Morningstar Term DSCR** | 1.99x |
| **Number of Loans** | 1 | **DBRS Morningstar Refi DSCR** | 0.79x |
| **Number of Properties** | 1 | **DBRS Morningstar NCF Variance** | -9.8% |
| **# of Keys[1]** | 1,594 | **DBRS Morningstar Stressed Interest Rate** | 3.98% |
| **Remaining Term** | 60 | **DBRS Morningstar Issuance LTV** | 123.1% |
| **Remaining Amort.** | N/A | **DBRS Morningstar Refi LTV** | 123.1% |

1. Includes 100.0% of individually owned condo units located at the property that do not directly serve as collateral for this transaction. For purposes of this report, DBRS Morningstar assumes an 80.0% participation rate in the hotel's condo rental program, equating to approximately 1,440 keys..

| PARTICIPANTS | |
|---|---|
| **Depositor** | GS Mortgage Securities Corporation II |
| **Mortgage Loan Sponsors** | Goldman Sachs Mortgage Company |
| | JPMorgan Chase Bank, N.A. |
| | Morgan Stanley Mortgage Capital Holdings LLC |
| **Servicer** | KeyBank N.A. |
| **Special Servicer** | Situs Asset Management LLC |
| **Certficate Administrator** | Wells Fargo Bank, N.A. |
| **Trustee** | Wells Fargo Bank, N.A. |
| **Operating Advisor** | Park Bridge Lender Services, LLC |
| **Initial Purchasers** | Goldman Sachs & Co. LLC |
| | J.P. Morgan Securities LLC |
| | Morgan Stanley & Co. LLC |
| **Retaining Sponsor** | Goldman Sachs Mortgage Company |

## Rating Considerations

### DBRS MORNINGSTAR VIEWPOINT

The subject is a four-diamond, 1,594-room luxury resort situated along 15.5 acres of oceanfront property at 4441 Collins Avenue in the mid-beach area of Miami Beach, Florida. Collateral includes the fee-simple interest in the land and resort improvements. The total room count includes 748 non-owned condo-hotel units, which are not collateral for the loan; however, historical participation in the hotel's unit rental program averaged 85.6% since 2011 up to and including the most recent period ending September 2019, which reports a current participation rate of 89.8%. Two major airports are near the subject, including the Miami International Airport ten miles west and Fort Lauderdale-Hollywood International Airport approximately 21 miles north. Originally constructed in 1954, the property serves as one of the most recognizable and architecturally significant resorts in the world, rich with historical relevance and well known for its extensive amenities. Designed by distinguished architect, Morris Lapidus, the resort was added to the U.S. National Register of Historic Places in December 2008. The subject boasts an impressive amenity package, including 12 F&B outlets, 11 pools, 199,763 sf of indoor and outdoor meeting space, six retail shops, a 40,000-sf spa, a 5,800-sf fitness center and a 23-slip deep-water marina along the intracoastal side of the resort. The financing package totals $1.175 billion with $975.0 million structured as first-mortgage debt and $200.0 million structured as mezzanine debt. Jeffrey Soffer, along with other principals of the prior sponsor entity, originally acquired the subject in 2005 and later brought in an equity partner, Istithmar Hotels FB Miami LLC (Istithmar), which took on a 50.0% stake in 2008 for $375.0 million just prior to completing an extensive $571.8 million ($397,079 per key) renovation. The collateral was refinanced with subsequent CMBS loans in 2012 and again in 2013 with first-mortgage amounts of $412.0 million and $535.0 million, respectively. The 2013 transaction facilitated the buyout of Istithmar's 50.0% equity interest, reconsolidating sole ownership to the prior sponsor entity. The subject was additionally refinanced in 2018 via a floating-rate CMBS loan that was ultimately securitized in the DBRS Morningstar-rated GSMS 2018-FBLU transaction. The subject financing package will retire outstanding debt of $1.05 billion of existing debt on the property associated with the GSMS 2018 securitization, return approximately $112.0 million of cash equity to the borrower, fund $10.0 million in reserves and cover $3.0 million in origination costs associated with the transaction. Soffer now owns the hotel under his new real estate development company, Fontainebleau Development.

The property experienced performance declines in 2016 and 2017 primarily as a result of the Zika virus and Hurricane Irma, which affected the overall Miami Beach submarket and were not specific to the subject. After experiencing average year-over-year (YOY) NOI growth of 9.4% from 2011 through 2015, NOI was down by 9.9% and 14.5% for 2016 and 2017, respectively, compared with the 2015 figure. The Centers for Disease Control and Prevention (CDC) issued a travel alert in August 2016 identifying numerous cases of Zika reported in several Miami neighborhoods and recommended avoiding travel to the Miami area. The travel alert remained in place until June 2017, but the stigma lingered and continued to affect performance at the subject. Hurricane Irma, which made landfall in south Florida in September 2017, also severely affected performance at the property. The STR report indicates that property occupancy and RevPAR in September 2017 declined by 41.4% and 32.1%, respectively, compared with September 2015 metrics. The impact was less in October 2017, but still substantial. The sponsor identified more than 11,206 room nights, equating to $8.0 million in lost revenue, associated with Hurricane Irma. With respect to Zika, the sponsor's insurance policy covered up to $15.0 million in damages for a single instance of an infectious disease. As a result, the sponsor performed a thorough analysis outlining lost business, which was submitted to the insurance companies. The analysis revealed more than 48,000 lost room nights, or approximately $26.0 million in lost revenue, attributed to Zika and the adverse impact on the property. Notably, the analysis took place at the end of 2016 and, therefore, does not capture the full impact of 2017 cancellations. Furthermore, neither analysis accounts for lost F&B revenue associated with the lost room nights. Insurance proceeds amounting to $15.4 million were paid out to the sponsor as a result of the Zika and Hurricane Irma impact. Performance bounced back with a 2017 to 2018 RevPAR increase of 9.7% at the subject property and a 12.7% increase across the collateral's competitive set identified in the September 2019 STR report. Similarly, the subject's NOI increased by 10.8% over the same period between 2017 and 2018.

The collateral and surrounding Miami Beach again experienced moderate disruption between August and September 2019 because of the anticipated landfall of Hurricane Dorian, which was projected to hit the Florida coast over Labor Day weekend before changing course. While Hurricane Dorian never made landfall in Miami, the collateral suffered a surge of room-night cancellations that, based on estimates from the hotel's management team, amounted to approximately $4.0 million in lost hotel revenue. As a result, the collateral's RevPAR dropped by 1.6% between the T-12 period ending July 2019 and the T-12 period ending September 2019. Isolating this trend to the hurricane impact is challenging, however, because RevPAR had already been declining in early 2019 as evidenced by the T-12 ending July 2019 RevPAR falling by 0.9% compared with YE2018. Fortunately, management indicated that the collateral is on track to rebound in Q4 2019 with group bookings up 3.0% YOY. Miami is also hosting Super Bowl LIV in 2020, which should further facilitate a stable recovery.

The appraisal identified new hotels that it deemed to have some degree of interaction with the collateral, but ultimately did not consider any new additions to be primarily competitive with the subject. The new additions included the JW Marriott Turnberry Resort & Spa, Miami Beach Convention Center Hotel and Marriott Marquis Miami World Center. The JW Marriott Turnberry Resort & Spa was renovated by the sponsor for this transaction and reopened in January 2019. Because of the JW Marriott Turnberry Resort & Spa's non-beachfront location in Aventura, Florida, and its lower daily rate, the appraisal deemed it to be only 25.0% competitive with the collateral. The 800-key Miami Beach Convention Center Hotel was approved for development in November 2018 and is anticipated to be delivered to the Miami Beach area in January 2023. Because of the proposed hotel's non-beachfront location, convention-based targeted guests and location approximately two miles south, the appraisal deemed the asset to be only 15.0% competitive with the collateral and DBRS Morningstar does not consider the new supply to be a primary competitor with the subject. Furthermore, given the limited convention space and the lack of a large, modern convention hotel in Miami Beach, the area has historically been challenged in attracting larger city-wide conventions. The expanded and renovated convention center, along with additional hotel keys, will likely drive substantial new convention demand to the area rather than purely additive in supply terms. Lastly, the 1,700-key Marriott Marquis Miami World Center is anticipated to be delivered to the Downtown Miami area in January 2023; however, given the new property's lower price point, lack of resort amenities, limited F&B outlets and non-beachfront location, the appraisal did not deem the Marriott Marquis Miami World Center to be competitive with the collateral.

At 0.79x, the DBRS Morningstar Refi DSCR on the mortgage debt is low for a hotel loan, even one with the subject's high-end product offering and excellent location. Term-default risk is considered modest as reflected in the DBRS Morningstar

Term DSCR of 1.99x. The DBRS Morningstar value of $791.8 million represents a considerable 51.7% discount to the appraiser's as-is concluded value of $1.64 billion. The DBRS Morningstar value also represents a -4.6% discount to the DBRS Morningstar value estimate from the GSMS 2018-FBLU securitization. The value variance is driven by cash flow, largely resulting from declining ADR rates at the Chateau & Versailles rooms, increased operating expense ratios, higher property taxes and an increased insurance premium (see the DBRS Morningstar NCF Analysis section on pages 31 and 32 for more detail). The DBRS Morningstar cap rate of 9.75% is well above the cap-rate range of 5.0% to 6.4% in the appraiser's sales comparables and is likely approximately 400 basis points (bps) above a current market cap rate for the subject. This allows for a significant buffer against market volatility in the near term that could result in a widening cap rate and lower trading activity.

The implied DBRS Morningstar LTV on the full $1.175 billion debt load is high at 148.4%, falling to a still relatively high level of 123.1% based on the senior mortgage debt of $975.0 million; however, the cumulative investment-grade-rated proceeds of $677.0 million reflect a more reasonable LTV of 78.3% based on the DBRS Morningstar value of $77.2 million. As a result of the property's irreplaceable location, continued anticipated increase in RevPAR from the elimination of Zika concerns and detrimental impact of Hurricane Irma, lack of competitive new supply and extensive amenity offerings, including upscale restaurants and a world-renowned nightclub, DBRS Morningstar anticipates that the mortgage loan will perform well during its fully extended five-year term. At refinance, the highly desirable location, which generates increased demand for trophy-caliber assets such as the subject, should provide insulation from market volatility to the property's value over the loan term.

**SOURCES & USES**

| Sources | Amount | Per Room | % of Total | Uses | Amount | Per Room | % of Total |
|---|---|---|---|---|---|---|---|
| Mortgage Loan | $975,000,000 | $677,083 | 83.0% | Repay Existing Debt | $1,038,037,472 | $720,859 | 88.3% |
| Mezzanine Loan | $200,000,000 | $138,889 | 17.0% | Return of Sponsor Equity | $112,222,322 | $77,932 | 9.6% |
| | | | | Reserves | $15,561,851 | $10,807 | 1.3% |
| | | | | Origination Costs | $9,178,355 | $6,374 | 0.8% |
| **Total** | **$1,175,000,000** | **$815,972** | **100.0%** | **Total** | **$1,175,000,000** | **$815,972** | **100.0%** |

## STRENGTHS

- Collateral for the loan is a four-diamond resort with an irreplaceable location offering 1,250 ft of linear beach frontage along the Miami Beach coastline. DBRS Morningstar noted that the resort had Excellent property quality at the time of inspection.
- Since opening in 1954, the property has served as an iconic asset with immense cultural relevance. The landmark hotel and its timeless design have served as the backdrop for several historic movies and events, including Al Pacino's Scarface, James Bond Goldfinger and the 2008 Victoria's Secret Fashion Show, among others. Additionally, the resort was the preferred retreat for numerous celebrities, including Frank Sinatra, Elvis Presley, Dean Martin, Lucille Ball, Bob Hope and several American presidents. Going forward, the resort continues to be an entertainment destination, hosting such events as New Year's Eve with the Jonas Brothers and the Sports Illustrated Super Bowl Party in 2020.
- Since acquiring the resort in 2005, the sponsor has invested approximately $837.3 million in capital improvements throughout the property, the majority of which occurred in 2008 with a transformative capital renovation. Only the Trésor tower remained open, which was completed in the year prior, although it primarily served to house renovation and construction personnel. The comprehensive renovation upgraded or remodeled nearly every aspect of the resort and included the construction of the Sorrento condominium tower. The sponsor continues to commit to the property, investing $85.1 million in the resort since 2008 with plans to contribute an additional $32.0 million between 2020 and 2022.
- With 106,763 sf of indoor function space, the resort features the second-highest offering among its competitive set, roughly 36,763 sf more than the third-ranked hotel. The only comparable property in Miami Beach among the subject's competitive set, in terms of indoor meeting and event space, is the Loews Miami Beach Hotel. While Loews Miami Beach Hotel is ideally located in the heart of South Beach, its 65,000 sf only represents approximately 60.9% of the total space offering at the subject.

## CHALLENGES AND CONSIDERATIONS

- The A-note represents high leverage at a DBRS Morningstar LTV of 123.1% with a loan per key of over $677,083 and elevated refinance risk evidenced by a relatively low DBRS Morningstar Refi DSCR of 0.79x. The whole-loan leverage is substantially higher with a DBRS Morningstar LTV of 148.4% through the $1.175 billion of total mortgage debt.
  - *The DBRS Morningstar value is based on a stressed cap rate that is approximately 400 bps higher than the current market rate. Compared with the appraiser's as-is estimate of current market value, the leverage is much lower at an LTV of 59.5%. Additionally, the DBRS Morningstar NCF is 5.1% below the T-12 period ending September 2019 NCF level. The DBRS Morningstar Refi DSCR is calculated using a loan constant of 10.0%, which implies an interest rate that is significantly higher than current rates.*
- The resort experienced considerable cash flow volatility throughout 2016 and 2017 related to the Zika virus and Hurricane Irma. Only recently, RevPAR began to recover after bottoming out in 2017 at $248.15, approximately 13.4% below the 2015 peak of $286.56. Additionally, following a short-lived but substantial recovery in 2018, the hotel experienced a surge of room-night cancellations related to the anticipated landfall of Hurricane Dorian in August/September 2019, which did not materialize.
  - *The impact of the Zika virus and Hurricane Irma were not specific to the subject and adversely affected all hotels in the South Florida market. The sponsor performed a detailed analysis and identified cancellations and lost business associated with the Zika scare, which resulted in $15.4 million in insurance proceeds paid out, further validating the extent of the circumstances.*
  - *The CDC reports that the number of symptomatic cases of Zika in Florida declined to eight in 2018 from 1,107 in 2016, supporting the elimination of the threat.*
  - *Since the Zika travel alert was lifted in June 2017 and in consideration of Hurricane Irma's impact in September 2017, the property's performance rebounded from the 2017 figures with RevPAR at the collateral increasing by 9.7% between 2017 and 2018 alone and NOI increasing by 10.8% over the same period.*
  - *Despite the estimated $4.0 million in revenue losses associated with room-night cancellations caused by Hurricane Dorian, RevPAR at the collateral grew by 0.6% between 2018 and the T-12 period ending September 2019. Additionally, management indicated that the collateral is on track to rebound in Q4 2019 with group bookings up 3.0% YOY. Upcoming events, such as Miami's hosting of Super Bowl LIV in 2020, should further facilitate a stable recovery.*
- At 43.6% and 17.6%, respectively, over the T-12 period ending September 2019, a substantial portion of revenue stems from the hotel's F&B and condo components. These two income streams represent 33.5% and 20.3% of the gross operating profit, respectively, as of the T-12 period ending September 2019. This income could decline if the F&B and/or nightclub outlets decrease in popularity or if third-party condo-unit owners opt out of participating in the resort rental program. Since the prior securitization, the operating profit margin on LIV Nightclub declined significantly, falling to a 31.4% profit in the T-12 period ending September 2019 from 37.5% in 2018.
  - *On-site dining features a variety of high-end and casual options with two AAA Four Diamond-rated restaurants, including one of only two Hakkasan locations in the United States. The second, Scarpetta, is located on the ocean side of the Sorrento tower. Scarpetta underwent a $300,000 soft goods renovation in late 2018 and recently introduced a brunch option which, at the time of DBRS Morningstar's inspection, hotel management indicated had been a sellout in recent weeks. LIV Nightclub is a world-renowned club that consistently performs among the top U.S. nightclubs in by gross revenue. The 18,000-sf space was closed from July through September 2017 while undergoing a $5.1 million renovation. The venue consistently hosts celebrity guests and performers five days a week. Additionally, DBRS Morningstar's analysis assumed FF&E of 4% of all non-condominium revenue, which equals nearly $2.2 million annually for just the F&B outlets. This, combined with the amount available from advertising and promotion, should provide management with ample funding to maintain the popularity of the F&B outlets.*
  - *With respect to condo-unit owner participation in the rental program, DBRS Morningstar used an 80.0% participation rate in the analysis, which is lower than the T-12 period ending September 2019 level of 89.8% and the average of 85.6% exhibited annually between 2011 and the T-12 period ending September 2019.*

- After two prior attempts, on November 6, 2018, Miami Beach voters approved construction of an 800-key hotel that will connect to the Miami Beach Convention Center. This property is expected to be delivered in January 2023.
  - *Based on the subject's last full year of financials prior to Hurricane Dorian, the YE2018 group revenue segmentation only represents 32.8% of overall room revenue. Furthermore, the location of the new development is approximately two miles south of the subject in the heart of South Beach; therefore, this new supply should only partially compete with the subject property.*
  - *Given that the approved hotel will be directly attached via skybridge, the convention center should be a much more attractive destination for top-tier conventions, many of which only consider venues with a convention hotel. That said, additional group demand beyond the 800-key hotel would look to stay at other properties, such as the subject.*

## Property Description




The subject property comprises a 1,594-key luxury hotel resort located in Miami Beach. Situated between the Atlantic Ocean and the Intracoastal Waterway, the beachfront resort spans several adjacent land parcels which, combined, total approximately 15.5 acres. The resort consists of six unique buildings, measuring nearly 2.0 million sf and featuring two condo-hotel towers, 12 bars, restaurants and lounges, a 40,000-sf luxury spa, a 5,800-sf fitness center, 11 outdoor swimming pools and whirlpools as well as nearly 200,000 sf of indoor and outdoor function space. The expansive pool and lawn area are tailored to guests of all ages with both adults' and kids' pools, poolside bars and restaurants, cabanas, lush outdoor seating arrangements and an event lawn.

The resort's 1,594 keys are divided among four towers: Chateau, Trésor, Sorrento and Versailles. Of the 1,594 keys, 846 are hotel rooms located in the Chateau and Versailles towers and serve as collateral for this transaction. The remaining 748 keys are condo units located in the Trésor and Sorrento towers and do not serve as collateral for the transaction; however, the resort operates a condo-hotel program whereby units of participating condo owners can be used as visitor hotel rooms (see Description of Condo Hotel Rentals section on pages 11 and 12 for more detail). Condo participation averaged 85.1% from 2011 through 2018 with an 89.8% participation rate reported over the T-12 period ending September 2019.

When the property opened in 1954, it was one of the largest oceanfront convention and resort hotels in the United States. The hotel was designed by Mr. Lapidus and remains one of the most architecturally noteworthy hotels in Miami with countless features now registered and protected by the U.S. National Register of Historic Places, including the iconic bowtie marble floors in the Chateau lobby. The three original towers – Chateau, Versailles and Normandy (later demolished and replaced by Trésor) – were originally connected by a commercial building and designed to encircle the outdoor swimming pools, deck areas and gardens. Since construction in the late 1950s, the hotel has served as the stage for several movies, TV shows and special events, including the 1964 James Bond classic Goldfinger, the 1983 film Scarface, an episode of The Sopranos in 2002 and a 1960 TV special hosted by Frank Sinatra, honoring special music guest, Elvis Presley, for his military service. More recently, the resort served as the set for the 2008 Victoria's Secret Fashion Show and has hosted several musical performances by globally recognized artists, including Justin Bieber, Maroon 5, Lady Gaga, Katy Perry and many more.

The hotel operated under the Hilton flag until 2005 when it was sold to the prior sponsor entity. Following the acquisition, the prior sponsor entity closed the property almost entirely to complete a $752.1 million ($520,845 per key) expansion and renovation project. The scope of the renovations included technology and convenience upgrades as well as extensive interior remodeling of the original guest-room towers, public areas, restaurants, meeting facilities, amenities (including the nearly $50.0 million addition of the 40,000-sf Lapis Spa) and the development of the Sorrento condominium tower. Interior renovations to Chateau and Versailles totaled over $150.0 million and included new carpeting and wall treatments in all corridors as well as new soft and case goods, wall coverings, bathroom fixtures and flooring in all rooms. A second entrance and rotunda were also added between the two condo towers and the former lagoon-style pool and poolside bar were replaced with the swimming pool complex spanning from the rear of the hotel to South Beach. Direct costs of landscaping and pool renovations exceeded $30.0 million. The sponsor opened the redeveloped property in November 2008 and completed development of the Sorrento tower in February 2009. Fontainebleau Development continued to invest approximately $85.1 million ($59,131 per key) in capital improvements across the property between 2008 and September 2019. Since its prior securitization in 2018, capital improvements at the property totaled approximately $6.0 million and included a roughly $2.0 million renovation of the Bleau Bar, an approximately $300,000 soft goods renovation of Scarpetta and renovations to the Lapis Spa and various other areas of the property. The sponsor additionally completed a nearly $25,000 per-key renovation of the Sorrento tower rooms, which is not included in the $6.0 million of capital improvements incurred since the subject's prior securitization because the renovation was paid out of reserves funded by individual condo-unit owners in that tower. The sponsor intends to deploy an additional $32.0 million ($22,187 per key) of capital across the resort between 2020 and 2023, including renovations to both Hakkasan and the Chateau rooms.

## CHATEAU

Chateau is the landmark main building, featuring the iconic curved shape with white stucco and blue glass exterior. The building was constructed as part of the original development and first opened in 1954 with each hotel unit's interior fully rebuilt as part of the sponsor's 2006–2008 capital improvement plan. The 15-story tower houses the resort's central lobby, which features the iconic white and black marble bowtie floors, golden stairway to nowhere, gold columns, dazzling chandeliers and the Bleau Bar. The tower's first three floors house several F&B outlets and meeting spaces as well as access to the outdoor pool area, featuring eight outdoor pools and whirlpools between this building and the beach. The tower comprises 539 total guest rooms, which range in size from 288 sf to 320 sf for standard rooms and 640 sf to 2,400 sf for suites.

## VERSAILLES

Versailles is located at the northernmost boundary of the property, spanning 16 stories and containing 307 hotel guest rooms. The tower was constructed as part of the original development and first opened in 1954 with each unit's interior fully rebuilt and modernized as part of the sponsor's 2006–2008 renovation. The decor of the Versailles guest rooms matches those in Chateau. During the renovation, an outdoor children's water park was replaced with the resort's 40,000-sf Lapis Spa and Lapis Hair & Nail Salon. The guest rooms range in size from 280 sf to 320 sf for standard rooms 640 sf to 2,400 sf for suites. Versailles is commonly referred to as the commercial building as it houses several F&B outlets, retail spaces, back-of-the-house operations areas and most of the resort's indoor meeting spaces.

## TRÉSOR

The 37-story Trésor condo tower was originally constructed in 2005 and is located at the south end of the property. The tower features 462 condo units, including 230 studio suites, 230 one-bedroom suites and two penthouse suites. Studio suites range from 491 sf to 526 sf and the one-bedroom suites are much larger, ranging from 980 sf to 1,066 sf. Studio units include a small kitchenette and all units have balconies with unobstructed views of the resort or South Beach. One-bedroom units are equipped with stackable washer and dryer units as well as a full kitchen. The two penthouse suites measure 4,500 sf and feature a private whirlpool, five bedrooms and five bathrooms. A six-story garage with 689 spaces provides owners and guests with convenient parking, though parking spaces are not reserved exclusively for patrons of the tower. Amenities include a fitness center and terrace on the seventh floor that boasts an outdoor swimming pool.

## SORRENTO

The 19-story Sorrento condo tower was originally completed in February 2009 with all units reportedly sold by 2010. The tower features 286 condo units, including 236 studio suites, 49 one-bedroom suites and one presidential suite. Units range in size from 550 sf to 660 sf for studio suites and 813 sf to 1,232 sf for one-bedroom suites. The layouts within the building are comparable to Trésor, although a select number of units feature doorways between suites, allowing for one-bedroom and studio suites to be combined into two-bedroom units. The multi-level presidential suite measures nearly 10,000 sf and features a private pool and whirlpool, five bedrooms, six bathrooms and an elevator. Unique amenities include a private owner's lounge, an outdoor terrace complete with swimming pool located on the fifth floor, the Scarpetta restaurant and 311 underground parking spaces, though the parking spaces are not for exclusive use by patrons of the tower.

**HISTORICAL CAPEX**

| Year | $ | Per Key | Cumulative Per Key |
|---|---|---|---|
| 2005 | $179,581,934 | $112,661 | $112,661 |
| 2006 | $526,704 | $330 | $112,992 |
| 2007 | $200,692 | $126 | $113,118 |
| 2008 | $571,794,397 | $358,717 | $471,834 |
| 2009 | $2,565,000 | $1,609 | $473,443 |
| 2010 | $5,998,000 | $3,763 | $477,206 |
| 2011 | $6,920,000 | $4,341 | $481,548 |
| 2012 | $5,895,000 | $3,698 | $485,246 |
| 2013 | $16,360,000 | $10,263 | $495,509 |
| 2014 | $12,025,000 | $7,544 | $503,053 |
| 2015 | $9,963,000 | $6,250 | $509,303 |
| 2016 | $12,280,000 | $7,704 | $517,007 |
| 2017 | $5,988,000 | $3,757 | $520,764 |
| 2018 | $2,860,000 | $1,794 | $522,558 |
| 2019 YTD | $4,295,000 | $2,694 | $525,253 |
| **Total** | **$837,252,727** | **$525,253** | **$525,253** |

1. Historical and Projected Capex schedule includes work performed on the Fontainebleau's 1,594 keys.

## DESCRIPTION OF CONDO HOTEL RENTALS

Each condo-unit owner has the option to participate in a unit rental program pursuant to a three-year unit rental agreement. Through the program, condo hotel owners are charged a 10.0% management fee and split the remaining 90.0% of proceeds with the borrower. An additional 5.0% is reserved for FF&E expenditures; as a result, the condo hotel owners receive a net of 40.0% of gross rental income from their units. Terms for the two penthouse units in Trésor are slightly more favorable for condo hotel owners. The borrower is responsible for daily housekeeping services and makes the pools and spa available for condo hotel rental guests, but all other expenses, including real estate taxes, repairs and maintenance, insurance, condo association fees and utilities, are the individual unit owner's responsibility. Unit owners may reserve their units at any time with 90 days' notice. If unit owners would like to use their unit with less than 90 days' notice, they may only do so if the unit is available. Condo hotel units are booked through the property's website or sales staff, the same way regular hotel rooms at the resort are secured. Each participating unit is reserved based on guest specifications (e.g., floor level, room size, view direction, etc.). Hotel management tries to evenly distribute the reservations when possible and there is no distinction made between the units during the booking process. The agreement requires the units to be outfitted identically to the resort's hotel rooms with one small, locked closet permitted for the condo hotel owner. The borrower, as manager of the rental program, has sole discretion on when and how FF&E funds are deployed in condo units and, to the extent that additional capital is needed, the borrower may require additional FF&E contributions from unit owners.

Condo hotel unit owners who opt out of the hotel's rental management program are permitted to rent their units on their own, but typically achieve significantly lower rates and do not have access to the daily housekeeping services provided to those participating in the rental program. As a result, the condo rental program achieved an average annual participation rate of 85.1% between 2011 and 2018 with a minimum participation of 82.0% in 2014 and 89.8% over the T-12 period ending September 2019. In its NCF analysis, DBRS Morningstar stressed the participation rate down to 80.0%, resulting in a full-time inventory equivalent of 1,444 keys. All per-unit calculations in this report are based on this available room count.

**HISTORICAL CONDO PARTICIPATION RATE**

| Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Sept. 2019 |
|---|---|---|---|---|---|---|---|---|---|
| Participation Rate | 86.5% | 84.8% | 83.7% | 82.0% | 84.0% | 84.6% | 85.6% | 89.6% | 89.8% |

**HISTORICAL CONDO VS. HOTEL PARTICIPATION**

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Sept. 2019 |
|---|---|---|---|---|---|---|---|
| **Occupancy** | | | | | | | |
| Chateau & Versailles (Hotel) | 84.6% | 85.9% | 88.0% | 79.4% | 77.8% | 81.8% | 82.4% |
| Trésor | 74.9% | 72.5% | 72.5% | 64.8% | 55.1% | 60.0% | 63.2% |
| Sorrento | 80.7% | 78.8% | 81.5% | 72.3% | 63.0% | 68.2% | 67.6% |
| *WA Condo Room Occ.* | 81.5% | 81.4% | 83.0% | 74.6% | 69.7% | 74.1% | 75.2% |
| **ADR** | | | | | | | |
| Chateau & Versailles (Hotel) | $288.53 | $312.94 | $317.05 | $322.47 | $318.60 | $322.27 | $307.99 |
| Trésor | $343.83 | $378.11 | $380.90 | $394.78 | $406.26 | $418.34 | $399.07 |
| Sorrento | $376.36 | $400.77 | $411.32 | $424.92 | $455.45 | $468.53 | $461.16 |
| *WA Condo Room ADR* | $315.36 | $341.27 | $346.01 | $354.32 | $356.01 | $375.75 | $361.38 |
| **RevPAR** | | | | | | | |
| Chateau & Versailles (Hotel) | $244.01 | $268.72 | $278.87 | $256.01 | $247.82 | $263.53 | $253.78 |
| Trésor | $257.58 | $273.96 | $276.22 | $256.00 | $223.79 | $250.99 | $252.30 |
| Sorrento | $303.72 | $315.73 | $335.08 | $307.30 | $286.80 | $319.51 | $311.59 |
| *WA Condo Room RevPAR* | $257.11 | $277.67 | $287.34 | $264.34 | $248.15 | $278.51 | $271.74 |

## Property Layout

### GUEST ROOMS

The collateral features 846 hotel rooms in the resort's Chateau and Versailles towers, standard guest rooms in which range from 288 sf to 320 sf and feature a wall-mounted flat-screen TV, work desk, dresser, armchair and bedside tables. A select number of standard guest rooms additionally feature ocean-view balconies accessed via sliding-glass doorways luxuriously shaded in flush white drapery. Chateau and Versailles suites range from 640 sf to 2,400 sf and feature additional amenities, such as separate bedrooms, kitchenettes or fully equipped kitchens, improved living and dining space as well as additional bathrooms.

The resort additionally features 748 condo hotel units in the Sorrento and Trésor towers that are not owned by the sponsor, some of which participate in the hotel's condo rental program. Trésor has 462 condo units including 230 studio suites, 230 one-bedroom suites and two penthouse suites. Studio suites range from 491 sf to 526 sf with much larger one-bedroom suites ranging from 980 sf to 1,066 sf. Studio units include a small kitchenette and all units have balconies with unobstructed views of the resort or South Beach. One-bedroom units are equipped with stackable washer and dryer units as well as a full kitchen. The two penthouse suites measure 4,500 sf and feature a private whirlpool, five bedrooms and five bathrooms.

Sorrento has 286 condo units including 236 studio suites, 49 one-bedroom suites and one presidential suite. Units range in size from 550 sf to 660 sf for studio suites and 813 sf to 1,232 sf for one-bedroom suites. The layouts within the building are comparable to the Trésor tower, though a select number of units feature doorways between suites, allowing for one-bedroom and studio suites to be combined into two-bedroom units. The multi-level presidential suite measures nearly 10,000 sf and features a private pool and whirlpool, five bedrooms, six bathrooms and an elevator. For information on the specific guest-room breakdown, refer to the table below.

| GUEST-ROOM BREAKDOWN | | |
|---|---|---|
| **Room Type** | **Keys** | **% of Total** |
| **Chateau & Versailles (Hotel Rooms)** | **846** | **53.1%** |
| Deluxe | 296 | 18.6% |
| Ocean View | 200 | 12.5% |
| Standard | 111 | 7.0% |
| Oceanfront Balcony | 87 | 5.5% |
| Deluxe Balcony | 76 | 4.8% |
| Bay View One-Bedroom Suite | 18 | 1.1% |
| One-Bedroom Hospitality Suite | 16 | 1.0% |
| Oceanfront Junior Suite | 12 | 0.8% |
| Bay View Junior Suite | 8 | 0.5% |
| Oceanfront One-Bedroom Suite | 8 | 0.5% |
| Conference Suite | 7 | 0.4% |
| Two-Bedroom La Sable Suite | 2 | 0.1% |
| Two-Bedroom La Baie Suite | 2 | 0.1% |
| Two-Bedroom Le Mer Suite | 2 | 0.1% |
| One-Bedroom Ciel Suite | 1 | 0.1% |
| | | |
| **Trésor (Condominiums)** | **462** | **29.0%** |
| Tower Ocean View Junior Suite | 131 | 8.2% |
| Tower One-Bedroom Ocean View Suite | 125 | 7.8% |
| Tower One-Bedroom Suite | 79 | 5.0% |
| Tower Junior Suite | 78 | 4.9% |
| Tower One-Bedroom Oceanfront Suite | 26 | 1.6% |
| Tower Oceanfront Junior Suite | 21 | 1.3% |
| Tower Penthouse Suite | 2 | 0.1% |
| | | |
| **Sorrento (Condominiums)** | **286** | **17.9%** |
| Ocean View Junior Suite | 171 | 10.7% |
| Oceanfront Junior Suite | 61 | 3.8% |
| Oceanfront One-Bedroom Suite | 30 | 1.9% |
| Ocean View One-Bedroom Suite | 19 | 1.2% |
| City View Junior Suite | 4 | 0.3% |
| Penthouse Suite | 1 | 0.1% |
| | | |
| **Hotel Units** | **846** | **53.1%** |
| **Condominium Units** | **748** | **46.9%** |
| | | |
| **Total** | **1,594** | **100.0%** |

## HOTEL AMENITIES

The property offers an extensive selection of amenities and guest services, including 12 restaurants, bars and lounges, including world-renowned entertainment at LIV Nightclub and the iconic Bleau Bar; approximately 200,000 sf of function space, including nearly 107,000 sf of indoor space, 42,000 sf of pre-function space and 51,000 sf of outdoor function space; the luxurious 40,000-sf Lapis Spa; the Lapis Hair & Nail Salon; a 5,800-sf fitness center; 11 outdoor pools and whirlpools accentuated by lavish cabana and outdoor lounge furnishings; six retail outlets; extensive beachfront acreage; a 23-slip marina; a kids' camp; a Refresh Lounge for guests to freshen up prior to departure; and an on-site FedEx office.

### Sources of Revenue

| Sources | % of Total Revenue[1] |
|---|---|
| Rooms | 42.0% |
| Specialty Restaurants | 8.1% |
| LIV | 10.3% |
| Banquets | 12.5% |
| Other F&B | 12.6% |
| Other Departments | 14.4% |

1. Percentages are as of T-12 period ending September 2019.

## RESTAURAUNTS & ENTERTAINMENT

The subject features 12 total F&B outlets, including four signature restaurants (three of which are recipients of the AAA Four Diamond award), five casual-dining restaurants, two lounges, a nightclub and pool/beachside dining. The hotel's four signature restaurants are equipped to accommodate a combined 950 diners and include AAA Four Diamond award-winning Hakkasan, AAA Four Diamond award-winning Scarpetta, AAA Four Diamond award-winning StripSteak by Michael Mina and Pizza & Burger by Michael Mina. Opened in May 2009 and located at the hotel's northeastern corner overlooking South Beach, Hakkasan offers award-winning modern Cantonese cuisine, signature cocktails and specialty dim sum in a sophisticatedly intimate dining/bar area. Scarpetta, located at the base of the collateral's Sorrento tower, offers authentic Italian cuisine within a nautical-themed space emphasized by the backdrop of the Atlantic Ocean and extensive landscaping. Scarpetta additionally features both a glass-enclosed veranda area and cold-drip cocktail tower. StripSteak, located just off the hotel's historic Chateau lobby area, replaced the hotel's prior Gotham Steak restaurant in 2014 and now serves as the hotel's fine-dining steakhouse. The two-level steakhouse has been awarded several accolades, including the Miami New Times' Best Steakhouse of Miami 2016 and Wine Spectator Award of Excellence 2016. Pizza & Burger by Michael Mina, located on the lower level beneath the Chateau lobby, offers a casual-dining menu in a laidback, but lively environment well suited for social get-togethers.

The hotel's five casual-dining restaurants offer a combined 685 seats and include Vida/Blade (combined into one space), Fresh, Chez Bon and La Côte. Vida is a 225-seat American brasserie and the hotel's only three-meal restaurant. Vida shares a venue with the hotel's 75-seat restaurant, Blade, which is open for lunch and dinner daily and offers a selection of specialty sushi rolls and traditional Asian plates. Fresh is located at the lower level of the Chateau tower adjacent to the extensive pool area, offering a selection of upscale snacks for dine-in and takeaway. Chez Bon is an upscale pastry and coffee shop located in the Chateau tower adjacent to StripSteak. La Côte is a 350-seat, two-level, open-air French Mediterranean restaurant situated pool- and beach-side. La Côte is open for lunch daily and has been awarded several accolades, including Miami's Best Poolside Dining Spot by the Miami New Times.

The hotel's two lounges include the iconic Bleau Bar and outdoor pool-side Glow Bar. The Bleau Bar serves as the lobby bar at the base of the Chateau tower, alit with blue floor lighting and offering table reservations with bottle service daily. Bleau Bar is open from 10 a.m. to 12 a.m. daily with business hours extended until 2 a.m. on Friday and Saturday nights. Bleau Bar's location just steps away from the resort's nightclub serves as an excellent gathering area for patrons prior to entering the club later in the evening. The resort is home to one of the most popular nightclubs in the country, LIV. Managed by MMG Nightlife and boasting over 18,000 sf of space, LIV features three bar areas, a state-of-the-art audio and lighting system recently updated in 2017, VIP tables and six private skyboxes. The nightclub is known to attract celebrity and high-profile clientele with its ultra-exclusive VIP area and commonly features live performances by headlining artists. Located pool-side, Glow Bar features a contemporary, music-driven adult bar-scene open daily from 10 a.m. to 6 p.m.

**FOOD AND BEVERAGE OUTLETS**

| F&B Outlet | Seating Capacity | Type of Service |
|---|---|---|
| StripSteak by Michael Mina | n.a. | Signature Fine-Dining Steakhouse & Lounge |
| Hakkasan | 175 | Signature Modern Chinese |
| Scarpetta | 390 | Signature Sophisticated Italian |
| Pizza & Burger by Michael Mina | 215 | Signature Casual-Bistro |
| Vida | 225 | Casual-Dining American-Brasserie |
| Blade | 78 | Casual-Dining Sushi |
| La Cote | 350 | Outdoor French-Mediiterranean Grill |
| Chez Bon Bon | n.a. | Coffee/Pastry Shop |
| Fresh | 35 | Quick-Service Snacks & Gelato |
| Bleau Bar | n.a. | Lobby Bar/Lounge |
| Glow Bar | n.a. | Poolside Bar |
| LIV Nightclub | n.a. | Nightclub |

## MEETING SPACE

The resort features approximately 200,000 sf of total function space, including nearly 107,000 sf of indoor space, 42,000 sf of pre-function space and 51,000 sf of outdoor function space. The largest indoor space, the Sparkle and Ocean Promenade, offers 31,340 sf of column-less divisible space adjoined by an additional 10,067 of pre-function space via the adjacent Luster Galleria and accessible from the main lobby in the Chateau tower. The hotel's junior ballroom, Glimmer, has 16,307 sf of space divisible into seven separate rooms and adjoined by a 6,800-sf terrace overlooking the Atlantic Ocean. Debatably the hotel's most iconic event space, the Fontaine/Fleur De Lis room boasts 12,221 sf of bi-level space lit by hanging chandeliers and eccentric inset blue ceiling lighting. Since the hotel's debut, the Fontaine/Fleur De Lis room has hosted several high-profile acts, including performances by Frank Sinatra and Elvis Presley. The resort additionally features several outdoor function spaces, ranging from 1,200 sf to 16,000 sf. The property's largest outdoor function space, the Tropez Lawn, totals 16,000 sf of lawn, cabana and pool space and features a circular pool with a centrally located island gazebo/cabana area. The Tropez Lawn notably hosted weddings of Chris Bosh, a prominent retired National Basketball Association player for the Miami Heat. Overall, the property's 58 total function spaces ranging from 89 sf to 31,340 sf make it well suited to accommodate groups of any scale and type.

| MEETING SPACE | | | |
|---|---|---|---|
| Name | SF | Total Capacity [1] | Location |
| **Indoor** | | | |
| Fontaine/Fleur De Lis | 12,221 | n.a. | Lobby Level |
| Conference Suite 573 | 714 | n.a. | Fifth Floor Versailles |
| Conference Suite 585 | 694 | n.a. | Fifth Floor Versailles |
| Conference Suite 579 | 650 | n.a. | Fifth Floor Versailles |
| Conference Suite 576 | 610 | n.a. | Fifth Floor Versailles |
| Conference Suite 588 | 548 | n.a. | Fifth Floor Versailles |
| Conference Suite 582 | 445 | n.a. | Fifth Floor Versailles |
| Conference Suite 590 | 430 | n.a. | Fifth Floor Versailles |
| Sparkel & Ocean Promenade | 31,340 | n.a. | Upper Lobby Level |
| Luster Gallerie | 10,067 | n.a. | Upper Lobby Level |
| Splash 9-12 | 5,194 | n.a. | Upper Lobby Level |
| Splash 13-16 | 2,934 | n.a. | Upper Lobby Level |
| Splash 1-4 | 2,572 | n.a. | Upper Lobby Level |
| Splash 5-8 | 2,295 | n.a. | Upper Lobby Level |
| Splash 17-18 | 1,347 | n.a. | Upper Lobby Level |
| Reflect | 1,250 | n.a. | Upper Lobby Level |
| Dive Boardroom | 673 | n.a. | Upper Lobby Level |
| Plunge Boardroom | 606 | n.a. | Upper Lobby Level |
| Trickle | 243 | n.a. | Upper Lobby Level |
| Swirl | 226 | n.a. | Upper Lobby Level |
| Ripple | 90 | n.a. | Upper Lobby Level |
| Rush | 89 | n.a. | Upper Lobby Level |
| Glimmer | 16,307 | n.a. | Fourth Floor |
| Flicker 1-3 | 7,312 | n.a. | Fourth Floor |
| Flash | 1,305 | n.a. | Fourth Floor |
| Glitter | 1,239 | n.a. | Fourth Floor |
| Facet | 1,220 | n.a. | Fourth Floor |
| Shimmer | 1,219 | n.a. | Fourth Floor |
| Dazzle | 1,137 | n.a. | Fourth Floor |
| Bubble | 424 | n.a. | Fourth Floor |
| Soar | 415 | n.a. | Fourth Floor |
| Breeze | 388 | n.a. | Fourth Floor |
| Float | 250 | n.a. | Fourth Floor |
| Whistle | 181 | n.a. | Fourth Floor |
| Glide | 128 | n.a. | Fourth Floor |
| **Subtotal** | **106,763** | | |
| **Outdoor** | | | |
| La Cote Lawn | 6,000 | n.a. | Lawn |
| Ocean Lawn | 8,000 | n.a. | Lawn |
| Tropez Lawn | 16,000 | n.a. | Lawn |
| Sea Green Lawn | 4,000 | n.a. | Lawn |
| Lapis Circle | 3,250 | n.a. | Lawn |
| BleauLive Stage | 1,200 | n.a. | Lawn |
| **Subtotal** | **38,450** | | |
| **Total** | **145,213** | **n.a.** | **Various** |

1. Refers to the maximum capacity that each unit can hold for stand-up guests without a formal seating arrangement. The actual seating capacity for each unit varies based on the specific layout and type of event.

## FITNESS CENTER, SPA, HAIR & NAIL SALON

The resort's fitness center, Lapis Spa and Lapis Hair & Nail Salon are located at the northeastern-most corner of the Chateau tower base. The fitness center spans 5,800 sf of window-lined space with views of the pool and Atlantic beachfront. The resort's two-story Lapis Spa encompasses 40,000 sf of space and includes 31 private treatment rooms, a spa store, men's and women's locker rooms, men's and women's relaxation rooms, mineral pools, massage-jet showers, a co-ed pool and relaxation area and eucalyptus steam baths. The Lapis Spa Hair & Nail Salon is located adjacent to the Lapis Spa.

## POOLS

The collateral offers 11 outdoor swimming pools and whirlpools, excluding the three pools in Lapis Spa. The outdoor pools include an adult-only pool, a kids' pool complete with a waterslide, a pool and whirlpool on the seventh floor of the Trésor tower and a pool on the fifth floor of the Sorrento tower. Excluding the pools/whirlpools privately accessible via the Trésor and Sorrento towers, the property features six swimming pools and two whirlpools across the expansive lawn exterior, extending from the hotel towers to the Atlantic beachfront. The five expansive lawn areas and six swimming pools are accentuated by an abundance of tropical landscaping, pool-side lounge furnishings and private pool-side cabanas equipped with flat-screen TVs, WiFi, mini-refrigerators, ceiling fans and, in some cases, contemporary artwork. The pool area is serviced by Glow Bar, which offers pool-side drink and food service. The exterior lawn and pool area additionally feature the BlueLive stage, which has hosted multinational stars including Lady Gaga, Maroon 5, Justin Bieber, Katy Perry, Tiesto and Pitbull, among others.

## RETAIL

The collateral hosts six self-owned/managed retail outlets including Aquamarine Swimwear (pool-side swimwear and pool toys), Bleau Signature (Fontainebleau-branded gifts and apparel), Ida & Harry (a boutique designer store), Morris & Co. (small gifts, accessories and sundries), Timeless (a fine jewelry and watch store) and the Lapis Spa store. All retail outlets are self-owned and self-managed by the hotel, and there were no vacant retail spaces at the time of DBRS Morningstar's inspection.

## OTHER

The property offers more than 1,250 ft of linear beach frontage along Miami's iconic South Beach, allowing guests to enjoy the warm waters of the Atlantic Ocean with beach chairs and umbrellas available for rent. The property provides direct access to the Miami Beach Boardwalk, which runs approximately four miles north-south along Miami Beach from 4th Street to 46th Street. The hotel additionally features a 23-slip marina located along the Intracoastal Waterway at the westernmost boundary of the property. For guests arriving at the hotel prior to check-in and checking out prior to departure, the hotel offers a Refresh Lounge with electronic lockers and comfortable seating arrangements to leave belongings and change into more suitable attire. For guests traveling with kids ages 4-12, the resort offers full-day and half-day kids' camp programs, a kids' night out program that runs from 7 p.m. to 11 p.m. Friday and Saturday nights as well as babysitting services seven days a week, subject to a four-hour minimum.

# Market Overview

The subject is located 6.7 miles northeast of Downtown Miami and part of the larger Miami-Fort Lauderdale-West Palm Beach, FL MSA. Per the United States Census Bureau, the Miami-Fort Lauderdale-West Palm Beach, FL MSA had an estimated population of nearly 6.2 million as of 2018, making it the seventh-largest MSA in the country behind Washington-Arlington-Alexandria, D.C. Per Woods & Poole Economics, Inc., the population is forecasted to grow at an average annual rate of 1.4% between 2018 and 2025 compared with the forecasted average national annual growth rate of 0.9% over the same period. Miami is considered a gateway to Latin America and serves as the U.S. headquarters for many Central and South American corporations. The city additionally boasts the largest concentration of international banks in the United States with over 100 commercial banks, thrift institutions, foreign bank agencies, financial management and brokerage services firms. The city's Miami International Airport recorded nearly 45.0 million passengers in 2018, up approximately 2.2% from the 44.0 million passengers recorded in 2017 and up 5.0% from the average number of passengers recorded annually over the five-year period ending December 2017. Miami's PortMiami, commonly referred to as both the "Cruise Capital of the World" and the "Cargo Gateway of the Americas," accommodates the largest volume of cruise ships and passengers globally, supporting approximately 334,500 jobs with an estimated annual economic impact of $35.0 billion.

Miami benefits from some of the world's greatest beaches and a warm climate year-round, making it well suited to support resort-style, subtropical tourism. According to the Greater Miami Convention & Visitors Bureau, 16.5 million overnight visitors stayed in Miami at least one night in 2018 (representing an approximately 3.8% increase from the 15.9 million overnight visitors who stayed at least one night in Miami in 2017) with approximately 47.0% of domestic overnight visitors and approximately 51.0% of international overnight visitors staying in the Miami Beach district, making Miami Beach the most mentioned area in which visitors stayed in 2018. Located along Collins Avenue approximately 2.8 miles north of the Art Deco Historic District and with direct access to Miami's iconic South Beach, the collateral is well positioned to accommodate visiting beach goers. Miami's South Beach is a top-rated destination for both domestic and international travelers and has continued to undergo development as evidenced in the expansion and $620.0 million expansion of the Miami Beach Convention Center, which is completed in January 2019. Per the appraisal, the 1.4 million-sf Miami Beach Convention Center is forecasted to have an aggregate economic impact of $2.5 billion over 30 years, creating roughly 5,000 temporary jobs and 1,600 permanent jobs. The expansion/renovation of the convention center was undertaken to negate the down-trending convention tourism to the city and scale the facility to a size and class more fitting for the seventh-largest MSA in the United States.

The collateral's submarket was disrupted in recent years by the occurrence of both the Zika outbreak, Hurricane Irma and Hurricane Dorian in 2016, 2017 and 2019, respectively. In August 2016, the CDC released a travel alert identifying several cases of Zika outbreaks across multiple Miami neighborhoods, resulting in an assortment of cancellations for both group and transient bookings. The travel alert was eventually lifted in June 2017, though business disruption continued and was exacerbated by the impact of Hurricane Irma in September 2017. Though the collateral's performance has trended upward since the occurrence of both events, business displacement was recognizable for both the subject and the surrounding Miami MSA over such time. The collateral's business was again displaced in 2019 as a result of the anticipated landfall of Hurricane Dorian, which resulted in a surge of room-night cancelations at the subject and throughout the Miami Beach submarket, even though the hurricane was downgraded to a tropical storm before reaching Florida and never made landfall in Miami.

### LODGING MARKET

The Miami Beach lodging market is generally considered to be seasonal, experiencing a peak in bookings from January through April and a trough from June through September. The seasonality is primarily driven by weather as the winter and early spring months are warm and humidity is low while the summer months are extremely hot with hurricane season extending into October. Per the provided appraisal, domestic and international tourism, international business, PortMiami and the Miami Beach Convention Center represent the primary demand drivers of hospitality services across the collateral's Miami-Fort Lauderdale-West Palm Beach, FL MSA. Though the Miami lodging market was severely affected during the Great Recession, injections of foreign investment and several privately funded real estate projects have contributed to the market's strong rebound and prompted a significant influx of new hotel supply.

According to STR, as of September 2019, the Miami Beach submarket boasted 206 hotels with a total of 23,722 rooms. Excluding the subject collateral, the largest hotels in Miami Beach are the Loews Miami Beach Hotel with 790 rooms and the Eden Roc Miami Beach with 631 rooms. The local lodging market experienced RevPAR declines in 2016 because of the Zika outbreak and new supply as evidenced by the 2.3% and 4.6% YOY RevPAR declines exhibited by the subject's STR-identified competitive set from 2015–2016 and 2016–2017, respectively. The market has since bounced back as evidenced by the STR-reported YOY RevPAR increase of 12.7% and 2.1% reported by the subject's identified competitive set over 2017 and 2018 and the 2018 and T-12 period ending September 2019, respectively. The competitive set identified by STR includes the collateral, Boca Raton Resort and Club, Waldorf Astoria; Trump National Doral Miami; Loews Miami Beach Hotel; The Diplomat Beach Resort Hollywood, Curio Collection; and JW Marriott Orlando, Grande Lakes. These gains are also displayed at the subject collateral as evidenced through the STR-reported YOY RevPAR increase of 9.7% and 0.6% over the 2017 to 2018 and 2018 to the T-12 period ending September 2019. The muted gains between the 2018 and T-12 period ended September 2019 at both the collateral and across the identified competitive set are generally considered to reflect Hurricane Dorian's impact to the submarket, influencing a rush of room-night cancellations despite never making landfall in Miami, though RevPAR had been declining slightly even before August 2019.

**DEMOGRAPHICS – IMMEDIATE SURROUNDING AREA**

| | 0.0 – 1.0 Mile Radius | 0.0 – 3.0 Mile Radius | 0.0 – 5.0 Mile Radius | Time Period |
|---|---|---|---|---|
| Population estimates | 13,330 | 79,850 | 190,971 | 2019 |
| Population, percentage change | 7.9% | 9.8% | 12.0% | 2010-2019 |
| Median household income | $62,737 | $56,984 | $55,540 | 2019 |

Source: Appraisal.

**AIRPORT PASSENGER TRAFFIC**

| | Miami International Airport | % Change |
|---|---|---|
| 2009 | 33,886,025 | |
| 2010 | 35,698,025 | 5.3% |
| 2011 | 38,314,389 | 7.3% |
| 2012 | 39,467,444 | 3.0% |
| 2013 | 40,562,948 | 2.8% |
| 2014 | 40,941,879 | 0.9% |
| 2015 | 44,350,247 | 8.3% |
| 2016 | 44,584,603 | 0.5% |
| 2017 | 44,071,313 | -1.2% |
| 2018 | 45,044,312 | 2.2% |

## COMPETITIVE MARKET SUPPLY AND DEMAND TRENDS

| Year | Average Daily Room Count | Available Room Nights | Occupied Room Nights | Occupancy | Average Rate | RevPAR |
|---|---|---|---|---|---|---|
| 2009 | 7,931 | 2,894,833 | 1,740,290 | 60.1% | $219.12 | $131.73 |
| 2010 | 7,955 | 2,903,575 | 1,981,337 | 68.2% | $219.77 | $149.96 |
| 2011 | 7,953 | 2,902,845 | 2,147,798 | 74.0% | $228.18 | $168.83 |
| 2012 | 7,949 | 2,901,385 | 2,110,683 | 72.7% | $242.95 | $176.74 |
| 2013 | 7,787 | 2,842,375 | 2,093,561 | 73.7% | $252.66 | $186.10 |
| 2014 | 7,774 | 2,837,691 | 2,088,826 | 73.6% | $267.53 | $196.93 |
| 2015 | 7,775 | 2,837,816 | 2,138,587 | 75.4% | $272.05 | $205.02 |
| 2016 | 7,776 | 2,838,151 | 1,937,704 | 68.3% | $275.60 | $188.16 |
| 2017 | 7,775 | 2,837,870 | 1,973,279 | 69.5% | $277.20 | $192.75 |
| 2018 | 7,773 | 2,837,051 | 2,053,015 | 72.4% | $294.92 | $213.42 |
| 2018/19 | 7,771 | 2,836,415 | 2,055,679 | 70.9% | $295.62 | $214.25 |

Source: Appraisal.

## FONTAINEBLEAU MIAMI BEACH – HISTORICAL MONTHLY PERFORMANCE

| Month | Occupancy | % Change YOY | ADR | % Change YOY | RevPAR | % Change YOY |
|---|---|---|---|---|---|---|
| April 2018 | 81.0% | 4.4% | $427.03 | 6.1% | $345.86 | 10.8% |
| May 2018 | 77.5% | 6.5% | $351.50 | 6.0% | $272.27 | 12.9% |
| June 2018 | 67.3% | 2.6% | $308.79 | 4.6% | $207.88 | 7.3% |
| July 2018 | 75.9% | -10.9% | $305.94 | 2.7% | $232.34 | -8.5% |
| August 2018 | 74.1% | 10.6% | $281.85 | 2.5% | $208.83 | 13.4% |
| September 2018 | 57.1% | 28.1% | $280.33 | -2.9% | $160.19 | 24.4% |
| October 2018 | 66.2% | 20.3% | $306.78 | 2.0% | $203.12 | 22.7% |
| November 2018 | 77.7% | 9.6% | $306.60 | 1.7% | $238.28 | 11.5% |
| December 2018 | 73.8% | 14.7% | $492.49 | -2.7% | $363.66 | 11.6% |
| January 2019 | 81.6% | 8.7% | $413.59 | -6.4% | $337.59 | 1.8% |
| February 2019 | 79.9% | 2.4% | $447.69 | -6.6% | $357.57 | -4.4% |
| March 2019 | 84.1% | -0.1% | $468.68 | -3.3% | $394.38 | -3.4% |
| April 2019 | 81.3% | 0.4% | $413.71 | -3.1% | $336.49 | -2.7% |
| May 2019 | 86.1% | 11.2% | $326.63 | -7.1% | $281.36 | 3.3% |
| June 2019 | 74.9% | 11.3% | $281.56 | -8.8% | $210.96 | 1.5% |
| July 2019 | 76.4% | 0.7% | $292.92 | -4.3% | $223.93 | -3.6% |
| August 2019 | 68.6% | -7.4% | $270.31 | -4.1% | $185.51 | -11.2% |
| September 2019 | 49.8% | -12.8% | $262.68 | -6.3% | $130.87 | -18.3% |

Source: STR Report (September 2019).

| FONTAINEBLEAU MIAMI BEACH – HISTORICAL PERFORMANCE (2010-2019) | | | | | | | |
|---|---|---|---|---|---|---|---|
| Year | Occupancy | % Change | ADR | % Change | RevPar | % Change | RevPar Penetration |
| 2010 | 66.2% | | $259.23 | - | $171.61 | - | 114.4% |
| 2011 | 78.6% | 18.7% | $277.97 | 7.2% | $218.48 | 27.3% | 129.4% |
| 2012 | 77.9% | -0.9% | $299.56 | 7.8% | $233.36 | 6.8% | 132.0% |
| 2013 | 81.5% | 4.6% | $315.44 | 5.3% | $257.17 | 10.2% | 138.2% |
| 2014 | 81.4% | -0.1% | $341.27 | 8.2% | $277.67 | 8.0% | 141.0% |
| 2015 | 83.0% | 2.0% | $346.01 | 1.4% | $287.34 | 3.5% | 140.2% |
| 2016 | 74.8% | -9.9% | $354.32 | 2.4% | $265.07 | -7.8% | 140.9% |
| 2017 | 69.7% | -6.8% | $356.01 | 0.5% | $248.15 | -6.4% | 128.7% |
| 2018 | 74.3% | 6.6% | $356.60 | 0.2% | $279.28 | 12.5% | 130.9% |
| Sept 2019 | 76.3% | - | $375.75 | - | $272.77 | - | 126.0% |

Source: Appraisal.

## Competitive Set

The appraisal identified five resorts as primary competitors of the subject collateral: Eden Roc Miami Beach; Nobu Miami; Loews Miami Beach Hotel; The Diplomat Beach Resort Hollywood, Curio Collection by Hilton; and Trump National Doral Miami. All identified competitive properties are located on Miami Beach apart, except one hotel that is located farther inland from the collateral and one hotel that is located farther north along Hollywood Beach. The appraisal's primary competitive set ranged from 203 keys to 1,000 keys with an average demand segmentation of 59.0% and 41.0% for transient and group travelers, respectively, and an average occupancy of 71.3% estimated for 2018. The appraisal identified four additional hotels/resorts to be secondarily competitive with the subject collateral: Boca Raton Resort and Club, Waldorf Astoria; JW Marriott Orlando, Grande Lakes; Fort Lauderdale Marriott Harbor Beach Resort & Spa; and The Ritz-Carlton Orlando, Grande Lakes. The appraisal's secondary competitive set averaged 767 keys with an average demand segmentation of 53.0% and 47.0% for transient and group travelers, respectively, and an average occupancy of 71.7% estimated for 2018. For more information on how the subject collateral compares with its competitive set, please refer to the table and summaries below.

| COMPETITIVE SET | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Property | City | State | Keys | Year Built/ Renovated | 2018 Occupancy | 2018 ADR | 2018 RevPAR | Primary/ Secondary |
| Diplomat Resort & Spa Hollywood Curio Collection by Hilton | Hollywood | FL | 1,000 | 2000/2014 | 70 – 75 | 260 – 270 | 200 – 210 | Primary |
| Eden Roc Miami Beach | Miami Beach | FL | 415 | 1956/2013 | 65 – 70 | 260 – 270 | 180 – 190 | Primary |
| Loews Miami Beach | Miami Beach | FL | 790 | 1998 | 75 – 80 | 350 – 375 | 280 – 290 | Primary |
| Nobu Miami | Miami Beach | FL | 206 | 2018 | 65 – 70 | 300 – 325 | 210 – 220 | Primary |
| Trump National Doral Miami | Miami | FL | 643 | 1965/2012 | 50 – 55 | 200 – 210 | 105 – 110 | Primary |
| **Total/Wtd. Avg. Comp. Set** | **Various** | **FL** | **3,054** | **Various** | **Various** | **Various** | **Various** | **Primary** |
| **Average - Secondary Competitors** | **Various** | **FL** | **3,067** | **Various** | **Various** | **251.11** | **179.59** | **Secondary** |
| Fontainebleau Miami Beach | Miami Beach | FL | 1,440 | 1954/2008 | 74.3% | $375.75 | $279.28 | N/A |

Source: Appraisal.

## PRIMARY COMPETITIVE SET:

### EDEN ROC MIAMI BEACH

Eden Roc Miami Beach is a 415-key luxury hotel located directly north of the subject collateral. Originally opened in 1956, the property benefits from a waterfront location with direct access to Miami Beach similar to the subject. The resort offers a large meeting space that is popular with meeting planners. Additional amenities for the property include a business center, concierge, boutique retail outlet, room/beach service, full-service spa, outdoor swimming pools, fitness center and outdoor whirlpools. Furthermore, the property offers balconies in all guest rooms. The property has four F&B outlets, including the lobby lounge, pool and beach bar, Starbucks and Malibu Farm. DBRS Morningstar notes that Eden Roc Miami Beach and Nobu Miami share all amenities. Eden Roc Miami Beach is included in the competitive set because of its location adjacent to the subject and its similar vintage as the subject, but it is generally inferior.

### NOBU MIAMI

Nobu Miami is a 203-key upscale hotel located inside the Eden Roc Miami Beach directly north of the subject. The Nobu Hotel at Eden Roc was converted from the historic Eden Roc tower to a Nobu Hotel, which opened in 2017 and is the newest of all the comparables. The hotel is known for its luxury rooms and its Japanese-fusion restaurant, headed by Chef Nobuyuki Matsuhisa. The property shares all amenities with Eden Roc Miami Beach. Additionally, the property has similar visibility and accessibility as the subject hotel. The room decor and finishes are considered comparable in quality to the subject.

### LOEWS MIAMI BEACH HOTEL

Loews Miami Beach Hotel is a 790-key luxury hotel located two miles south of the subject collateral. The hotel was built in 1998 and has a superior location in the heart of South Beach, situated near the Miami Beach Convention Center and Lincoln Road. Furthermore, the hotel underwent a $50.0 million renovation in 2017. Renovations included guest rooms, meeting areas, F&B outlets, the lobby and outdoor areas, including the pool. With the latest renovations, the hotel made a notable migration from white tablecloth dining toward fast-casual restaurants, incorporating a new indoor/outdoor bar that serves as the focus of the new lobby area. Additionally, the hotel created a new adults-only cabana near its newly tiled mosaic pool. The hotel has ample meeting space at 65,000 sf, which comprises a 28,000 sf ballroom and 22 additional meeting rooms, salons and parlors ranging from 300 sf to 4,000 sf. The hotel also has two lawns, the Americana Lawn and the St. Moritz Lawn, which both function as outdoor meeting space. Other amenities for this property include a business center, concierge, boutique retail outlet, room/beach service, full-service spa, outdoor swimming pools, outdoor whirlpools, a fitness center and kids club. The hotel has five F&B outlets – Lure Fishbar, Preston's Market, Bar Collins, Nautilus and Miami Joe Coffee Co. – none of which were deemed to be destination spots. The hotel's overall quality is considered somewhat comparable to the subject, though less stylish.

### THE DIPLOMAT BEACH RESORT HOLLYWOOD

This 1,000-key competitor is located 15 miles north of the subject collateral in Hollywood, Florida. The property was built in 2002 and benefits from its oceanfront location and brand affiliation with Hilton as a Curio Collection Hotel. The hotel recently received a $100.0 million renovation and change in flag from Westin in 2017. As part of the renovation, all 998 guest rooms were upgraded and two rooms were added, bringing the total room count to 1,000. The remodel also encompassed several new F&B outlets, the lobby, pool areas and landscaping. Amenities for this hotel are similar to the other comparables, featuring a business center, concierge, boutique retail outlet, room/beach service, gift shop, spa, outdoor swimming pool and fitness center. The hotel features over 200,000 sf of flexible meeting space, including a 20,000-sf grand ballroom, 39 breakout rooms, 50,000-sf Great Hall and three additional ballrooms ranging from 9,000 sf to 11,000 sf. The property also has outdoor event areas overlooking the ocean and Intracoastal Waterway. The hotel was ranked third in the Top Convention & Meeting Sites in the South Florida Business Journal's 2018 Book of Lists. The property is similar to the subject in that it features direct beach access and excellent views, but falls short in terms of proximity to other off-property amenities. Per the appraisal, Mr. Soffer (the sponsor and guarantor for this transaction), is undergoing negotiations to acquire the hotel.

### TRUMP NATIONAL DORAL MIAMI

The 693-key hotel was built 11 years after the subject in 1965. In 2012, President Trump purchased the hotel out of bankruptcy and conducted a $250 million renovation of the property, including the pool, new landscaping, the club house, F&B outlets, the spa and the guest rooms. The hotel location is deemed inferior, approximately 15 miles inland and directly west of the subject. The location away from the Atlantic Ocean is considered to be a disadvantage and the off-property amenities are limited compared with the Miami Beach location, though this hotel features a championship golf course that routinely hosts PGA tour events. Furthermore, the hotel benefits from its large meeting space, which totals over 100,000 sf with 35 total function spaces including four ballrooms, and a full-service spa. Other amenities for the property include a business center, concierge, boutique retail outlets, gift shop, four F&B outlets, an indoor and outdoor swimming pool, tennis courts and a fitness center.

## SECONDARY COMPETITIVE SET:

The secondary competitive set consists of convention-oriented hotels that feature more than 100,000 sf of meeting space. Though the identified properties in this set compete with the subject for group business, these hotels are located in different submarkets throughout Florida and, thus, do not often compete with the subject property in the transient segment of the market. Additionally, all but one property lack beachfront locations. DBSR Morningstar believes that the combination of a large oceanfront parcel, an architecturally significant design, multiple destination F&B outlets and the proximity to nightlife and shopping options in South Beach make the subject property superior to all other hotels in this set.

### BOCA RATON RESORT AND CLUB, A WALDORF ASTORIA RESORT

The hotel was built in 1926 and is the only hotel in this set that is older than the subject. The property was purchased by the Blackstone Group Inc. in 2004 and has undergone extensive renovations. The hotel is located approximately 35 miles north of the subject and has two 18-hole golf courses. Though the hotel is not located on the beach, it does have access to the beach via a shuttle service. The property's curb appeal and comprehensive amenity package contribute to its strengths as a competitor; however, its location in Boca Raton, Florida, is considered inferior to the subject.

### RITZ CARLTON ORLANDO, GRANDE LAKES

The hotel is the farthest from the subject and is in Orlando, Florida. The luxury hotel is comparable to the subject based on quality and amenities. The property is located one mile east of SeaWorld Orlando and amenities include an 18-hole Greg Norman golf course as well as a high-end spa. Because of its minimal off-property nightlife and lack of high-end shopping options, the property is considered to be inferior to the subject.

### JW MARRIOTT ORLANDO, GRANDE LAKES

The hotel is 0.5 miles from the Ritz Carlton Orlando, Grande Lakes. The property was built in 2003 and carries Marriott's highest-quality and most luxurious flag. As a result, it is high quality and comparable to the subject. This hotel shares amenities with Ritz Carlton Orlando, Grande Lakes and benefits from its proximity to SeaWorld Orlando, but is also considered inferior.

### MARRIOTT HARBOR BEACH RESORT

The hotel was built in 1984 and renovated in 2016. The property is located approximately 30 miles from the subject in the heart of Fort Lauderdale, Florida. The hotel features a lagoon-style swimming pool, water sports, beach bar, spa and fitness center. Additionally, the hotel has 20 flexible meeting and event rooms as well as a grand ballroom. Though the property is located on a beach similar to the subject, there are limited off-property amenities nearby compared with Miami Beach.

## New Supply

Per the STR report dated September 2019, 24 properties totaling 3,489 rooms were currently under construction across the greater Miami/Hialeah, Florida, market with an additional 60 properties totaling 12,546 keys in various planning stages. Per a representative of Colliers International Group Inc., new supply additions are generally added in areas like Downtown Miami, Fort Lauderdale and West Palm Beach. The appraiser identified three upscale/luxury hotels in the supply pipeline: the 685-key JW Marriott Turnberry Resort & Spa in Aventura (opened in January 2019), the 800-key Miami Beach Convention Center Hotel in Miami Beach (in early development stages and slated to open in January 2023) and the 1,700-key Marriott Marquis Miami World Center in Downtown Miami (also in early development stages and slated to open in January 2023). The appraisal did not consider any of the identified projects to be directly competitive with the subject because of several factors, including their non-beachfront locations, lower price points, lack of resort amenities and/or limited F&B facilities. Moreover, the proposed Miami Beach Convention Center Hotel is anticipated to drive additional group demand into the market and would largely accommodate the demand generated by the Miami Beach Convention Center. Similar to the other new supply, the Miami Beach Convention Center Hotel would not be primarily competitive with the subject because of its non-beachfront location and its position in the market, catering mostly to convention guests.

The largest potential development in the area remains the Resorts World Miami project, located in Downtown Miami across Biscayne Bay from Miami Beach. The proposed $3.0 billion development would include 5,200 hotel rooms, dozens of restaurants, a casino and a residential component; however, the project has been stalled several times partly because of the continued postponement of Florida state legislature on a bill that would legalize gambling in Florida. To date, construction has yet to begin.

## Ownership

The borrowers are Fontainebleau Florida Hotel, LLC; Fontainebleau Florida Tower 2, LLC; Fontainebleau Florida Tower 3, LLC; and Fontainebleau Tower 3 Garage Restaurant, LLC are ultimately owned by Mr. Soffer, the sponsor and guarantor for this transaction. Mr. Soffer is one of Fontainebleau Development's principals and owners.

Fontainebleau Development is a Miami-based real estate development and property management company founded by Jeffrey Soffer in 2019. Fontainebleau Development's hotel portfolio is managed by a related subsidiary, Fontainebleau Hospitality Management, and consists of three hotels in Florida (including the subject); two hotels in Nashville, Tennessee; and one hotel in Boston, Massachusetts.

Jeffrey Soffer, through his involvement with the prior borrower sponsor entity, became involved with the subject property in 2001 when it partnered with the previous ownership on an extensive renovation and expansion of the project, including the addition of the two condo towers. In 2003, a then-existing tower (the Normandy tower) was purchased by the prior borrower sponsor entity and soon demolished to make way for the new Trésor tower. Later in 2005, the prior borrower sponsor entity completed the full acquisition of the resort for $323.7 million and subsequently terminated the Hilton management agreement. In early 2008, Istithmar took on a 50.0% stake in the property for $375.0 million and injected an estimated $112.5 million of fresh equity toward the then-ongoing $752.1 million renovation project. In late 2010, the prior borrower sponsor entity and Istithmar restructured the property's existing debt, investing another $156.0 million into the resort, including $120.0 million of cash and leaving $534.0 million of total debt outstanding. Later in 2012, the JV refinanced the property with a $412.0 million whole loan, which was securitized as part of FMBT 2012-FBLU and previously rated by DBRS Morningstar. In November 2013, an $875.0 million refinancing of the property facilitated consolidation of ownership back to the prior borrower sponsor entity. The loan was securitized in JPMCC 2014-FBLU, which was not rated by DBRS Morningstar. The securitization was paid in full following maturity in 2015.

Mr. Soffer is a principal and owner of Fontainebleau Development and serves on the company's board of managers and as the sponsor and guarantor for this transaction. Mr. Soffer, along with other former officers, directors and persons involved in a now-defunct Fontainebleau Resort and Casino project in Las Vegas, Nevada, have been named as defendants in eight separate legal actions stemming from the development of this resort. Construction on the $4.0 billion project began in early 2007 and was 70.0% complete when the borrowers filed for bankruptcy protection in mid-2009. The separate 2008 bankruptcy filing of Lehman Brothers Holdings Inc., the lender on the project, prevented the bank from executing a previously committed construction advance. In early 2010, the project was liquidated for approximately $156.0 million. In November 2013, the bankruptcy court approved a comprehensive settlement for the project, though certain actions by the Chapter 7 trustee were excluded from the scope of the settlement. The Chapter 7 trustee reached a settlement with Mr. Soffer in December 2014, which barred further pending lawsuits and required Mr. Soffer to pay $83.0 million. The case was dismissed with prejudice in February 2015.

Mr. Soffer and his sister Jacquelyn Soffer (Ms. Soffer) were named defendants in a proceeding brought by Turnberry Residential Developers, L.P. alleging claims of unpaid commissions totaling approximately $12.0 million, though the action was dismissed in September 2016. Mr. Soffer was additionally one of several co-defendants in a wrongful death action filed in January 2014 related to a 2012 helicopter crash in the Bahamas. The lawsuit was dismissed without prejudice in August 2014, though the plaintiff appealed the ruling with the most recent status conference held in June 2018. Though Mr. Soffer has no additional insurance coverage available, certain co-defendants have coverage. As of loan origination, the borrowers stated that there were no ongoing actions or litigations threatening the borrower, sponsor or subject collateral.

Lastly, Fontainebleau Florida Tower 2, LLC and Fontainebleau Florida Tower 3, LLC, which own the hotel units in each of the condo towers, were named as defendants in lawsuits filed by the subject's two condo associations. The associations pursued the borrowers to remedy certain purported defects within the condo buildings, along with the recovery of damages. The case eventually reached a settlement with no outstanding litigation.

## Franchise & Management

The property is currently self-managed by an affiliate of the borrower, Mr. Soffer, and does not operate under a flagged brand as it is operated and marketed as an independent hotel. Fontainebleau Development is a premier real estate development and hospitality group with a diverse array of assets, including but not limited to the subject, JW Marriott Miami Turnberry Resort & Spa, Turnberry Ocean Club Residences, The Residences at MGM Grand and The Residences at Atlantis. Fontainebleau Development additionally operates an array of luxury services, including Fontainebleau Aviation, Turnberry Marina and Turnberry Country Club. Though no management agreement is currently in place, several typical property management expenses have historically been accounted for in the management fee operating expense line item. DBRS Morningstar estimated a management fee expense equal to 2.0% of total revenue, the maximum management fee stipulated in the transaction loan agreement. For additional detail on the DBRS Morningstar NCF assumptions, please see the Cash Flow Analysis section on pages 31 and 32.

## Demand Segmentation

The collateral's demand segmentation is anchored with a relatively large upscale leisure demand component combined with group travelers. As of the T-12 period ending September 2019, leisure and group travelers accounted for 61.0% and 38.8% of occupied room nights, respectively. Segmentation by room revenue over the same period is even more severe with leisure and group travelers accounting for 63.8% and 32.9%, respectively, reflecting the ADR premium achieved by the leisure segment. The subject is a dominant resort in terms of indoor and outdoor function space relative to its competitive set and, given its expansive layout, can easily accommodate several events simultaneously without disruption between groups. As of the T-12 period ending September 2019, leisure and group ADR were $377.74 and $306.67, respectively, representing increases of 2.0% and 4.4%, respectively, over 2015 figures, which was the last full financial reporting period prior to the outbreak of Zika in 2016 and the impact of Hurricane Irma in 2017. The leisure and group ADRs reported for the T-12 period ending September 2019 represent decreases of 5.6% and 1.1%, respectively, over 2018 figures. Per management, 2018 was the last full financial reporting period prior to the influx of room-night cancellations that accompanied the anticipated landfall of Hurricane Dorian in August 2019, though DBRS Morningstar has not confirmed that Hurricane Dorian is the only driver of the declining RevPAR trend exhibited between the 2018 and T-12 period ending September 2019. The resort benefits from local resident and non-guest utilization of its renowned F&B outlets and luxurious Lapis Spa, though the exterior pool area is restricted to hotel guests.

**DEMAND SEGMENTATION**

| Property | Leisure | Meeting & Group |
|---|---|---|
| Diplomat Resort & Spa Hollywood Curio Collection by Hilton | 60.0% | 40.0% |
| Eden Roc Miami Beach | 75.0% | 25.0% |
| Loews Miami Beach | 60.0% | 40.0% |
| Nobu Miami | 60.0% | 40.0% |
| Trump National Doral Miami | 50.0% | 50.0% |
| **Primary Comp. Set Wtd. Avg.** | **59.0%** | **41.0%** |
| Secondary Competitors | 53.0% | 47.0% |
| **Total/Wtd. Avg. Comp. Set** | **57.0%** | **43.0%** |
| **Fountainebleau Miami Beach – Subject** | **55.0%** | **45.0%** |

Source: Appraisal.

## DBRS Morningstar Analysis

### SITE INSPECTION SUMMARY

DBRS Morningstar toured the interior and exterior of the property on Thursday, November 7, 2019, at 10:00 a.m. Based on the site inspection, DBRS Morningstar found the property quality to be Excellent.


The collateral is located along the east side of Collins Avenue at 44th Street in Miami Beach, occupying a 15.5-acre parcel with approximately 1,250 ft of linear beach frontage on its eastern border. Across Collins Avenue to the west of the property is Indian Creek, a navigable waterway that connects to Biscayne Bay. The immediate neighborhood east of Indian Creek, a part of the larger Mid-Beach area, is fully developed with a mix of hotels, high-rise apartments and condo buildings as well as smaller commercial properties. The area stretching west of Indian Creek is densely developed with single-family homes, most of which are generally valued between $1.0 million and $10.0 million. Compared with South Beach, which is located approximately 2.0 miles south, the subject's neighborhood is quiet and has a more residential character. There are far fewer hotels in the area than in South Beach with the Eden Roc Miami Beach and SoHo Beach House hotels located directly adjacent to the north and south of the collateral, respectively. There are also significantly fewer dining and nightlife options in the immediate surrounding neighborhood compared with South Beach; however, per management, this characteristic is beneficial to the collateral as it encourages visitors to use the F&B outlets offered on site. At the time of DBRS Morningstar inspection, management also shared that the property was the number one Uber/Lyft destination in Florida.

The property has two entrances: the main entrance on Collins Avenue to the iconic Chateau lobby and the secondary entrance on 44th Street providing access to the two condo towers. The Chateau lobby retains many of its original elements because of the hotel's landmark status, including inlaid black bowtie designs accentuating the immaculately polished white marble floors, three sets of columns, a golden staircase descending from the secondary mezzanine (referred to by management as the "staircase to nowhere") and a large illuminated glass column at the center of Bleau Bar. The so-called "staircase to nowhere" was designed for guests to make an entrance into the lobby area after exiting the elevator on the second-floor mezzanine. Though these elements are now well over half a century in age, the polish and renovations of the hotel give the lobby a trendy feel while retaining the fun, yet sophisticated demeanor originally intended for the property. In addition to Bleau Bar, the entrances to LIV and Pizza & Burger by Michael Mina are also in the lobby and finished to a high level. DBRS Morningstar toured LIV, which is the property's highly successful nightclub spanning 18,000 sf with capacity to accommodate 1,000 people. LIV underwent a $5.1 million renovation in 2017, which included the addition of a proprietary light system featuring 410 individual 8-inch x 10-inch LED screens and referred to as "the Spider." Per management, LIV is among the highest revenue-generating nightclubs psf in the country, competing primarily with the most exclusive clubs in Las Vegas and New York City. The main lobby connects on one side to the lobby and pre-function area in Versailles and on the other to a hallway joining the Chateau to the two condo towers. The lobby additionally features the resort's fine jewelry store and a sundries shop, which are located just off the bowtie floor lobby and directly adjacent to the check-in desk, respectively.

The guest rooms in Chateau, the iconic curved centerpiece of the property, were totally renovated between 2006 and 2008 and feature a modern, but comfortable design. The furnishings are attractive and in very good condition, and the rooms on the upper floors facing the ocean have large balconies. The bathrooms are very high quality and feature marble flooring and walls as well as small wall-mounted TVs. The Versailles tower, located at the northern border of the property, was renovated at the same time as Chateau and the rooms share the same decor and finish. The two condo towers, Trésor and Sorrento, are located at the southern border of the property and are accessible from the lobby of the Chateau via an enclosed walkway overlooking the main pool and decorated with tributary photographs of Frank Sinatra's time at the asset. Though physically separate from the owned real estate that serves as collateral for the loan, the towers feel like part of a cohesive resort property and not a tacked-on addition. Trésor, the older of the two towers, was built in 2005 and features a small lobby with a traditional design. Sorrento, the newer tower built in 2009, features a more contemporary design in both the common areas and suites, in line with the design and finish quality of the Chateau and Versailles rooms. The Sorrento rooms participating in the condo hotel rental program underwent renovation in 2019 at an estimated cost of approximately $25,000 per key (funded by the individual condo owners and not the borrower). The renovated product showed nicely at the time of DBRS Morningstar's inspection.

DBRS Morningstar inspected the interior of three signature restaurants at the property: Vida/Blade, StripSteak and Scarpetta. The sponsor's significant investment and continued upkeep of all three spaces was evident at the time of inspection as each restaurant is very attractive and features distinctively unique design. DBRS Morningstar also visited La Côte and the Bleau Bar, both of which appeared to be well maintained and used at the time of inspection. The hotel's 5,800-sf fitness center is located above the Lapis Spa and features modern gym equipment as well as a window-wrapped wall overlooking the resort's outdoor pool/lawn area. The resort's function space is generally located in the low-rise building connecting the Chateau and Versailles towers. These spaces have hosted several events, including the Dwyane Wade Fantasy Basketball Camp and the wedding of ex-Miami Heat player, Chris Bosh.

The property features an expansive exterior lawn area, populated with six outdoor swimming pools, two whirlpools, an assortment of deck chairs and comfortable pool lounge furnishings as well as several private cabana areas. At the time of inspection midday on a Thursday, the main swimming pools were moderately crowded with guests filling only a portion of the surrounding pool furnishings. Several of the private cabanas of non-primary pools appeared to be in use, marking a noticeable improvement from the DBRS Morningstar site inspection conducted at a similar time almost exactly one-year prior (10:30 a.m. on October 25, 2018). The expansive pool area was redeveloped as part of the sponsor's 2006–2008 renovations and was accentuated by an abundance of well-manicured subtropical landscaping. Located between the pool area and the Atlantic Ocean is La Côte, the resort's outdoor French restaurant featuring several comfortable and casual outdoor seating arrangements as well as second-floor seating that overlooks the Atlantic Ocean to the east. La Côte appeared to be moderately busy at the time of inspection and is open to non-resort patrons passing by via the Miami Beach Boardwalk located directly adjacent to the east.

## DBRS MORNINGSTAR NCF SUMMARY

The DBRS Morningstar NCF is based on the DBRS Morningstar North American Commercial Real Estate Property Analysis Criteria. The resulting DBRS Morningstar NCF was $77,197,239, representing a -9.8% variance from the Issuer's NCF of $85,580,497. The primary drivers of the variance are condo and guest-room revenue, FF&E and LIV expenses. DBRS Morningstar stressed the condo-unit participation rate by assuming that 20.0% of the units would not participate in the rental program. This is a nearly 50.0% increase to the current condo non-participation rate of 10.3% reported as of the T-12 period ending September 2019. DBRS Morningstar estimated WA occupancy for condo and guest rooms to be 73.7%, which is below the Issuer's figure of 76.0% and the historical average of 80.4% between 2011 to 2015. DBRS Morningstar estimated a WA ADR of $366.50 for the property based on the ADR's by room type (i.e., Chateau and Versailles, Trésor and Sorrento rooms) for the T-12 period ending September 2019, primarily because of the significant rate lift in recent years. The DBRS Morningstar ADR estimate is slightly above the Issuer's conclusion of $365.20. The resulting RevPAR estimated by DBRS Morningstar was $270.21, representing a 2.6% discount to the Issuer's RevPAR of $277.52 and a 6.0% discount to the actual RevPAR achieved in 2015 at the subject prior to the Zika virus in 2016 and Hurricane Irma disruption in 2017. The DBRS Morningstar RevPAR also represents a 0.6% discount to the RevPAR of $271.74 achieved over the T-12 period ending September 2019 and a 3.0% discount to the actual RevPAR achieved in 2018, though the T-12 period ending September 2019 figures were slightly disrupted because of room-night cancellations associated with the anticipated impact of Hurricane Dorian in August 2019. For FF&E, DBRS Morningstar assumed the contractual 5.0% on condo revenue and 4.0% on all other revenue, resulting in a total amount of approximately $14.1 million ($9,810 per key) and a blended ratio of 4.2%, which was above the Issuer's figure of $12.0 million (8,380 per key) or 3.5%. Lastly, DBRS Morningstar estimated LIV Nightclub expenses at a 68.6% ratio of LIV income, which was in line with the expense ratio reported for the T-12 period ending September 2019 and above the Issuer's concluded figure of 64.9%.

| NCF ANALYSIS | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | T-12 September 2019 | Issuer NCF | DBRS Morningstar NCF |
| Occupancy | 83.0% | 74.6% | 69.7% | 74.1% | 75.2% | 76.0% | 73.7% |
| ADR | $346.01 | $354.32 | $356.01 | $375.75 | $361.38 | $365.20 | $366.50 |
| RevPAR | $287.34 | $264.34 | $248.15 | $278.51 | $271.74 | $277.52 | $270.21 |
| **REVENUES** | | | | | | | |
| Accommodation | $151,027,618 | $139,319,375 | $130,425,593 | $146,386,259 | $142,827,797 | $145,865,091 | $142,019,981 |
| Food & Beverage | $152,511,095 | $143,080,605 | $126,147,043 | $149,787,254 | $148,426,504 | $149,604,863 | $147,587,023 |
| Other Income[1] | $45,551,869 | $47,063,955 | $57,629,009 | $48,745,300 | $48,988,013 | $49,302,312 | $48,710,943 |
| **Total Revenues** | **$349,090,582** | **$329,463,935** | **$314,201,645** | **$344,918,813** | **$340,242,314** | **$344,772,265** | **$338,317,948** |
| **DEPARTMENTAL EXPENSES** | | | | | | | |
| Accommodation | $31,790,090 | $32,131,147 | $32,286,455 | $33,673,784 | $33,951,300 | $34,534,683 | $33,759,276 |
| Food & Beverage | $90,718,984 | $87,010,123 | $81,471,441 | $92,494,132 | $93,991,946 | $92,111,423 | $93,460,340 |
| Other Expenses | $24,680,460 | $24,047,056 | $23,150,478 | $22,953,117 | $23,117,465 | $23,063,736 | $22,986,716 |
| Condo Expense | $28,808,631 | $26,932,926 | $24,618,184 | $26,634,016 | $26,866,349 | $27,816,411 | $26,714,396 |
| **Total Departmental Expenses** | **$175,998,165** | **$170,121,252** | **$161,526,559** | **$175,755,049** | **$177,927,060** | **$177,526,254** | **$176,920,728** |
| **GROSS OPERATING INCOME** | $173,092,417 | $159,342,683 | $152,675,087 | $169,163,764 | $162,315,254 | $167,246,010 | $161,397,220 |
| **UNDISTRIBUTED OPERATING EXPENSES** | | | | | | | |
| Sales & Marketing | $173,092,417 | $159,342,683 | $152,675,087 | $169,163,764 | $162,315,254 | $167,246,010 | $161,397,220 |
| General & Administrative | $12,167,843 | $11,503,629 | $10,462,851 | $12,316,420 | $12,314,594 | $11,853,594 | $12,244,944 |
| Facility Operations | $21,963,117 | $19,936,424 | $20,648,183 | $22,543,225 | $22,607,171 | $22,181,554 | $22,479,308 |
| **Total Undistributed Expenses** | **$48,824,935** | **$45,551,079** | **$45,385,358** | **$50,386,455** | **$50,471,007** | **$49,581,291** | **$50,185,550** |
| **GROSS OPERATING PROFIT** | $124,267,482 | $113,791,604 | $107,289,729 | $118,777,309 | $111,844,247 | $117,664,720 | $111,211,671 |
| Base Management Fee | $7,048,663 | $6,728,127 | $6,031,548 | $6,414,995 | $6,208,169 | $6,895,445 | $6,766,359 |
| **INCOME BEFORE FIXED CHARGES** | **$117,218,819** | **$107,063,477** | **$101,258,180** | **$112,362,314** | **$105,636,078** | **$110,769,274** | **$104,445,312** |
| **FIXED EXPENSES** | | | | | | | |
| Property Taxes | $7,262,702 | $7,411,910 | $7,025,705 | $7,002,429 | $7,037,066 | $7,346,142 | $7,346,142 |
| Insurance | $5,265,135 | $5,278,722 | $4,676,666 | $4,757,655 | $5,332,857 | $5,775,607 | $5,775,607 |
| **TOTAL FIXED EXPENSES** | **$12,527,837** | **$12,690,632** | **$11,702,370** | **$11,760,083** | **$12,369,923** | **$13,121,748** | **$13,121,748** |
| **EBITDA** | **$104,690,982** | **$94,372,845** | **$89,555,810** | **$100,602,231** | **$93,266,155** | **$97,647,526** | **$91,323,563** |
| FF&E Reserve | $12,218,170 | $11,531,238 | $10,997,058 | $12,072,158 | $11,908,481 | $12,067,029 | $14,126,324 |
| **NET CASH FLOW** | **$92,472,812** | **$82,841,608** | **$78,558,753** | **$88,530,072** | **$81,357,674** | **$85,580,497** | **$77,197,239** |

## DBRS Morningstar Value Analysis

Per DBRS Morningstar's North American Single-Asset/Single-Borrower Methodology, the typical range of cap rates is 9.0% to 12.5%. Given the subject's irreplaceable oceanfront location in Miami Beach, excellent property quality and extensive amenity offering, DBRS Morningstar believes a cap rate at the lower end of the range is warranted. According to the Q3 2019 PwC Real Estate Investor Survey, the average cap rate for full-service lodging properties was 8.3%, with a range of 7.0% to 10.0%, and the average cap rate for luxury lodging properties was 7.3%, with a range of 5.5% to 9.5%. Given the property's high quality and strong location, it is likely that the subject would trade toward the lower end of that range. Hospitality Valuation Services (HVS) Brokers Survey identified a cap-rate range of 5.5% to 9.5% with an average of 7.3% for luxury and upscale hotels in spring 2018. HVS further concluded to a 5.5% cap rate on year one NOI for the subject, citing its historic status as an icon of the Miami beachfront, its extensive offering of luxury amenities and exceptional oceanfront location as reasons for its position at the lowest end of its broker survey-identified cap-rate range. HVS has determined the as-is market value of the property to be $1,664,700,000. DBRS Morningstar applied a 9.75% cap rate to the DBRS Morningstar NCF of $77,197,239, resulting in a DBRS Morningstar value of approximately $791.8 million ($549,837 per key). The DBRS Morningstar-applied cap rate allows for significant reversion to the mean in lodging valuation metrics as it is more than 400 bps wide of the current market cap rate and the DBRS Morningstar value represents a significant 52.4% discount to the as-is appraised value of the collateral.

HVS identified four hospitality properties in a sales comparison with the subject collateral. All selected transactions occurred between February 2019 and September 2019 with three of the four identified transactions in Miami Beach and one in Boca Raton. The three identified properties in Miami Beach included the Royal Palm South Beach Miami, Raleigh Hotel Miami Beach and 1 Hotel South Beach, all of which transacted for between $790,728 and $1.4 million per key. Cap rates for the Royal Palm South Beach Miami and Raleigh Hotel Miami Beach were unavailable, though the appraisal indicated that the 1 Hotel South Beach transacted at an overall cap rate of 5.0% in February 2019.

According to Real Capital Analytics (RCA), there have been 11 full-service hotels sold between Bal Harbour to the north and South Beach in the 24-month period ending November 12, 2019. Based on the information available through RCA, the identified properties range in size from 29 units to 426 units. The sales price per key was available for all ten of the 11 identified sales and ranged from $237,931 to $1,431,925 per unit. Among the recent sales identified by RCA, 1 Hotel South Beach is the only property that would be partially competitive with the subject and it represents the high end of the price per key range at $1.4 million. RCA identified other recent noteworthy sales, including The Royal Palm South Beach Miami, a 398-key full-service hotel that traded in September 2019 for an approximate sales price of $790,728 per key, and the Raleigh Hotel, a 105-key full-service hotel that traded in February 2019 for a confirmed purchase price of $980,952 per unit. At a sales price of $237,931 per unit, the transaction at the lowest end of the range is represented by a two-story, 29-key, art-deco style hotel, which was originally constructed in 1941 and is not at all competitive with the subject. DBRS Morningstar considers the value prudent, given the subject's luxury product and extensive amenity offering, iconic historical status and irreplaceable oceanfront location along Miami Beach.

**DBRS MORNINGSTAR SIZING PER RATING CATEGORY**

| Rating | DBRS Morningstar LTV Hurdle |
|---|---|
| AAA (sf) | 31.689% |
| AA (sf) | 50.305% |
| AA (low) (sf) | 57.896% |
| A (sf) | 66.333% |
| BBB (low) (sf) | 78.318% |
| BB (low) (sf) | 95.383% |
| B (low) (sf) | 112.449% |

## Loan Detail & Structural Features

**Additional Debt:** Additional debt consists of a senior $100.0 million Mezzanine A loan and a junior $100.0 million Mezzanine B loan, which are secured by a pledge of each Mezzanine Borrower's LLC interests in the borrower. The loans are co-terminus with the trust mortgage loan and carry coupons of 5.5% and 6.9%, respectively. DBRS Morningstar has reviewed the intercreditor agreement and has found that it contains typical senior-lender protections that minimize disruption to the mortgage financing. No additional debt is permitted, except trade payables due no later than 90 days after being incurred with a maximum amount equal to 4.0% of the loan amount.

**Gaming License:** The borrower retains the right to obtain any necessary licenses and/or permits necessary to operate a gaming business at the property if gaming becomes legal in Miami Beach, subject to: (1) delivery to the Lender of a reasonable and detailed business plan; (2) the Lender's satisfaction that gaming activities at the property will not adversely affect the validity or priority of the Lender's security interest, the underlying cash flow of the property excluding gaming revenues and the value of the real property and non-gaming related collateral; (3) the Lender's consent to use over 12,221 sf of the property's lobby and conference room space for gaming purposes; (4) execution of reasonable necessary amendments to the original Mortgage Loan Documents; and, (5) at the borrower's sole obligation, payment of any necessary payments owed in the process of forming a JV partner owner of the collateral as a result of gaming's legalization.

**Property Release:** The borrower retains the right to release from the collateral an unimproved lot across the street from the subject (referred to as Parcel E) without payment of any release price, but subject to certain terms set forth in the loan agreement. Parcel E is currently used as a surface parking lot.

**Excess Cash Flow Reserve:** Cash flow in excess of debt service will be reserved by the Lender during any time in which the whole-loan (first mortgage and mezzanine loans combined) balance is greater than $1.0 billion and the property does not achieve a minimum debt yield of 6.5% or the whole loan is less than $1.0 billion and the property does not achieve a minimum debt yield of 6.5%.

**Recourse Carveouts:** The whole loan is non-recourse to the borrower, apart from certain customary bankruptcy and damage carveouts set forth in the loan agreement. The guarantor, Mr. Soffer, is required to maintain a minimum domestic net worth of at least $150.0 million.

**Reserves:**

**RESERVES**

| Reserve | Upfront | Ongoing Per Year | Ongoing Per Key Per Year |
|---|---|---|---|
| FF&E[1] | $7,900,000 | In-Place | N/A |
| Tax, Insurance and Marina Rent[2] | $1,278,355 | In-Place | N/A |

1. Funded monthly in an amount equal to 1/12, 3.5% of the Borrower's operating revenues over the T-12 period (less amounts reserved by borrower on behalf of condo-unit owners for FF&E under rental management agreements for Trésor and Sorrento tower condominiums.
2. Funded monthly to reserve amounts payable by the Borrowers for taxes, insuranec and Marina Rent with respect to the property into which the Borrowers are required to deposit on a monthly basis (1) 1/12 of projected annual taxes, assessments and water and sewer charges payable over the ensuing 12 months, (2) 1/12 of the projected Marina Rent payable over the ensuing 12 months and (3) 1/12 of the insurance premiums to be payable with respect to the collateral over the ensuing 12-month period.

## Transaction Structural Features

**Credit Risk Retention:** The risk-retention interest (HRR Interest) represent the Eligible Horizontal Residual Interest to meet the risk-retention requirements of Section 15G of the Securities Exchange Act of 1934. Goldman Sachs Mortgage Company will act as the risk-retaining sponsor under the risk-retention rules and acquire its respective percentage interest in the mortgage loan. Morgan Stanley Mortgage Capital Holdings LLC will also acquire its respective percentage interest in the Mortgage Loan. Both Goldman Sachs Mortgage Company and Morgan Staley Mortgage Capital Holdings LLC will elect to satisfy the risk-retention requirements through purchase by a third-party purchaser. It is anticipated that Franklin HRR CMBS Holdings, LLC, a Delaware limited-liability company, or an affiliate will act as the third-party purchaser and will purchase 100.0% of the aggregate certificate balance of the HRR interest.

**Payment of Special Servicing Fees and Other Expenses:** The borrower is responsible for reimbursing the trust for special servicing fees, liquidation fees, workout fees, interest on advances and reasonable attorney's fees and expenses, among other items. Given that the transaction is structured without a non-rated subordinate class, passing these expenses on to the borrower helps to insulate the trust from a non-credit-related downgrade. In addition, the master servicer will be required to advance special servicer fees, liquidation fees, workout fees, advance interest amounts and other out-of- pocket expenses (in each instance, only to the extent that these are owed by the borrower). While this lowers the likelihood of interest shortfalls to subordinate bonds as a result of the borrower's incurring these fees, it ultimately comes at the expense of lower proceeds available for principal repayment as the master servicer must be reimbursed for these advances. Given the relatively small potential size of such advances (i.e., the special servicer annual fee rate is 0.25%), DBRS Morningstar does not consider this structural feature to have a material negative impact on the investment-grade certificates.

**Liquidation Fee:** Many single-borrower transactions do not allow a liquidation fee to reduce the amount available to distribute to certificateholders to the extent that the loan has become specially serviced solely because of failure to make the balloon payment and the loan is refinanced within 90 days of the maturity date, though the special servicer is allowed to collect such fees from the borrower. This transaction has no such prohibition on payment of liquidation fees; however, the borrower is responsible for liquidation fees, equal to 0.25% of liquidation proceeds.

**No Downgrade Confirmation:** This transaction contemplates waivers of rating agency confirmations (RACs). It is the intent of DBRS Morningstar to waive RACs, yet also to receive notice upon their occurrence. DBRS Morningstar will review all changes as a part of its monthly surveillance. DBRS Morningstar will not waive RACs that affect any party involved in the operational risk of the transaction (i.e., replacement of servicer, special servicer, etc.) or that are related to any additional debt or transfers of ownership that require RACs.

**Controlling Class Rights:** The controlling class will be Class HRR and no other class of certificates will be eligible to act as a controlling class. The controlling class representative will be the Controlling Class Certificate Holder selected by at least 50.0% of the controlling class noteholders. A control termination event will exist when the balance of the controlling class (net of appraisal-reduction amounts) falls below 25.0% of the initial balance of that class or the representative controlling class is a borrower-related entity. Prior to a control event, the special servicer may be replaced, with or without cause, at the direction of the controlling class certificateholder (or the controlling class representative on its behalf). After a control event, the special servicer may be replaced with or without cause, at any other time upon the written direction of certificateholders, if at least 25.0% of the aggregate voting rights (taking into account appraisal-reduction amounts to notionally reduce the certificate balance of such certificates) requests a vote for the termination and replacement of the special servicer and if certificateholders evidencing at least 50.0% of a certificateholder quorum (66.67% of the aggregate voting rights of all certificates on an aggregate basis, taking into account appraisal-reduction amounts to notionally reduce the certificate balance of such certificates) vote affirmatively to replace the special servicer within 180 days of the initial request of that vote. Any such request must be accompanied by an RAC and the holders initiating such request will be responsible for the fees and expenses of the trust in connection with the replacement. The special servicer may also be terminated and replaced through a certificateholder vote initiated by the Operating Advisor. A consultation termination event will exist at any time that no class of Control Eligible Certificates has an outstanding certificate balance (as reduced by losses but not by appraisal reduction amounts) that is at least equal to 25% of the initial certificate balance of that class of certificates. The controlling class certificateholder will have certain consultation rights under the TSA.

**Appraisal Reductions:** Any appraisal-reduction amounts will be applied notionally, in reverse sequential order, to the certificate balance of each class until the related balances of each such class are reduced to zero. Appraisal-reduction amounts will not be applied to notionally reduce the certificate balance of any Class A certificates. The time frame for an appraisal to be used for appraisal-reduction purposes is no less than nine months. If the special servicer has not received an updated appraisal within this time frame, the appraised value used to determine the appraisal-reduction amount will be 75.0% of the appraised value set forth in the most recent appraisal.

## Methodology

The following are the methodologies DBRS Morningstar applied to assign ratings to this transaction. These methodologies can be found on www.dbrs.com under the heading Methodologies & Criteria. Alternatively, please contact info@dbrs.com or contact the primary analysts whose information is listed in this report.
– *North American Single Asset/Single-Borrower Methodology*
– *DBRS Morningstar North American Commercial Real Estate Property Analysis Criteria*
– *Rating North American CMBS Interest-Only Certificates*
– *Interest Rate Stresses for U.S. Structured Finance Transactions*

## Surveillance

DBRS Morningstar will perform surveillance subject to its *North American CMBS Surveillance Methodology*.

Notes:
All figures are in U.S. dollars unless otherwise noted.

This report is based on information as of November 14, 2019. Subsequent information may result in material changes to the rating assigned herein and/or the contents of this report.

# Glossary

| | | | | | |
|---|---|---|---|---|---|
| **ADR** | average daily rate | **IO** | interest only | **P&I** | principal and interest |
| **ARA** | appraisal reduction amount | **LC** | leasing commission | **POD** | probability of default |
| **ASER** | appraisal subordinate entitlement reduction | **LGD** | loss severity given default | **PIP** | property improvement plan |
| **BOV** | broker's opinion of value | **LOC** | letter of credit | **PILOT** | property in lieu of taxes |
| **CAM** | common area maintenance | **LOI** | letter of intent | **PSA** | pooling and servicing agreement |
| **capex** | capital expenditures | **LS Hotel** | limited service hotel | **psf** | per square foot |
| **CBD** | central business district | **LTC** | loan-to-cost | **R&M** | repairs and maintenance |
| **CBRE** | CB Richard Ellis | **LTCT** | long-term credit tenant | **REIT** | real estate investment trust |
| **CMBS** | commercial mortgage-backed securities | **LTV** | loan-to-value | **REO** | real estate owned |
| **CoStar** | CoStar Group, Inc. | **MHC** | manufactured housing community | **RevPAR** | revenue per available room |
| **CREFC** | CRE Finance Council | **MTM** | month-to-month | **sf** | square foot/square feet |
| **DPO** | discounted payoff | **MSA** | metropolitan statistical area | **STR** | Smith Travel Research |
| **DSCR** | debt service coverage ratio | **n.a.** | not available | **SPE** | special-purpose entity |
| **EGI** | effective gross income | **n/a** | not applicable | **TI** | tenant improvement |
| **EOD** | event of default | **NCF** | net cash flow | **TIC** | tenants in common |
| **F&B** | food & beverage | **NNN** | triple net | **T-12** | trailing 12 months |
| **FF&E** | furniture, fixtures and equipment | **NOI** | net operating income | **UW** | underwriting |
| **FS Hotel** | full service hotel | **NRA** | net rentable area | **WA** | weighted average |
| **G&A** | general and administrative | **NRI** | net rental income | **WAC** | weighted-average coupon |
| **GLA** | gross leasable area | **NR – PIF** | not rated – paid in full | **x** | times |
| **GPR** | gross potential rent | **OSAR** | operating statement analysis report | **YE** | year-end |
| **HVAC** | heating, ventilation and air conditioning | **PCR** | property condition report | **YTD** | year-to-date |

# Definitions

**Capital Expenditure (capex)**
Costs incurred in the improvement of a property that will have a life of more than one year.

**DBRS Refi DSCR**
A measure that divides DBRS stabilized NCF by the product of the loan's maturity balance and a stressed refinance debt constant.

**DBRS Term DSCR**
A measure that divides DBRS stabilized NCF by the actual debt service payment

**Debt Service Coverage Ratio (DSCR)**
A measure of a mortgaged property's ability to cover monthly debt service payments, defined as the ratio of net operating income (NOI) or net cash flow (NCF) to the debt service payments.

**Effective Gross income (EGI)**
Rental revenue minus vacancies plus miscellaneous income.

**Issuer UW**
Issuer underwritten from Annex A or servicer reports.

**Loan-to-Value (LTV)**
The ratio between the principal amount of the mortgage balance, at origination or thereafter, and the most recent appraised value of the underlying real estate collateral, generally from origination.

**Net Cash Flow (NCF)**
The revenues earned by a property's ongoing operations less the expenses associated with such operations and the capital costs of tenant improvements, leasing commissions and capital expenditures (or reserves). Moreover, NCF is net operating income (NOI) less tenant improvements, leasing commissions and capital expenditures.

**NNN (triple net)**
A lease that requires the tenant to pay operating expenses such as property taxes, insurance and maintenance, in addition to the rent.

**Net Operating Income (NOI)**
The revenues earned by a property's ongoing operations less the expenses associated with such operations but before mortgage payments, tenant improvements, replacement reserves and leasing commissions.

**Net Rentable Area (NRA)**
The area (sf) for which rent can be charged. NRA includes the tenant's premises plus an allocation of the common area directly benefiting the tenant, such as common corridors and restrooms.

**Revenue Per Available Room (RevPAR)**
A measure that divides revenue by the number of available rooms, not the number of occupied rooms. It is a measure of how well the hotel has been able to fill rooms in the off-season, when demand is low even if rates are also low, and how well it fills the rooms and maximizes the rate in the high season, when there is high demand for hotel rooms.

**Tenant Improvements (TIs)**
The expense to physically improve the property or space, such as new improvements or remodelling, paid by the borrower.

**Weighted Average (WA)**
Calculation is weighted by the size of each mortgage in the pool.

**Weighted-Average Coupon (WAC)**
The average coupon or interest payment on a set of mortgages, weighted by the size of each mortgage in the pool.