

Presale:

# MOTEL Trust 2021-MTL6

August 23, 2021

## Preliminary Ratings

Class	Preliminary rating(i)	Preliminary amount (\$)	LTV ratio (%)	Market value decline (%) (ii)	Debt yield (%) (iii)
A	AAA (sf)	187,150,000	35.0	76.8	31.8
X(iv)	NR	650,750,000	N/A	N/A	N/A
B	AA- (sf)	60,420,000	46.3	69.3	24.1
C	A- (sf)	44,935,000	54.7	63.8	20.4
D	BBB- (sf)	59,375,000	65.8	56.4	16.9
E	NR	77,083,000	N/A	N/A	N/A
F	NR	79,515,000	N/A	N/A	N/A
G	NR	78,603,000	N/A	N/A	N/A
H	NR	63,669,000	N/A	N/A	N/A
RR interest(v)	NR	34,250,000	N/A	N/A	N/A

Note: This presale report is based on information as of Aug. 23, 2021. The ratings shown are preliminary. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. Accordingly, the preliminary ratings should not be construed as evidence of final ratings. This report does not constitute a recommendation to buy, hold, or sell securities. (i)The issuer will issue the certificates to qualified institutional buyers in line with Rule 144A of the Securities Act of 1933. (ii)Reflects the approximate decline in the \$850.1 million appraised as-is value as of June 2021 that would be necessary to experience a principal loss at the given rating level. (iii)Based on S&P Global Ratings' net cash flow, and the mortgage loan balance. (iv)Notional balance. The notional amount of the class X certificates will not have a certificate balance or be entitled to receive distributions of principal. The notional amount of the class X certificates will be equal to the aggregate balances of the A, B, C, D, E, F, G, and H certificates. (v)Non-offered eligible vertical interest. LTV ratio--Loan-to-value ratio, based on S&P Global Ratings' values. NR--Not rated. N/A--Not applicable.

## Profile

Expected closing date Sept. 15, 2021.

Collateral The trust's asset includes a commercial mortgage loan secured by the borrowers' fee simple and leasehold interests in 106 hotels, including 98 economy Motel 6 hotels and eight extended stay Studio 6 hotels totaling 13,156 guestrooms across 12 U.S. states.

Trust mortgage loan A two-year floating-rate commercial mortgage loan maturing on Sept. 9, 2023, with three one-year extension options totaling \$685.0 million. The mortgage loan is interest only for its entire term and has an interest rate equal to LIBOR plus an estimated 2.85% spread.

Additional debt None.

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## Profile (cont.)

Payment structure	The transaction is structured to comply with risk retention requirements by way of an eligible vertical interest. The total required credit risk retention percentage for this transaction is 5.0%. The amounts available for distribution to the certificateholders will be allocated between the amounts available for distribution to the class RR interest holders and all other certificates. The portion of the amount allocable to the RR interest will always be the product of that class' distribution amount multiplied by the required credit risk retention percentage of 5.0%, and all other offered certificates will be the product of that class' distribution amount multiplied by the non-retained percentage of 95.0%. Principal payments will be made sequentially (other than amounts constituting the first \$205.5 million free prepayment amount, which is applied pro rata among the classes of offered principal balance certificates) to the class A, B, C, D, E, F, G, and H in that order. The issuer will make interest payments to the class A and X certificates, based on the interest due; then sequentially to the class B, C, D, E, F, G, and H certificates, in that order. Realized losses will be allocated in reverse sequential order, starting with the class H certificates.
Loan sellers	Goldman Sachs Bank USA and JPMorgan Chase Bank N.A.
Borrowers	G6 Hospitality Property LLC, a recycled special-purpose entity that is majority owned and controlled by Blackstone Real Estate Partners VII L.P., which is managed by The Blackstone Group L.P.
Servicer	KeyBank N.A.
Special servicer	KeyBank N.A.
Trustee	Wells Fargo Bank N.A.
Certificate administrator	Wells Fargo Bank N.A.

## Rationale

The preliminary ratings assigned to MOTEL Trust 2021-MTL6's commercial mortgage pass-through certificates reflect S&P Global Ratings' view of the collateral's historical and projected performance, the experience of the sponsor and the manager, the trustee-provided liquidity, the mortgage loan terms, and the transaction's structure. We determined that the trust loan has a beginning and ending loan-to-value (LTV) ratio of 121.7%, based on our value of the properties backing the transaction.

## Environmental, Social, And Governance (ESG)

Our rating analysis considers a transaction's potential exposure to ESG credit factors. For CMBS, we view the exposure to environmental credit factors as above average, social credit factors as average, and governance credit factors as average (see ESG Industry Report Card: Commercial Mortgage-Backed Securities," published March 31, 2021). The sector's above average exposure to environmental credit factors reflect environmental risks, such as physical climate and pollution. These risks can have serious and material effects on the value of the underlying commercial real estate backing the rated certificates--especially since CMBS pools are generally more concentrated than other highly diversified asset classes in structured finance.

The transaction's exposure to environmental credit factors is in line with our sector benchmark, in our view. Our analysis of the underlying real estate we examined in the loan pool included a review of the third-party appraisal, environmental, and property condition reports, as well as the seismic risk assessments for the properties located in high-hazard earthquake zones. We also reviewed the underlying loan documentation. In particular, we looked at the property insurance requirements, the loan covenants requiring borrowers to maintain the real estate in good condition and appropriately address any exposure to environmental conditions, and any other

available loan features we deemed relevant (e.g., environmental indemnity, third-party environmental guarantee, and specific cash reserve). We also reviewed the disclosed exceptions to the seller's representations and warranties to identify any other significant unmitigated environmental credit factors present in the smaller loans, if applicable.

Our review concluded that environmental credit factors are not key rating drivers in this transaction because these risks were adequately addressed. While the progressive decarbonization of the real estate sector by 2050 is expected to influence market values over time, we believe our current approach to evaluating stressed long-term recovery values indirectly accounts for the potential materialization of that pricing differentiation over the expected life of the transaction. In addition, our analysis does not give credit to any future actions that landlords and tenants may take to reduce their carbon footprint to support a healthier environment and preserve property value. As a result, we have not separately identified this as a material ESG credit factor in our analysis.

The transaction's exposure to social and governance credit factors is in line with our sector benchmark, in our view.

## **Strengths**

The transaction exhibits the following strengths:

- The trust mortgage has a strong debt service coverage (DSC) of 3.06x, calculated using the current LIBOR of 0.10% plus the estimated 2.85% spread and our net cash flow (NCF) for the portfolio, which is 12.6% lower than the issuer's NCF. The DSC, based on the 3.50% LIBOR cap plus the estimated spread, is 1.42x.
- The portfolio comprises 106 primarily limited service hotels, as classified by S&P Global Ratings, totaling 13,156 guestrooms. The portfolio is granular because Motel 6 LAX (4.5% by allocated loan amount [ALA]), Motel 6 San Jose South (4.1%), and Motel 6 Las Vegas Tropicana (3.3%), are the three largest assets (11.9% of the pool) by ALA. The 10 largest properties comprise 26.0% of the mortgage pool by ALA.
- The portfolio is moderately geographically diverse with the 106 hotels located in 12 U.S. states. California has the highest concentration with 55 hotels representing 66.4% of the loan balance by ALA. Twenty-one of these properties (29.7% by ALA) are in Northern California, while 34 (36.7%) are in Southern California. Florida and Arizona represent the second- and third-largest concentrations with 12 hotels (8.3% by ALA) and nine hotels (6.7%), respectively. No other state accounts for more than 6.0%. The portfolio is located across 22 metropolitan statistical areas (MSAs). San Jose, Los Angeles, and San Diego are the three largest, representing 11.4%, 6.9%, and 6.7% of the loan balance by ALA, respectively. We applied a positive LTV threshold adjustment to account for the geographic diversity of the portfolio and the granular balances of the properties.
- Thirty-five of the properties (43.7% by ALA) are located in markets we consider primary markets, and 37 of the properties (31.1%) are in secondary markets. These markets have historically exhibited lower default and loss rates relative to tertiary markets. The remaining 34 properties (25.2% by ALA) are in tertiary markets. However, during the pandemic, hotels located in suburban, small market/town, and interstate locations have fared better than hotels in urban locations as travelers seek drive-to lodging accommodations in less populated locations.
- Each of the 106 hotels benefits from its affiliation with the nationally recognized Motel 6 brand, and the portfolio hotels are brand-owned. In addition to name recognition, the brand affiliation enables the hotels to benefit from Motel 6's national brand-wide marketing campaigns, and

reservation system. The properties are subject to a franchise agreement with a sponsor affiliate, G6 Hospitality Franchising LLC, through 2041, which calls for a royalty fee equal to 5.0% of rooms revenue, an IT fee equal to 1.5% of rooms revenue, and a reservation fee equal to 1.0% of rooms revenue. Most (102) of the hotels are managed by G6 Hospitality LLC, a sponsor affiliate, through January 2035. The other four are managed by Eagle Manager LLC, a third party, through May 2041. The base management fee is 3.0% and 1.8% of total revenue for the Motel 6 and Studio 6 properties, respectively. There is also an additional marketing and reservation fee totaling 3.0% and 1.0% of revenue for the Motel 6 and Studio 6 properties, respectively. The management agreements are terminable by either party for any reason. The loan agreement prohibits the aggregate management and franchise fees from exceeding 13.5% of revenue.

- Compared to other lodging property types and chain scales, the economy lodging sector has been affected to a lesser degree during the COVID-19 pandemic due to their attractive, low price points, high NCF margins, and drive-to locations. Due to the limited amenity offerings and lower staffing needs of about 12-14 employees per property, the portfolio benefits from high NCF margins. NCF margins for the portfolio ranged from 28%-36% from 2012 through 2019, and the portfolio maintained a NCF margin of 10.5% in 2020 during the pandemic. The lower fixed expense levels relative to full-service hotels enables the portfolio to absorb larger declines in occupancy and average daily rate (ADR) before NCF levels decline to levels where debt service cannot be supported.
- Since the last financing in August 2017 (Motel 6 Trust 2017-MTL6), the sponsor has improved the overall collateral composition by selling 354 of the 460 hotels located in inferior, lower price point markets. The 354 released properties included 44 properties that were subject to ground leases. This is in-line with the sponsor's strategy of focusing on improving the strongest performing assets. The revenue per available room (RevPAR) for the remaining 106 collateral properties is significantly higher than that of the disposed assets. In 2019, the collateral assets had a RevPAR of \$52.55, 36.4% higher than the \$38.52 RevPAR for the sold properties.
- The loan benefits from experienced sponsorship by Blackstone Real Estate Partners VII L.P. (BREP VII), which is managed by The Blackstone Group L.P. The Blackstone Group and its affiliates have extensive experience in the lodging sector, having previously purchased Hilton Hotels, Extended Stay America, and La Quinta. In 2013, The Blackstone Group L.P. completed the IPO of Hilton. As of June 2021, Blackstone had \$649 billion in real estate assets under management.
- The mortgage loan, along with the \$300.0 million term loan B, is a cash neutral refinancing. The proceeds will be used to refinance the prior CMBS and mezzanine loans totaling \$725.0 million, pay off \$222.8 million of fund level debt, fund \$16.8 million of closing costs, and fund an upfront 12-month debt service reserve.
- The loan is structured with an upfront debt service reserve equal to \$20.5 million, which equates to 12 months of debt service payments based on the 2.85% spread plus a 0.10% LIBOR rate. On each monthly payment date, debt service due will be disbursed to the borrower to make debt service payments. Any excess funds after the first 12 months will be disbursed to the borrower to go towards the next monthly payment, with any excess returned to the borrower.
- The transaction structure holds the borrowers responsible for most expenses that would typically result in shortfalls to the certificateholders, subject to a cap of 0.15% for special servicing fees, 0.25% for workout fees, and 0.25% for liquidation fees, as well as costs and expenses incurred from the special servicer's appraisals and inspections. The caps are in line with the actual fees outlined in the trust and servicing agreement. In addition, the servicer must

advance interest due on the loan, provided the collateral has sufficient value and that the advance is deemed recoverable from liquidation proceeds, which we believe will help avoid or mitigate shortfalls to the certificateholders.

## Risk Considerations

The risks we considered for this transaction include the following:

- While still elevated, U.S. CMBS delinquencies have declined in recent months after increasing in 2020 due to the economic slowdown resulting from the COVID-19 pandemic. The pandemic and responses to it led to an increase in unemployment levels and a reduction in consumer spending, which has adversely impacted lodging properties. The pandemic brought about unprecedented curtailment measures that resulted in a significant decline in demand, especially from corporate and group travelers. Although air traffic is rebounding, there was a dramatic decline in airline passenger miles stemming from governmental restrictions on international travel and a drop in domestic travel in 2020. In an effort to curtail the spread of the virus, many in-person group meetings, both corporate and social, have been cancelled; corporate transient travel has been restricted; and leisure travel initially slowed due to a fear of travel and the closure of demand generators, such as amusement parks and casinos, as well as the cancellation of concerts and sporting events. Many lodging assets closed or are operating at very low occupancy levels due to weakened demand. In 2020, U.S. RevPAR declined 47.5% versus 2019. However, due to its economy orientation and locations being mainly in drive-to destinations, the portfolio's RevPAR decreased by a lesser 36.0% in 2020 compared to 2019. The loan in the previous financing of this portfolio (Motel 6 Trust 2017-MTL6) has been current since loan origination in August 2017, and the sponsor has not requested forbearance or other debt service relief. In addition, most of the properties in this transaction remained open for operation throughout 2020 and 2021, with only about 23% of the collateral hotels closing for a limited period during the outset of COVID-19 from March through June 2020.
- The trust mortgage loan is highly leveraged, with a 121.7% S&P Global Ratings' LTV ratio. The LTV ratio based on the appraiser's "as-is" valuation is 80.6% and is 74.7% based on the appraiser's "as-is bulk sale" valuation in which the appraiser assumes the portfolio sells in one transaction to one purchaser and would receive a portfolio premium. Our long-term sustainable value estimate is 33.8% lower than the appraiser's as-is valuation and 38.6% lower than the as-is bulk sale valuation. The appraisal reports were completed in June 2021, over one year into the COVID-19 pandemic, and hence, reflect current conditions with respect to the properties and markets. In our analysis, we reviewed monthly and trailing-12-months (TTM) performance data for the portfolio through June 2021.
- The loan agreement only requires the borrower to deposit 80% of the rents and revenue into the lockbox account. This is a deviation from the expectation that all revenue is deposited into a transaction's lockbox account. In our view, this feature increases the loan's risk of default as the borrower can divert funds, thus making less cash available to pay operating expenses and debt service. We used lower LTV recovery thresholds at each rating category to account for this risk.
- The transaction's structure permits principal prepayments up to 30% of the original principal balance (\$205.5 million) to be distributed to the principal balance certificates on a pro rata and pari passu basis, so long as no mortgage loan event of default exists. The loan also permits the release of individual properties, subject to a release premium equal to 105% of the ALA for the first 30% of the loan balance and 110% thereafter. Releases are subject to a debt yield test in which the debt yield for the remaining properties must be equal to or greater than the closing

debt yield. As a result of the pro rata structure, the subordinate classes of principal balance certificates may be repaid a portion of their principal before the more senior classes are paid in full. This pro rata distribution provides less protection to the senior classes against losses associated with a delinquent and defaulted mortgage loan relative to a sequential-pay structure. S&P Global Ratings evaluated this payment structure and stress-tested the parcels using adverse selection scenarios. However, the debt yield hurdle and the portfolio distribution preclude releases that would result in credit deterioration. We noted that this portfolio is uniform on a property level regarding loan-to-appraised values (with all properties at 80.6% LTV based on the as-is appraisal amount and ALAs). The sponsor also has a history with this portfolio of releasing poor performing properties while retaining high quality properties. In addition to the initial 30% prepayment, the borrower is permitted to prepay without penalty up to 75% of the original mortgage balance during the first year of the loan term.

- The trust loan is interest only for its entire five-year extended term, meaning there will be no scheduled amortization during the loan's term. Compared with an amortizing loan, an interest-only loan bears a higher refinance risk because of the higher loan balance at maturity. We accounted for this lack of amortization by using lower LTV thresholds at each rating category.
- The loan bears interest at a floating rate indexed to one-month LIBOR. The loan is structured with an interest-rate strike rate of 3.5%. During the extension periods, the borrowers must obtain an extension or replacement interest rate cap agreement with a strike price no greater than 3.50% that when added to the spread, results in a DSC ratio of at least 1.10x on the mortgage loan outstanding balance. Nevertheless, increases in LIBOR up to the interest rate cap will raise the interest payable on the underlying loan, decreasing the loan's DSC. The requirements for the interest rate cap agreement supports 'AAA' ratings under our counterparty criteria. Therefore, we did not apply any additional interest rate stress.
- Given its identity as an economy, low-cost provider, the brand's ADR penetration--which measures the ADR of the hotel relative to its competitors, with 100% indicating parity with competitors--has historically been low, while occupancy penetration is higher and over 100%. For the TTM ended June 2019, 2020, and 2021, the portfolio's average occupancy penetration has exceeded 100%. ADR penetration was lower, but has increased from 87%, to 86%, to 90% during the same three periods, respectively, which may be due to the ongoing capital improvements across the chain and strong demand for the economy product during the pandemic. As a result, the average RevPAR penetration for the portfolio hotels has steadily grown to 96% in the TTM period ended June 2021 from 89% in the TTM ended June 2019, but is still below 100% relative to its competitors.
- Although the portfolio's NCF increased steadily in each year from 2012 (\$34.8 million) to 2017 (\$89.1 million), it deteriorated by 1.4% in 2018 to \$87.9 million, and by another 15.2% to \$74.6 million in 2019, before dropping to \$17.3 million (76.8%) in 2020 due to the COVID-19 pandemic. The declines in 2018 and 2019 are primarily attributed to the ongoing "Phoenix Project" renovations, the start of "Project Gemini" (both projects defined below) taking place at the properties, and rising labor costs that resulted in rooms expense ratio increasing to 21.2% in 2019 from 18.6% in 2017. However, the portfolio's NCF recovered significantly during the TTM ended May 2021, increasing to \$32.0 million. It improved an additional \$7.2 million with one additional month of reporting, to \$39.2 million in the TTM period ended June 2021. Nevertheless, we considered the fact that occupancy levels will likely not rebound to pre-pandemic levels for several years and that labor costs continue to rise. Hence, we utilized a \$62.7 million sustainable NCF in our analysis, which is 15.9% below 2019 levels.
- The portfolio properties have an average age of 39 years, with 91 properties (88.4% by ALA) built

prior to 1990. Also, 96 of the hotels have exterior corridors. However, the hotels were all renovated between 2016 and 2021 under the "Phoenix Project" program, a brand-wide initiative to renovate, modernize, and standardize the hotels. A total of \$107.9 million (\$8,202 per guestroom) was spent during this period, with the majority (\$58.0 million) spent in 2018-2021. Furthermore, the sponsor began another renovation project, Project Gemini, in 2019. This project is budgeted to cost \$131.1 million (\$9,967 per guestroom) and will take place over the next five years. Upgrades under this project will include a new generation guestroom design and color scheme, replacement of soft and case goods, updated bathroom fixtures, light fixtures, as well as lobby furnishings. According to the property condition reports completed in July 2021, there is \$1,068,901 of identified immediate repairs needed.

- Six of the hotels (4.4% by ALA) are subject to ground leases that expire within the next 23 years, including one property (0.2%) that has a ground leases that expires in 2025, before the extended loan maturity date in 2026. Due to the short-term nature of the remaining ground leases, we used a discounted cash flow (DCF) valuation for the ground-leased properties, and we attributed no value to the hotel that has a ground lease expiring during the extended loan term.
- The mortgage loan has not yet closed. Our structural assumptions with respect to the loan are based on reviews of drafts of the relevant documents. Therefore, our analysis is subject to review of the executed documents when they become available, and may change to the extent there are material differences between the reviewed drafts and the final documents. The mortgage loan must be finalized on or before the Sept. 15, 2021, final closing date, for it to be acquired by the depositor.
- Although the borrower must provide the lender with quarterly and annual financial statements, they are not required to be audited. We believe audited financial statements are more conclusive and reliable than unaudited statements.
- The borrower is permitted to incur additional future debt in the form of a mezzanine loan. However, the mezzanine loan amount is limited to a total debt LTV ratio no greater than 79.0% and a debt yield not less than the closing debt yield.
- The mortgage loan is structured with a soft in-place lockbox and springing cash management, which allows the borrower to control funds until an event of default has occurred, a debt yield ratio of 6.4% is breached, or the bankruptcy of the borrower has occurred. At that point, the borrower will be required to maintain monthly tax, insurance, and ground rent escrows, and replacement reserves. During a cash sweep event, a certain amount of excess cash flow will be deposited into a lender-controlled account. However, in lieu of any requirement for funds to be held in a cash collateral account during a trigger period (as long as no event of default has occurred), the guarantor can provide a guaranty equal to the amount that would have been deposited into the cash collateral account. If this amount exceeds 15% of the then-outstanding principal amount of the loan, an additional insolvency opinion must be provided. Any excess cash flow beyond the amount that is required to be deposited with the lender or guaranteed will be released to the borrower.
- The loan agreement has, in our view, some structural weaknesses that could limit the recoverability of proceeds in the event of a default, causality, or asset assumption. There is a \$300.0 million term loan B that is partly secured by the term loan B borrower's indirect pledge of equity interest in the CMBS borrower (for more details, see " Research Update: BRE/Everbright M6 Borrower LLC Assigned 'B-' ICR, Outlook Stable; Proposed Term Loan Rated 'B-' (Recovery: '3')," published Aug. 10, 2021). The expected source of payment partially stems from franchise fees generated by the collateral properties, on which the term loan borrower has a primary claim, and residual cash flows from a parent entity of the CMBS borrower that are

derived from the collateral hotels. From our perspective, this structure functions similarly to a mezzanine loan, and there is a risk that the direct or indirect equity interests in the controlling parent company of the CMBS borrower could be foreclosed upon if the term loan B is not timely paid. In addition, there is no warm-body carve-out guarantor, and the carve-out guaranty is capped at 15% of the loan amount for bankruptcy. In our view, these limitations generally lessen the disincentive provided by a full non-recourse carve-out related to "bad acts" or voluntary bankruptcy. Another structural weakness is that the loan allows the borrower to guarantee various reserves and sweeps in lieu of depositing cash into lender-controlled accounts. Also, the assumption fee (\$250,000) is minimal with respect to the principal balance and would not serve as a meaningful disincentive to loan transfer and assumption. Permitted transfers under the loan agreement also allow a transfer to a different sponsor with relative ease. The loan documents also permit the borrower to carry additional indebtedness in the form of trade payables in an amount up to 5% of the combined original principal balance of the loan and any future mezzanine loan. This may exceed 5% of the outstanding principal balance of the loan. The restoration threshold for casualty or condemnation also exceeds the 5% threshold that we view as de minimis. Finally, during alterations to the property, the loan agreement does not require that all collateral posted by the borrower be rated by S&P Global Ratings. This structure potentially exposes the transaction to risks associated with additional leverage. We accounted for these structural weaknesses by using lower LTV recovery thresholds at each rating category for this loan.

- S&P Global Ratings considers lodging properties among the riskiest property types because their pricing structure changes often, they have a significant operating component, and they have a higher expense ratio relative to other property types. In addition, relative to full-service properties, limited-service hotels are built more quickly, are less expensive to construct, and are easier to finance, potentially resulting in fewer supply constraints.
- The transaction documents include provisions for the transaction parties to seek rating agency confirmation (RAC) that certain actions will not result in a downgrade or withdrawal of the then-current ratings on the securities. The transaction documents' RAC definition includes an option for the transaction parties to deem their RAC request satisfied if, after having delivered a RAC request, the transaction parties have not received a response to the request within a certain period of time. We believe it is possible for a situation to arise where an action subject to a RAC request would cause us to lower our rating on the securities in accordance with our ratings methodology even though a RAC request is deemed to be satisfied pursuant to this option.

## **Overview Of The U.S. And Limited Service Lodging Sectors**

### **U.S. lodging sector**

After five consecutive years (from 2003-2007) of RevPAR growth, performance for the overall U.S. hotel sector declined significantly in 2009 as the effects of the recession took hold. In 2009, the industry experienced significant performance declines as RevPAR decreased by 16.7%. The economic downturn most severely strained the luxury and upscale segments due to a decrease in higher-rate corporate transient and group travel, as well as a decline in high-end leisure travel because consumers more closely monitored their discretionary spending. However, all lodging segments experienced double-digit RevPAR declines in 2009.

Occupancy increases stemming from strengthened demand led to improved performance in the



U.S. hotel sector each year from mid-2010 through 2019. However, RevPAR growth rates slowed from 2016-2019 as occupancy reached peak levels (around 66%) and U.S. supply growth rates escalated to more typical levels of 1.5%-2.0%.

The COVID-19 pandemic, which took hold in March 2020, triggered unprecedented declines in lodging demand as travel came to a halt due to government restrictions on travel and the need to socially distance. In 2020, U.S. hotel occupancy declined by 33.4% (to 44.0%), while ADR dropped 21.3% (to \$103.25). This low level of occupancy coupled with the ADR decline resulted in a U.S. RevPAR decline of 47.5% in 2020, the largest industry decline on record. Generally, hotels cannot profitably operate below an occupancy level of about 40.0% and hence, many hotels closed temporarily (see table 1).

Table 1

### U.S. Hotel Sector Historical Performance

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Occupancy (%)	60.3	55.1	57.5	60.1	61.4	62.2	64.4	65.5	65.4	65.9	66.1	66.0	44.0
Average daily rate (\$)	106.96	97.51	98.06	101.64	106.10	110.30	114.92	120.30	124.13	126.72	129.97	131.23	103.25
RevPAR (\$)	64.49	53.71	56.43	61.06	65.17	68.58	74.04	78.68	81.15	83.57	85.96	86.64	45.48
RevPAR change (%)	(1.7)	(16.7)	5.1	8.2	6.7	5.2	8.0	6.3	3.1	3.0	2.9	0.8	(47.5)
Supply change (%)	2.7	3.2	2.0	0.6	0.5	0.7	0.9	1.1	1.6	1.8	2.0	2.0	(3.6)

RevPAR--Revenue per available room. Source: Smith Travel Research Inc.

RevPAR in January and February 2021 still experienced declines of 48.2% and 44.8%, respectively, compared to the same months in 2020. However, as of March 2021, performance of the sector started to turn due to an uptick in leisure travel with the distribution of the COVID-19 vaccine and because of the easy year-over-year comparisons given the steep monthly declines in 2020. RevPAR increased by 34.4% in March 2021, 256.8% in April 2021, and 165.1% in May 2021. Year-to-date through May 2021, RevPAR was up 12.6% over 2020 levels but remains 34.7% below 2019 levels. RevPAR is not expected to recover to 2019 levels until at least 2023. While leisure travel has rebounded significantly in 2021, corporate demand, and meeting and group demand levels are significantly depressed and will likely recover more gradually as companies return to the office and resume corporate travel, and as larger group meetings, both corporate and social, resume as corporate travel policies are eased and fear of travel subsides.

### Limited-service, economy chain scale market overview

The Motel 6 and Studio 6 brands are classified within the economy chain scale by Smith Travel Research Inc. (STR). The limited-service segment of the lodging industry caters primarily to price-sensitive corporate and leisure transient demand. Limited-service hotels in this sector often cater to construction-related demand near commercial or highway projects, truckers, and budget leisure travel, and also serve as an alternative to housing when residential complexes are cost prohibitive or have strict application requirements. These properties offer a limited range of guest services, have minimal public space, and generally do not have significant food and beverage operations. Guestroom amenities are minimal, and properties may feature exterior corridors.

Properties in the economy segment maintain minimum staffing levels to provide cheaper prices while maintaining profitability. Offering limited amenities enables operators to limit expenses, particularly payroll expenses, due to the lower staffing levels required. Gross operating profits for the economy segment typically range from 25% to 30%, which is significantly higher than the margins of full-service hotels.

The economy segment has grown at a similar pace relative to the U.S. lodging industry overall since 2013 (see table 2). Favorably, the impact to the segment from the COVID-19 pandemic was much less severe, with a 2020 decline of 20.9% compared to 47.5% for the U.S. overall. The economy segment has been impacted to a lesser degree than other hotel sectors, mainly because these hotels do not cater to meeting and group demand or to higher rated corporate transient demand. Instead, these hotels cater mainly to guests seeking modest accommodations for cost-conscious travelers. Year-to-date through May 2021, RevPAR for the economy segment increased by 26.7% versus the same period in 2020 and is 3.2% below the level in the year-to-date period ended May 2019. Table 2 provides the historical performance data for the economy segment.

Table 2

### Economy Historical Performance

	2013	2014	2015	2016	2017	2018	2019	2020
Occupancy (%)	55.0	57.3	58.3	57.9	58.1	58.6	58.8	50.9
ADR (\$)	54.27	56.37	58.97	60.84	62.48	63.79	63.68	58.21
RevPAR (\$)	29.85	32.30	34.38	35.23	36.30	37.38	37.44	29.63
RevPAR change (%)	N/A	8.2	6.4	2.5	3.1	3.0	0.2	(20.9)

N/A--Not applicable. ADR--Average daily rate. RevPAR--Revenue per available room. Source: Smith Travel Research Inc.

## Collateral Description

### Geographic distribution

The portfolio consists of 106 properties in 12 U.S. states (see table 3). The properties are moderately geographically diverse: the top five states include 85 properties representing \$615.3 million or 89.9% by ALA. No other state represents more than 2.5% by ALA.

Table 3

### Concentrations By State

State	No. of properties	ALA (\$)	% of ALA
California	55	454,813,246	66.4
Northern California	21	203,835,951	29.7
Southern California	34	250,977,295	36.7
Florida	12	56,650,197	8.3
Arizona	9	45,892,300	6.7
Nevada	3	41,258,749	6.0
Oregon	6	17,285,160	2.5

Table 3

**Concentrations By State (cont.)**

State	No. of properties	ALA (\$)	% of ALA
Others (seven states)	21	69,100,347	10.2
Total	106	685,000,000	100.0

ALA--Allocated loan amount.

**Brand overview**

Motel 6 was founded in 1962 by two local building contractors, William Becker and Paul Greene, and the brand surpassed 300 hotels in 1980. Kohlberg Kravis Roberts & Co. acquired the brand in 1985 and sold it to Accor Hospitality (Accor) in 1990. Accor launched a franchising program in 1994. The Blackstone Group acquired over 400 hotels and the franchise rights (which now comprises two brands: the limited service Motel 6 brand and the extended stay Studio 6 brand) in 2012 for about \$1.9 billion. From 2012-2017, The Blackstone Group commenced a major renovation program called "Phoenix Project," which totaled about \$534.4 million across the 460 owned hotels at that time. Since 2017, the sponsor has strategically sold 354 of these hotels, focusing on divesting of hotels in inferior markets with lower performance metrics.

Motel 6 currently has approximately 1,400 properties in its portfolio, located throughout the U.S. and Canada, which are a mix of brand-owned (126 hotels; of which 106 collateralized the loan in this transaction) and franchised (1,268) properties. There are also about 100 Studio 6 locations throughout the U.S.

The average room count of the subject portfolio properties is 124 guestrooms, and the average age of the properties is 39 years, with the construction of the properties ranging from 1964 to 2002. Because of their age, approximately 96 of the properties have exterior corridors. Ninety-eight of the hotels operate under the Motel 6 brand, and eight operate under the Studio 6 brand.

Motel 6 is a limited-service, economy brand. Accommodations and amenities throughout the chain are generally consistent, though some variations exist, depending on location and year of construction. The hotels generally include a front desk, vending area, guest laundry room, free coffee, guestrooms with free wireless internet, and, in some cases, a swimming pool. Guestroom amenities are minimal to enable low-cost operations.

Demand for the hotels is primarily driven by transient, mainly walk-in demand from the business and leisure segments. The hotels generally do not have meeting spaces, so they generate limited meeting and group demand. Because of the Motel 6 brand's reliance on transient demand, its national presence and recognition is extremely favorable. In addition, because of their age, many of the properties have high visibility in good locations on major highways and thoroughfares. According to management, the hotel brands that are most competitive with Motel 6 are Super 8, Econo Lodge, and Days Inn.

**Capital improvements**

The sponsor acquired the portfolio hotels in 2012, and from 2013 to 2021, invested approximately \$213.2 million (\$16,207 per guestroom) to renovate and reconfigure the 106 hotels by way of the Phoenix Project renovation program. (All new franchisees were also required to implement the Phoenix capital improvements, thus insuring a consistent room product across the owned and

franchised properties).

The portfolio-wide Phoenix Project renovation program, which commenced in 2013 and were completed primarily in 2013-2017, provided a newer and more appealing product intended to improve the Motel 6 brand's performance and reputation. The portfolio hotels received either a full- or mid-scale renovation. Full-scale renovations (about \$10,000 per guestroom) included new paint, lighting, flooring, flat screen TVs, granite countertops, soft goods, and case goods. The mid-scale renovations (about \$8,000 per guestroom) excluded new case goods, new lighting, and certain bathroom upgrades. Since 2013, 19 of the portfolio hotels received a renovation totaling over \$10,000 per guestroom; the renovations at the remaining 87 hotels averaged about \$5,043 per guestroom.

The three hotels with the most significant renovations since 2013 are Motel 6 Santa Barbara Beach (\$87,696 per guestroom), Motel 6 Fort Lauderdale (\$60,357 per guestroom), and Motel 6 Miami Cutler (\$55,306 per guestroom). The Motel 6 Santa Barbara Beach underwent a full renovation that was completed in 2020. We toured this property on July 22, 2021 and noted that this is considered a "Motel 6 Classic," which had a unique mid-century color scheme and décor to fit the age and location of the property. The Motel 6 Fort Lauderdale is undergoing a full gut renovation and is currently closed to accommodate the scale of the renovation. Motel 6 Miami Cutler underwent a major renovation in 2013/2014 totaling \$1.4 million (\$14,674 per guestroom), and another \$4.2 million was spent in 2018 and 2020 on additional renovations as well as repairs after hurricanes affected the property. A schedule of the portfolio's capital improvements is provided in table 4.

Table 4

#### Motel 6 Portfolio Capital Expenditures 2013-2021

	2013	2014	2015	2016	2017	2018	2019	2020	YTD June 2021	Total
Capital expenditure (mil. \$)	37.1	45.5	22.7	12.0	13.5	24.4	27.3	23.3	7.4	213.2
% of total (%)	17.4	21.4	10.7	5.6	6.3	11.4	12.8	10.9	3.5	100.0
Capital expenditure per guestroom (\$)	2,820	3,460	1,728	915	1,022	1,856	2,075	1,770	561	16,211

YTD--Year to date.

According to the sponsor, the portfolio hotels and all franchised hotels will be required to complete renovations in accordance with the new Project Gemini renovation project, which is expected to take place over the next five years. According to the sponsor, the cost of renovations will total \$131.1 million, or \$9,967 per guestroom across the collateral hotel portfolio. Renovations will include new soft and case goods, guestroom paint, bathroom fixtures, light fixtures, and lobby furnishings.

The appraiser incorporated a \$105.2 million (\$7,997 per guestroom) capital deduction in its aggregated valuation that represents the amount they believe is needed to renovate the portfolio properties to Project Gemini brand standards. There is no upfront reserve for this renovation project. We utilized 5.0% of total revenue for furniture, fixtures, and equipment (FF&E) expense and 11.0% capitalization rate assumptions in our analysis to account in part for the renovation costs.

## Site visits/COVID-19 update

We visited 11 of the hotels in the portfolio, representing 19.5% by ALA within California and Nevada. The hotels had exterior corridors and were of an older vintage. The hotel guestrooms were well maintained and have been continuously updated since their last full renovations, and items such as laminate flooring and televisions have been replaced on a rolling basis. We toured multiple room types. The standard rooms contained either one or two beds, a small sitting area, and a television. Deluxe rooms we toured had the same features plus a mini fridge and microwave. All but one of the hotels we visited had the Phoenix Project decor, with orange accent walls, wood or wood laminate flooring, and white bedding. The hotel exteriors varied, and all had outdoor swimming pools as an amenity.

According to the property managers, the eight California properties attracted both leisure travelers and project workers, with mainly leisure travelers during the weekends. The three Nevada properties primarily catered to leisure travelers, mostly drive-to travelers from California and Arizona, due to the hotels' proximity to the Las Vegas Strip. The property managers generally noted that hiring and retaining an adequate level of housekeeping and other staff have become challenging in the current labor market. According to the property managers and the sponsor, most of the hotels we visited were closed in 2020 for a period ranging from a few weeks to three months due to either COVID-19 exposure or a lack of tourism.

## RevPAR penetration

Motel 6 is an economy limited-service brand that primarily caters to cost-conscious travelers or those seeking very basic short- or medium-term housing that is affordable for guests who have low service and amenity needs. The average length of stay is approximately two days. The brand competes primarily with other economy limited-service brands, including Super 8, Econo Lodge, InTown Suites, Quality Inn, Travelodge, Days Inn, and Red Roof Inn.

Given its identity as a low-cost provider, the brand's ADR penetration has historically been low, while occupancy penetration is higher. For the TTM ended June 2019, 2020, and 2021, the portfolio's average occupancy penetration rate 104%, 104%, and 106%, respectively. ADR penetration was lower at 86%, 88%, and 92% during the same periods, respectively. As a result, the average RevPAR penetration for the portfolio hotels has been below 100% historically, but has improved from 89% to 91% and 96% in the TTM periods ended June 2019, 2020, and 2021, respectively. We attribute the generally lower RevPAR penetration rates to Motel 6 having historically operated as the low-cost provider within the economy segment and for providing guests with the lowest rate among competitive brands. Thus, Motel 6 has historically relied on an occupancy-driven strategy, as evidenced by the fact that 51 of the hotels had an occupancy penetration rate over 100% as of the TTM period ended June 2021, while only 30 hotels had an ADR penetration rate over 100% as of the same period. See table 5 for RevPAR penetration rates distribution for the portfolio.

Table 5

### RevPAR Penetration Rates

RevPAR penetration(%)	TTM ended June 2019		TTM ended June 2021	
	No. of properties	% ALA	No. of properties	% ALA
Greater than 120	7	6.6	18	16.4
110-119	10	6.7	12	13.7

Table 5

**RevPAR Penetration Rates (cont.)**

RevPAR penetration(%)	TTM ended June 2019		TTM ended June 2021	
	No. of properties	% ALA	No. of properties	% ALA
100-109	17	14.5	13	9.2
90-99	13	13.9	17	14.2
80-89	21	16.7	18	20.2
Less than 80	38	41.6	28	26.3
Total	106	100.0	106	100.0

RevPAR--Revenue per available room. TTM--trailing-12-months. ALA--Allocated loan amount. Source: Smith Travel Research Inc.

**Third-Party Reviews**

We reviewed appraisal, environmental, engineering, and seismic reports, where applicable, that were prepared within the past six months for all the properties in the portfolio. In our view, the environmental and engineering reports revealed no causes of concern at the property level and only four properties required a Phase II environmental report due to their prior uses. The Phase II reports for these four properties recommended continued implementation of the current operations and maintenance (O&M) plans in place and no additional follow up items. The property condition reports completed in July 2021 identified \$1,068,901 (\$81 per guestroom) of immediate repairs needed.

Seventy-one properties (75.9% by ALA) are located in areas with a high degree of seismic activity. However, all of these properties have a probable maximum loss (PML) of 16.0% and less. In addition, the current insurance policy provides earthquake coverage of up to \$650.0 million per occurrence and in the aggregate for all locations except California, which is \$735.0 million per occurrence and in the annual aggregate for locations.

**Structural Issues**

We reviewed structural matters that we believe are relevant to our analysis. We analyzed the major transaction documents, including the offering circular, trust and servicing agreement, and other relevant documents and opinions to understand the transaction's mechanics and its consistency with our applicable criteria. We also conducted a focused review of the draft mortgage loan, term B loan, and cash management agreements.

Since the mortgage loan has not yet closed, our structural assumptions for the loan are based on reviews of drafts of the relevant documents. Therefore, our analysis is subject to review of the executed documents when they become available, and may change to the extent there are material differences between the reviewed drafts and the final documents. The mortgage loan must be finalized on or before the Sept. 15, 2021, final closing date for it to be acquired by the depositor.

## Historical Cash Flow And S&P Global Ratings' Cash Flow Notes

S&P Global Ratings reviewed the historical cash flows and the issuer- and appraiser-reported cash flows to determine its view of a sustainable cash flow for the portfolio. We summarize the historical and S&P Global Ratings' NCF for the portfolio below (see tables 6A and 6B).

Rooms revenue has historically represented about 99.0% of the portfolio's total revenue. We determined rooms revenue by analyzing historical and recent performance data, monthly RevPAR and NCF trends in 2021, and current supply trends throughout the lodging market.

We derived an overall portfolio RevPAR of \$51.58, which is 1.8% below the 2019 level. We assumed total marketing, management, and franchise fees at 16.5% of total revenue for the overall portfolio, which is in-line with the historical figures. We also utilized an FF&E expense equal to 5.0% of total revenue. We applied an 11.00% capitalization rate to our NCF to derive our value for the portfolio.

Table 6A

### MOTEL Trust 2021-MTL6 Portfolio Historical Cash Flow

	2016	2017	2018	2019	TTM June 2021	Issuer	S&P Global Ratings
Guestrooms	13,156	13,156	13,156	13,156	13,156	13,156	13,156
Occupancy rate (%)	74.8	73.4	71.5	69.2	57.9	68.8	69.0
ADR (\$)	68.10	71.32	75.21	75.96	72.09	75.96	74.75
RevPAR (\$)	50.96	52.32	53.76	52.55	41.74	52.23	51.58
Room revenue (mil. \$)	243.8	250.2	258.2	250.8	197.9	250.8	247.7(i)
Other departmental revenue (mil. \$)	3.3	3.3	2.8	2.5	3.7	2.5	3.3(ii)
Total revenue (mil. \$)	247.1	253.5	261.0	253.3	201.7	253.3	251.0
Total departmental expenses (mil. \$)	44.6	46.7	50.3	53.3	47.5	53.3	59.0(iii)
Undistributed expenses (mil. \$)	93.4	96.1	100.1	100.7	85.8	100.7	99.0(iv)
Total fixed charges (mil. \$)	10.8	11.4	12.2	14.6	21.1	17.4	17.7(v)
NOI (mil. \$)	98.4	99.3	98.3	84.7	47.2	81.8	75.3
Total capital items (mil. \$)	9.9	10.1	10.4	10.1	8.1	10.1	12.5(vi)
NCF (mil. \$)	88.5	89.1	87.9	74.6	39.2	71.7	62.7
NCF margin (%)	35.8	35.2	33.7	29.4	19.4	28.3	25.0
NCF haircut (%)	--	--	--	--	--	--	(12.6)
Capitalization rate (%)	--	--	--	--	--	--	11.00
Subtractions to value \$(vii)							(6,998,951)
S&P Global Ratings' value (\$)	--	--	--	--	--	--	562,842,596
S&P Global Ratings' value per room (\$)	--	--	--	--	--	--	42,782

See table 6B for footnote definitions. ADR--Average daily rate. RevPAR--Revenue per available room. NOI--Net operating income. NCF--Net cash flow. TTM--Trailing-12-months.

Table 6B

**Cash Flow Notes**

(i)	We determined room revenue for the hotels by assessing the portfolio's historical RevPAR levels, recent monthly performance, age of construction, economic conditions, and the new limited-service supply projected to enter the U.S. market.
(ii)	We based other departmental revenue on the historical POR figures.
(iii)	Includes only rooms expense and other expense. We generally based rooms expense on the percentage of departmental expense between 2019 and TTM ended June 2021.
(iv)	Includes general and administrative, franchise fees, sales and marketing, repairs and maintenance, utilities, ground rent, and management fee. We utilized a 6.0% contractual management fee and 7.5% franchise fee.
(v)	We estimated real estate taxes based the TTM ended June 2021 taxes (\$9.3 million). Insurance expense was based on the borrower's budgeted 2021 insurance expense.
(vi)	We estimated FF&E expense at 5.0% of total revenue.
(vii)	A \$7.0 million deduct to value to account for the DCF approach utilized to value the ground leased properties compared to the direct capitalization approach.

RevPAR--Revenue per available room. TTM--Trailing 12 months. FF&E--Furniture, fixtures, and equipment. POR--Per occupied room.  
DCF--Discounted cash flow.

**Property Evaluation Details**

During our property evaluation, we performed the following reviews:

- We conducted a site inspection of 11 of the properties (19.5% by ALA).
- We analyzed and determined the value for the portfolio, which included reviewing property-level operating statements, the borrower's budget, and STR reports.
- We reviewed management and sponsorship, which included discussions with property-level management as well as the sponsor.
- We reviewed the third-party appraisal, environmental, engineering, and seismic reports, where applicable, for the properties.
- We reviewed the structural matters that we believed were relevant to our analysis, as outlined in our criteria. We reviewed the major transaction documents' current drafts--including the mortgage, offering circular, and trust and servicing agreement--to verify compliance with our criteria and to understand the mechanics of the underlying loan and the transaction.

**Comparison with previous MTL6 transactions**

Table 7

**Comparison With Previous MTL6 Transactions**

	<b>MOTEL Trust 2021-MTL6</b>	<b>MOTEL Trust 2017-MTL6</b>	<b>MOTEL Trust 2015-MTL6</b>	<b>MOTEL Trust 2012-MTL6</b>
No. of properties	106	460	508	517
No. of keys	13,156	52,929	57,857	59,423
S&P Global Ratings' RevPAR (\$)	51.58	37.37	33.18	28.96



Table 7

### Comparison With Previous MTL6 Transactions (cont.)

	MOTEL Trust 2021-MTL6	MOTEL Trust 2017-MTL6	MOTEL Trust 2015-MTL6	MOTEL Trust 2012-MTL6
NCF margin (%)	25.0	31.2	27.9	26.0
S&P Global Ratings' cap rate (%)(ii)	11.00	11.34	11.25	11.89
S&P Global Ratings' value per key \$(i)	42,782	37,999	30,513	25,289
Appraisal value per key \$(i)	64,613	54,035	46,321	32,378
S&P Global Ratings' value variance to appraised value (%)	(33.8)	(29.7)	(34.1)	(21.9)
Trust mortgage loan balance per guestroom (\$)	52,067	39,203	31,111	17,670
Trust mortgage plus mezzanine loan balance per guestroom (\$)	52,067	43,454	34,568	23,021
S&P Global Ratings' trust mortgage loan to value ratio%(i)	121.7	103.2	102.0	69.9

(i)The prior transactions were adjusted to exclude the value from non-owned hotel franchise fee revenue. (ii)The decline in capitalization rate primarily reflects the fact that the prior transactions included a large number of properties that were subject to ground leases that used either a higher capitalization rate or a discounted cash flow approach instead of a direct capitalization approach to valuation. The current transaction comprises only six ground leased hotels. RevPAR--Revenue per available room. NCF--Net cash flow.

## Scenario Analysis

We performed several 'AAA' stress scenario analyses to determine how sensitive the certificates would be to a downgrade during the loan term.

### Effect of declining RevPAR and NCF

Room revenue has historically constituted approximately 99.0% of the property's total revenue. Therefore, a decline in room revenue, which is measured by RevPAR, would likely create a decrease in cash flow available for debt service. A decline in RevPAR may occur because of a decline in occupancy and/or ADR.

To analyze the effect of a decline in RevPAR and, consequently, cash flows on our ratings, we developed scenarios where the RevPAR decreases by 4.0%-20.0% from our current RevPAR assumptions. This corresponds to an NCF decline ranging from about 11%-55%. See table 8 for the effect on S&P Global Ratings' credit ratings under the scenarios listed above, holding constant S&P Global Ratings' 11.00% capitalization rate, and the resulting potential transition in the ratings on the certificates.

Table 8

### Effect Of Declining RevPAR And NCF On S&P Global Ratings' Credit Ratings

Change in S&P Global Ratings' RevPAR (%)	0	(4)	(8)	(12)	(16)	(20)
Corresponding change in S&P Global Ratings' NCF (%)	0	(11)	(22)	(33)	(44)	(55)

Table 8

**Effect Of Declining RevPAR And NCF On S&P Global Ratings' Credit Ratings (cont.)**

S&P Global Ratings' LTV ratio (%)	121.7	137.1	156.8	183.0	219.6	274.1
Potential rating migration from 'AAA'	AAA	AA	AA-	A-	BBB-	BB-

RevPAR--Revenue per available room. NCF--Net cash flow. LTV--Loan-to-value.

**Transaction-Level Credit Enhancement**

To determine a transaction's credit enhancement at each rating level, we use each loan's S&P Global Ratings' DSC and LTV ratio to calculate the stand-alone credit enhancement (SCE) and diversified credit enhancement. However, because this transaction is secured by a single loan, its SCE represents the transaction's credit enhancement at each rating level.

Our analysis of a stand-alone transaction is predominantly a recovery-based approach that assumes a loan default. We use the loan's stand-alone LTV thresholds at each rating level to determine the expected principal proceeds that can be recovered at default and are applicable to a loan with a 10-year loan term, a 30-year amortization schedule, and no additional debt (a benchmark 10/30 loan).

We considered the mortgage loan collateral for this transaction to be interest only for its entire term. We also considered the fact that the loan agreement has some structural weaknesses, in our view. To account for these additional risks, we reduced the LTV thresholds by applying negative adjustment factors across all rating categories. We also applied a positive LTV threshold adjustment to account for the geographic diversity of the portfolio and the granular balances of the properties.

**LIBOR**

The certificates issued by MOTEL TRUST 2021-MTL6 contain stated interest at one-month LIBOR plus a fixed margin. While the original deadline for LIBOR cessation was December 2021, the phase-out date is now expected after June 2023 for most U.S. dollar LIBOR maturities, such as the one- and three-month maturities. In 2019, the Federal Reserve's Alternative Reference Rates Committee published recommended guidelines for fallback language in new securitizations, and the language in this transaction is generally consistent with its key principles: trigger events, a list of alternative rates, and a spread adjustment. We will continue to monitor reference rate reform and take into account changes specific to this transaction when appropriate.

**Related Criteria**

- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | Legal: U.S. Structured Finance Asset Isolation And Special-Purpose Entity Criteria, May 15, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- General Criteria: U.S. Government Support In Structured Finance And Public Finance Ratings,

Dec. 7, 2014

- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Criteria | Structured Finance | CMBS: Insurance Criteria For U.S. And Canadian CMBS Transactions, June 13, 2013
- General Criteria: Methodology And Assumptions: Assigning Ratings To Bonds In The U.S. Based On Escrowed Collateral, Nov. 30, 2012
- Criteria | Structured Finance | CMBS: Rating Methodology And Assumptions For U.S. And Canadian CMBS, Sept. 5, 2012
- Criteria | Structured Finance | CMBS: CMBS Global Property Evaluation Methodology, Sept. 5, 2012
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | CMBS: Assessing Borrower-Level Special-Purpose Entities In U.S. CMBS Pools: Methodology And Assumptions, Nov. 16, 2010
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

## **Related Research**

- Research Update: BRE/Everbright M6 Borrower LLC Assigned 'B-' ICR, Outlook Stable; Proposed Term Loan Rated 'B-' (Recovery: '3'), Aug. 10, 2021
- ESG Industry Report Card: Commercial Mortgage-Backed Securities, March 31, 2021
- Global Structured Finance 2021 Outlook: Market Resilience Could Bring Over \$1 Trillion in New Issuance, Jan. 8, 2021
- U.S. CMBS Conduit Update Q1 2020: The Magnitude Of COVID-19 Fallout Remains Uncertain, April 17, 2020
- COVID-19 Deals A Larger, Longer Hit To Global GDP, April 16, 2020
- U.S. Lodging-Backed CMBS Bracing For The Impact Of COVID-19, March 23, 2020
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016

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