

## **KBRA Monitoring Maturity Default of the Largest Loan in BSPRT 2018-FL3, The Williamsburg Hotel**

NEW YORK (July 2, 2019) – Kroll Bond Rating Agency (KBRA) is monitoring the BSPRT 2018-FL3 transaction after the largest loan, The Williamsburg Hotel (9.4% of the pool balance), failed to pay off at its June 9, 2019 maturity date.

The collateral for the loan consists of an eight-story, 147-key full-service hotel located in Brooklyn, New York, just east of Manhattan, one block east of the waterfront within the North Williamsburg neighborhood. The hotel was developed on a 0.5-acre site by the sponsors for an approximate cost of \$98.1 million (\$667,423 per key). The hotel opened in stages commencing in February 2017. As of December 2017, when the loan was originated, all floors had received temporary certificates of occupancy and all other facilities were open except for the rooftop bar, poolside bar and cafe, mezzanine ballroom kitchen, the outdoor swimming pool, and 15 rooms located on the 8th floor. The original business plan was to complete the remaining construction work and stabilize the property. A capital expenditure reserve of approximately \$1.7 million (\$11,231 per key) was funded at closing to cover the remaining construction costs. Several hotel features, including the rooftop bar, poolside bar and cafe, and mezzanine ballroom kitchen, were not completed by May 2018. Pursuant to the loan agreement, this resulted in an increase in the LIBOR spread from 5.75% to 6.25%. Currently all amenities are reported as operational.

The delays in completing the work have impacted performance. Based on the trailing twelve-month (TTM) period ending February 2019 Smith Travel Research (STR) report, the hotel has an occupancy rate, average daily rate (ADR), and revenue per available room (RevPAR) of 65.6%, \$317.26 and \$208.14, respectively, compared to its comp set of 84.3%, \$345.69, and \$291.29, respectively. The TTM performance as of the same period reported a DSCR of 0.25x. There is an Interest Carry Reserve, \$344,983 as of April 2019, that was established to help cover shortfalls while the construction work was performed and before stabilization.

The loan failed to pay off at its June 9, 2019 maturity date and is currently classified as a non-performing matured balloon. The loan was initially structured with two six-month extension options subject to certain conditions including the completion of all construction work. The lender has filed for foreclosure and receivership. If the loan remains a non-performing matured loan for 60 days, it would be considered a Defaulted Mortgage Asset under the terms of the Indenture. If it does become a Defaulted Mortgage Asset, the Par Value Test may fail, causing a Mandatory Redemption of some portion of the Offered Notes to be paid from interest proceeds (capitalized terms are referenced and defined in the BSPRT 2018-FL3 Indenture). A March 2019 article in The Real Deal noted the sponsor had received offers on the property as high as \$135 million, well in excess of the \$57.1 million mortgage asset and \$80.5 million total current debt amount, which includes a \$10.9 million junior participation and \$12.5 million mezzanine loan.

At issuance, the sponsors, Toby Moskovits and Yechiel Michael Lichtenstein, had another loan in the BSPRT 2018-FL3 transaction: an \$18.0 million pari passu participation of the \$81.0 million 564 St. Johns Place loan. The loan was refinanced and paid off in full in August 2018. Prior to the payoff, the servicer had reported that the borrower failed to make an interest reserve deficiency payment when it was due. For more information, see the related [press release](#). The collateral manager has reported in its quarterly asset summary that the borrower for The Williamsburg Hotel loan has also failed to replenish the interest carry reserve from December to March, though this reserve was subsequently funded by the mezzanine lender as permitted under the intercreditor agreement.

KBRA will continue to monitor the situation but does not expect a loss on the mortgage asset at this time.

To access ratings, reports and disclosures, click [here](#).

**Related Publications:** (available at [www.kbra.com](http://www.kbra.com))

- [BSPRT 2018-FL3 Pre-Sale Report](#)

**Analytical Contacts:**

Margit Grejdus, Director  
(215) 882-5850  
[mgrejdus@kbra.com](mailto:mgrejdus@kbra.com)

Roy Chun, Managing Director  
(646) 731-2376  
[rchun@kbra.com](mailto:rchun@kbra.com)

**CONNECT  
WITH KBRA**



**About KBRA and KBRA Europe**

KBRA is a full-service credit rating agency registered with the U.S. Securities and Exchange Commission as an NRSRO. In addition, KBRA is designated as a designated rating organization by the Ontario Securities Commission for issuers of asset-backed securities to file a short form prospectus or shelf prospectus. KBRA is also recognized by the National Association of Insurance Commissioners as a Credit Rating Provider, and is a certified Credit Rating Agency (CRA) by the European Securities and Markets Authority (ESMA). Kroll Bond Rating Agency Europe Limited is registered with ESMA as a CRA.