Presale Report

# J.P. Morgan Chase Commercial Mortgage Securities Trust 2022-ACB

**DBRS Morningstar**
March 8, 2022


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## Capital Structure

**Commercial Mortgage Pass-Through Certificates**

| Description | Rating Action | Balance | BLTV (%) | DBRS Morningstar Rating | Trend |
|---|---|---|---|---|---|
| Class A | New Rating - Provisional | 275,900,000 | 46.33 | AAA (sf) | Stable |
| Class B | New Rating - Provisional | 38,300,000 | 52.76 | AA (high) (sf) | Stable |
| Class C | New Rating - Provisional | 29,600,000 | 57.73 | AA (sf) | Stable |
| Class D | New Rating - Provisional | 42,400,000 | 64.85 | A (sf) | Stable |
| Class E | New Rating - Provisional | 93,900,000 | 80.62 | BBB (low) (sf) | Stable |
| Class F | New Rating - Provisional | 55,100,000 | 89.87 | BB (low) (sf) | Stable |
| Class G | New Rating - Provisional | 45,677,000 | 97.54 | B (low) (sf) | Stable |
| Class HRR | n/a | 30,573,000 | 102.67 | NR | - |
| Class R | n/a | - | n/a | NR | - |
| Class ELP | n/a | - | n/a | NR | - |

Notes:
1. NR = Not Rated.
2. Class R and Class ELP will not have a certificate balance, notional amount, pas-through rate, rating, nor rated final distribution date.
3. Expected closing date is March 23, 2022.

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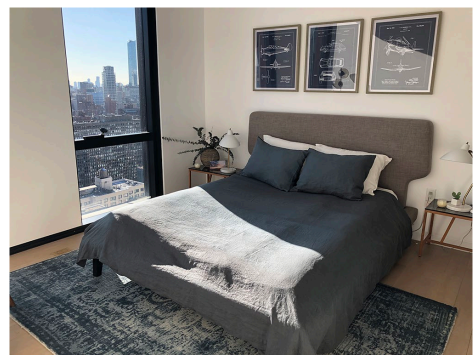
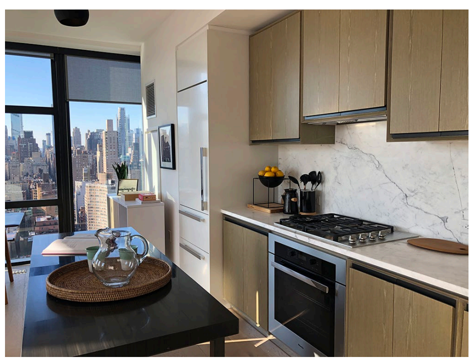
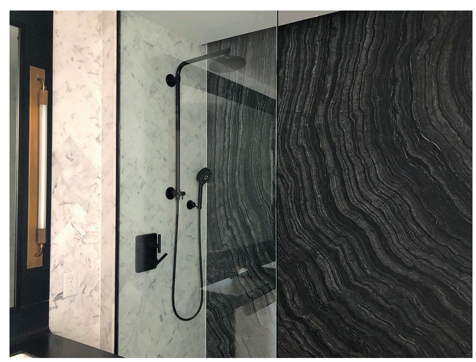
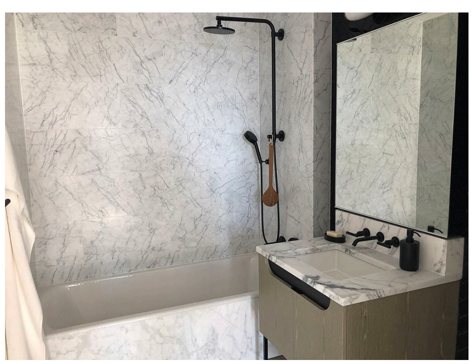
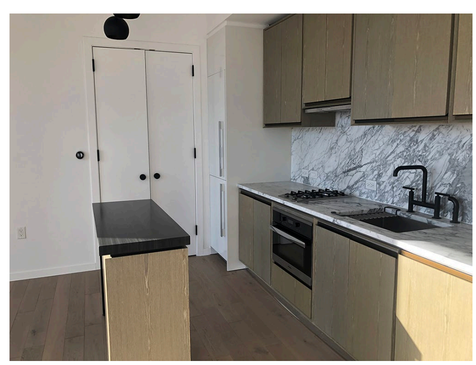
## Collateral Spotlight

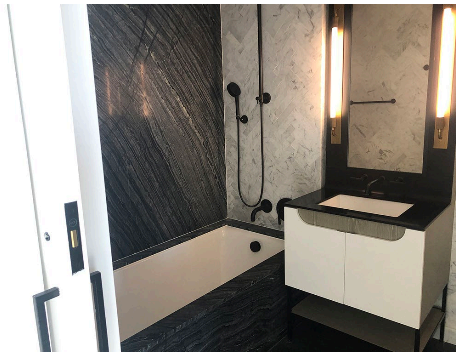



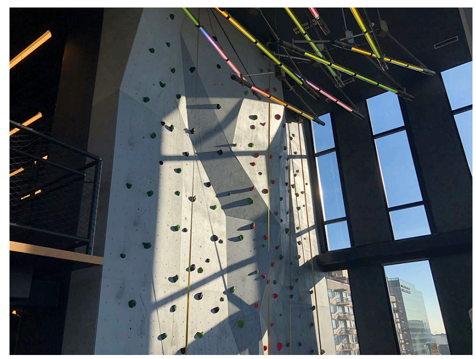


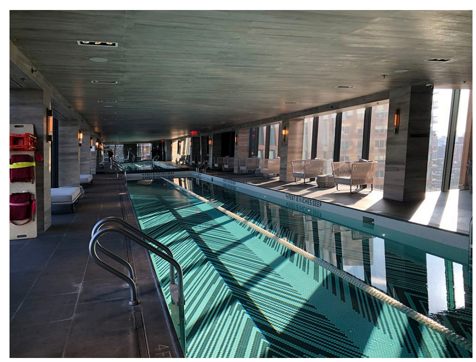


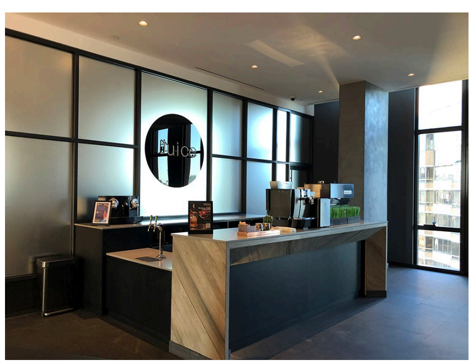


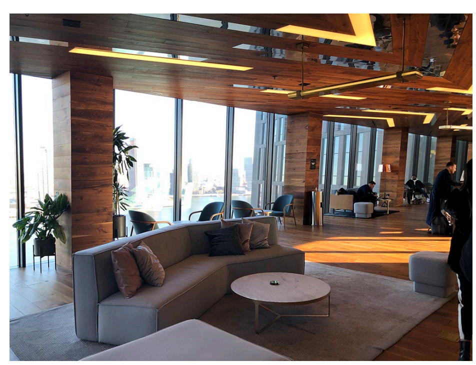




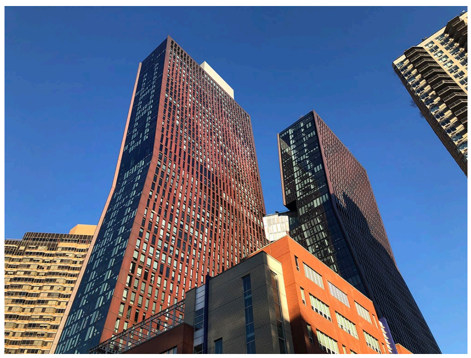


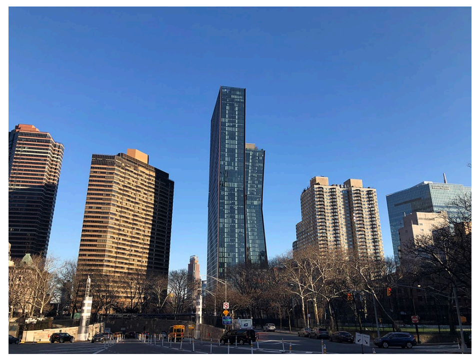







HOLE IN THE WALL





## Transaction Summary

| Trust Characteristics | | | |
|---|---|---|---|
| **Trust Loan Notional Balance ($)** | 611,450,000 | **No. Properties** | 1 |
| **Structure** | REMIC | **Property Type** | Multifamily |
| **DBRS Morningstar BLTV (%)** | 102.67 | **Location(s)** | Manhattan, New York |
| **DBRS Morningstar ELTV (%)** | 102.67 | **DBRS Morningstar Cap Rate (%)** | 5.75 |
| **DBRS Morningstar Debt Yield (%)** | 5.60 | **DBRS Morningstar Value ($)** | 595,521,331 |
| **DBRS Morningstar DSCR (x)** | 2.07 | **Quality/Volatility Adjustment (%)** | 7.5 |
| **Appraised LTV (%)** | 72.10 | **Herfindahl Adjustment (%)** | 0.0 |
| **Issuer UW DSCR (x)** | 2.15 | **DBRS Morningstar NCF Variance (%)** | -3.7 |

| Participants | |
|---|---|
| **Depositor** | J.P. Morgan Chase Commercial Mortgage Securities Corp. |
| **Mortgage Loan Seller** | JPMorgan Chase Bank, National Association |
| **Trustee** | Wilmington Trust, National Association |
| **Servicer and Special Servicer** | Midland Loan Services, a Division of PNC Bank, National Association |
| **Certificate Administrator** | Computershare Trust Company, National Association |
| **Operating Advisor** | Pentalpha Surveillance LLC |

## DBRS Morningstar Perspective

The J.P. Morgan Chase Commercial Mortgage Securities Trust 2022-ACB (JPMCC 2022-ACB) single-asset/single-borrower transaction is collateralized by the borrower’s fee-simple interest in two Class A residential towers overlooking the East River in the Murray Hill neighborhood of New York. Despite the uncertainty around short- and medium-term demand for multifamily rental product in New York, DBRS Morningstar takes a positive view on the credit characteristics of the collateral, which has continued to exhibit strong leasing velocity and stabilizing concessions. The Midtown East submarket where the collateral is located has exhibited favorable vacancy and rent growth over the past decade, although rent growth has been relatively volatile. Between 2013 and 2019, the submarket experienced annual rent growth between -0.8% and 6.0% and vacancy rates ranging from 1.9% to 3.2%. Midtown East has exhibited strong submarket characteristics because of its proximity to major transit centers, including Grand Central and many large office properties that are well within walking distance.

The American Copper Buildings benefit from significant 421-a tax exemptions during the loan term and, in return, have designated approximately 21.0% of the units at the property as affordable. The market rate units at the property are generally not subject to any restrictions on rental rates.

### Strengths

- **Location**—The property is in an irreplaceable location with close proximity to the East River as well as many attractions and demand drivers of Midtown East, including many office properties that house some of the city’s largest employers. Many units feature sweeping views of Midtown, the East River, Long Island City in Queens, and Greenpoint in Brooklyn. The property also benefits from convenient access and proximity to Grand Central, the 33rd Street subway station, and the East 34th Street ferry station. The surrounding neighborhood has long been a popular residential neighborhood in

Manhattan's Midtown. In addition to a significant number of high-end residential buildings, there are many popular restaurants and high-end retail offerings in the area.

- **High-End Amenity Package**—The property benefits from an extensive, high-end amenity package that includes condo-quality interior finishes and resort-quality common-area amenities. Tenants have the option to sign up for a Copper Tone membership for full access to all amenities within the sky bridge, which includes a lap pool, a fitness center, a rock climbing wall, a yoga and Pilates studio, and spa facilities. Additional common-area amenities outside of the Copper Tone membership include a rooftop infinity pool, an outdoor lounge, and a resident lounge. Additionally, the units feature floor-to-ceiling windows, stainless steel appliances, stone countertops and backsplashes, Nest thermostat systems, and washers/dryers.
- **Borrower Equity**—Borrower equity of approximately $204.3 million is being used to facilitate the acquisition of the collateral for $837.0 million. DBRS Morningstar views transactions more favorably when the sponsor contributes significant cash equity to an acquisition.
- **High Land Value**—The property benefits from a substantial floor value based on its desirable location within Midtown Manhattan. The appraiser's concluded land value was approximately $302.0 million, or approximately $396,846 per unit, which covers approximately 44.7% of the first-mortgage balance.
- **421-a Tax Exemptions**—The property benefits from substantial property tax savings as a result of the long-term 421-a exemptions that have been in place since July 2018 and will end in June 2038. The abatement exempts 100% of the allowable assessed value, leaving only a minimal approximately $10.0 million of nonallowable value to be taxable. The 100% exemption remains in place for the first 12 years, with the exemption percentage declining every other year in 20% increments until the 20th year. According to the appraisal, in the 2021–22 tax year, the taxes due are estimated to be $1.2 million while the full tax liability would have been approximately $16.3 million. In return, the developer is required to satisfy certain conditions, including designating and maintaining a portion of the units as affordable housing.

**Concerns**

- **Coronavirus Disease (COVID 19)-Related Risks**—The ongoing coronavirus pandemic continues to pose challenges and risks to virtually all commercial real estate property types and has created an element of uncertainty around rental rates and future demand for multifamily rental product and the macroeconomy more generally. DBRS Morningstar believes some short- and medium-term softening in the multifamily market is likely, but the long-term fundamentals for multifamily properties in high-density urban areas remain favorable.
- **Relatively High Leverage**—The DBRS Morningstar LTV on the first mortgage debt is 102.67%, which is relatively high compared with other recently analyzed single-asset transactions collateralized by Class A multifamily properties, whose DBRS Morningstar LTV ratios range from 85.5% to 102.8%.
- **Mezzanine Financing**—The property is indirectly encumbered by approximately $63.6 million in mezzanine debt, which represents approximately 9.4% of the total financing package. The all-in DBRS Morningstar LTV of 113.3%, inclusive of the mezzanine debt, is moderately higher than the secured debt LTV of 102.67%. While the mezzanine loan is not collateralized directly by any true assets (rather, it is collateralized by a pledge of 100% of the equity interest in the mortgage loan borrower), it is still a form of debt that must be serviced indirectly from property cash flow.

- **Limited Stabilized Operating History**—The property never stabilized prior to the coronavirus pandemic, even though the property was constructed in 2017 and, thus, there is limited operating history that exhibits a stabilized occupancy. The property's leased rate peaked in February 2020 at approximately 92.5% and then fell precipitously during the pandemic, consistent with other comparable multifamily properties in Manhattan. The property did not return to a leased rate above pre-pandemic levels until June 2021. As a result, there is not yet a full year of stabilized historical performance.
- **Concessions**—The property has had to offer concessions in order to preserve occupancy as a result of the coronavirus pandemic, which amounted on average to one month of free rent from September 2021 to December 2021. The amount of concessions offered has remained elevated, even as the effects of the pandemic have subsided. As a result, DBRS Morningstar applied a concessions loss equivalent to one month on market rate units in its cash flow analysis.
- **Legal and Structural Considerations**
  - **Sponsor Considerations**—The borrower is a joint venture between Black Spruce Management (BSM) and The Orbach Group. BSM has completed the acquisition of 42 properties in four boroughs of New York City, including Manhattan, Brooklyn, Queens, and the Bronx, worth approximately $1.4 billion. The Orbach Group owns and manages a portfolio worth more than $1.5 billion and focuses primarily on affordable housing.
  - **Tax Exemptions, Regulatory Agreements, and Related Risks**—As previously mentioned, the property benefits from certain tax exemptions and regulatory agreements. If the borrower were to breach the regulatory agreements and/or is not in compliance with the requirements under Section 421-a, these benefits could be lost. For more information, please refer to the Exemptions, Regulatory Agreements, and Related Risks discussion in the legal/structural section on page 23 and 24 of this report.
  - **Business Interruption Insurance**—The sponsor's insurance policy includes 18 months of business interruption coverage, which is less than the typical 24 months of business interruption coverage in single-asset/single-borrower transactions reviewed by DBRS Morningstar. Because of the reduced business interruption coverage, DBRS Morningstar opted to apply a penalty to the LTV hurdles across the capital stack.
  - **TIC Structure and Reverse 1031 Exchange**—One of the borrowing entities is anticipated to enter into a "reverse exchange" under Section 1031 of the Internal Revenue Code. Within 10 business days of the loan origination, the entity will enter into a lease with a master tenant for its tenancy-in-common interest and the master tenant will become a borrower under the mortgage loan. Within 180 days of the origination date, the exchange must be completed, the lease will be collapsed and the master tenant will no longer be a borrower. The potential exists for the exchange to fail to take place, which would preclude any anticipated tax benefits.
  - **Weak Guarantor and Transferee Criteria**—The guarantors under the mortgage are required to maintain a minimum net worth of at least $250 million and liquidity of $25 million at all times. DBRS Morningstar views this threshold as relatively weak in the context of the size of the mortgage and mezzanine loans. The qualified transferee provisions impose the same minimum net worth and liquidity requirements.

## Summary of the Debt Capital Structure

JPMorgan Chase Bank, National Association originated the two-year floating rate, interest-only mortgage loan with three one-year extension options to finance the acquisition of the American Copper Buildings.

The $675 million whole loan comprises a $611.45 million mortgage loan and two mezzanine loans whose proceeds total $63.55 million. The Mezzanine A Loan totals $35.0 million, and the Mezzanine B Loan totals $28.55 million.

**Debt Structure**

| Tier | Debt Amount ($) | Interest Rate (%) | Payment Terms | DBRS Morningstar DSCR | DBRS Morningstar LTV (%) |
|---|---|---|---|---|---|
| Mortgage Loan | 611,450,000 | SOFT + 2.6573 | IO | 2.07x | 102.67 |
| Mezzanine Loan | 63,550,000 | SOFR + 7.2500 | IO | 1.62x | 113.3 |
| **Total/WA** | **675,000,000** | **2.2771** | **IO** | **1.62x** | **113.3** |

This securitization transaction will be subject to the credit risk retention requirements of Section 15G of the Exchange Act, as added by Section 941 of the Dodd-Frank Act.

For this securitization, an economic interest in the credit risk is expected to be retained by JP Morgan Chase Bank, National Association through the purchase of an eligible horizontal residual interest in the form of Class HRR Certificates by a third party purchaser.

### Sources and Uses

The whole loan proceeds and sponsor contributions are being used to acquire the property for a purchase price of $837.0 million, cover the closing costs totaling $16.4.0 million, and fund minimal upfront reserves of $1,014,184.

| Source | Amount ($) | % of Total | Uses | Amount ($) | % of Total |
|---|---|---|---|---|---|
| Mortgage Loan | 611,450,000 | 69.5 | Purchase Price | 837,000,000 | 95.2 |
| Mezzanine Loan | 63,550,000 | 7.2 | Upfront Reserves | 1,014,184 | 0.1 |
| Sponsor Equity | 204,282,099 | 23.2 | Closing Costs | 41,267,915 | 4.7 |
| **Total** | **879,282,099** | **100.0** | | **879,282,099** | **100.00** |

### Analytical Metrics

The table below presents DBRS Morningstar's key NCF and valuation metrics compared with the issuer/arranger's assumptions:

| Metric | DBRS Morningstar | Issuer/Arranger |
|---|---|---|
| Effective Gross Income ($) | 47,467,969 | 47,793,459 |
| Net Operating Income ($) | 34,476,604 | 35,791,321 |
| Replacement Reserves ($) | 234,128 | 234,211 |
| Net Cash Flow ($) | 34,242,477 | 35,557,109 |
| Variance to Arranger NCF (%) | (3.70) | - |
| Capitalization Rate (%) | 5.75 | 4.19 |
| Concluded Value/Appraised Value ($) | 595,521,331 | 848,000,000 |
| Value per Unit ($) | 782,551 | 1,114,323 |
| Mortgage Loan DSCR on NCF (x) | 2.07 | 2.15 |
| Mortgage Loan-to-Value Ratio (%) | 102.7 | 72.1 |

### 421-a Tax Exemption Summary

The property benefits from tax exemptions under the 421-a abatement program which began in July 2018 and will end in June 2038. Provided below are details of the length of the exemption and the affordable unit mix.

| Metric | American Copper Buildings |
|---|---|
| **Exemption Program** | 20-year 421-a Tax Exemption |
| **Exemption Details** | Exempt from 100% of the increases in assessed value of newly constructed improvements for the first 12 years. The Exemption percentage declines by increments of 20% every other year until it is fully phased out by the 20th year. |
| **Exemption Schedule** | 2018-2030 - 100%<br>2031-2032 - 80%<br>2033-2034 - 60%<br>2035-2036 - 40%<br>2037-2038 - 20% |
| **Affordability Set-Aside** | 79% Market Rate (601 units)<br>21% Affordable (160 units) |
| **Affordability Mix (Income Not to Exceed)** | 160 units - 60% of AMI |
| **Restrictions on Market Rate Units** | None |
| **Full Assessment Year** | 2038 |

### Collateral Summary

The collateral for this transaction are two luxury residential towers rising 41 stories in the east building and 48 stories in the west building that are connected via a three-story skybridge on the 31st floor. The property is in the Murray Hill neighborhood of Midtown Manhattan, situated on the intersection of 1st Avenue and E 36th Street, separated from the East River by FDR Drive. The architecturally significant towers were built in 2018 and house 761 residential units, 9,295 sf of ground floor retail space, and garage parking for 294 spaces. The commercial space is 100% leased to two tenants: Hole in the Wall, a casual eatery, and Bright Horizons, a child care provider. The residential unit mix consists of 601 market-rate units and 160 affordable units. Among the market units, there are 164 studio, 244 one-bedroom, 158 two-bedroom, and 35 three-bedroom units accounting for 21.6%, 32.1%, 20.8%, and 4.6% of the unit mix, respectively. The remaining 160 affordable units are composed of 43 studio, 66 one-bedroom, 41 two-bedroom, and 10 three-bedroom units. In total, the affordable units account for 21.0% of the property's total residential units.

The property generates market rents of $4,027 per unit for studios, $5,686 per unit for one-bedroom, $9,125 per unit for two-bedroom, and $12,336 per unit for three-bedroom units. The average affordable rents for the property's studio, one-bedroom, two-bedroom, and three-bedroom units are $854, $923, $1,111, and $1,302, respectively. The affordable units exhibit an occupancy of 98.8% compared with the market unit occupancy of 93.7%.

The dedicated affordable units allow the property to participate in a 20-year 421-a tax exemption that will end in June 2038. The abatement exempts the property from 100% of its taxes on the improvements for the first 12 years, 80% for years 13-14, 60% for years 15-16, 40% for years 17-18, and 20% years 19-20 of the program. In total, the affordable units account for 3.8% of the property's annual rent.

The units feature upscale finishes and appliances, including wood plank flooring throughout, floor-to-ceiling windows, and nine-foot ceilings. The full kitchen appliance package includes a stainless-steel stove, built-in microwave, dishwasher, and refrigerator, flanked by standard wood cabinetry and stone countertops. Each unit is equipped with an in-unit washer/dryer, but the building also includes access to commercial-grade washers and dryers located in the basement for larger items. Building amenities include a rooftop patio, rooftop pool, and resident lounge. For an additional fee, residents can join the Copper Tone fitness center, which offers traditional equipment, a rock climbing wall, a lap pool, yoga and Pilates studios, and spa facilities. The appraisal concludes that given the property's finishes, amenity package, and panoramic views, it ranks in the higher end of the luxury residential tower market. The appraisal identified five comparable luxury properties and concluded that the subject property's building characteristics, unit characteristics, and amenities were all either equivalent to or better than its competitors'.

### Monthly Economic Occupancy

The property has demonstrated physical occupancy trending in a positive direction throughout the trailing 12 months.

| Month | Occupancy (%) | Concessions ($) |
|---|---|---|
| 20-Dec | 78.0 | 424,262 |
| 21-Jan | 79.0 | 270,735 |
| 21-Feb | 80.0 | 303,831 |
| 21-Mar | 83.0 | 231,443 |
| 21-Apr | 84.0 | 263,653 |
| 21-May | 90.0 | 237,533 |
| 21-Jun | 94.9 | 337,205 |
| 21-Jul | 97.4 | 611,359 |
| 21-Aug | 96.7 | 754,750 |
| 21-Sep | 94.6 | 843,119 |
| 21-Oct | 94.2 | 698,303 |
| 21-Nov | 95.4 | 557,922 |
| 21-Dec | 94.9 | 636,389 |

### Commercial Space Summary

The property has approximately 9,295 sf of commercial space located on the ground floor that is leased by two tenants. Bright Horizons, a child care provider, has leased 7,700 sf and Hole in the Wall, a causal eatery, occupies the remaining 1,595 sf. The space leased by Bright Horizons is not yet occupied and expects to have a completed buildout by April 2022.

**Commercial Tenant Summary**

| Tenant | NRA | % of Total Commercial NRA | DBRS Morningstar Gross Rent ($) | Lease Start Date | Lease Expiration Date | Base Rent PSF ($) | % of DBRS Morningstar Gross Rent |
|---|---|---|---|---|---|---|---|
| Hole in the Wall | 1,595 | 17.2% | 127,313 | 6/1/2019 | 7/1/2029 | 79.82 | 22.4% |
| Bright Horizons Children's Center | 7,700 | 82.8% | 439,978 | 3/1/2022 | 2/1/2037 | 57.14 | 77.6% |
| **Total Occupied** | **9,295** | **100.0%** | **567,291** | **6/1/2019** | **7/1/2029** | **61.03** | **100.0%** |

### Unit Mix Summary

The following table provides an overview of both the market-rate units and the affordable units, including the number of vacant and occupied units as well as the average in-place rental rates for each unit type.

**Market Rate Residential Units**

| Type | Units | Occupied | Vacant | Occupancy (%) | Avg. SF | Avg. In-Place Rent ($) | Avg. In-Place Rent PSF ($) |
|---|---|---|---|---|---|---|---|
| Studio | 164 | 161 | 3 | 97.6% | 494 | 4,027 | 8.15 |
| 1 Bedroom | 244 | 231 | 13 | 96.3% | 754 | 5,686 | 7.54 |
| 2 Bedroom | 158 | 141 | 17 | 86.7% | 1,116 | 9,125 | 8.18 |
| 3 Bedroom | 35 | 31 | 4 | 88.6% | 1,419 | 12,336 | 8.69 |
| **Total/Avg.** | **601** | **564** | **37** | **93.7%** | **946** | **6,417** | **6.78** |

**Affordable Rate Residential Units**

| Type | Units | Occupied | Vacant | Occupancy (%) | Avg. SF | Avg. In-Place Rent ($) | Avg. In-Place Rent PSF ($) |
|---|---|---|---|---|---|---|---|
| Studio | 43 | 42 | 1 | 97.7% | 484 | 854 | 1.76 |
| 1 Bedroom | 66 | 65 | 1 | 98.5% | 640 | 923 | 1.44 |
| 2 Bedroom | 41 | 41 | 0 | 100.0% | 866 | 1,111 | 1.28 |
| 3 Bedroom | 10 | 10 | 0 | 100.0% | 1,118 | 1,302 | 1.16 |
| **Total/Avg.** | **160** | **158** | **2** | **99.0%** | **777** | **977** | **1.26** |

## Market Overview

The American Copper Buildings are located on the land between 1st Avenue and FDR Drive, south of E 36th Street and north of E 35th Street in the Murray Hill neighborhood of Midtown Manhattan. The property enjoys proximity to the East River waterfront with convenient access to the East River Esplanade and the East 34th Street ferry terminal. Other nearby demand drivers within walking distance of the property include NYU Langone Health & Hospitals, St. Vartan Park, PS 281 school, and the United Nations headquarters. The surrounding area consists of mainly mid-rise and high-rise buildings with many ground-floor restaurant and retail offerings. With excellent access to various parts of Manhattan and Brooklyn via Grand Central, the 33rd Street subway stop, the 34th Street ferry terminal, and FDR Drive, Murray Hill is a well-established and desirable neighborhood.

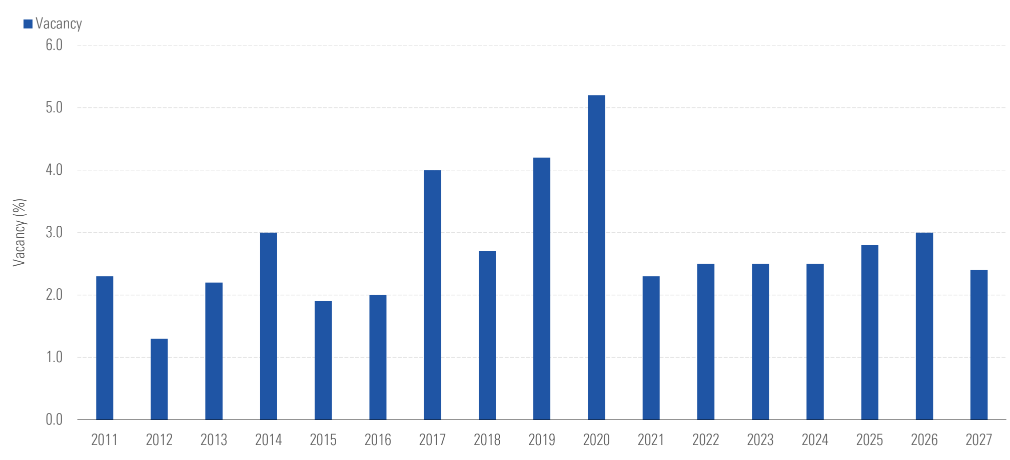
The appraisal reports that the 2021 population for the property's zip code was 61,000 and is projected to grow to an estimated 62,865 by 2026. Of these residents, approximately 41,000 people are college graduates aged 25-plus, representing about 67% of the area's demographic population. The zip code's median household income totals $124,141 and the per capita income is $106,047 in comparison to the broader New York County's population whose median household income is $93,975 and per capita income is $74,715. Overall, the demographic makeup of the surrounding area suggests that Murray Hill is a densely populated and in-demand neighborhood, particularly for professionals seeking proximity to Midtown.

**Submarket Trends**

Per Reis, the property is in the Stuyvesant/Turtle Bay submarket, which is the third-smallest of the nine New York Metro submarkets identified by Reis with the highest average asking rent per unit. The designated submarket spans from E 14th Street up to E 58th Street and encompasses several major Manhattan neighborhoods such as Murray Hill, Kips Bay, Midtown East, Sutton Bay, and Peter Cooper Village. The submarket inventory contains approximately 25,300 units representing 10.8% of the New York Metro inventory. Since Q1 2012, the submarket's annualized inventory growth rate has been 1.1% compared with the metro's growth rate of 3.4% for the same period. Of the submarket's total inventory, only 5.0% were built between 2010 and 2019 with no units built after 2019. Reis estimates that 201 units will be built and 162 units will be absorbed in the next five years, representing an absorption ratio of 1.2.

Over a five-year period ended in December 2021, Reis reported an average submarket vacancy rate of 3.7%, peaking in 2020 with a vacancy rate of 5.2%. The average vacancy rate as of Q4 2021 was 2.3% and is forecast to be 2.4% over the five-year period ending December 2027, suggestive of a stable recovery from elevated vacancy rates as a result of the coronavirus pandemic.

**Exhibit 1** Stuyvesant/Turtle Bay Submarket Vacancy (%)




Source: DBRS Morningstar.

The Stuyvesant/Turtle Bays submarket is well located and is recognized as well-established and integral part of the New York Metro market. According to Reis data, the average market rent has remained consistently above the metro since 2007 and seen rises in asking rent for nine consecutive months for the period ended in December 2021. The average asking rent for 2020 dropped approximately 12% from $5,006 per unit in 2019 to $4,389. This average has since grown 19% to $5,226 in 2021 and is estimated to rise to $5,435 in 2022, indicating that the submarket has recovered from the rental market downturn resulting from the coronavirus pandemic. These fluctuations in market rent and demonstrated stabilization are consistent with trends for the entire New York Metro market.

### Rent Comparables

The appraiser identified five rent comparables within the luxury high-rise Manhattan market:

| Comparable | Subject | Comparable 1 | Comparable 2 | Comparable 3 | Comparable 4 | Comparable 5 |
|---|---|---|---|---|---|---|
| Address | 628 E 1st Avenue | 685 1st Avenue | 70 W 37th Street | 222 E 44th Street | 42 W 33rd Street | 242 W 53rd Street |
| Neighborhood | Murray Hill | Murray Hill | Midtown South | Turtle Bay | Midtown South | Midtown West |
| | | | | | | |
| **Building Type** | High Rise | High Rise | High Rise | High Rise | High Rise | High Rise |
| **# of Stories** | 41/48 | 43 | 24 | 42 | 41 | 61 |
| **# of Units** | 761 | 408 | 380 | 429 | 223 | 426 |
| **Year Built** | 2018 | 2018 | 2019 | 2018 | 2018 | 2021 |
| **Occupancy (%)** | 94.9 | 98.6 | 99.0 | 98.3 | 99.5 | 98.8 |
| | | | | | | |
| **Avg. Rent per Unit ($)** | 7,777 | 7,324 | 5,964 | 8,000 | 5,716 | 5,917 |
| **Studio Avg. Rent per Unit ($)** | 4,029 | 4,522 | 4,487 | 4,330 | 3,876 | 3,047 |
| **1 Bed Avg. Rent per Unit ($)** | 5,693 | 5,783 | 5,660 | 5,434 | 5,331 | 4,556 |
| **2 Bed Avg. Rent per Unit ($)** | 9,141 | 8,600 | 7,745 | 9,197 | 7,941 | 6,610 |
| **3 Bed Avg. Rent per Unit ($)** | 12,246 | 10,389 | - | 13,038 | - | 9,455 |
| | | | | | | |
| **Avg. Unit SF** | 946 | 1,049 | 728 | 969 | 828 | 820 |
| **Studio Avg. SF** | 494 | 697 | 513 | 535 | 500 | 389 |
| **1 Bed Avg. SF** | 754 | 838 | 725 | 765 | 787 | 627 |
| **2 Bed Avg. SF** | 1,116 | 1,250 | 945 | 1,047 | 1,196 | 954 |
| **3 Bed Avg. SF** | 1,419 | 1,410 | - | 1,530 | - | 1,311 |

## DBRS Morningstar NCF Analysis

DBRS Morningstar analyzed the property's historical cash flow, occupancy levels, operating expenses, fixed expenses, and capital costs. DBRS Morningstar's revenue and expense estimates, as well as its analytical approach, are discussed below.

| | 2020 | 2021 | Appraisal | Sponsor Stabilized | Issuer/Arranger | DBRS Morningstar NCF |
|---|---|---|---|---|---|---|
| **INCOME** | | | | | | |
| In-Place Base Rent (Market) | 36,967,081 | 37,526,332 | 47,000,028 | 46,096,719 | 43,354,470 | 43,354,470 |
| In-Place Base Rent (Affordable) | 1,740,574 | 1,737,871 | 1,851,192 | 1,890,658 | 1,852,684 | 1,852,684.20 |
| Potential Income from Vacant Units | 9,529,846 | 9,252,841 | 21,144 | 1,382,842 | 3,782,032 | 3,782,032 |
| **Gross Potential Residential Income** | **48,237,501** | **48,517,044** | **48,872,364** | **49,370,220** | **48,989,186** | **48,989,186** |
| Economic Vacancy | (9,529,846) | (9,252,841) | (2,149,653) | (1,382,842) | (3,782,032) | (3,782,032) |
| Concessions | (4,756,031) | (3,127,194) | - | (1,384,821) | (3,612,873) | (3,612,873) |
| **Residential EGI Before Other Income** | **33,951,624** | **36,137,009** | **46,722,711** | **46,602,557** | **41,594,282** | **41,594,282** |
| | | | | | | |
| **Other Income** | | | | | | |
| Recoveries | 763,726 | 818,864 | 850,000 | 1,132,964 | 1,132,964 | 907,459 |
| Amenity Income | 75,836 | 255,965 | 1,200,000 | 601,520 | 541,368 | 541,368 |
| Coppertone Gym Income | 360,166 | 777,379 | - | 1,418,310 | 1,276,479 | 1,276,479 |
| Parking Income | 1,405,662 | 1,697,528 | 1,058,400 | 1,999,543 | 1,999,543 | 1,999,543 |
| Other Rental Storage & Service Income | 69,260 | 133,574 | 400,000 | 280,232 | 280,232 | 280,232 |
| Other Income | 510,823 | 358,044 | - | 393,549 | 393,549 | 358,044 |
| **Total Other Income** | **3,185,473** | **4,041,355** | **3,508,400** | **5,826,118** | **5,624,135** | **5,363,125** |
| | | | | | | |
| **Commercial Income** | | | | | | |
| Commercial Income | 123,760 | 125,464 | 567,308 | 569,430 | 575,043 | 567,291 |
| Potential Income from Vacant Space (Commercial) | - | - | - | - | - | - |
| **Gross Potential Commercial Income** | **123,760** | **125,464** | **567,308** | **569,430** | **575,043** | **567,291** |
| Economic Vacancy (Commercial) | - | - | - | - | - | 56,729 |
| **Total Commercial EGI** | **123,760** | **125,464** | **567,308** | **569,430** | **575,043** | **510,562** |
| | | | | | | |
| **EXPENSES** | | | | | | |
| Management Fee | 733,859 | 773,355 | 1,269,960 | 762,994 | 1,000,000 | 1,000,000 |
| Payroll & Benefits | 2,404,270 | 2,636,059 | 2,600,000 | 2,423,989 | 2,423,989 | 2,715,141 |
| Utilities | 2,093,398 | 2,113,651 | 2,100,000 | 2,143,372 | 2,143,372 | 2,177,061 |
| Repairs & Maintenance | 1,231,582 | 1,101,528 | 1,100,000 | 1,181,255 | 1,181,255 | 1,134,574 |
| Marketing & Advertising | 1,122,542 | 1,306,277 | 750,000 | 1,203,225 | 1,203,225 | 1,345,465 |
| General & Administrative | 190,329 | 175,035 | 350,000 | 157,270 | 157,270 | 180,286 |
| Legal & Professional | 146,098 | 127,148 | 800,000 | 132,107 | 132,107 | 130,963 |
| Amenities Operation | 724,227 | 858,644 | 68,880 | 700,124 | 700,124 | 884,403 |
| Parking | 722,922 | 942,632 | - | 620,468 | 620,468 | 970,911 |
| Real Estate Taxes | 1,249,090 | 1,210,001 | 1,217,063 | 1,217,063 | 1,217,063 | 1,229,295 |
| Insurance | 597,563 | 478,692 | 620,000 | 583,392 | 1,223,265 | 1,223,265 |
| **Total Expenses** | **11,215,880** | **11,723,023** | **10,875,903** | **11,125,260** | **12,002,138** | **12,991,364** |

| | | | | | | |
|---|---|---|---|---|---|---|
| *Expense Ratio* | 30.1% | 29.1% | 21.4% | 21.0% | 25.1% | 27.4% |
| Net Operating Income | 26,044,977 | 28,580,805 | 39,922,516 | 41,872,845 | 35,791,321 | 34,476,604 |
| | | | | | | |
| **Capital Items** | | | | | | |
| Replacement Reserves - Residential | - | - | 304,400 | - | 190,250 | 190,250 |
| Replacement Reserves - Commercial | - | - | - | - | 1,394 | 1,859 |
| TIs - Commercial | - | - | - | - | 27,250 | 28,234 |
| LCs - Commercial | - | - | - | - | 15,317 | 13,785 |
| **Total Capital Items** | **-** | **-** | **304,400** | **-** | **234,211** | **234,128** |
| **Net Cash Flow** | **26,044,977** | **28,580,805** | **39,618,116** | **41,872,845** | **35,557,109** | **34,242,477** |

**EGI** – DBRS Morningstar's multifamily base rent for both the market rate and affordable components were concluded to the actual rent roll provided. DBRS Morningstar used an in-place vacancy rate for the market-rate units and for the affordable units, which resulted in a WA vacancy rate of approximately 7.7%. Concessions were concluded to one month for the market-rate units. A 10.0% vacancy was applied to the commercial income. DBRS Morningstar assumed amenity and Coppertone income at 90.0% of the sponsor's budget and other income was generally in-line with recently reported financials.

**Expenses** – DBRS Morningstar concluded most expense line items to the T-12 ended December 31, 2021, plus an inflation factor of 3%.

**Management Fee and Fixed Expenses** – DBRS Morningstar capped the management fee at $1.0 million, or an effective management fee of 2.1%. DBRS Morningstar concluded real estate taxes to the average real estate tax liability over the loan term. The in-place 421-a exemption ends in June 2038 and the 100% abatement is in effect through the 2030/2031 tax year, which is well beyond the fully extended loan term. DBRS Morningstar assumed an insurance expenses consistent with the final insurance premium.

**Replacement Reserves and TI/LCs** – DBRS Morningstar concluded capex/replacement reserves of $250 per residential unit and $0.20 psf for the commercial space. DBRS Morningstar assumed commercial TIs of $50 for new leases and $25 for renewal leases on a 10-year term, and assumed LCs of 4% and 2% for new and renewal leases, respectively.

## DBRS Morningstar Valuation

DBRS Morningstar's concluded capitalization rate for the property was 5.75%, which resulted in a value of $595.5 million, or $782,551 per unit.

## Third-Party Reports

### Appraisal

As part of its analysis, DBRS Morningstar reviewed the appraisal report prepared by CBRE for the property. The appraised value was concluded to be $848 million, or approximately $1.1 million per unit. This appraised value represents a variance of 1% of the property's purchase price of $837.0 million.

The subject has an appraised land value of $302 million, or $396,846 per unit and concluded insurable replacement cost of $553.5 million. The DBRS Morningstar concluded valuation of $595.5 million is approximately 29.8% lower than the appraiser's concluded as-is value for the property.

### Environmental Report

As part of its analysis, DBRS Morningstar reviewed the Phase I Environmental Site Assessment report prepared by EBI Consulting dated February 2, 2022. ESI did not identify any recognized environmental conditions (RECs) related to the property's current development and use of the land.

The land historically has been used for various industrial and commercial purposes, including a lumber and coal yard prior to 1899, site of the Liquid Carbonic Company in from 1910 to 1926, a steam plant from 1926 to 1994 operated by the New York Steam Corporation and Consolidated Edison, and thereafter the site of the Kips Bay Fuel Terminal, which resulted in numerous oil spills. In 2001, pursuant to the Voluntary Cleanup and Brownfields Cleanup agreements under the New York State Department of Environmental Conservation, the land of the subject property was investigated and began remediation of soils contaminated by petroleum and polychlorinated biphenyl, removal of a 250,000-gallon underground fuel storage tank and two oil supply pipelines, and the abatement of asbestos in existing site structures. The federal Brownfields Program superseded the Voluntary Cleanup Program in 2009 and continued remediation by removing all structures and soil above the groundwater table until its completion in 2011. Construction of the subject residential improvements began in 2013 and were completed in 2017.

### Engineering Report

As part of our analysis, DBRS Morningstar reviewed the property condition assessment (PCA) prepared by EBI Consulting dated January 31, 2022. The engineer identified approximately $234,000 in immediate expenditures, mainly toward repairing the sidewalks, replacing the windows, and completing modifications compliant to ADA standards. EBI concluded replacement reserves of $173 per unit per year on an inflated basis.

## Site Inspection

DBRS Morningstar toured the property on Tuesday, February 15, 2022, at 3:00 p.m. Based on the site inspection and management meeting, DBRS Morningstar found the property quality to be Excellent.

The collateral consists of two residential towers located in Murray Hill, a long-established neighborhood in Midtown Manhattan. The towers are on the east side of 1st Avenue and are separated from the East River only by FDR Drive. The collateral is adjacent to the East River Esplanade as well as the East 34th Street ferry terminal. The area immediately surrounding the subject comprises primarily mid-rise and high-rise residential buildings with retail stores and eateries on the ground floor of those properties along the primary arterials. New York City Public School 281 is also on the same block as the subject residential towers, and St. Vartan Park is located directly across 1st Avenue. The Murray Hill neighborhood has excellent access to various parts of Manhattan and Brooklyn via Grand Central, the 33rd Street subway stop, the 34th Street ferry terminal, and FDR Drive. Furthermore, the property is conveniently located near the Queens-Midtown Tunnel, providing direct accessibility to Long Island City and the rest of Queens.

The subject property, known as American Copper West and American Copper East, consists of two interconnected residential towers with a total of 761 residential units. The American Copper West building is 48 stories, while the American Copper East building is 41 stories. Improvements were completed in 2016, and units were phased in to the lease-up process. Amenities are extensive and include a rooftop patio, a rooftop pool, and a resident lounge. For an additional fee, tenants can also join the Copper Tone fitness center, which includes traditional fitness equipment, a rock climbing wall, a lap pool, yoga and Pilates studios, and spa facilities. The building has approximately 9,295 sf of retail space on the ground floor, of which Hole in the Wall occupies 1,595 sf, and Bright Horizons has leased the remaining 7,700 sf. Hole in the Wall is a casual eatery that was open at the time of inspection and was busy with customers. The space that is expected to be occupied by Bright Horizons is expected to have a completed buildout by April 2022. The space to be occupied by Bright Horizons appeared to be in the early stages of the build-out as there was still exposed cinderblock wall and cement floors.

The subject has 601 studio, one-bedroom, two-bedroom, and three-bedroom market units with floorplans of 494 sf, 754 sf, 1,116 sf, and 1,419 sf, respectively, and 160 studio, one-bedroom, two-bedroom, and three-bedroom affordable units with floorplans of 484 sf, 640 sf, 866 sf, and 1,118 sf, respectively. Unit finishes are upscale and include plank flooring throughout, large floor-to-ceiling windows, and high ceilings. Kitchen appliances are stainless steel with a full appliance package, including a stove, a built-in microwave, a dishwasher, and a refrigerator. Cabinetry is standard wood, and countertops are white and black stone. All apartments have in-unit washers/dryers, and the basement features commercial-grade washers and dryers for larger items. Overall, the interior unit finishes in the kitchen and the bathroom showed very well and were consistent with high-end, condo-quality finishes and unit amenity packages.

**Ratings Rationale**

DBRS Morningstar's provisional ratings for JPMCC 2022-ACB reflect its analysis of the sustainable cash flow and value for the property securing the loan held by the trust; the presence of loan structural features such as lack of amortization; and qualitative factors such as DBRS Morningstar's opinion of the quality of the underlying collateral property, the current and expected performance of the real estate markets in which the properties are located, and the current and future state of the macroeconomic environment and its potential impact on the performance of commercial properties.

The JPMCC 2022-ACB transaction is supported by the payment stream from the borrowers' fee-simple interest in American Copper Buildings, a Class A multifamily rental property located in the Murray Hill neighborhood of Midtown Manhattan. DBRS Morningstar determined the provisional ratings for each class of certificates by analyzing the cash flow generated by the properties, giving consideration to the quality and location of the properties, the fundamentals of the property's real estate market, and legal and structural features of the mortgage loan. DBRS Morningstar's analysis of the properties' operations, based on information provided by the arranger, yielded a NCF of $34.2 million. DBRS Morningstar's concluded NCF is -3.7% less than the issuer's NCF. The DBRS Morningstar NCF resulted in an IO DSCR of 2.07x, assuming a mortgage rate of 2.7073%. DBRS Morningstar valued the collateral at $595.5 million based on the concluded NCF and a capitalization rate of 5.75%. DBRS Morningstar's valuation resulted in an LTV ratio of 102.67% on the $611.45 million mortgage loan.

DBRS Morningstar determined the ratings on each class of certificates by performing quantitative and qualitative collateral, structural, and legal analysis. This analysis incorporates DBRS Morningstar's *North American Single-Asset/Single-Borrower Ratings Methodology* and the DBRS Morningstar LTV Benchmark Sizing tool.

DBRS Morningstar determined its concluded sustainable NCF and sustainable value of the underlying property by applying the *DBRS Morningstar North American Commercial Real Estate Property Analysis Criteria*. DBRS Morningstar's maximum LTV thresholds at each rating category were based on the transaction's sequential-pay waterfall, the underlying property type, lack of amortization (full-term IO), borrower, trust LTV, the mezzanine debt, limited property type and geographic diversity, and other factors relevant to the credit analysis. DBRS Morningstar determined its provisional ratings on the IO certificates based on the lowest rating of the applicable reference obligation, which DBRS Morningstar may or may not elect to notch up one rating, as per its approach to rating IO certificates. Please refer to the updated DBRS Morningstar combined methodology *Rating North American CMBS Interest-Only Certificates* on the DBRS Morningstar website, www.dbrsmorningstar.com.

DBRS Morningstar adjusted its maximum LTV thresholds (the Quality/Volatility Adjustment) to account for the following factors:

1. **Cash Flow Volatility:** The market rate component of American Copper Buildings leased up at a significant pace during the pandemic after occupancy fell during the early months of the pandemic as some residents of New York City elected to leave the city. The collateral exhibited an economic occupancy of 68.6% in January 2021 and eventually achieved an economic occupancy of 93.7% by February 2022. DBRS Morningstar concluded an in-place vacancy figure of 7.3%; therefore, there is potential upside as the sponsor continues to lease units and the multifamily market in Midtown Manhattan continues to improve as the pandemic continues to evolve. As a result of these factors, DBRS Morningstar elected to increase its LTV thresholds by 1.5%.
2. **Property Quality:** The collateral is a Class A multifamily building located in the Murray Hill neighborhood of Midtown Manhattan. The building was completed in 2016 and features extensive high-end amenities, including a rooftop pool and several resident lounges, in addition to the Copper Tone fitness center that includes high-end equipment, concierge services, a lap pool, a rock climbing wall, pilates and yoga studios, and a jacuzzi. The units themselves feature plank-hardwood floors and high-end kitchen and bathroom finishes. Additionally, the property is well-located near significant demand drivers in Midtown Manhattan. As a result, DBRS Morningstar elected to increase its LTV thresholds by 3.5% to account for superior property quality.
3. **Market/Location:** The property is situated in an excellent location within Murray Hill with proximity to many demand drivers. Many units have spectacular views of either Midtown

Manhattan or Lower Manhattan. The surrounding neighborhood has been a long-established desirable neighborhoods with many popular restaurants and high-end retail offerings. As a result, DBRS Morningstar increased its LTV thresholds by 2.5% to account for market/location.

**Priority of Payments**

On each distribution date, funds available for distribution will be distributed in the following amounts and order of priority (in each case to the extent of remaining available funds).

1. Class A certificates then outstanding: (i) first, to interest on such certificates, up to, and pro rata in accordance with, their respective interest entitlements for such distribution date; (ii) next, to the Class A certificates then outstanding, up to the principal distribution amount for such class and for such distribution date until their certificate balance is reduced to zero; and then (iii) to reimburse Class A certificates then outstanding for any previously unreimbursed losses previously allocated to such class of certificates.
2. Class B certificates: (i) first, to interest on such certificates up to its interest entitlements for such distribution date; (ii) next, to the Class B certificates, up to the principal distribution amount for such class and for such distribution date until their certificate balance is reduced to zero; and then (iii) to reimburse Class B certificates for any previously unreimbursed losses previously allocated to Class B certificates.

After the Class A, and Class B certificates then outstanding are paid all amounts to which they are entitled, the remaining funds available for distribution will be used to pay interest and principal to the Class C, Class D, Class E, Class F, Class G, and Class HRR certificates sequentially in that order in a manner analogous to the Class B certificates in paragraph 2 above, until the certificate balance of each such class is reduced to zero.

### Loan-Level Legal and Structural Features

**Security**: The mortgage loan is secured by (1) a first mortgage on the Borrower's fee-simple interest in the American Copper Buildings; (2) an assignment of leases, rents, contracts licenses, permits, and management agreements; (3) a first priority perfected security interest in all personal property owned by the Borrower and used in connection with the Property; (4) a security interest in the funds on deposit in any reserve account as hereinafter described; and (5) other security customarily given in a transaction of this nature. The mortgage lien is subject to permitted encumbrances as further described in the loan documents.

**Borrower, Sponsor, and Guarantor(s)**: The borrowers, collectively referred to as the Borrower, are American Copper Building LLC, AH American Copper LLC, and MS American Copper LLC, each a limited liability company, collectively, jointly, and severally as TICs. The sponsors and guarantors under the mortgage loan are Joshua Gotlib and Meyer Orbach.

**General Loan Terms**: The total debt financing is composed of a mortgage loan in the amount of $611.45 million and two mezzanine loans in the aggregate amount of $63.55 million. The mezzanine loans will not be included in the trust and will be held by one or more third parties unaffiliated with the mortgage loan borrower.

**Cash Management Triggers**: During the loan term, all revenue from the property is required to be deposited into a lockbox account. A cash management sweep period will commence upon the earliest of (1) the occurrence and continuance of an event of default or the lender receiving notice from the mezzanine lender that a mezzanine loan event of default has occurred, (2) the mortgage loan debt yield falls below 5.52% during the initial term of the loan or 5.8% after the initial maturity date, tested quarterly, and/or (3) the total loan debt yield falls below 5.0% during the initial loan term of the loan or 5.25% after the initial maturity date, tested quarterly.

**Reserves**: As part of the mortgage loan, $1,014,184 of upfront reserves funded a free rent reserve. Additionally, the loan agreement stipulated required deposits for ongoing reserves into specified accounts related to ongoing reserves into specified accounts.

**Recourse Carveouts**: Recourse on the loan is generally limited to the properties and other assets that have been pledged as collateral for the loan. Non-recourse carveout liabilities for fraud or intentional misrepresentation in connection with the loan, gross negligence or willful misconduct, certain material physical waste, certain transfers or encumbrances of the mortgaged property, misapplication, misrepresentation or conversion of certain funds, and the creation of certain liens on the property securing the mortgage loan are all included in the carveout guaranty under the loan documents, along with other carveout liabilities identified in the loan documents.

**Existing Additional Debt**: As part of the mortgaged property financing, there is mezzanine debt consisting of $63.55 million. The mezzanine debt is broken into a Mezzanine A Loan in the amount of $35.0 million and a Mezzanine B Loan in the amount of $28.55 million. The mezzanine debt is expected to have a floating interest rate of Term SOFR + 7.25% per annum. The presence of mezzanine debt may introduce additional risks, including, but not limited to:

A. Reduced Borrower skin in the game that may remove incentives to maintain or improve the competitiveness of the property resulting in lower rental streams.
B. Increased difficulty of refinancing the mortgage loan as the maturity date.
C. The mezzanine debtholder has certain rights, such as cure rights, purchase options, and consent rights, pursuant to a mezzanine intercreditor agreement between the mortgage loan lender and the mezzanine loan lender.

**Prepayment and Property Release Provisions**: The Borrower is not permitted to release any portion of the property. There are mandatory prepayments permitted in connection with casualty or condemnation. Any voluntary prepayment will result in the Borrower paying the lender all interest that would have accrued during the interest period and all other sums outlined in the loan documents, including, but not limited to, a spread maintenance fee.

**Permitted Transfers**: Subject to the conditions set forth in the loan documents, a one-time assumption of the loan by another borrower is permitted so long as (1) no Mortgage Loan Event of Default has occurred and is continuing, (2) an affiliate of the transferee reasonably acceptable to lender delivers a replacement guaranty and replacement environmental indemnity agreement to lender (provided that the net worth and liquidity thresholds for such replacement guarantor will be $250.0 million and $25.0 million, respectively), (3) the transferee, its principals, and all other entities owned or controlled by the transferee's principals must not have been subject to any bankruptcy action within the seven years prior to the date of the transfer, and (4) certain other customary loan assumption procedures are satisfied.

**Property Management**: The property manager for the property is FirstServicer Residential New York, Inc. The Borrower has the right to replace the property manager or consent to the assignment of property manager's rights under the management agreement, in each case, to the extent that (1) no Mortgage Loan Event of Default has occurred and is continuing and (2) the applicable new property manager is a Qualified Manager engaged pursuant to a Qualified Management Agreement. Nieuw Amsterdam Property Management is pre-approved as a Qualified Manager, in addition, the property will be subject to a management agreement for the affordable housing units with Settlement Housing Fund, Inc. and is expected to be subject to a leasing agreement with RE NY, LLC d/b/a Compass Development Marketing Group.

**Insurance**: The loan agreement requires the Borrower to insure the mortgage property and operations at the property with insurance coverage from insurers described in the loan documents. The insurance is required in amounts set forth in the loan documents, subject to certain deductibles, and a blanket policy is permitted. Additionally, the Borrower will be required to acquire business interruption insurance in the amount of 18 months, which is shorter than the 24 months that is typically required in single-asset/single-borrower transactions. DBRS Morningstar applied a minimal penalty across the capital stack to account for the increased risk.

**Casualty and/or Condemnation Proceeds**: If there is no existing event of default under the loan documents, the threshold for any casualty or condemnation insurance proceeds to be deposited into a lender controlled account is the lesser of $15,000,000 or 5% of the outstanding amount of the mortgage loan. Subject to satisfying other conditions in the loan documents, net insurance proceeds in the case of a casualty will be made available to the borrower if (x) no mortgage loan event of default has occurred or is continuing; and (y) in the event the net proceeds are insurance proceeds, less than 25% of the total floor area of the improvements have been damaged, destroyed, or rendered unusable as a result of a casualty, or in the event the net proceeds are condemnation proceeds, less than 10% of the of the land constituting the property is taken, such land is located along the perimeter or periphery of the property, and no portion of the improvements are located on such land.

In connection with a casualty or condemnation, the use of casualty and condemnation proceeds may be further restricted by, or required to satisfy, the mezzanine loan documents, or similar documents. In addition, pursuant to a regulatory agreement with the New York City Department of Housing

Preservation and Development (HPD), in the event of a casualty to the property equal to or less than 35% of the replacement value of the property, the regulatory agreement will remain in effect.

**Exemptions, Regulatory Agreements, and Related Risks**: The property benefits from various tax exemption and regulatory programs, including the 421-a program. Pursuant to regulatory agreements, the borrower is required to maintain (1) 161 Affordable Housing Units at the property. In consideration for maintaining these Affordable Housing Units, the property is eligible for certain tax exemptions pursuant to the Section 421-a Programs.

The Section 421-a Tax Benefits are benefits that accrue to the property that collateralizes the mortgage loan. In the event that the Borrower breaches the Regulatory Agreements and/or is not in compliance with the Section 421-a program, the benefits could be lost. The New York City Department of Housing Preservation and Development has certain rights and remedies in connection with the Regulatory Agreements, including freezing the Borrower's operating accounts to ensure that the Affordable Housing Units are property maintained, or terminating the Regulatory Agreement (but permitting amounts due under the Mortgage Loan Documents to be paid, if sufficient funds are available after paying operating expenses in connection with the Affordable Housing Units), or bringing an action for equitable relief to compel the Borrower to comply with the affordable housing requirements of the Regulatory Agreements. Additionally, if the Borrower does not comply with Section 421-a, the tax exemption could be revoked for the period of non-compliance or, if an ongoing pattern of non-compliance is found, taxes could become due dating back to the original exemption, which could be significant.

**Transaction Legal and Structural Features**

**Realized Losses**: On each distribution date, any realized losses on the trust loan will be allocated to the Class HRR, Class G, Class F, Class E, Class D, Class C, Class B, and Class A, in that order, in each case until the certificate balance of that class has been reduced to zero.

**Appraisal Reductions**: Within 30 days after the date on which the (1) the mortgage loan is 60 days delinquent in monthly payments (other than a delinquency in respect of the balloon payment), (2) the mortgage loan is 90 days delinquent in the balloon payment unless refinancing is expected within 120 days after the maturity date of the mortgage loan, or (3) certain other adverse events affecting the mortgage loan as set forth in the trust and servicing agreement have occurred, the special servicer will be required to order an appraisal of the property. Based on the new appraisal, the amount of interest payments on the mortgage loan thereafter advance to certificateholders may be reduced, a control event may occur, and the voting rights of certain classes of certificates may be reduced. If such appraisal is not required or is delayed, the trust and servicing agreement may allow for automatic adjustments, which could have a similar impact on advances, voting rights and the occurrence of a control event. If the certificate balance of the Class HRR Certificates has been reduced to 25% of its initial certificate balance due to an appraisal reduction, the holders of the majority of the Class HRR Certificates can require the special servicer to order a second appraisal.

**Control Rights**: The Controlling Class will be the Class HRR certificates. No other Class of Certificates will be eligible to act as the Controlling Class or appoint a Directing Certificateholder. On the Clasing Date, KREST Security Holdings, LLC is expected to be appointed as the initial Directing Certificateholder.

A control event will occur when (1) the Class HRR Certificates no longer have a certificate balance (taking into account any appraisal reduction amounts that notionally reduce the certificate balance of such class of certificates) that is equal to or greater than 25% of the initial certificate balance of such class of certificates.

Prior to the occurrence and continuance of a control event as described in the trust and servicing agreement, the directing certificateholder will have the right to replace the special servicer, with or without cause, and will have certain consent rights with respect to major decisions described in the trust and servicing agreement. After the occurrence and during the continuance of a control event, these control rights will terminate and the directing certificateholder will instead have certain consultation rights until the occurrence of a consultation termination event, as described in the trust and servicing agreement. After the occurrence and during the continuance of the of a consultation termination event, the control class representative will not have any consent or consultation rights, except for such rights as are available to it as a certificateholder. Additionally, if appraisals done in accordance with the trust and servicing agreement would result in a consultation termination event, the holders of the majority of the Class HRR certificates will have the right to require the special servicer to order a second appraisal and recalculate the appraisal reduction amount based upon such second appraisal, at their sole expense. If required by any such recalculation, a consultation termination event will cease to exist.

**Replacement of the Special Servicer**: The special servicer under the trust and servicing agreement may be removed, with or without cause, and a successor special servicer appointed, for so long as no control event has occurred and is continuing or, after the occurrence and during the continuance of a control event, certain certificateholders with requisite percentage of voting rights will have the right, with or without cause, to replace the special servicer and appoint a replacement special servicer. In addition, the operating advisor is entitled to recommend that the special servicer be replaced if the operating advisor determines, in its sole discretion exercised in good faith, that (1) the special servicer is not performing its required duties under the trust and servicing agreement or has failed to comply with accepted servicing practices and (2) the replacement of the special servicer would be in the best interest of the certificateholders.

**Amount of Workout, Liquidation, and Special Servicing Fees**: The workout fees and liquidation fees payable to the special servicer, if any, will be limited under the trust and servicing agreement to (x) with respect to workout fees, 0.50% of each collection of interest and principal following a workout and (y) with respect to liquidation fees, 0.50% of net liquidation proceeds. Special servicing fees during the continuance of a special servicing event are limited under the trust and servicing agreement to 0.25% per annum payable monthly.

The special servicer will not be entitled to any workout fee if a mezzanine lender purchases the mortgage loan within 90 days of the date on which the first purchase option notice is delivered to the mezzanine lenders.

**Obligation of Borrower to Pay Fees**: The loan documents require the borrower to pay liquidation fees, workout fees, and special servicing fees, subject to any caps set forth in the loan documents. The special servicer is required to make reasonable efforts to collect such fees from the borrower.

**Credit Risk Retention**: The securitization transaction will be subject to the credit risk retention requirements of Regulation RR, 12 C.F. R. Part 43. An economic interest in the credit risk of the trust loan is expected to be retained as an eligible horizontal interest in the form of the Class HRR certificates. JP Morgan Chase Bank, National Association intends to satisfy the risk retention requirements through the purchase and retention by a third-party purchaser of the Class HRR certificates.

**Rating Agency Confirmation**: Rating agency confirmation may have certain timing restrictions and/or not be required over certain material loan amendments, modifications, borrower requests, and/or material amendments to the loan agreement, the trust and servicing agreement, the mortgage loan purchase agreement, and the mezzanine intercreditor agreement. In addition, rating agency confirmation may be requested and/or notice of such items may be provided to the rating agency after such items are effectuated. Because the rating agency may obtain knowledge of these various items later, surveillance activities and any related rating adjustments may occur later than if rating agency confirmation and/or prior notice of such items was provided.

## Methodologies

The principal methodology DBRS Morningstar applied to assign ratings to this transaction is the *North American Single-Asset/Single-Borrower Methodology*. This methodology can be found on www.dbrsmorningstar.com under the heading Methodologies & Criteria. Alternatively, please contact info@dbrsmorningstar.com or contact the primary analysts whose information is listed in this report. For a list of the related methodologies for our principal Structured Finance asset class methodologies that may be used during the rating process, please see the DBRS Morningstar *Global Structured Finance Related Methodologies* document on www.dbrsmorningstar.com. Please note that not every related methodology listed under a principal Structured Finance asset class methodology may be used to rate or monitor an individual structured finance or debt obligation.

## Surveillance

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

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

This report is based on information as of March 8, 2022. 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 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 3,000 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.

DBRS Morningstar is empowering investor success as the go-to source for independent credit ratings. And we are bringing transparency, responsiveness, and leading-edge technology to the industry.

That's why DBRS Morningstar is the next generation of credit ratings.

Learn more at dbrsmorningstar.com.