Surveillance Performance Update

HGI 2021-FL2

DBRS Morningstar
June 21, 2023

Contents

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Rating Action Summary

DBRS, Inc. (DBRS Morningstar) confirmed the ratings on all classes of commercial mortgage-backed notes (CMBS) issued by HGI CRE CLO 2021-FL2, Ltd. (the Issuer). All Classes have Stable Trends. The rating confirmations reflect the overall stable performance of the transaction, which has remained in line with DBRS Morningstar's expectations since issuance.

Participants	
Issuer	HGI CRE CLO 2021-FL2, Ltd.
Co-Issuer	HGI CRE CLO 2021-FL2, LLC
Mortgage Loan Seller	HGI Commercial Funding Mortgage Trust I Parent, LLC
Master Servicer	Berkadia Commercial Mortgage LLC
Special Servicer	KeyBank National Association
Collateral Manager	Harbor Group International, LLC
Advancing Agent	HGI CFI REIT

The initial collateral included 20 mortgage loans or senior notes secured by multifamily properties with an initial cut-off date balance totaling $514.5 million and a maximum funded transaction balance of $579.5 million. The transaction is managed, with the Reinvestment Period scheduled to end with the September 2023 Payment Date. Through this date, the Issuer may acquire Funded Companion Participations and new loan collateral into the trust, subject to the Eligibility Criteria. According to the Eligibility Criteria, all collateral will be secured by multifamily assets. As of May 2023 reporting, the Reinvestment Account had a $25.1 million balance

Pool Characteristics			
Trust Amount ($)	519,559,831	**Top Ten Loan Concentration (%)**	70.6
Number of Loans	30	**Par Value Trigger (%)**	122.7
Number of Properties	35	**Initial Par Value Ratio (%)**	125.2
Managed / Static	Managed	**Current Par Value Ratio (%)**	127.2
Replenishment Allowed	Y	**ICR Value Trigger (%)**	120.0
Reinvestment and/or Replenishment End Date	Sep-23	**Initial ICR Value Ratio (%)**	300.2
Current Cash Reinvestment Account Balance ($)	25,066,222	**Current ICR Value Ratio (%)**	166.1
WA As-Is Appraised Issuance LTV (%)	74.2	**WA Stabilized Appraised Issuance LTV (%)**	67.0
WA As-Is Appraised Current LTV (%)	72.5	**WA Stabilized Appraised Current LTV (%)**	67.9

HGI CRE CLO 2021-FL2, Ltd. Capital Structure

Class	Issuance Balance ($)	Current Balance ($)	Original Subordination (%)	Current Subordination (%)	DBRS Morningstar Original Rating	DBRS Morningstar Current Rating	Current Trend	DBRS Morningstar Last Action	DBRS Morningstar Last Action Date
Class A	323,070,000	288,196,862	37.38	39.77	AAA (sf)	AAA (sf)	Stable	Confirmed	June 21, 2023
Class B	39,841,000	39,841,000	37.38	39.77	AA (low) (sf)	AA (low) (sf)	Stable	Confirmed	June 21, 2023
Class C	40,565,000	40,565,000	30.38	32.32	A (low) (sf)	A (low) (sf)	Stable	Confirmed	June 21, 2023
Class D	46,360,000	46,360,000	22.38	23.81	BBB (sf)	BBB (sf)	Stable	Confirmed	June 21, 2023
Class E	13,038,000	13,038,000	20.13	21.41	BBB (low) (sf)	BBB (low) (sf)	Stable	Confirmed	June 21, 2023
Class F	38,392,000	38,392,000	13.50	14.36	BB (low) (sf)	BB (low) (sf)	Stable	Confirmed	June 21, 2023
Class G	23,905,000	23,905,000	9.38	9.98	B (low) (sf)	B (low) (sf)	Stable	Confirmed	June 21, 2023
Preferred Shares	54,328,191	54,328,191	0.00	0.00					

As of the May 2023 remittance, the pool comprises 30 loans secured by 35 properties with a cumulative trust balance of $519.6 million, as there has been a collateral reduction of 6.0%. Since issuance, five loans with a former cumulative trust balance of $136.9 million have been successfully repaid from the pool. Of the original 20 loans, 16 loans, representing 77.2% of the current trust balance, remain in the transaction as of May 2023 reporting. Since the previous DBRS Morningstar rating action in November 2022, five loans with a current trust balance of $3.9 million, or 0.8% of the pool, have been added to the trust.

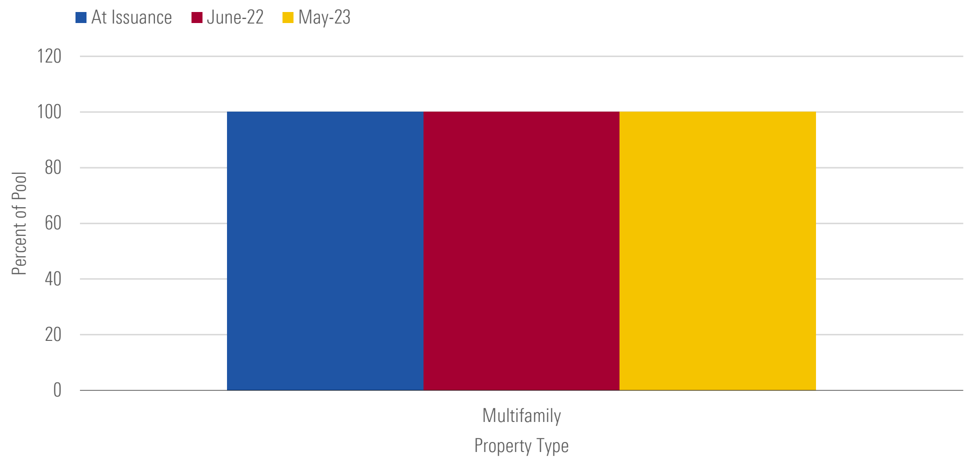
The transaction is concentrated by property type, as all loans are secured by multifamily properties. The loans are primarily secured by properties in suburban markets. Twenty-two loans, representing 67.4% of the pool, are secured by properties in suburban markets, as defined by DBRS Morningstar, with a DBRS Morningstar Market Rank of 3, 4, or 5. An additional five loans, representing 14.3% of the pool, are secured by properties with a DBRS Morningstar Market Rank of 2, denoting a tertiary market; while three loans, representing 18.3% of the pool, are secured by properties with a DBRS Morningstar Market Rank of 6, denoting an urban market. In comparison, in June 2022, properties in suburban markets represented 70.4% of the collateral, properties in tertiary markets represented 19.0% of the collateral, and properties in urban markets represented 10.5% of the collateral.

Leverage across the pool has improved slightly from issuance levels as the current weighted-average (WA) as-is appraised value loan-to-value (LTV) ratio is 72.5%, with a current WA stabilized LTV ratio of 67.9%. In comparison, these figures were 74.2% and 67%, respectively, at issuance. DBRS Morningstar recognizes that select property values may be inflated as the majority of the individual property appraisals were completed in 2021 and 2022 and may not reflect the current rising interest rate or widening capitalization rate environments.

Through April 2023, the lender had advanced cumulative loan future funding of $30.9 million allocated to 18 of the 30 remaining individual borrowers to aid in property stabilization efforts. The largest advance, $10.6 million, has been made to the borrower of the Marbella Apartments loan, which is secured by a multifamily property in Corpus Christi, Texas. Funds were advanced to the borrower to complete its capital improvement project across the property. The full $10.6 million future funding component has been advanced with the A note consisting of a $27.6 million piece in the subject transaction, a $19.8 million piece held in the HGI CRE CLO 2021-FL1, Ltd. transaction (also rated by DBRS Morningstar), and a non-securitized $4.3 million piece. An additional $34.8 million of loan future funding allocated to 17 of the remaining individual borrowers remains available. The largest portion of available funds ($6.8 million) is allocated to the borrower of The Lofts at Twenty25 loan, which is secured by a multifamily property in downtown Atlanta. The available funds will be used to complete the borrower's capital improvement plan. The borrower has not made an advance draw request since loan closing.

Transaction Concentrations

Exhibit 1 Property Type Concentration

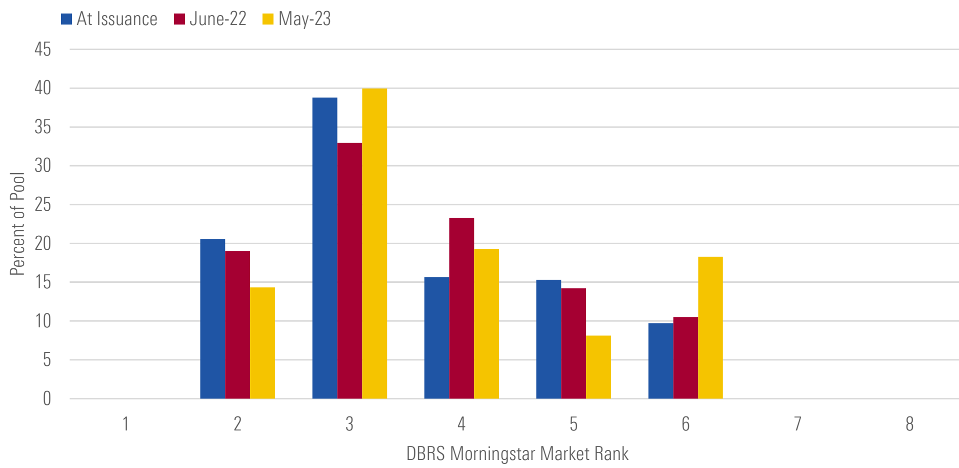


Source: DBRS Morningstar.

Property Type Concentration

	At Issuance		As of June 2022 Remittance		As of May 2023 Remittance	
	# of Loans	**% of Pool**	**# of Loans**	**% of Pool**	**# of Loans**	**% of Pool**
Multifamily	20	100.0	#REF!	100.0	30	100.0

Exhibit 2 Market Rank

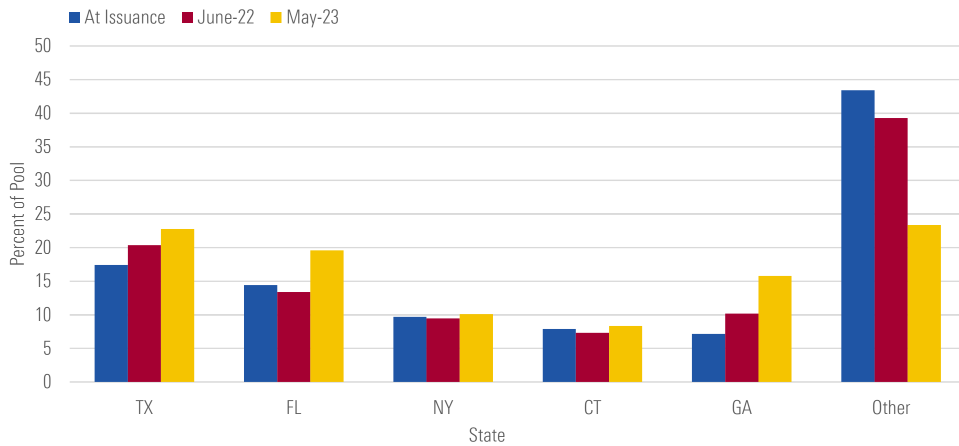


Source: DBRS Morningstar.

DBRS Morningstar Market Rank

	At Issuance		As of June 2022 Remittance		As of May 2023 Remittance	
	# of Loans	**% of Pool**	**# of Loans**	**% of Pool**	**# of Loans**	**% of Pool**
1	0	0.0	0	0.0	0	0.0
2	4	20.5	4	19.0	5	14.3
3	9	38.8	9	33.0	14	40.0
4	3	15.7	6	23.3	6	19.3
5	3	15.3	3	14.2	2	8.1
6	1	9.7	2	10.5	3	18.3
7	0	0.0	0	0.0	0	0.0
8	0	0.0	0	0.0	0	0.0

Exhibit 3 State Concentration



Source: DBRS Morningstar.

State Concentration						
	At Issuance		As of June 2022 Remittance		As of May 2023 Remittance	
	# of Loans	**% of Pool**	**# of Loans**	**% of Pool**	**# of Loans**	**% of Pool**
TX	4	17.4	5	20.4	6	22.8
FL	2	14.4	2	13.4	7	19.6
NY	1	9.7	1	9.5	1	10.1
CT	2	7.9	2	7.3	2	8.3
GA	2	7.2	4	10.2	4	15.8
Other	9	43.4	10	39.3	10	23.4

Current Loan Status

Loan Status	# of Loans	% of Pool
Delinquent	0	0.0
Specially Serviced	0	0.0
REO	0	0.0
Modified or Forborne	0	0.0
Servicer's Watchlist	10	37.1

As of the May 2023 remittance, there are no delinquent loans or loans in special servicing, and there are 10 loans on the servicer’s watchlist, representing 37.1% of the current trust balance. The loans have generally been flagged for low occupancy rates and below threshold debt service coverage ratios; however, several loans were flagged for deferred maintenance issues, which DBRS Morningstar does not view as material credit concerns. Regarding properties that are not generating sufficient cash flow to cover operations and debt service, the servicer noted several common factors for the performance declines. These include planned tenant evictions and taking units offline to complete upgrades, increased repairs and maintenance and marketing expenses to upgrade units and execute new leases, and an increase in the benchmark interest rate, which has resulted in higher debt service costs as all loans have floating interest rates. The borrowers of all 10 loans on the servicer’s watchlist remain in the midst of executing their respective business plans with no single loan maturity occurring until 2024. DBRS Morningstar expects the loans to remain current.

Loan Additions Since Last Rating Action

Loan Name	Month Added to Transaction	Loan Purpose	Trust Loan at Contribution ($)	A-Note at Contribution ($)	Future Funding ($)	Future Funding Purpose	Fully Funded A-Note ($)	DBRS Morningstar As Is DSCR (x)	DBRS Morningstar Stabilized DSCR (x)
The Lofts at Twenty25	Sep-22	Acquisition	36,750,000	97,623,382	6,876,618	Capital Expenditures	104,500,000	0.61	0.96
Oaks at San Jose	Sep-22	Acquisition	10,480,204	19,181,000	2,319,000	Capital Expenditures	21,500,000	0.83	0.66
Tzadik Portfolio - Pool 2	Mar-23	Acquisition	1,636,871	39,782,603	5,657,600	Capital Expenditures	45,440,203	0.63	1.10
Madison Park	Jan-23	Acquisition	1,483,404	16,987,000	0	-	16,987,000	1.49	1.83
Orlando Terrace	Mar-23	Acquisition	580,446	11,365,000	1,385,000	Capital Expenditures	12,750,000	1.02	1.38
Carriage House	May-23	Acquisition	113,579	21,230,508	2,833,071	Capital Expenditures	24,000,000	0.65	1.04
Cantabria	Mar-23	Acquisition	62,111	15,700,000	323,600	Capital Expenditures	16,023,600	1.09	1.13

Loan Name	Property Type	City	State	Appraised As Is Value ($)	Appraised As Is LTV (%)	Appraised Stabilized Value ($)	Appraised Stabilized LTV (%)	DBRS Morningstar Business Plan Score
The Lofts at Twenty25	Multifamily	Atlanta	GA	149,900,000	65.1	184,800,000	56.5	2.18
Oaks at San Jose	Multifamily	Jacksonville	FL	27,810,000	69.0	32,000,000	67.2	1.53
Tzadik Portfolio - Pool 2	Multifamily	Various	FL	56,900,000	69.9	65,000,000	69.9	2.03
Madison Park	Multifamily	Ridgeland	MS	23,600,000	72.0	25,850,000	65.7	1.93
Orlando Terrace	Multifamily	Orlando	FL	16,050,000	70.8	22,400,000	56.9	1.98
Carriage House	Multifamily	Ocala	FL	32,800,000	64.7	43,100,000	55.7	1.93
Cantabria	Multifamily	Boise	ID	22,650,000	69.3	23,940,000	66.9	1.78

Loan Future Funding Released Through March 2023

Loan	Trust Balance at Contribution ($)	Percent of Pool at Contribution (%)	Future Funding Available at Loan Closing ($)	Future Funding Purpose	Future Funding Released Since Loan Closing ($)	Current Trust Balance ($)	Current Percent of Pool (%)	Future Funding Outstanding ($)
Ravella at Sienna	42,000,000	7.2	500,000	Capital Improvements	500,000	42,500,000	7.8	0
The Lofts at Twenty25	36,750,000	6.3	6,876,618	Capital Improvements	0	36,750,000	6.7	6,876,618
Avon Mills	29,570,287	5.1	2,929,713	Capital Improvements	2,929,713	32,034,835	5.9	0
Marbella Apartments	27,636,577	4.8	10,618,020	Capital Improvements	10,618,020	31,932,629	5.9	0
Upland Townhomes	30,100,000	5.2	6,030,000	Capital Improvements	1,412,836	30,100,000	5.5	4,617,164
Chapel View	28,189,500	4.9	2,110,500	Capital Improvements	1,015,373	28,580,155	5.2	1,095,127
The Landings at Steeplechase	23,200,000	4.0	2,287,500	Capital Improvements	1,644,019	23,675,227	4.3	643,481
Tzadik Portfolio - Pool 1	12,927,341	2.2	7,635,170	Capital Improvements	1,982,610	14,902,443	2.7	5,652,560
Southbank Apartments	13,915,000	2.4	1,760,000	Capital Improvements	1,623,668	14,064,412	2.6	136,332
The Pointe at Bailey Cove	12,962,550	2.2	1,000,000	Capital Improvements	1,000,000	13,576,417	2.5	0
Raible Place Apartments	13,440,000	2.3	1,000,000	Capital Improvements	0	13,440,000	2.5	1,000,000
333 State Street	11,014,070	1.9	961,650	Capital Improvements	759,338	11,216,382	2.1	202,312
Pine Glen	10,060,000	1.7	1,000,000	Capital Improvements	1,000,000	10,873,019	2.0	0
Oaks at San Jose	10,480,204	1.8	2,319,000	Capital Improvements	1,953,173	10,480,204	1.9	365,827
Meridian Tower	8,359,002	1.4	1,425,998	Capital Improvements	210,498	8,569,500	1.6	1,215,500
Pines of Southlake	8,147,210	1.4	1,302,790	Capital Improvements	1,175,776	8,395,369	1.5	127,014
Central Park Apartments	6,730,050	1.2	1,119,950	Capital Improvements	567,523	6,862,044	1.3	552,427
Plaza 550	5,737,790	1.0	2,013,000	Capital Improvements	0	5,737,790	1.1	2,013,000
Tzadik Portfolio - Pool 2	1,636,871	0.3	5,657,600	Capital Improvements	1,195,075	1,636,871	0.3	4,462,525
Orlando Terrace	580,446	0.1	1,385,000	Capital Improvements	991,199	580,446	0.1	393,801
District Flats off Dobson	179,430	0.0	2,600,000	Capital Improvements	0	179,430	0.0	2,600,000
Carriage House	113,579	0.0	2,833,071	Capital Improvements	0	113,579	0.0	2,833,071
Cantabria	62,111	0.0	323,600	Capital Improvements	323,600	62,111	0.0	0

Top 10 Loan Summary Table

Loan Name	Current Trust Balance ($)	% of Pool	DBRS Morningstar As-Is DSCR (x)	DBRS Morningstar Stabilized DSCR (x)	DBRS Morningstar As-Is LTV (%)	DBRS Morningstar Stabilized LTV (%)	DBRS Morningstar Business Plan Score
The Astor LIC	52,500,000	9.6	0.00	1.25	63.6	58.1	2.68
Monterosso	43,100,000	7.9	1.03	1.03	75.0	75.0	2.03
Ravella at Sienna	42,500,000	7.8	0.71	1.06	78.5	71.7	1.95
One Arlington	38,400,000	7.1	0.98	1.05	74.2	74.2	1.63
The Lofts at Twenty25	36,750,000	6.7	0.61	0.96	69.7	56.5	2.18
Avon Mills	32,034,835	5.9	0.88	0.98	82.3	68.4	1.88
Marbella Apartments	31,932,629	5.9	0.00	1.29	96.6	71.9	2.23
A17	31,000,000	5.7	1.22	1.43	60.2	60.2	1.50
Upland Townhomes	30,100,000	5.5	1.21	1.26	89.8	69.4	1.98
Chapel View	28,580,155	5.2	0.72	1.05	86.6	68.1	2.58

Loan Name	DBRS Morningstar Property Type	City	State	Year Built	SF/Units	Fully Funded Mortgage Loan PSF ($)
The Astor LIC	Multifamily	Long Island City	NY	2021	143	367,133
Monterosso	Multifamily	Kissimmee	FL	2020	216	199,537
Ravella at Sienna	Multifamily	Missouri City	TX	2019	292	145,548
One Arlington	Multifamily	Arlington Heights	IL	1969	214	224,299
The Lofts at Twenty25	Multifamily	Atlanta	GA	1951	623	167,737
Avon Mills	Multifamily	Avon	CT	1977	189	171,958
Marbella Apartments	Multifamily	Corpus Christi	TX	1973	783	66,114
A17	Multifamily	Miami	FL	2021	192	161,458
Upland Townhomes	Multifamily	Mableton	GA	1972	348	103,822
Chapel View	Multifamily	Chapel Hill	NC	1986	224	135,268

Business Plan Updates

The Astor LIC

Current Trust Balance ($)	52,500,000
Future Funding Outstanding ($)	-
Fully Funded A-note Balance ($)	52,500,000

The loan is secured by the leasehold interest in a 2021-vintage, 143-unit multifamily property in Long Island City, New York. The collateral also includes 12,000 sf of retail space with 18-foot-high ceilings and 126 parking spaces. Initial loan proceeds of $52.5 million, along with $7.5 million of mezzanine debt, funded the acquisition of the property for a purchase price of $56.0 million and funded an operating reserve of $3.2 million and an interest reserve of $2.0 million. The loan is not structured with a future funding component. Sponsorship is provided by a joint venture between JMH Development and Mettle Property Group. The sponsor's business plan is to complete the initial lease-up of the property and stabilize operations. At closing, the sponsor executed an agreement with Rezi to manage the leasing efforts of the 100 market-rate units. The three-year term loan matures in September 2024 and includes two 12-month extension options.

According to the Q1 2023 update from the collateral manager, property performance remains relatively unchanged compared with prior year's reporting. The borrower has successfully leased the commercial space to Lexus of Queens, which has commenced construction and expected to be complete by fall 2023. The tenant received a 50% rental concession for the initial 24 months of the leases.

As of the March 2023 rent roll, the property was 94% occupied and 95% leased with an average rental rate of $2,760 /unit. In comparison, the property was 38.5% occupied at closing with an average rental rate of $2,698/unit. According to the Q1 2023 Reis report, asking rents across similar vintage properties within the Queens County submarket were $3,850/unit, which continues to remain well above the subject's in-place rents. The submarket vacancy rate also remains strong at 3.2%. In its analysis, DBRS Morningstar assumed a stabilized average rental rate of $3,263/unit and a vacancy rate of 5.0%.

According to the T-12 ended March 31, 2023, financials provided by the collateral manager, the property generated NCF of $3.1 million, equating to a 0.71x DSCR and 6.6% debt yield. The figure is below DBRS Morningstar's stabilized NCF of $3.2 million, and below the Issuer's stabilized NCF of $3.8 million. The property was valued at closing at $78.6 million, indicating moderate leverage of 66.8%. Based on the T-12 ended month March, 2023, NCF, the implied cap rate is aggressive at 4.0%; however, as the borrower is in the initial stages of its business plan, there is sufficient time for the borrower to increase rental rates and cash flow. The loan also benefits from the experience of the sponsor and the favorable submarket rental rate and vacancy rate metrics.

Monterosso Apartments

Current Trust Balance ($)	43,100,000
Future Funding Outstanding ($)	-
Fully Funded A-note Balance ($)	43,100,000

The loan is secured by the borrower's fee-simple interest in Monterosso Apartments, a 216-unit, garden-style multifamily property in Kissimmee, Florida. Loan proceeds of $43.1 million and $13.4 million of sponsor equity were used to acquire the collateral for $55.2 million. The loan is not structured with a future funding component and the borrower's business plan at closing was to maintain the stable occupancy rate of 94.9% (as of August 2021) and to reduce concession loss, which was 8.9% of GPR for the T-12 ended April 30, 2021, reporting period.

According to the March 2023 collateral manager report, the property was 97% occupied as of February 2023, indicating a stable and healthy occupancy since issuance. Average rents in-place were at around $1,802/unit, a premium of $259/unit over the issuance rents at $1,543/unit. New leases at the property were achieving an average rent of $1,874/unit, a healthy premium of $331/unit or 21% over the issuance rents. According to the Q1 2023 Reis data, average in-place rents in the Kissimmee/Osceola submarket were at around $1,616/unit with an average vacancy rate of 6%. Properties in the 2010–19 vintage similar to the subject were charging an asking rent of $2,042/unit while the rent comparables near the subject were charging an average asking rent of $2,007/unit. The subject loan is outperforming the submarket while it also has the potential to achieve higher rents and better operational performance. In its stabilized analysis, DBRS Morningstar did not assume market-driven rental rate growth and estimated the vacancy rate at 5.0% and concession loss at 4.0% of GPR.

According to the report, the property generated a NCF of $2.7 million for the T-12 period ended February 28, 2023, and exhibited an NCF DSCR of 0.77x. While the DSCR is below the DBRS Morningstar projected value of 1.03x and issuer projected DSCR of 1.29x, the NCF was above the DBRS Morningstar projected figure of $2.2 million and in line with the issuer projected figure of $2.7 million. The decrease in DSCR can be attributed to the rising interest rate environment. However, this risk is offset by an interest rate cap in place with a strike price of 2%.

At issuance, the property had an as-is appraisal value of $57.5 million, equating to an LTV ratio of 75%. The sponsor had bought the property to market last year but pulled back because of deteriorating market conditions. The sponsor is continuing to have discussions with potential buyers. Given the stable occupancy as well as improved operating performance, the property value may still be in line with the issuance value or may have improved. The loan matures in June 2024, giving the sponsor enough time to sell the asset. Till then, DBRS Morningstar expects the loan to continue to exhibit a stable performance throughout the remainder of the loan term.

The Lofts at Twenty25

Current Trust Balance ($)	36,750,000
Future Funding Outstanding ($)	6,876,618
Fully Funded A-note Balance ($)	104,500,000

The loan is secured by a redeveloped 623-unit, high-rise multifamily property in Atlanta, approximately four miles north of downtown Atlanta in the Midtown Atlanta submarket along Peachtree Road. The property, which was built it in 1951 as an office building, was completely gut renovated and redeveloped into its current use in 2021. Loan proceeds of $104.5 million, along with sponsor equity of $47.6 million, were used to acquire the subject property for a purchase price of $136.0 million and fund a $4.8 million capital improvement reserve, $2.1 million earnout reserve, and $4.2 million interest reserve. The borrower's business plan is to increase occupancy and rents to market levels following its recent redevelopment. In addition, the sponsor budgeted $5.1 million ($8,229/unit) in planned capital projects, including adding washers and dryers to all units, as well as building out and leasing the second of two ground-floor retail spaces, whereas the other retail space is currently occupied and paying rent. The sponsor, Westside Capital Group, is a vertically integrated real estate investment holding firm active in acquisition, construction, and development management. The sponsor's portfolio consists of more than 2,600 units throughout Florida and Alabama. The three-year term loan has an initial maturity date of July 2025 and includes two 12-month extension options.

According to the March 2023 rent roll, the property was 46% occupied with an average rental rate of $1,231/unit. In comparison, the property was 57.6% occupied at closing with an average rental rate of $1,275/unit. The collateral manager noted that the drop in occupancy was related to a number of tenant evictions. The borrower is offering concessions of one month free rent for conventional units. According to the Q1 2023 Reis report, asking rents across similar vintage properties within the Buckhead submarket were $2,246/unit, which remains in line with subject's in-place rents. The submarket has a moderate vacancy rate of 6.6%, which isn't expected to change over the next five years. In its analysis, DBRS Morningstar assumed a stabilized average rental rate of $1,344/unit and a vacancy rate of 6.3%.

According to the T-12 ended March 31, 2023, financials provided by the collateral manager, the property generated NCF of $2.6 million, equating to a 0.33x DSCR and 2.8% debt yield. The figure is below the in-place NCF derived by DBRS Morningstar at closing of $3.9 million, and the Issuer's in-place NCF of $4.9 million. In its stabilized analysis, DBRS Morningstar projected NCF of $6.2 million, below the Issuer figure of $7.5 million. Furthermore, the property has 215 affordable-rate units that are eligible to tenants with certain income thresholds. These units are having an adverse effect on cash flow and are renting for less than 25% below market-rate rents and causing market-rate leasing to be deterred by the significantly lower affordable rents. Mitigating these concerns is the loan leverage as the property was valued at $149.9 million at issuance, indicating moderate leverage of 65.1%. DBRS Morningstar believes there is sufficient market equity remaining in the transaction.

Marbella Apartments

Current Trust Balance ($)	31,932,629
Future Funding Outstanding ($)	0
Fully Funded A-note Balance ($)	51,767,597

The loan is secured by 783-unit, garden-style multifamily property in Corpus Christi, Texas, built in 1983. Initial proceeds of $51.8 million, preferred equity of $9.3 million along with sponsor equity of $7.5 million were used to purchase the property for $52.9 million, fund an interest reserve of $1 million, a capex reserve of $10.6 million, and cover the closing costs totaling $3.9 million. The $10.6 million capex reserve was structured as a future funding component and was allocated to be used by the borrower to carry out interior renovation of 550 units at a cost of $4.5 million while the remaining $6.1 million was to be used to improve the curb appeal, modernize the community, and cure the deferred maintenance.

The loan was added to servicer's watchlist in April 2022 due to low occupancy, low DSCR as well as damage sustained from a fire that occurred in November 2021, which led to low occupancy. The loss amount was reported as $1.4 million while the settlement amount was $1 million. According to the collateral manager, the property was 57% occupied as of March 2023, an increase from 44% occupancy in January 2023. In addition, the average monthly rent increased to $864/unit when compared to average asking of $783/unit at issuance. According to Q1 2023 Reis data, properties in the submarket were charging an asking rent of $1,138/unit and exhibited an average vacancy rate of 6.6%. Properties in the 1970–79 vintages were charging an asking rent of $932/unit and had an average vacancy of 7.2%. Both these data points indicate that the property can achieve significant improvements in its performance till stabilization. In its analysis, DBRS Morningstar projected a stabilized occupancy of 93% and a stabilized average rent of $907/unit, compared with issuer stabilized occupancy of 93% and average rent of $928/unit.

According to the collateral report, the whole future funding component of $10.6 million has been disbursed to the borrower. The property generated a negative cash flow and an NCF DSCR of -0.15x on account of lower occupancy. The update mentioned improvement in curb appeal and that the sponsor was discussing the potential sale of two parcels, the proceeds of which can be used to partially pay down the loan while improving the attractiveness of the property. While no specific details regarding unit renovations were provided, the Q3 2022 collateral manager report had stated that renovations of 191 units were complete while that of 67 units were under way. The borrower had temporarily shifted renovation focus to units that needed light renovations in order to quickly make them available to lease during peak leasing season. In its analysis, DBRS Morningstar projected a stabilized NCF of $3.1 million and a stabilized NCF DSCR of 1.29x, lower than issuer stabilized NCF of $3.8 million and 1.57x NCF DSCR.

At issuance, the property had an as-is appraisal value of $60.7 million, equating to an LTV ratio of 85.3% based on the fully funded A note. The collateral manager report noted that the loan is significantly behind its schedule in executing the business plan. While it remains to be seen if the property can achieve the as-stabilized appraisal value of $72 million, equating to an LTV ratio of 71.9%, the loan benefits from significant sponsor equity of $7.25 million and considerable market experience in acquiring and repositioning distressed multifamily assets across various markets. The loan will mature in June 2024 and is structured with two 12-month extension options subject to the property achieving a minimum DSCR of 1.25x while exercising these extensions.

Full Loan Payoffs Since Issuance

Loan Name	Repayment Date	Loan Repurchased by Issuer	Loan Balance When Repaid ($)	% of Pool When Repaid	Property Type
Crystal Apartments	Oct-22		11,500,000	2.2	Multifamily
Riverdale Portfolio 1	Sep-22		34,883,000	6.9	Multifamily
Westcreek Apartments	Aug-22		28,700,000	5.5	Multifamily
Congressional Village	Jul-22		36,750,000	6.6	Multifamily
Prosper Fairways	Jun-22		25,040,000	4.3	Multifamily

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

This report is based on information as of June 21, 2023. Subsequent information may result in material changes to the rating assigned herein and/or the contents of this report.

Glossary

ADR	average daily rate	**MTM**	month to month
ALA	allocated loan amount	**MSA**	metropolitan statistical area
ARA	appraisal-reduction amount	**n.a.**	not available
ASER	appraisal subordinate entitlement reduction	**n/a**	not applicable
BOV	broker's opinion of value	**NCF**	net cash flow
CAM	common area maintenance	**NNN**	triple net
capex	capital expenditures	**NOI**	net operating income
CBD	central business district	**NRA**	net rentable area
CBRE	CB Richard Ellis	**NRI**	net rental income
CMBS	commercial mortgage-backed securities	**NR – PIF**	not rated – paid in full
CRE	commercial real estate	**OSAR**	operating statement analysis report
CREFC	CRE Finance Council	**PCA**	property condition assessment
DPO	discounted payoff	**PCR**	property condition report
DSCR	debt service coverage ratio	**P&I**	principal and interest
DSR	debt service reserve	**POD**	probability of default
EGI	effective gross income	**PIP**	property improvement plan
EOD	event of default	**PILOT**	payment in lieu of taxes
F&B	food & beverage	**PSA**	pooling and servicing agreement
FF&E	furniture, fixtures, and equipment	**psf**	per square foot
FS Hotel	full-service hotel	**R&M**	repairs and maintenance
G&A	general and administrative	**REIT**	real estate investment trust
GLA	gross leasable area	**REO**	real estate owned
GPR	gross potential rent	**RevPAR**	revenue per available room
HVAC	heating, ventilation, and air conditioning	**sf**	square foot/square feet
IO	interest only	**SPE**	special-purpose entity
LC	leasing commission	**TI**	tenant improvement
LGD	loss severity given default	**TIC**	tenants in common
LOC	letter of credit	**T-12**	trailing 12 months
LOI	letter of intent	**UW**	underwriting
LS Hotel	limited-service hotel	**WA**	weighted average
LTC	loan-to-cost ratio	**WAC**	weighted-average coupon
LTCT	long-term credit tenant	**x**	times
LTV	loan-to-value ratio	**YE**	year end
MHC	manufactured housing community	**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 Morningstar Market Rank (DBRSM MR) The Market Rank is a number of one through eight that corresponds to the underlying property's zip code. For portfolio loans with multiple underlying properties, the Market Rank applied reflects an approximation of the weighted-average figure based on the corresponding model coefficients.
DBRS Morningstar MSA Group (DBRSM MSA) The MSA Group is a number of one through three for the top 25 largest MSAs and is based on the MSA's historical performance. All MSAs outside of the top 25 reflect a MSA Group number of zero. For portfolio loans with multiple underlying properties, the MSA Group applied reflects an approximation of the weighted-average figure based on the corresponding model coefficients.
DBRS Morningstar Refi DSCR A measure that divides the DBRS Morningstar Stabilized NCF by the product of the loan's maturity balance and a stressed refinance debt constant.
DBRS Morningstar Term DSCR A measure that divides the DBRS Morningstar 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 or net cash flow 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 Ratio (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 revenue earned by a property's ongoing operations less the expenses associated with such operations and the capital costs of tenant improvements, leasing commissions, and capex (or reserves). Moreover, NCF is net operating income less tenant improvements, leasing commissions, and capex.
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 revenue 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 remodeling, 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.

About DBRS Morningstar

DBRS Morningstar is a full-service global credit ratings business with approximately 700 employees around the world. We're a market leader in Canada, and in multiple asset classes across the U.S. and Europe.

We rate more than 4,000 issuers and nearly 60,000 securities worldwide, providing independent credit ratings for financial institutions, corporate and sovereign entities, and structured finance products and instruments. Market innovators choose to work with us because of our agility, transparency, and tech-forward approach.

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