Presale:

Citigroup Commercial Mortgage Trust 2021-KEYS

September 21, 2021

PRIMARY CREDIT ANALYST

Natalka H Chevance
New York
+ 1 (212) 438 1236
natalka.chevance
@spglobal.com

SECONDARY CONTACT

James C Digney
New York
+ 1 (212) 438 1832
james.digney
@spglobal.com

Preliminary Ratings

Class	Preliminary rating(i)	Preliminary amount ($)	LTV ratio (%)	Market value decline (%)(ii)	Debt yield (%)(iii)
A	AAA (sf)	58,300,000	32.5	82.4	26.2
B	AA- (sf)	20,270,000	43.8	76.3	19.4
C	A- (sf)	15,070,000	52.2	71.8	16.3
D	BBB- (sf)	19,910,000	63.3	65.8	13.4
E	NR	16,270,000	N/A	N/A	N/A
F	NR	27,640,000	N/A	N/A	N/A
G	NR	27,650,000	N/A	N/A	N/A
J	NR	28,640,000	N/A	N/A	N/A
K-RR(iv)	NR	11,250,000	N/A	N/A	N/A

Note: This presale report is based on information as of Sept. 21, 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 $331.9 million appraised as-is value as of August 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)Horizontal risk retention interest. LTV ratio--Loan-to-value ratio, based on S&P Global Ratings' values. NR--Not rated.

Profile

Expected closing date	Sept. 30, 2021.
Collateral	The assets of the trust include one commercial mortgage loan that is secured by the borrower's fee simple interest in a 199-guestroom upscale resort hotel in Marathon, Fla.
Trust mortgage loan	One two-year, floating-rate commercial mortgage loan totaling $225.0 million maturing in October 2023, with three one-year extension options. The third extension option is subject to a minimum debt yield of 10.0%. The mortgage loan is interest-only for its entire term and has an interest rate equal to LIBOR + 3.22%.
Additional debt	None.

Profile (cont.)

Payment structure	The transaction is structured to comply with risk retention requirements by way of an eligible horizontal residual interest--the class K-RR certificates. The total required credit risk retention percentage for this transaction is 5.0%. Principal payments will be made sequentially, first to the class A, then class B, then class C, then class D, then class E, then class F, then class G, then class J, and then to the class K-RR certificates. The issuer will make interest payments on the certificates to the class A, based on the interest due, and then sequentially to the class B, then class C, then class D, then class E, then class F, then class G, then class J, and then class K-RR certificates. Realized losses will be allocated in reverse sequential order, starting with the class K-RR certificates.
Loan seller	Citi Real Estate Funding Inc.
Borrower	The borrower is Knight's Key Investors LLC, an affiliate of EOS Real Estate Partners I L.P., the loan sponsor and guarantor. The borrower is a special-purpose entity whose primary business is related to the management, ownership, and operation of the mortgaged property.
Servicer	Midland Loan Services, a Division of PNC Bank N.A.
Special servicer	LNR Partners LLC.
Trustee	Wilmington Trust N.A.
Certificate administrator	Citibank N.A.

Rationale

The preliminary ratings assigned to Citigroup Commercial Mortgage Trust 2021-KEYS's (CGCMT 2021-KEYS) 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 125.4%, based on our value of the property 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 report, 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 loan has a strong debt service coverage (DSC) of 2.01x, calculated using a 0.1% LIBOR rate plus the 3.22% spread and our net cash flow (NCF) for the property, which is 30.3% lower than the issuer's NCF. The DSC, based on the 3.5% LIBOR cap plus the spread, is 0.99x.
- Isla Bella Beach Resort is an upscale resort hotel that was newly constructed in 2019 for a total cost of $115.2 million ($578,888 per guestroom), including its 24-acres of land. Given its recent development, the property is in excellent condition. It is the first newly constructed hotel in the area in 20 years and its seven primary and secondary competitive hotels identified by the appraiser have an average age of 31 years. Furthermore, the hotel benefits from its beachfront location, high proportion of one and two bedroom suites, property orientation which provides for direct ocean views, private balconies or patios in all guestrooms, as well as amenities including five swimming pools, three food and beverage outlets, a marina, and fitness center/spa.
- The Isla Bella Beach Resort is located in the supply constrained Florida Keys lodging market. Efforts made by government officials to limit development to preserve the unique character/ecosystem of the Florida Keys present a high barrier to entry for additional development, particularly hotel development. The rate of growth ordinance (ROGO) enacted in 1992 limits the density of the Florida Keys and caps the number of transient development rights at the amount of existing hotel rooms, so to build a new hotel in the market, a developer would have to acquire and demolish an existing hotel. Hence, the lodging supply in the Florida Keys has remained stable, with only minor fluctuations, for the last decade. Additionally, the Florida Keys have been a resilient destination during downturns and have been one of the least volatile hotel markets in the nation due to the uniqueness of the destination, drive-to accessibility to a large and growing population base in South Florida, and high percentage of luxury and upscale lodging product offered.
- The property's revenue per available room (RevPAR) and RevPAR penetration rate--which measures the RevPAR of the hotel relative to its competitors, with 100% indicating parity with competitors--has steadily increased since the hotel opened in March 2019. From April through December 2019, in its first partial year of operations, the hotel achieved a RevPAR of $158.10, reflecting a penetration rate of 65.2% relative to the six hotels within its STR competitive set. In

2020, the hotel closed in April and May due to COVID-19 related travel restrictions in the Florida Keys, but achieved a $217.00 RevPAR for the year and concluded the year with a 92.7% RevPAR penetration rate. In the trailing 12 months (TTM) ended June 2021, which includes 12 full months of operations at the hotel, albeit all of which were impacted by the ongoing COVID-19 pandemic, RevPAR increased further to $358.31 and penetration improved beyond 100%, to 114.3%. Notably, the hotel's monthly performance continues to improve and outperform the competitive set as RevPAR penetration was over 125% in each month from March to June 2021. In the trailing three months ended June 2021, the hotel's RevPAR penetration rate was 126.7%.

- The loan benefits from sponsorship by EOS Investors, a hospitality investment firm focused on high quality, unique lodging assets. EOS Investors' portfolio includes several hotels including Viceroy L'Ermitage Beverly Hills, Hamilton Hotel in Washington, D.C., Hilton Myrtle Beach, and Embassy Suites Myrtle Beach. The sponsor also owns/or manages two additional hotels in the Florida Keys: Faro Blanco Resort & Yacht Club in Marathon and Oceans Edge Resort & Marina in Key West. According to the issuer, the sponsor has a net worth of $64.0 million. The mortgage loan will be used to refinance an outstanding mortgage loan and two mezzanine loans totaling $213.3 million as well as fund transaction costs of $3.0 million and provides for a return of equity of $8.7 million.
- The mortgage loan is structured with an in-place lockbox and in-place cash management, as determined by S&P Global Ratings. A cash sweep event occurs upon a mortgage loan event of default, if the debt yield falls below 7.5% from the second year of the loan term through the first extension term, if it falls below 8.0% during the second and third extension terms, or if the borrower is the subject of a voluntary or collusive bankruptcy. There are also ongoing reserves for taxes, insurance, and furniture, fixtures, and equipment (FF&E) expenses.
- The transaction structure holds the borrowers responsible for most expenses that would typically result in shortfalls to the certificateholders, such as special servicing, workout, and liquidation fees, as well as costs and expenses incurred from the special servicer's appraisals and inspections. In addition, the servicer must advance interest due on the loans, 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 location in the drive-to, mainly leisure demand based Florida Keys market, the RevPAR for the submarket and the subject property were impacted to a much lesser degree than the U.S. lodging sector overall. The property remained open for operation throughout the COVID-19 pandemic, with the exception of April and May 2020.

- The trust mortgage loan is highly leveraged, with a 125.4% S&P Global Ratings LTV ratio. The LTV ratio based on the appraiser's "as is" valuation is 67.8%, and 64.0% based on the appraiser's "as-stabilized" valuation. Our long-term sustainable value estimate is 46.0% lower than the appraiser's "as-is" valuation. The appraisal report was completed in August 2021, over one year into the COVID-19 pandemic and hence, reflects current conditions with respect to the property and market. In our analysis we reviewed monthly and TTM performance data for the property through July 2021.
- The trust mortgage 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 strike rate of 3.5%. During the extension periods, the borrowers must obtain an extension or replacement interest rate cap agreement with a rate not more than the greater of 3.50% or the strike rate that, when added to the spread, results in a DSC of 1.10x based on the underwritten NCF. Nevertheless, increases in LIBOR up to the interest rate cap will raise the interest payable on the underlying loans, decreasing the loans' DSC. The interest rate cap agreement does not allow the counterparty to support ratings up to 'AAA (sf)', according to S&P Global Ratings' counterparty criteria, due to the 'A- (sf)' replacement trigger, which can only support ratings up to 'AA- (sf)'. We stressed LIBOR using our Cox-Ingersoll-Ross interest rate curve and found that there was no effect on the credit enhancement levels.
- The property has limited operating history having opened in March 2019 and then suspending operations in April and May 2020 due to government mandated restrictions implemented during the COVID-19 pandemic. However, the hotel's performance has climbed steadily since its opening, and NCF at least doubled in each month of 2020 versus the same month in 2019 (excluding April and May 2020 when the hotel closed). This trend continued in 2021: for the months of January, February, March, and June 2021, NCF increased to $6.3 million from only $402,188 in the same months of 2020 (hotel was closed April-May 2020 and hence excluded). The hotel's RevPAR penetration rate continues to improve, and the hotel outperforms its competitive set significantly even after only two years of operations. The hotel's RevPAR penetration rate was 114.3% in the TTM period ended June 2021, compared to 82.6% in the same period in 2020. The property's NCF as of the TTM period ended July 2021 was $18.3 million, and the sponsor forecast for 2021 is $22.8 million. Nevertheless, we stabilized our NCF assumption below the budgeted level to account for the hotel's recent opening, as well as the fact that the Florida Keys overall benefitted significantly from drive-to travelers during the pandemic, when air travel was less desirable and international destinations were restricted or avoided.
- The property does not benefit from an affiliation with a nationally recognized hotel brand. However, the property is an upscale resort hotel with a desirable beachfront location in the Florida Keys with large guestrooms. While the hotel does not benefit from the brand-wide marketing campaigns and frequent stay programs that benefit franchised hotels, the hotel has its own reservation system which drives the majority of its bookings. The hotel is managed by Singh Hospitality LLC, a wholly owned subsidiary of the sponsor. The base management fee is 3.0% of total revenue plus an accounting fee of $3,000 per month. The management agreement is terminable upon a loan event of default or foreclosure.

- The property is located in Florida, which is more susceptible to bad weather such as hurricanes. The property is located in a tier one wind zone and is in a hurricane-susceptible region. It is also located in flood zone VE, a special flood hazard area, where mandatory flood insurance requirements apply according to FEMA. The $180.1 million all-risk insurance policy includes coverage for wind/named storm perils at a limit of $100.0 million per occurrence and flood is covered at $50.0 million per occurrence. There are several providers within the all-risk insurance syndicate that are currently not rated by S&P Global Ratings. Of the $180.0 million of all-risk coverage, $100.0 million (in excess of the first $50.0 million) is provided by a single carrier, Homeland Insurance Co. of New York, which is not rated by S&P Global Ratings, and another $4.0 million is provided by three other carriers that are not currently rated by S&P Global Ratings. Also, three of the wind/named storm coverage providers covering $13.1 million of the $100.0 million in wind/named storm coverage are not currently rated by S&P Global Ratings. However, the unrated providers must be replaced with S&P Global Ratings rated providers upon the earlier of their downgrade by AM Best or renewal of their policies in March 2022.
- Due to its location in the Florida Keys, Isla Bella Beach Resort and the submarket overall experience seasonality. Occupancy levels are highest (generally over 80%) from February to July; however, occupancy levels fall to the 50%-65% range in January, and in August, September, and October during hurricane season. Nevertheless, occupancy levels generally remain strong on weekends, even during the weaker demand months, thus helping to boost NCF during the low season. Nevertheless, the loan does not provide for a seasonality reserve. However, the overall DSC for the TTM ended July 2021 based on the 0.10% LIBOR rate and the 3.22% spread was 2.42x.
- The property does not have a highly diversified demand base. It is dependent primarily on leisure transient travelers. The strength of this sector typically wanes significantly during periods of economic stress because leisure travelers limit their discretionary spending. Due to its location, resort orientation, and limited meeting space, the hotel does not generate significant demand from the corporate transient or corporate group segment, which typically are the least price-sensitive and drive ancillary food and beverage revenue. However, the hotel benefits from its proximity to South Florida and its orientation as a desirable drive-to destination as about three-quarters of visitors to the Florida Keys arrive by automobile. Finally, the dependence on drive-to leisure travelers has benefitted the hotel throughout the COVID-19 pandemic as travelers avoided air travel and corporate and group demand was severely limited.
- 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 have a higher expense ratio relative to other property types. In addition, relative to limited-service properties, full service hotels typically have higher expense ratios as well.
- During alterations to the property, the loan documents leave to the servicer's discretion the decision whether to require collateral for alterations whose cost exceeds a certain threshold. Additionally, this collateral, if required, may not be rated by S&P Global Ratings. This structure potentially exposes the transaction to risks associated with additional leverage beyond a de minimis amount and potential additional liens, such as mechanic's liens, some of which may have priority over the mortgage lien.
- The loan does not have a warm body carve-out guarantor. In our view, this limitation generally lessens the disincentive provided by a full nonrecourse carve-out related to "bad acts" or voluntary bankruptcy.
- 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 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. 30, 2021, final closing date, for it to be acquired by the depositor.
- 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 Upper Keys 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 average daily rate (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

Table 1

U.S. Hotel Sector Historical Performance (cont.)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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, 165.1% in May 2021, 118.4% in June, and 107.0% in July. Year-to-date through July 2021, RevPAR was up 39.6% over 2020 levels but remains 25.2% 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.

Florida Keys lodging market overview

The Isla Bella Beach Resort is located on Knights Key, in the city of Marathon. The Florida Keys are part of the greater Monroe County economic base, which encompasses the islands of the Florida Keys and the southeastern tip of mainland Florida. The Florida Keys attract visitors from around the country and the world. The climate in the Florida Keys is mild year-round, and consequently, the area has been one of the nation's significant beach oriented tourist destinations for decades. Leisure visitors are attracted to the Florida Keys for its resorts, beautiful scenery, coral reefs, scuba diving, deep sea fishing, and world-renown beaches. The peak season for tourism is from February to July, with the low season being the hurricane-prone months of September and October.

The Florida Keys have been a resilient destination during downturns and have been one of the least volatile hotel markets in the nation due to the uniqueness of the destination and their accessibility. Notably, efforts made by government officials to limit development to preserve the unique character/ecosystem of the Florida Keys present a high barrier to entry for additional businesses, particularly new hotel development. Furthermore, the ROGO enacted in 1992 limits the density of the Florida Keys to ensure that the population in the area could evacuate efficiently in the event of an emergency. The ROGO caps the number of transient development rights at the amount of existing hotel rooms, so to build a new hotel in this market, a developer would first have to acquire and demolish an existing hotel.

Based on CoStar data, there are 10,675 guestrooms within 195 hotels in the Florida Keys overall and there are no hotel rooms under construction. The Florida Keys market has one of the highest concentrations of high-end luxury hotels in the U.S., as over 40% of the guestrooms are considered to be luxury or upper upscale. According to CoStar, the subject property is located in the Upper Florida Keys submarket, which is home to 94 hotel properties comprising 5,200 guestrooms, of which about one-third are luxury or upper-upscale.

The Upper Florida Keys submarket experienced strong annual RevPAR growth after the 2009 recession, increasing in each year from 2011 to 2015. RevPAR levels returned to pre-recession levels rapidly, by 2011. After declining by 2.6% in 2016 due partly to the Zika virus outbreak, RevPAR increased by 15.6% in 2017. This was due to strong hotel demand by emergency and construction workers needing accommodations after Hurricane Irma in September 2017. RevPAR declined by 8.8% in 2018 as the demand for guestrooms subsided/normalized post-hurricane. RevPAR grew again in 2019, but then declined by 13.5% in 2020 due to the COVID-19 outbreak. This decline was significantly less than the 47.5% RevPAR decline experienced by the U.S. lodging sector overall. It was also significantly lower than the RevPAR declines experienced by the luxury chain scale overall (-49.4%) and resort properties overall (-50.2%). It also performed significantly better than other Florida markets such as Miami (where RevPAR dropped 41.4%) and Tampa (-37.6%).

Table 3

Upper Florida Keys Lodging Market Historical Performance

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Occupancy (%)	66.4	65.5	69.5	72.4	70.9	66.8	73.1	67.9	68.0	54.0
ADR ($)	183.57	195.76	206.98	218.09	229.58	237.47	250.78	246.34	256.89	280.06
RevPAR ($)	121.82	128.31	143.94	157.82	162.77	158.60	183.42	167.26	174.81	151.21
RevPAR change (%)	17.7	5.3	12.2	9.6	3.1	(2.6)	15.6	(8.8)	4.5	(13.5)

Source: CoStar. ADR--Average daily rate. RevPAR--Revenue per available room. N/A--Not applicable.

Collateral Description

Property description

The Isla Bella Beach Resort is a 199-guestroom, independent, upscale resort hotel situated over 24 acres, with over one mile of beachfront, in Marathon, within the Florida Keys. The resort comprises four, three-story hotel buildings as well as separate one-story buildings for the lobby, restaurant, fitness center/spa, marketplace, and event center. The property is located two hours south of Miami at the threshold of the Seven Mile Bridge, halfway between Islamorada and Key West. The property is primarily accessed by vehicular travel via U.S. Highway 1, one of only two roadways linking the Florida Keys to the Florida mainland. Approximately 74% of visitors to the Florida Keys arrived by car in 2019. Key West International Airport is 40 miles southwest of the subject, and Miami International Airport is 90 miles northeast.

The site of the subject property was previously an RV park and campground until it was purchased by the developer, Singh Investors, in 2015, for $24.5 million. The development of the Isla Bella Beach Resort commenced in July 2017 and the property opened for operation in March 2019. The total development cost, including land, was $115.2 million. The subject property is the only resort to have been delivered in the Middle Keys in approximately 20 years. The property is comprised of

199 guestrooms: 87 two-bedroom suites, 11 one-bedroom suites, and 101 standard guestrooms. Each guestroom features a private balcony or patio with direct Atlantic Ocean views. The Isla Bella Beach Resort offers some of the largest rooms in the market, as each of the hotel's guestrooms exceeds 600 sq. ft.

The property currently features three food and beverage outlets including Il Postino, a two-meal restaurant (breakfast and dinner) and lounge; The Beach Bar, which is located beachfront and serves seafood and cocktails; and Marketplace Café, which offers all day grab-and-go dining options. The hotel also features 4,000 sq. ft. of indoor meeting space and 16,000 sq. ft. of outdoor meeting space, including an oceanfront wedding venue. There are five swimming pools, a 4,000-sq.-ft. spa, a smaller 1,000-sq.-ft. fitness center, and a 5,400-sq.-ft. retail marketplace. There is a 24-slip marina and boat dock leased to third-party vendors providing water sport rentals, boating/fishing guides, and a scuba diving services.

The subject site and loan collateral also includes Manatee Bay, an employee housing structure. The Manatee Bay is a 30-key property dedicated to employee housing at daily rates. It provides a unique competitive advantage to procure and retain labor for the hotel in the Florida Keys.

Capital improvements

Given the resort's recent construction in 2019 and excellent condition, there have been limited capital improvements implemented over the past two years. However, new roofs were added to the spa and marketplace buildings, and one pool area was renovated in 2021.

The sponsor is currently in the process of completing approximately $3.1 million of capital improvements geared toward the development of an additional three-meal restaurant to further support food and beverage offerings for guests. Additional planned upgrades include guestroom dividers for outdoor guestroom space to enhance privacy, poolside cabanas, an additional raw bar at one of the swimming pools, and conversion of certain standard guestrooms to king suites or king bedrooms reflecting customer demand. These projects are expected to be completed by mid-year 2022.

Given the hotel is independent and newly constructed, no mandated property improvement plan (PIP) will be required in the near term. We utilized a 4.0% FF&E expense in our analysis.

Site visits/COVID-19 update

We visited the property on Aug. 23, 2021. The hotel is located about one hour east of Key West Airport. The hotel has an excellent beachfront location and all guestrooms have ocean views, with either a private patio or balcony. Notably, the hotel is a destination resort and there are not many entertainment and dining options nearby. The guestrooms were in excellent condition with modern white case goods, beach themed soft goods, and a modern bathroom with either a stand-up shower or shower/tub in the rooms we toured. Lounge chairs and umbrellas are situated throughout the beachfront. We also visited the marketplace, spa, marina, swimming pools, and food and beverage outlets, all of which were in excellent condition. The property manager noted that the average guest length of stay increased from three nights to four nights during the pandemic and noted that guests choose the Florida Keys as a destination in lieu of the Caribbean, given its similar characteristics, but easier accessibility and location within the U.S. They also noted that despite the offered on-site employee housing, the hotel, similar to other resorts in the Keys, is having significant difficulty securing and retaining labor mainly because of the high cost of housing in the area. We increased the rooms expense in our analysis to account for this concern.

According to the property manager, the hotel closed from March 22 through May 31, 2020, due to county-wide COVID-19 pandemic restrictions on guests accessing the Florida Keys. Upon re-opening, hotels such as this one benefitted from its drive-to, small market/town location as leisure travelers sought out drive-to lodging accommodations in less populated locations.

Market mix

The Isla Bella Beach Resort is an upscale, drive-to destination resort hotel that, along with its competitive set, relies heavily on transient demand, the majority of which is leisure-based. Approximately 92% of the hotel's occupied room nights are generated by leisure transient travel. This segment primarily comprises individual tourists and families traveling for recreation or other non-business activities. Leisure demand stems from visitors seeking to enjoy the Florida Keys' beaches, coral reefs, fishing, water activities, and dining and entertainment options. Leisure demand is generally strongest on weekends and all week during holiday periods and summer months. The hotel also benefits from its large guestroom suites, which drive their ADR. The strength of the leisure segment is highly correlated with the general strength of the economy, as people tend to travel more when unemployment levels are lower and consumer confidence and discretionary income are higher. Due to the nature of the subject as a resort property outside of a major urban area, corporate transient demand is limited.

The remaining 8% is generated primarily by non-business-related groups, particularly wedding groups and higher scale social, military, ethnic, religious, fraternal, and educational groups. According to the appraiser, the Isla Bella Beach Resort has less meeting space than most of its primary competitors and hence generates less demand from this sector; however given the nature of the Florida Keys, the market is far less reliant on meeting and group demand (market demand is about 15%) than other south Florida markets, which are closer in proximity to various business districts.

RevPAR penetration

The Isla Bella Beach Resort is an upscale resort hotel that competes to varying degrees with other luxury and upscale hotels in the Florida Keys that have similar amenities and direct beach frontage. According to the appraiser, the Isla Bella Beach Resort competes directly with three resorts and secondarily with four additional resorts in the Keys (see table 6).

Table 6

Isla Bella Beach Resort Hotel Primary and Secondary Competitive Set

	No. of rooms	Competitive Set	Indoor meeting space (sq. ft.)	Estimated 2019 RevPAR ($)	Estimated 2020 RevPAR ($)
Isla Bella Beach Resort	199	N/A	4,000	157.86	217.42
Hawks Cay Resort	177	Primary	11,949	215.00	215.00
Cheeca Lodge and Spa	214	Primary	10,549	313.00	255.00
Tranquility Bay Beach House Resort	103	Primary	0	363.00	275.00
Marriott Key Largo Beach Resort	153	Secondary	N/A	195.00	155.00
Baker's Cay Resort Key Largo	200	Secondary	N/A	175.00	175.00

Table 6

Isla Bella Beach Resort Hotel Primary and Secondary Competitive Set (cont.)

	No. of rooms	Competitive Set	Indoor meeting space (sq. ft.)	Estimated 2019 RevPAR ($)	Estimated 2020 RevPAR ($)
Playa Largo Resort & Spa Autograph Collection	178	Secondary	N/A	295.00	265.00
Ocean Key Resort & Spa	100	Secondary	N/A	437.00	275.00
Total	1,324	N/A	N/A	263.21	232.94

Source: HVS appraisal dated August 2021. RevPAR for competitive set hotels is the midpoint of appraiser's range provided. RevPAR--Revenue per available room.

According to the appraiser, the hotel competes primarily with three independent resort hotels of a similar size located within 30 miles of the subject hotel. Each of the primary competitors is of an older vintage, but each was renovated in 2018. In 2019, the leader among the primary competitors was the Tranquility Bay Beach House Resort (about 1.4 miles from the subject); its RevPAR of about $363 reflected a RevPAR penetration of about 140% among the primary competitors as the hotel benefited from higher occupancy and ADR than its competitors. Given its recent opening in March 2019, Isla Bella Beach Resort's RevPAR penetration was about 61% in 2019. Due to the pandemic which took hold in March 2020, RevPAR for the primary competitive set decreased 7.9% to $238.53 in 2020, versus $258.97 in 2019. However, the subject's RevPAR increased by about 38% as the hotel continued to stabilize after its recent opening. By year end 2020, Isla Bella Beach Resort's RevPAR penetration among the primary competitive set increased to 93.3%.

The appraiser noted that the Isla Bella Beach Resort competes secondarily with four additional hotels, located further from the subject in either Key West or Key Largo. Each of these hotels is affiliated with a national brand. In 2019, the RevPAR for the four secondary competitors was $269.04, about $10 higher than the 2019 RevPAR for the primary competitive set. The market leader is Ocean Key Resort & Spa, which is a luxury property in Key West that has an ADR of about $500 per night. RevPAR for the secondary competitive set decreased 16.5% to $224.67 in 2020, versus $269.04 in 2019.

Based on the hotel's STR Report, which includes all of the appraiser's noted hotels except Ocean Key Resort & Spa, Isla Bella Beach Resort's RevPAR penetration rate has improved significantly with each passing month of performance. At year-end 2019, its RevPAR penetration rate was 65.2% and increased significantly to 92.7% at year-end 2020, after about 1.5 years of operation as well as COVID-19 related closures and disruptions. Starting in January 2021, the hotel's RevPAR penetration rate exceeded 100% in each month through June 2021. Year-to-date through June 2021, the subject's RevPAR penetration rate was 124.3% and was 114.3% for the TTM ended June 2021. The hotel's occupancy penetration rate was 87.1% in the TTM ended June 2021, but ADR penetration was very strong at 131.2% during the same period.

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 mortgage loan and cash management agreement.

Since the mortgage loan has not yet closed, our structural assumptions 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. 30, 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 property. We summarize the historical and S&P Global Ratings' NCF for the property below (see tables 6A and 6B).

In 2020 and the TTM period ended July 2021, rooms revenue for the property constituted approximately 64%-69% of total revenue. The hotel has several sources of additional revenue, the largest of which is food and beverage (about 18%-20% of total revenue), followed by other revenue (which is mainly resort fees) and spa revenue. We determined rooms revenue by analyzing historical and budgeted performance data, monthly RevPAR and NCF trends in 2021, monthly RevPAR penetration rates, and current supply trends throughout the lodging market.

We determined room revenue for the Isla Bella Beach Resort by assessing not only the hotel's recent RevPAR levels, but also historical performance levels of the competitive hotels given the recent opening of the subject hotel and COVID-19 related performance disruption. Our RevPAR of $401.08 is 4.7% greater than the level achieved as of the TTM period ended July 2021. We increased our RevPAR to account for the fact that the TTM figures still include pandemic-related demand constraints as well as the fact that the hotel is still stabilizing after its opening in 2019 as evidenced by increasing monthly RevPAR penetration figures. We also considered the lack of new supply in the Florida Keys market. However, we assumed a higher rooms expense and food and beverage expense ratio in our analysis as the current levels are significantly below industry norms.

We estimated total marketing, management, and franchise fees at 6.4% of total revenue, which is generally in-line with historical levels. The resort, similar to many hotels in the Florida Keys lodging market, is independent and is not subject to contractual franchise fees. We utilized an FF&E expense equal to 4.0% of total revenue. Our NCF is 16.7% lower than the most recent NCF due to the fact that we expect rooms expense and taxes will stabilize at higher levels going forward and due to higher insurance expense. We applied an 8.50% capitalization rate to our NCF to derive our value for the property, which is 46.0% below the "as is" appraised value.

Table 6A

CGCMT 2021-KEYS Mortgage Trust Portfolio Historical Cash Flow

	2020	TTM July 2021	Borrower Forecast 2021	Appraiser (2021/22)	Appraiser (2022/23)	Issuer	S&P Global Ratings
Guestrooms	166	199	199	199	199	199	199
Occupancy rate (%)	58.7	68.2	77.6	78	80.0	77.6	74.0
ADR ($)	369.38	561.67	577.54	591.01	594.45	577.54	542.00
RevPAR ($)	216.71	383.13	448.04	460.99	475.56	448.04	401.08
Room revenue (mil. $)	13.2	27.8	32.5	33.5	34.5	32.5	29.1(i)
Food and beverage (mil. $)	4.1	7.2	8.9	6.9	7.1	8.9	7.5(ii)
Other departmental revenue (mil. $)	2.8	4.5	5.5	4.2	4.3	5.5	4.7(ii)

Table 6A

CGCMT 2021-KEYS Mortgage Trust Portfolio Historical Cash Flow (cont.)

	2020	TTM July 2021	Borrower Forecast 2021	Appraiser (2021/22)	Appraiser (2022/23)	Issuer	S&P Global Ratings
Spa (mil. $)	0.6	1.1	1.3	1.0	1.0	1.3	1.2(ii)
Total revenue (mil. $)	20.6	40.6	48.3	45.5	47.0	48.3	42.5
Total departmental expenses (mil. $)	8.3	11.2	13.0	15.1	15.6	13.0	13.3(iii)
Undistributed expenses (mil. $)	6.0	8.0	9.0	8.3	8.5	9.0	8.2(iv)
Total fixed charges (mil. $)	2.0	1.9	2.1	2.1	3.5	3.0	4.0(v)
NOI (mil. $)	4.2	19.6	24.2	20.1	19.4	23.3	16.9
Total capital items (mil. $)	0.5	1.2	1.4	1.8	1.9	1.4	1.7(vi)
NCF (mil. $)	3.6	18.3	22.8	18.2	17.5	21.9	15.2
NCF margin (%)	17.7	45.2	47.1	40.1	37.2	45.3	35.8
NCF haircut (%)	--	--				--	(30.2)
Capitalization rate (%)	--	--				--	8.50
S&P Global Ratings' value ($)	--	--				--	179,389,278
S&P Global Ratings' value per room ($)	--	--				--	901,454

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 hotel by assessing the property's historical RevPAR levels, recent monthly performance, recent RevPAR penetration levels, competitive set historical performance, recent construction, and the limited supply projected to enter the Florida Keys market.
(ii)	We based other revenue on the recent POR figures.
(iii)	We utilized a rooms expense ratio equal to 18.5% of rooms revenue, which is higher than TTM ended July 2021 ratio of 15.1%. We utilized a food and beverage expense ratio equal to 71.4% of food and beverage revenue, which is higher than the 65.3% ratio in the TTM ended July 2021. The expense ratio for spa and other expense were generally in line with the levels in the TTM ended June 2021.
(iv)	Includes general and administrative, sales and marketing, repairs and maintenance, utilities. We utilized a PAR room figure that was generally in-line with the levels in the TTM ended July 2021. We utilized the 3.1% contractual management fee.
(v)	We estimated real estate taxes of $1.6 million, which is slightly below the appraiser's 2021/2022 taxes of $1.96 million due to our significantly lower valuation, but higher than the issuer's estimated taxes of $503,256. Insurance was based on the actual policy expense.
(vi)	We estimated FF&E expense at 4.0% of total revenue.

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

Property Evaluation Details

During our property evaluation, we performed the following reviews:

- We conducted a site inspection of the Isla Bella Beach Resort.
- We analyzed and determined the value for the property, 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.
- We reviewed the third-party appraisal, environmental, and engineering reports for the property.
- 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 loan agreement, offering circular, and trust and servicing agreement--to verify compliance with our criteria and to understand the mechanics of the underlying loans and the transaction.

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

Rooms revenue has historically constituted approximately 64%-69% 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 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 7.0%-35.0%. See table 7 for the effect on S&P Global Ratings' credit ratings under the scenarios listed above, holding constant S&P Global Ratings' 8.50% capitalization rate, and the resulting potential transition in the ratings on the certificates.

Table 7

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	(7)	(14)	(21)	(28)	(35)
S&P Global Ratings' LTV ratio (%)	125.4	134.7	145.9	158.7	173.9	192.6
Potential rating migration from 'AAA'	AAA	AA+	AA	AA-	A+	A-

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 one 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. To account for this additional risk, we reduced the LTV thresholds by applying negative adjustment factors across all rating categories.

LIBOR

The certificates issued by CGCMT 2021-KEYS 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

- ESG Industry Report Card: Commercial Mortgage-Backed Securities, March 31, 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 Outlook, Jan. 4, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- U.S. And Canadian CMBS Diversity Adjustment Factor Matrices, Sept. 5, 2012
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