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Presale: Wachovia Bank Commercial Mortgage Trust 2005-C16

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Table of Contents

$2.1 Billion Commercial Mortgage Pass-Through Certificates Series 2005-C16	1
Profile	1
Rationale	2
Structural and Legal Review	3
Pool Characteristics	3
Top Seven Loans	9
Credit Evaluation	22

$2.1 Billion Commercial Mortgage Pass-Through Certificates Series 2005-C16

This presale report is based on information as of Jan. 4, 2005. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings.

Preliminary Ratings as of Jan. 4, 2005			
Class	**Preliminary rating***	**Preliminary amount ($)**	**Recommended credit support (%)**
A-1	AAA	81,380,000	20.000
A-2	AAA	654,046,000	20.000
A-3	AAA	49,660,000	20.000
A-4	AAA	69,421,000	20.000
A-5	AAA	84,457,000	20.000
A-6	AAA	711,789,000	20.000
A-J	AAA	131,545,000	13.625
B	AA	56,744,000	10.875
C	AA-	25,793,000	9.625
D	A	33,531,000	8.000
E	A-	20,635,000	7.000
F	BBB+	25,793,000	5.750
G	BBB	20,634,000	4.750
H	BBB-	28,373,000	3.375
J	BB+	2,579,000	3.250
K	BB	7,738,000	2.875
L	BB-	10,317,000	2.375
M	B+	5,159,000	2.125
N	B	5,158,000	1.875
O	B-	5,159,000	1.625
P	N.R.	33,531,240	N/A
X-P¶	AAA	1,989,472,000§	N/A
X-C¶	AAA	2,063,442,240§	N/A
EH	N.R.	2,997,070	N/A
TO	N.R.	498,974	N/A
*The rating of each class of securities is preliminary and subject to change at any time. ¶Interest-only class. §Notional amount. N.R.—Not rated. N/A—Not applicable.			

Profile

Expected closing date: Jan. 27, 2005.

Collateral: 141 loans secured by 209 properties.

Underwriter: Wachovia Capital Markets LLC, Countrywide Securities Corp., ABN AMRO Inc., Credit Suisse First Boston LLC, Deutsche Bank Securities Inc., and Greenwich Capital Markets Inc.

Sellers: Wachovia Bank N.A., Countrywide Commercial Real Estate Finance, Inc., and Artesia Mortgage Capital Corp.

Master servicer: Wachovia Bank N.A.

Special servicers: GMAC Commercial Mortgage Corp., Wachovia Bank N.A. (for the 180 Maiden Lane loan and the 17 Battery Place loan), and Clarion Partners LLC (for the 175 West Jackson loan).

Depositor: Wachovia Commercial Mortgage Securities Inc.

Trustee: Wells Fargo Bank N.A.

Rationale

The preliminary ratings assigned to Wachovia Bank Commercial Mortgage Trust's $2.1 billion commercial mortgage pass-through certificates series 2005-C16 reflect the credit support provided by the subordinate classes of certificates, the liquidity provided by the trustee, the economics of the underlying loans, and the geographic and property type diversity of the loans. Classes A-1, A-2, A-3, A-4, A-5, A-6, A-J, B, C, and D are currently being offered publicly. Standard & Poor's Ratings Services' analysis determined that, on a weighted average basis, the pool has a debt service coverage (DSC) of 1.51, a beginning LTV of 95.6%, and an ending LTV of 85.1%.

Unless otherwise indicated, all calculations in this report, including weighted averages, do not include the subordinate B notes, which are not included in the trust for the following loans: 180 Maiden Lane, 175 West Jackson (Insurance Exchange Building), AON Office Building, 17 Battery Place, 900 Fourth Avenue, and the ADG Portfolio. Furthermore, all calculations in this report, including weighted averages, do not include the subordinate nonpooled components of the Edgewater Hotel and Thousand Oaks Medical Office Building loans, which are nonpooled assets in the trust supporting the class EH and TO certificates, respectively.

Strengths

The transaction exhibits the following strengths:

- Three of the loans (12.3% of the pool balance) have trust balances with credit characteristics consistent with obligations rated investment-grade by Standard & Poor's: 175 West Jackson ('BBB-', 5.5%); 180 Maiden Lane ('A-', 4.5%); and Cameron Village ('BBB-', 2.3%);
- The economics of the top 10 loans are better than those of the overall pool, with a weighted average beginning LTV of 92.7%, compared with 95.6% for the pool, and a weighted average DSC of 1.62x, compared with 1.51x for the pool; and
- The weighted average quality score for the assets securing mortgages in the pool is 2.70, an above-average score on Standard & Poor's scale of 1 (highest) to 5 (lowest).

Concerns and Mitigating Factors

This transaction exhibits the following concerns and mitigating factors:

- The pool exhibits geographic concentration, with 63.6% of the mortgaged properties concentrated in five states. The largest concentrations are in California (20.0% of the pool balance, with 15.0% in Southern California and 5.0% in Northern California), New York (19.0%), Illinois (12.0%), Florida (7.0%), and Washington (5.6%). The remaining assets are dispersed throughout 27 states and Washington, D.C., with no other state concentration exceeding 5.0% of the pool balance;
- The pool exhibits loan concentration, as the top 10 loans represent 38.3% of the pool balance, while the single largest loan exposure represents 5.6% of the pool balance. However, two of the top 10 loans (10.0% of the pool balance) have trust balances with credit characteristics consistent with obligations rated investment-grade by Standard & Poor's. Additionally, three of the top 10 loans (8.7% of the pool balance) are secured by multiple cross-collateralized and cross-defaulted properties;

- The pool has a concentration in office properties (37.2% of the pool balance). Mitigating this concern, two of these loans (10.0%) have trust balances with credit characteristics consistent with obligations rated investment-grade by Standard & Poor's: 175 West Jackson ('BBB-', 5.5% of the pool balance) and 180 Maiden Lane ('A-', 4.5%). The capital structure for both of these loans takes property type into account, and the credit support levels for the pool consider asset class concentrations; and
- Ten of the loans in the pool (25.8% of the pool balance) are interest-only loans. Mitigating this concern, two of these loans (6.8% of the pool balance) have trust balances with credit characteristics consistent with obligations rated investment-grade by Standard & Poor's: 180 Maiden Lane ('A-', 4.5% of the pool balance) and Cameron Village ('BBB-', 2.3% of the pool balance). Additionally, two of the interest-only loans (5.4% of the pool balance) are secured by multiple cross-collateralized and cross-defaulted properties.

Structural and Legal Review

Transaction Structure

The certificates issued by the trust represent the beneficial ownership interest in 135 fixed-rate whole loans (79.0% of the pool balance) and the senior interests of six fixed-rate whole loans (21.0%), which are structured as A/B loans. The junior-interest B notes will not be included in the trust. The pool includes six loans that consist of related loans that are cross-defaulted and cross-collateralized with each other. For the purposes of this report, each of these loan groups is considered to be one loan.

The class EH certificate represents a junior nonpooled interest in the Edgewater Hotel loan and the class TO certificate represents a junior nonpooled interest in the Thousand Oaks Medical Office Building loan.

In modeling this transaction, foreclosure frequency was based on the entire first-mortgage balance LTV and DSC, but loss severity was calculated based on the interests included in the trust. The rated final distribution date for all of the certificates will be October 2041.

Pool Characteristics

Collateral Description

The pool contains 141 conventional fixed-rate loans secured by liens on 209 properties. By property type, the pool has the following composition: office (37.2% of the pool balance), retail (25.9%), multifamily (12.3%), hotel (10.5%), self-storage (6.2%), mixed-use (4.8%), mobile-home park (2.0%), land (0.6%), and industrial (0.6%).

Lockboxes are in place for 51 loans, representing 55.0% of the total pool balance. Seventeen of those loans (28.9% of the pool balance) have hard lockboxes, 30 loans (20.2%) have springing lockboxes that are triggered by certain conditions, and five loans (5.9%) have soft lockboxes.

Monthly real estate tax escrows have been established for 100 loans (74.7% of the pool balance), monthly insurance premium escrows have been established for 96 loans (64.7%), and monthly capital reserves have been established for 102 loans (74.1%).

Reserves have been established for the remediation of existing deferred maintenance items for 43 loans (28.5% of the pool balance). Generally, the reserve established for each loan equals 125% of the amount recommended in the engineering report.

Monthly leasing and/or up-front leasing reserves have been established for 49 loans (53.1% of the pool balance representing office, retail, and industrial properties).

Twenty-seven loans (representing 5.1% of the pool balance) are secured by properties leased to single tenants. Of these loans, 24 (4.8% of the pool balance) have long-term leases that expire after the loan maturity, including 16 (2.3% of the pool balance) that are leased to investment-grade tenants: Walgreen's ('A+'); CVS ('A-'); GMRI ('BBB+'), the U.S. Government ('AAA'); and Best Buy ('BBB-').

Geographic Diversity

The pool consists of properties located in 32 states and Washington, D.C. The largest concentrations are in California (20.0% of the pool balance), New York (19.0%), Illinois (12.0%), Florida (7.0%), and Washington (5.6%). The remaining assets are dispersed throughout 27 states and Washington, D.C., with no other state concentration exceeding 5.0% of the pool balance.

Loan Sellers

Wachovia Bank N.A. contributed 78 loans (80.0% of the pool balance), Countrywide Commercial Real Estate Finance Inc. contributed 23 loans (11.7%), and Artesia Mortgage Capital Corp. contributed 40 loans (8.3%).

Loan Origination Dates

All of the mortgage loans in the pool were originated in the past 12 months except for two loans (representing 1.0% of the pool balance). The Castilian loan (0.7%) and the Broad & Wood Business Center loan (0.3%).

Agreed-Upon Procedures

One loan, the Hotel Gansevoort loan (3.3% of the pool balance), had agreed-upon procedures performed.

Hyperamortizing Loans

Eighteen loans (representing 9.6% of the pool balance) were structured as hyperamortizing loans. All of these loans are structured with some form of cash management.

Interest-Only Loans

Ten of the loans in the pool (25.8% of the pool balance) are interest-only loans. Mitigating this concern, two of these loans (6.8% of the pool balance) have trust balances with credit characteristics consistent with obligations rated investment-grade by Standard & Poor's: 180 Maiden Lane ('A-', 4.5% of the pool balance) and Cameron Village ('BBB-', 2.3%). Additionally, two of the interest-only loans (5.4% of the pool balance) are secured by multiple cross-collateralized and cross-defaulted properties.

Collateral Quality

Based on Standard & Poor's analysis, the pool has a DSC of 1.51x on a weighted average coupon of 5.35%. Standard & Poor's DSC reflects adjustments made to the net cash flow (NCF) of the properties based on the bankers' underwriting, historical, and projected operating statements and the assets' competitive positions in their respective markets.

Standard & Poor's adjusted the NCF of the portfolio downward by 6.2% on a weighted average basis. This decrease reflects adjustments to rental rates, expense reimbursement ratios, occupancy levels, operating expenses, capital expenditure reserves, and tenant improvement and leasing commission (TI/LC) assumptions.

Standard & Poor's weighted average beginning LTV for the pool is 95.6% and the ending LTV is 85.1%. The weighted average capitalization rate applied to Standard & Poor's NCF is 9.29%. Capitalization rates are a function of asset type, quality, tenancy, position in the competitive set, and current and future market conditions.

Properties

Standard & Poor's inspected assets representing 57.4% of the total pool and re-underwrote cash flows and derived asset values for assets representing 75.7% of the pool. The weighted average quality score for the inspected properties is 2.70, an above-average score on Standard & Poor's scale of 1 (highest) to 5 (lowest).

Borrower Concentrations

The largest sponsor is Beacon Capital Strategic Partners III L.P., the sponsor of the Figueroa Plaza loan (4.4% of the pool), the 900 Fourth Avenue loan (3.2%), and the 116 Huntington Avenue loan (2.6%). In total, this sponsor concentration represents 10.2% of the pool. The five largest sponsors represent 33.7% of the pool balance and the 10 largest sponsors represent 48.2% of the pool balance. Eight of the top 10 loans (32.9% of the pool balance) have bankruptcy-remote, special-purpose entity (SPE) borrowers with both a nonconsolidation opinion and an independent director. Two of the remaining top 10 loans (5.4% of the pool balance) have an SPE borrower with a nonconsolidation opinion but no provision for an independent director.

The largest loan in the pool is the 6 Times Square loan, representing 5.6% of the pool balance. The top five loans represent 23.2% of the pool balance and the top 10 loans account for 38.3% of the overall pool balance. Two of the top 10 loans (10.0% of the pool balance) have trust balances with credit characteristics consistent with obligations rated investment-grade by Standard & Poor's: 175 West Jackson ('BBB-', 5.5% of the pool balance) and 180 Maiden Lane ('A-', 4.5%). The economics of the top 10 loans are better than those of the overall pool. Three of the top 10 loans (8.8% of the pool balance) are each secured by portfolios of multiple cross-collateralized and cross-defaulted properties: Residence Inn Portfolio #2 (11 properties, 3.4%); Extra Space Self Storage #1 (14 properties, 2.7%); and Extra Space Self Storage #2 (12 properties, 2.7%).

Bankruptcy Issues

Three of the loans (representing 0.3% of the pool) were made to borrowers with members or affiliates that have previously filed for bankruptcy. None of the borrowers for these loans is structured with a nonconsolidation opinion or an independent director; however, two of these loans (0.1% of the pool) have springing lockboxes for cash management.

Leasehold Interests

Nine loans (10.3% of the pool balance) are secured by a mortgage lien on the borrower's leasehold interest pursuant to a ground lease. Six of the ground leases (7.8% of the pool) afford the respective lender notice and cure rights and have ultimate terms that extend at least 20 years beyond the loan maturity. Two of the remaining three loans (1.7%) do not have ground lease terms that extend at least 20 years beyond the loan maturity; however, both of these loans (1.7%) afford the respective lender notice and cure rights. One loan (0.8%) has a ground lease term that extends 20 years beyond the loan maturity but does not afford the respective lender notice and cure rights.

Additional Indebtedness

The borrowers for three loans, the Clairmont Apartments loan (0.8% of the pool balance), the 6 Times Square loan (5.6%), and the 180 Maiden Lane loan (4.5%), have incurred

existing mezzanine debt. These mezzanine loans are subject to subordination and standstill agreements.

One loan, the ADG Portfolio loan (2.1% of the pooled balance), currently has existing subordinate secured debt with an original principal balance of $1.0 million. The debt is not subject to the terms of a subordination and standstill agreement; however, a one-year debt service reserve is to be established during the first six months of the loan term. An additional escrow of $800,000 will be established during the last three years of the loan as additional collateral.

One loan, the Castilian loan (0.7% of the pool balance), currently has existing subordinate unsecured debt in place. The loan is subject to the terms of a subordination and standstill agreement, which generally conforms to Standard & Poor's criteria.

Thirteen loans (13.9% of the pool balance) permit the borrower to incur future mezzanine debt, subject to the terms of subordination and standstill agreements. One of these loans, the 175 West Jackson loan (5.5% of the pool balance), permits the borrower to incur future mezzanine debt up to $330.0 million, subject to the terms of a subordination and standstill agreement.

Two loans (1.0% of the pool balance) permit the borrower to incur either future mezzanine debt or future subordinate secured debt, subject to certain DSC and LTV criteria. The future debt will be subject to the terms of a subordination and standstill agreement.

Three loans (3.8% of the pool balance) permit the borrower to incur future unsecured subordinate debt or future mezzanine debt, subject to certain DSC and LTV criteria.

Four loans (1.2% of the pool balance) permit the borrower to incur future secured subordinate debt, subject to certain DSC and LTV criteria, and are subject to the terms of a subordination and standstill agreement.

One loan, the Edgewater Hotel loan (1.3% of the pool balance), permits the borrower to incur future unsecured subordinate debt.

A/B Loans

The AON Office Building loan (3.1% of pool balance) has a whole-loan balance of $74.8 million. The whole loan has been split into a $64.8 million A note that will be contributed to the trust and a $10.0 million subordinate B note that will be held outside of the trust.

The 900 Fourth Avenue loan (3.2% of pool balance) has a whole-loan balance of $82.0 million. The whole loan has been split into a $67.0 million A note that will be contributed to the trust and a $15.0 million subordinate B note that will be held outside of the trust.

The ADG Portfolio loan (2.1% of pool balance) has a whole-loan balance of $46.0 million. The whole loan has been split into a $43.3 million A note that will be contributed to the trust and a $2.7 million subordinate B note that will be held outside of the trust.

Before an event of default, with respect to the above-mentioned A/B loans, payments and proceeds of accrued and unpaid interest will be paid to the A note, followed by a pro rata portion of scheduled payments of principal to the A note, then proceeds of accrued and unpaid interest to the subordinate B note, and then a pro rata portion of scheduled payments of principal to the subordinate B note.

Following an event of default, with respect to the above-mentioned A/B loans, the A note will receive all accrued and unpaid interest. Then, the A note will receive all payments of principal until the principal balance has been reduced to zero. The subordinate B note will then receive all accrued and unpaid interest. Finally, the subordinate B note will receive all payments of principal until the principal balance has been reduced to zero.

Standard & Poor's believes the relative rights in a bankruptcy are more favorable when an A/B loan is structured as a participation rather than with separate notes. Currently, the master and special servicer of this trust will service both the A and B notes for the above-mentioned A/B loans.

These A/B loans are subject to intercreditor agreements that generally conform to Standard & Poor's criteria. The A/B loan structure was factored into the sizing of the capital structures of the loans and subordination levels for the transaction.

Pari Passu and A/B Loan: 175 West Jackson

The 175 West Jackson loan (5.5% of the pool) has a whole-loan balance of $280 million. The whole loan consists of a $225 million A note with credit characteristics consistent with investment-grade obligations rated 'BBB-' that has been divided into two pari passu pieces: a $112.5 million A-2 note that is included in this transaction and a $112.5 million A-1 note that was contributed to the Wachovia Bank Commercial Mortgage Trust (WBCMT) 2004-C15 securitization. In addition to the pari passu A notes, the mortgage is also evidenced by a $55.0 million subordinate B note. The subordinate B note will be held outside of the trust and will provide credit support for the senior A-1 and A-2 notes.

Before an event of default, payments and proceeds of accrued interest will be paid pro rata to the A-1 and A-2 notes, followed by scheduled payments of principal to the A-1 and A-2 notes. Accrued and unpaid interest will then be paid to the subordinate B note, followed by scheduled payments of principal to the subordinate B note.

Following an event of default, the A-1 and A-2 notes will receive pro rata accrued and unpaid interest. Then, the A-1 and A-2 notes will receive scheduled pro rata payments of principal. The subordinate B note will then receive accrued and unpaid interest. The A-1 and A-2 notes will then receive any remaining principal payments, pro rata, until the principal balance has been reduced to zero. Finally, the subordinate B note will receive payments of principal until the principal balance has been reduced to zero.

Pari Passu and A/B/C Loan: 180 Maiden Lane

The 180 Maiden Lane loan (4.5 % of the pool) has a whole-loan balance of $292 million. The whole loan consists of a $186 million A note with credit characteristics consistent with investment-grade obligations rated 'A-' that has been divided into two pari passu pieces: a $93.0 million A-2 note that is included in this transaction and a $93.0 million A-1 note that was contributed to the WBCMT 2004-C15 securitization. In addition to the pari passu A notes, the mortgage is also evidenced by two subordinate notes: a $69.5 million subordinate B note that was a nonpooled asset of the WBCMT 2004-C15 trust and a $36.5 million subordinate C note that will be held outside of the trust. The subordinate B and C notes will provide credit support for the senior A-1 and A-2 notes.

Before an event of default, payments and proceeds of accrued interest will be paid pro rata to the A-1 and A-2 notes, followed by scheduled payments of principal to the A-1 and A-2 notes. Accrued and unpaid interest will then be paid to the subordinate notes in order of seniority, followed by scheduled payments of principal to the subordinate notes in order of seniority.

Following an event of default, the A-1 and A-2 notes will receive pro rata accrued and unpaid interest. Then, the A-1 and A-2 notes will receive pro rata payments of scheduled principal. The subordinate notes will then receive accrued and unpaid interest in order of seniority. The A-1 and A-2 notes will then receive any remaining principal payments, pro rata, until the principal balance has been reduced to zero. Finally, the subordinate notes will receive payments of principal in order of seniority until the principal balances of the subordinate notes have been reduced to zero.

Terrorism Insurance Coverage

The lenders' policies on terrorism insurance generally require every property to have terrorism coverage to the extent available at commercially reasonable rates. Eleven loans (1.9% of pool balance) do not have terrorism insurance. The properties securing six of these loans (1.2%) are self-insured by Walgreen's ('A+'), and the remaining five loans without terrorism insurance make up 0.7% of the pool balance.

Appraisal Reports

Appraisal reports, in conformance with USPAP and FIRREA, were prepared in the past 12 months for 98.7% of the pool balance. One loan (0.3% of the pool balance) had an appraisal report prepared in the past 18 months.

Environmental Review

Phase I environmental studies were prepared for all of the properties. Of these reports, 206 were completed in the 12-month period before the cutoff date. The three remaining reports (1.2% of the pool balance) were completed within 18 months before the cutoff date.

A phase II assessment was recommended for six properties related to loans representing 3.9% of the pool balance. For East Windsor Town Center (0.7% of the pool balance), the consultant recommended that a subsurface investigation be performed to verify that the property is free of any soil contamination from a previous dry-cleaning service. A subsurface investigation will be performed at a cost of approximately $6,000, and the lender has escrowed $150,000.

For the Cameron Village loan (2.3% of the pool balance), subsurface investigations identified soil and groundwater contamination. A remediation system is currently in operation, and the related borrower has procured an environmental insurance policy.

For the Westgate Business Center loan (1.7% of the pool balance), subsurface investigations identified soil and groundwater contamination as a result of dry-cleaning activities. The estimated cost for remediation is $925,000, and the lender has escrowed $1,293,000. The related borrower has procured an environmental policy.

Including the above-mentioned items, escrows totaling $1,635,875 have been established for seven properties (7.3% of the pool balance) to address actions that were recommended in the phase I and/or phase II environmental reports.

Structural Review

Independent, licensed engineers prepared engineering reports for 207 properties (99.4% of the pool balance). Engineering reports were not required for the two land loans, Darden Restaurant (0.3% of the pool balance) and Wyndham Hotel – Mount Laurel, N.J. (0.3%). The reports identified both deferred maintenance items to be corrected immediately and long-term capital expenditure needs. Assets securing 46 loans, representing 28.5% of the total pool balance, were identified as needing immediate repairs, and escrows totaling $2.8 million were established at closing to remedy these items. Generally, the loan sellers' requirements for up-front, deferred maintenance reserves are 100%-125% of the recommended amount indicated in the reports.

Engineering reports for 136 loans, representing 98.8% of the pool balance, were completed in the 12-month period before the cutoff date. The three remaining reports (0.6%) were completed within 18 months before the cutoff date.

Seismic Review

Thirty-five loans, representing 24.6% of the pool balance, are secured by properties

located in seismic zones 3 or 4. Seismic studies were completed for 34 of these properties. None of the properties had a probable maximum loss in excess of 20%.

Hurricane and Flood Review

Twenty-six loans, representing 10.5% of the mortgage pool balance, have properties that are located in Florida or Texas, states that have historically been at greater risk for hurricanes and tornadoes. Generally, the originators require wind insurance for all properties in coastal areas. The loans secured by properties in Federal Emergency Management Agency-designated flood zones are required to comply with flood insurance regulations.

Top Seven Loans

6 Times Square

The largest loan in the pool, the 6 Times Square loan, has a whole-loan and trust balance of $115.0 million (5.6% of the pool balance). In addition to the first mortgage, there is a mezzanine loan in the amount of $21.0 million, which is secured by a pledge of partnership interests of the borrower. The fixed-rate, five-year loan bears interest at a rate of 4.6739%, amortizes over a 30-year schedule after a three-year interest-only period, and matures in December 2009.

The loan is collateralized by a first-mortgage lien on a 298,695-sq.-ft., 15-story, class B office building located on the corner of 42nd Street and Broadway in Times Square, Manhattan. The property was built in 1907, renovated in 1980, and renovated again in 2004 at a total cost of $7.2 million ($24.10 per sq. ft.). The building is currently 88.4% occupied at an average rent of $35.72 per sq. ft.

Table 1 lists the major office tenants at the property.

Table 1 – Major 6 Times Square Tenants

Tenant	Rating	Sq. ft.	Property NRA (%)	Base rent per sq. ft. ($)	Base rent (% of GPR)	Lease expiration
The Gap Inc.	BB+	39,589	13.3	68.24	25.2	2011
Vincent Equities	N.R.	19,777	6.6	33.44	6.2	2006 and month to month
Jones Apparel	BBB	14,939	5.0	32.94	4.6	2013

NRA—Net rentable area. GPR—Gross potential rent. N.R.—Not rated.

The building contains approximately 15,284 sq. ft. of ground floor retail space, facing either 42nd Street or Broadway, and is currently 55% occupied.

The sponsors of the bankruptcy-remote SPE borrower are Ralph Sitt, Marylin Sitt, and Sharon Sutton. The property will be managed by Sitt Asset Management LLC, which is owned and controlled by the Sitt family. The manager or related entities own and manage approximately 1.5 million sq. ft. of commercial space throughout the country, including five office properties in New York City. The loan is structured with a hard lockbox for cash management.

The following section summarizes Standard & Poor's underwriting assumptions for this loan:

- Standard & Poor's bifurcated the underwriting analysis. Cash flow was underwritten on an as-is approach; however, Standard & Poor's used a stabilized approach to derive the ultimate value of the building to give credit for the 8,650 sq. ft. of vacant retail space;

- For cash flow and DSC purposes, gross potential rent (GPR) was based on leases in place as of May 2004. For valuation purposes, all of the retail space, excluding The Gap Inc. space, was grossed up at a rental rate of $300 per sq. ft.;
- For cash flow and DSC purposes, no additional vacancy was assumed because the property is currently 88.4% occupied. For valuation purposes, a vacancy of 5% was assumed for the retail space not occupied by The Gap Inc. and the in-place office occupancy was assumed;
- Expense reimbursements were underwritten based on the actual lease terms and historical recovery performance;
- Other income was based on the historical performance and a signage agreement in place;
- Operating expenses, other than property taxes and insurance premiums, were based on historical levels;
- Property taxes and insurance premiums were based on the actual expenses;
- A management fee of 4% of effective gross income (EGI) was assumed;
- Replacement reserves were underwritten at $0.35 per sq. ft.;
- TI costs for office space were estimated at $12.00 per sq. ft. for new space and $6.00 per sq. ft. for renewal space;
- LCs were estimated at 4.0% for new space and 2.0% for renewal space;
- A weighted average lease term of 7.4 years was assumed for TI and LC costs;
- A renewal probability of 65.0% was assumed;
- Based on these assumptions, Standard & Poor's overall NCF variance for the property was 24.5%;
- Standard & Poor's applied a bifurcated cap rate of 8.50% for the office space and 7.75% for the retail space to NCF and subtracted new TI/LC costs and downtime net operating income (NOI) of one year associated with re-leasing the vacant retail space, yielding a value of $111.6 million, or $374 per sq. ft.; and
- The quality score for this asset is 3.00, an average score.

This loan exhibits the following strengths:

- The property is well located in the heart of Times Square, at the intersection of 42nd Street and Broadway; and
- The property was renovated recently at a total cost of $7.2 million ($24.10 per sq. ft.).

This loan exhibits the following concern and mitigating factor:

- The property has subordinate debt in the form of mezzanine financing of $21.0 million secured by a pledge of partnership interests in the borrowing entity. The additional financing is subject to an intercreditor agreement. Standard & Poor's took the loan structure and all additional debt into consideration when determining subordination levels.

175 West Jackson

The second-largest loan in the pool, the 175 West Jackson loan, has a trust balance of $112.5 million (5.5% of the pooled trust balance) and a whole-loan balance of $280.0 million. The whole loan has been divided into three notes: the $112.5 million A-2 note that is included in this transaction, a $112.5 million A-1 note that was contributed to the WBCMT 2004-C15 transaction, and a $55.0 million subordinate B note that was

contributed to the WBCMT 2004-C15 transaction as a nonpooled asset. The A-1 and A-2 notes are pari passu, and the subordinate B note provides credit support for the A-1 and A-2 notes. The 10-year, fixed-rate loan bears interest at 5.860%, matures in September 2014, is interest-only for the first three years, and amortizes on a 30-year schedule thereafter.

The loan is collateralized by a first mortgage encumbering a 1,449,067-sq.-ft., 22-story, class A office building located in Chicago, Ill. The property, formerly known as the Insurance Exchange Building, was built in phases between 1912 and 1932 and was designed by Daniel Burnham. Since purchasing the property from Helmsley in 1998, the borrower has spent more than $87 million ($60 per sq. ft.) and three years to renovate it completely.

The property is located at the western edge of the Central Loop office submarket, and it is adjacent to the Federal Reserve Building, the Chicago Options Exchange, and the Midwest Stock Exchange. The building occupies an entire city block with frontage on four streets, contains lobbies at the north and south ends of the building, and has an expansive corridor that connects the lobbies and includes two enclosed atriums. The floor plates are some of the largest in Chicago, averaging nearly 68,000 sq. ft. Ground floor retail tenants include CVS/Pharmacy, Starbucks, Krispy Kreme Donuts, and several restaurant tenants. The building is serviced by 39 elevators and offers tenants a new 250-car subterranean parking garage with valet parking and auto-detailing service.

As of December 2004, the building was 90.0% leased and 81.1% occupied by approximately 35 office tenants and 13 retail tenants. Office tenants pay an average gross rent of $29.27 per sq. ft., and retail tenants pay an average gross rent of $59.77 per sq. ft.

Table 2 lists the major office tenants at the property.

Table 2 – Major 175 West Jackson Street Tenants

Tenant	Rating	Sq. ft.	Property NRA (%)	Base rent per sq. ft. ($)	Base rent (% of GPR)	Lease expiration
MHW Harza Energy and Infrastructure	BBB-	139,067	9.6	28.19	11.1	2015
AON Service Corp.	BBB+	135,029	9.3	29.50	11.2	2012
Intell Management and Investment Co.	N.R.	129,473	8.9	29.00	9.6	2014
SEC	AAA	102,613	7.1	32.20	9.3	2012
Navigant Consulting Inc.	N.R.	72,817	5.0	27.39	5.6	Month to month and 2012
NRA—Net rentable area. GPR—Gross potential rent. N.R.—Not rated.						

The sponsors of the bankruptcy-remote SPE borrower are Strategic Investment Property Fund Inc. and Gary Barnett, the principal of Intell Management and Investment Co., a New York-based national owner, developer, construction manager, and asset manager of office, retail, and multifamily properties. Intell is currently the owner and manager of a 20-property portfolio that encompasses more than 10 million sq. ft. in New York City, Chicago, Boston, and St. Louis, and is valued at $1.5 billion. An affiliate of the borrower manages the property. The loan is structured with a hard lockbox for cash management.

The following section summarizes Standard & Poor's underwriting assumptions for this loan:

- Standard & Poor's bifurcated the underwriting analysis because although the property is 90% leased, 129,473 sq. ft. (8.9% of net rentable area (NRA)) is subject to a collateralized master lease to the borrower. Cash flow was underwritten on an as-is approach; however, Standard & Poor's used a stabilized approach to derive the ultimate value of the building;
- GPR was based on leases in place as of December 2004;
- For cash flow and DSC purposes, the in-place physical vacancy of 18.9% was assumed under the as-is approach; however, for valuation purposes, a vacancy of 10% was assumed on a stabilized basis;
- For the as-is approach, expense reimbursements were underwritten based on the actual lease terms and historical recovery performance. For the stabilized approach, expense reimbursements were based on the tenants' contractual obligations, a stabilized 90% occupancy, the borrower's 2005 budget, and the appraiser's estimate of expense recoveries;
- Other income was based on the trailing 12 months (TTM) through May 2004 performance;
- Operating expenses, other than property taxes and insurance premiums, were based on the higher of the property's actual TTM through May 2004 expenses and the appraiser's estimate of expenses once the property is leased up to a stabilized occupancy;
- Property taxes and insurance premiums were based on the appraiser's estimate of these expenses, which are higher than the property's actual historical expenses;
- The management fee was capped at $1.0 million;
- Replacement reserves were underwritten at $0.35 per sq. ft.;
- TI expenses for office space were estimated at $15.00 per sq. ft. for new leases and $7.50 per sq. ft. for renewal leases;
- TI expenses for retail space were estimated at $12.00 per sq. ft. for new leases and $6.00 per sq. ft. for renewal leases;
- LC expenses were estimated at 4.0% for new space and 2.0% for renewal space;
- Weighted average lease terms of 15.0 years and 33.7 years were assumed for office and retail tenants, respectively, for TI costs and were capped at 10 years for LC costs;
- A renewal probability of 65.0% was assumed;
- Based on these assumptions, Standard & Poor's overall NCF variance for the property was 23.6% based on the property's in-place NCF without the benefit of the collateralized master lease to the borrower, and 2.0% based on the assumed stabilized occupancy of 90%;
- Standard & Poor's applied a weighted capitalization rate of 8.75% to NCF; subtracted new TI/LC costs and downtime NOI of three years associated with re-leasing the vacant space, but completely offset the subtracted downtime NOI with a $20 million up-front cash reserve collected from the borrower at closing; and gave credit of $8.4 million for the present value of future rent bumps for the long-term investment-grade tenants. This yielded a value of $319.7 million, or $221 per sq. ft.; and
- The quality score for this asset is 2.50, an above-average score.

This loan exhibits the following strengths:

- The pooled senior portion of the A-2 note has credit characteristics consistent with investment-grade obligations rated 'BBB-';
- The property benefits from an excellent location in the Central Loop office submarket of Chicago, close to major mass transit hubs, popular retail stores, ample public parking, and the financial exchanges;
- The property underwent a complete three-year renovation costing more than $60 per sq. ft., effectively making it a new class A office building that competes very well in the Central Loop submarket, as evidenced by its high-quality tenant roster and significant leasing activity since it reopened in 2001;
- The property benefits from a diversified tenant base, and approximately 25% of the building's NRA is occupied by investment-grade tenants; and
- The property benefits from strong sponsorship and management.

This loan exhibits the following concerns and mitigating factors:

- New construction continues to be a concern in the Chicago central business district (CBD) office market, with three new class A office buildings nearing completion south of the subject property on South Wacker and Dearborn, totaling 3.35 million sq. ft. This, combined with the already soft CBD office market, presents a challenge for absorption of vacant space. The subject property is well positioned to compete in its submarket because it offers an ideal mix of high-quality class A space, convenient access to mass transit and retail, and large rectangular 68,000-sq.-ft. floor plates that offer additional natural light through the two atriums on the north and south sides of the building;
- There is 129,473 sq. ft. (8.9% of NRA) that is subject to a collateralized master lease to the borrower. All payments under the master lease flow through a cash management waterfall, and the lease is collateralized by an up-front $20 million cash reserve for the initial five-year term. Any default under the master lease is a default under the loan, with the $20 million subject to lender control;
- There are 18 tenants aggregating 944,000 sq. ft. (65% of NRA) that have early lease termination options. The tenants' options vary from tenant to tenant; however, the aggregate annual potential rent loss is more than offset by the associated termination fees, which will be captured by the lender;
- There are currently two tenants who sublease space: BEA Systems (2.4% of NRA) leases 85% of its space, and ING subleases all of its space (0.3% of NRA). These two tenants constitute a very small percentage of the building's occupied space. The property is leased predominately to tenants that occupy whole floor plates, and it has only a few multitenanted floors; and
- The borrower is permitted to incur future mezzanine debt in the amount of $54 million. This additional debt is subject to the terms of a subordination and standstill agreement. All additional debt was considered when sizing the capital structure for the loan and credit support levels for the deal.

180 Maiden Lane

The third-largest loan in the pool, the 180 Maiden Lane loan, has a pooled trust balance of $93.0 million (4.5% of the pool) and a whole-loan balance of $292 million. The whole loan consists of an A note of $186 million that is split into two equal pari passu pieces: a $93.0 million A-2 note to be included in this transaction and a $93.0 million A-1 note that was contributed to the WBCMT 2004-C15 transaction. In addition to the A note, the property is encumbered by a $69.5 million subordinate B note that was also included in the WBCMT 2004-C15 transaction as a nonpooled asset of the trust and a $36.5 million

subordinate C note that will be held outside of the trust. In addition to the A, B, and C notes, the loan has outstanding mezzanine debt totaling $36.5 million. The five-year, fixed-rate loan bears interest only, at a rate of 5.41%, and matures in November 2009.

The loan is collateralized by a first mortgage on a 41-story, 1,088,763-sq.-ft. office building located on the east side of downtown Manhattan, adjacent to the Brooklyn Bridge and South Street Seaport. The subject was built in 1984, renovated in 2000, and has been actively maintained with significant infrastructure upgrades.

The building is 100% leased to 10 office tenants, with two primary tenants, Goldman Sachs ('A+', 803,223 sq. ft., 74% of NRA, lease expires in 2014 with an option to terminate in 2009) and Stroock & Stroock & Lavan (not rated, 231,932 sq. ft, 21% of NRA, lease expires in 2008 and 2013).

The borrower, Almah LLC, is structured as a bankruptcy-remote SPE with an independent director and a nonconsolidation opinion. The sponsor, Joseph Moinian, has extensive real estate experience and currently owns and controls a portfolio of properties that exceeds 10 million sq. ft. of office, industrial, residential, retail, and hotel properties throughout the U.S. and abroad. The subject property is managed by Cushman & Wakefield, which manages more than 6,000 properties. The loan has been structured with a hard lockbox for debt service and basic carrying costs and a springing lockbox for other expenses and replacement reserves.

The following points summarize Standard & Poor's underwriting assumptions for this loan:

- Revenues were based on in-place rents as of December 2004;
- Expense reimbursements were based on tenants' contractual obligations and the property's historical performance;
- Other income was based on TTM figures;
- A vacancy rate of 1.0% was assumed for the Goldman Sachs and Stroock space and 7.5% was assumed for the remainder;
- Operating expenses, including real estate taxes and insurance premiums, were based on the borrower's 2004 budget, TTM figures, and historical performance;
- A management fee of $1.0 million was assumed;
- Replacement reserves were underwritten at $0.35 per sq. ft.;
- TI allowances were estimated at $12.00 per sq. ft. for new leases and $4.00 per sq. ft. for renewal leases, based on a weighted average in-place rent of $22.36 per sq. ft.;
- LCs were estimated at 4% for new space and 2% for renewal space;
- Based on these assumptions, Standard & Poor's overall NCF variance was 1.9%;
- Standard & Poor's applied a capitalization rate of 8.75% to NCF, yielding a value of $294.1 million, or $270 per sq. ft.; and
- The quality score for this asset is 2.5, an above-average score.

This loan exhibits the following strengths:

- The pooled trust balance exhibits credit characteristics consistent with investment-grade obligations rated 'A-' by Standard & Poor's;
- An investment-grade tenant accounts for 73.8% of NRA and 78.5% of GPR, and one of the nation's 10 most prestigious law firms, Stroock, accounts for 21.3% of NRA and 18.5% of GPR;

- The property's quality score is 2.5, which is above average; and
- The property benefits from experienced sponsorship and management.

This loan exhibits the following concerns and mitigating factors:

- The loan is exposed to rollover risk, as Goldman Sachs ('A+', 73.8% of NRA, lease expires in April 2014) has the option to terminate its lease in November 2009. The date of this termination option coincides with the anticipated completion date of a $1.8 billion, 2 million-sq.-ft. headquarter building that Goldman is planning to construct in Battery Park City. To mitigate this risk, if Goldman Sachs decides to exercise its option, the company is required to pay a termination fee of $24.7 million ($30.75 per sq. ft.) and give 18 months' notice. In addition, when notice has been given, the borrower will trap 100% of the property's cash flow to be used as an escrow to re-tenant the space; and
- There is a $36.5 million mezzanine loan secured by a pledge of the borrower's equity interests. The mezzanine debt is subject to a standard intercreditor agreement that generally conforms to Standard & Poor's criteria. The mezzanine financing was taken into consideration when sizing the capital structure for the loan.

Figueroa Plaza

The fourth-largest loan in the pool, the Figueroa Plaza loan, has a trust and whole-loan balance of $90.0 million (4.4% of the pooled trust balance). The five-year, fixed-rate, interest-only loan bears interest at a rate of 4.53% and has a final maturity date in December 2009.

The loan is collateralized by a first-mortgage lien on a 611,992-sq.-ft., twin 16-story tower, class A office complex located in downtown Los Angeles. The property was completed in two phases between 1986 and 1991. The property is in downtown Los Angeles, approximately one mile south of the interchange between US-101 and SR-110. The property is currently 97.3% occupied by 11 tenants.

Table 3 lists the major office tenants at the property.

Table 3 – Major Figueroa Plaza Tenants

Tenant	Rating	Sq. ft.	Property NRA (%)	Base rent per sq. ft.	Base rent (% of GPR)	Lease expiration
City of Los Angeles	AA	317,515	51.9	18.22	47.2	2010
Lewis, Brisbois & Smith LLP	N.R.	143,156	23.4	25.76	30.1	2012
County of Los Angeles	AA	84,607	13.8	19.36	13.4	2005 and 2007

NRA—Net rentable area. GPR—Gross potential rent. N.R.—Not rated.

The building also contains approximately 4,196 sq. ft. of ground floor retail space.

The sponsor of the bankruptcy-remote SPE borrower is Beacon Capital Partners. Beacon Capital Partners is a real estate private equity investment firm with a current investment portfolio valued at approximately $3 billion. Beacon Capital Partners focuses on office properties in a select number of target markets throughout the U.S., including Boston, Washington, D.C., New York, Los Angeles, San Francisco, Chicago, Denver, and Seattle. The property manager is an affiliate of Beacon Capital Partners. The loan is structured with a springing lockbox for cash management.

The following section summarizes Standard & Poor's underwriting assumptions for this loan:

- GPR was based on leases in place as of December 2004, with vacant space grossed up at weighted average in-place rents;
- Vacancy of 3% was assumed for the government-leased office space and vacancy of 9% was assumed for the remaining space, resulting in a weighted average vacancy adjustment of 5.4%;
- Expense reimbursements were underwritten based on the actual lease terms and historical recovery performance;
- Other income was based on the appraiser's estimate;
- Operating expenses, other than property taxes and insurance premiums, were based on historical levels;
- Property taxes were based on the appraiser's estimate and the insurance expense was based on the actual insurance premium amount;
- The management fee of 4% of EGI was assumed;
- Replacement reserves were underwritten at $0.35 per sq. ft.;
- TI costs for office space were estimated at $10.00 per sq. ft. for new space and $5.00 per sq. ft. for renewal space;
- TI costs for retail space were estimated at $5.00 per sq. ft. for new space and $2.50 per sq. ft. for renewal space;
- LCs were estimated at 4.0% for new space and 2.0% for renewal space;
- Weighted average lease terms of 10.3 years and 14.3 years were assumed for office and retail tenants, respectively, for TI costs and were capped at 10 years for LC costs;
- A renewal probability of 70.0% was assumed;
- Based on these assumptions, Standard & Poor's overall NCF variance for the property was 7.9%;
- Standard & Poor's applied a weighted capitalization rate of 8.75% to NCF, yielding a value of $86.0 million, or $141 per sq. ft.; and
- The quality score for this asset was 2.50, an above-average score.

This loan exhibits the following strengths:

- The property is centrally located in downtown Los Angeles, proximate to major highways and public transportation;
- The property has 62.9% of its GPR coming from investment-grade tenants. The City of Los Angeles, which makes up 45.98% of the GPR, is rated 'AA'; the County of Los Angeles, which makes up 12.99% of the GPR, is rated 'AA'; and the California Employment Development Department, which makes up 3.9% of the GPR, is rated 'A'; and
- The property benefits from strong sponsorship and management.

This loan exhibits the following concern and mitigating factor:

- The City of Los Angeles' lease expires in 2010, one year after the maturity of the loan, and there is potential risk that over 50% of the property income will be lost at that time. However, at the time of lease expiration, the City of Los Angeles will be paying slightly more than $19 per sq. ft., which is significantly less than the current market rent of $24.92 per sq. ft.

Residence Inn Portfolio #2

The fifth-largest loan in the pool, with a trust balance of $69.139 million (3.4% of the pooled trust balance), is the Residence Inn Portfolio #2, which consists of 11 cross-collateralized and cross-defaulted loans secured by first-mortgage liens on eleven Residence Inn extended-stay hotel properties. The 10-year, fixed-rate loans bear interest at a rate of 6.88%, are interest-only for the first year, and amortize on a 25-year schedule until maturity on Nov. 11, 2014. The extended-stay hotels contain a total of 1,168 suites and typical amenities that include fitness facilities, tennis/basketball courts, meeting rooms, guest laundry, pools, and whirlpools. Suite amenities include telephones with voice messaging, free high-speed wireless internet access, televisions with on-demand videos, a hairdryer, an iron, and an ironing board. In addition, kitchens are fully equipped with a full-size refrigerator, an electric oven/range, a microwave, a coffee maker, and cooking utensils.

The loan is secured by the following 11 cross-collateralized, extended-stay hotel properties (see table 4).

Table 4 – Residence Inn Portfolio #2's Limited-Service Hotel Properties

Location	Year built	No. of suites	TTM ADR ($)	TTM occupancy (%)	TTM RevPAR ($)
Arcadia, Calif.	1989	120	121.35	87.1	104.97
Irvine, Calif.	1989	112	113.17	85.7	94.84
Chicago-Deerfield, Ill.	1988	128	88.48	80.3	68.75
Philadelphia, Pa.	1988	88	109.81	67.4	67.69
Columbia, S.C.	1988	128	78.05	82.0	61.11
Greensboro, N.C.	1987	128	80.90	74.8	58.93
Jacksonville, Fla.	1986	112	85.79	79.6	65.79
St. Petersburg, Fla.	1986	88	98.71	79.8	71.89
Boca Raton, Fla.	1987	120	82.03	85.8	69.03
Pensacola, Fla.	1985	64	91.87	84.0	72.84
Lubbock, Texas	1986	80	82.72	76.1	73.75
Total/weighted avg.		1,168	100.69	80.5	80.43

TTM—Trailing 12 months. ADR—Average daily rate. RevPAR—Revenue per available room.

The borrower is structured as an SPE. The sponsor of the borrower is Apple Hospitality Two Inc., a Virginia Corporation and REIT. In January 2003, Apple Hospitality Two Inc. merged with Apple Suites Inc. to form one of the largest lodging REITs in the U.S., which now has 66 extended-stay hotels across the country. Of its 66 hotels, Apple owns 49 Residence Inns by Marriott consisting of 5,947 suites, and 17 Homewood Suites by Hilton consisting of 1,922 suites. Residence Inn by Marriott Inc., a wholly owned subsidiary of Marriott International Inc., manages the subject properties. Marriott International owns nearly 2,400 lodging properties located in 50 states and 63 countries and territories. The loan is not structured with a cash management feature.

The following points summarize Standard & Poor's underwriting assumptions for this loan:

- Standard & Poor's underwritten rooms revenue was based on historical occupancies and average daily rates (ADR). On a poolwide basis, Standard & Poor's concluded an occupancy of 79.54% and an ADR of $100.69, yielding a revenue per available room (RevPAR) of $80.43;

- Departmental revenues were generally underwritten based on historical levels, on a per-occupied-room basis, with greater emphasis on data from the TTM through October 2004;
- Departmental expenses were generally underwritten based on the historical departmental profit margin level;
- Undistributed and fixed expenses are in line with historical expenses on an absolute and percentage basis;
- A furniture, fixtures, and equipment (FF&E) reserve was underwritten at 4.0% of total revenue;
- Based on these assumptions, Standard & Poor's NCF variance was 3.29%;
- Standard & Poor's capitalized NCF at capitalization rates ranging from 11.75%-12.00%, for an overall weighted average rate of 11.80%. Standard & Poor's calculated the value for one of the properties at 55% of the appraised value, resulting in a total value of $71.9 million ($61,594 per suite); and
- Quality scores for these assets resulted in a weighted average score of 3.00, an average score.

This loan exhibits the following strengths:

- The loans are secured by 11 cross-collateralized and cross-defaulted properties;
- The hotels are well located, proximate to demand generators and major highways;
- The hotels benefit from strong and experienced management; and
- The sponsors have completed approximately $19.5 million of renovations at the subject properties since August 2002 ($16,695 per suite).

This loan exhibits the following concern and mitigating factor:

- Hotels are volatile assets compared with other property-types; the events of Sept. 11, 2001, and the general economic climate have greatly affected the overall performance of the lodging sector. Standard & Poor's underwriting and subordination levels reflect these concerns and the subject properties have all seen significant improvements in performance over the past two years.

Hotel Gansevoort

The sixth-largest loan in the pool is the Hotel Gansevoort loan, with a whole-loan and trust balance of $68.0 million (3.3% of the pooled trust balance). The 10-year, fixed-rate loan bears interest at a rate of 6.24% and amortizes on a 25-year schedule through loan maturity in December 2014.

The loan is secured by a first-mortgage lien on a 187-room, luxury, full-service hotel in New York City. The property, which was recently built, opened in March 2004 and is located in the center of the Meatpacking District of Manhattan, at the corner of Ninth Avenue and 13th Street. The subject property's neighborhood is an area that has transitioned from a primarily industrial area to a stylish entertainment and commercial center. The area has been populated over the past three years with a wide array of high-end restaurants, designer boutiques, and adaptive-use office buildings. Despite its recent opening, between May 2004 and October 2004, the Hotel Gansevoort achieved occupancy of 70.0% (84.3% market penetration), an ADR of $330.73 (105.7% market penetration), and RevPAR of $231.61 (88.7% market penetration). The subject's competitive set includes the Mercer Hotel (75 rooms), the 60 Thompson Hotel (98

rooms), The Soho Grand Hotel (363 rooms), the Tribeca Grand Hotel (203 rooms), and the W New York Union Square Hotel (270 rooms). The primary demand generators for the property are the numerous companies in Lower Manhattan involved in the fashion, media, and finance service industries.

The loan is made to a borrower, Gansevoort LLC, and a co-borrower, Regent SPE LLC. The borrower is the owner of the leasehold interest in the property pursuant to a ground lease and the co-borrower is the owner of the fee interest in the property. The ground lease expires in 2098 and is fully subordinate to the first mortgage. The borrower has been structured as a bankruptcy-remote SPE, while the co-borrower has been structured as an SPE with two independent directors but no nonconsolidation opinion. The sponsor of the borrower is William Achenbaum, a high-net-worth individual who has developed office towers, luxury apartments, suburban hotels, and industrial and research facilities. He was the chairman of Newport Hotels Corp., which managed eight hotels with 1,750 rooms. The sponsor of the co-borrower is Richard Born. Richard Born and his business partner Ira Druiker make up the controlling interest in Regent Hotels LLC. Through BD Hotels and Regent, Mr. Born has ownership interests in and operates 20 hotels in New York City, including Hotel Gansevoort, The Mercer, The Chambers, and The Maritime Hotel.

The manager of the property is HK Hotels LLC, a boutique hotel management company run by Henry Kallan, a hotelier with more than 40 years of experience in the hotel industry. The company operates five hotels in Manhattan and one in Prague, Czech Republic. HK Hotels' management portfolio has a total of 514 hotel rooms.

The following points summarize Standard & Poor's underwriting assumptions for this loan:

- Standard & Poor's underwritten rooms revenue was based on actual, historical, and projected occupancies and ADRs; the penetration yields; and the subject's general market position relative to the competitive set. Given the recent opening of the hotel, the historical figures analyzed represent the annualized performance from May 2004 through October 2004. Standard & Poor's concluded an occupancy of 75.0% and an ADR of $350.00, yielding a RevPAR of $262.50;
- Departmental revenues were underwritten based on historical levels and the appraiser's estimates on a per-occupied-room basis;
- Departmental expenses were generally underwritten based on the corresponding historical departmental profit margin levels and those estimated by the appraiser;
- Undistributed and fixed expenses are in line with the appraiser's estimates, which are generally higher than historical levels;
- Ground rent was underwritten at $0.3 million, the difference between the annual ground lease amount of $1.5 million and the co-borrower's $1.2 million contractual debt service obligation;
- An FF&E reserve was underwritten at 3.0% of total revenue;
- A management fee of 3.0% was assumed;
- The combined management fee, marketing expense, and franchise fee totaled 8.0% of underwritten revenue;
- Based on these assumptions, Standard & Poor's NCF variance was 2.3%;
- Standard & Poor's capitalized NCF using a capitalization rate of 10.5%, resulting in a total value of $86.5 million ($462,481 per room); and
- The overall quality score for this loan is 2.5, an above-average score.

This loan exhibits the following strengths:

- The hotel is newly constructed, well designed, and has high-quality finishes. In addition, it features rooms that are more than 290 sq. ft. on average, compared with an average room size of 250 sq. ft. for its competitive set;
- The property is well located in the trendy Meatpacking District of Manhattan. It is surrounded by upscale restaurants, popular night clubs, and high-end retailers; and

Despite its short operating history, the subject hotel has achieved high levels of penetration, reaching 88.7% RevPAR penetration for the five-month period between May 2004 and October 2004, and 102.0% RevPAR penetration for the month of October.

This loan exhibits the following concern and mitigating factor:

- The 100% owner of the borrower is currently named as a defendant in a legal case. The case involves a suit brought by a former minority owner of the prior owner of the property and relates to the authority of the managing and majority partners of the prior owner to sell the property. However, a legal review performed by the loan seller determined that there is little merit to the plaintiff's claims against the borrower and that the likelihood of any judgment against the borrower was unlikely. Nevertheless, the Achenbaum Family Partnership L.P., an entity with substantial net worth related to the sponsor, has provided a guaranty of up to $1.5 million to cover any liability that may arise from a judgment against the borrower. In addition, the Achenbaum Family Partnership L.P. has also provided an indemnity to cover any legal costs incurred by the mortgagee. Furthermore, in the event a judgment is entered against the sponsor or the borrower that is in excess of the amount of the indemnity, the defendants must give notice of their intent to pay the judgment or appeal. In the event the defendants elect to appeal, they will have to increase the amount of the guaranty to match the judgment and provide a bond for the full amount of the judgment with the court, if required by the court. As an additional mitigant, the title company has provided a clean title insurance policy with respect to the litigation.

900 Fourth Avenue

The seventh-largest loan in the pool, the 900 Fourth Avenue loan, has a trust balance of $67.0 million (3.2% of the trust pool balance) and a whole-loan balance of $82.0 million. The whole loan consists of a senior $67.0 million A note and a $15.0 million subordinate B note that will be held outside of the trust. The fixed-rate, interest-only, five-year loan bears interest at 4.96% and matures in November 2009. The subordinate note is a capital improvement and lease-up facility that bears interest a LIBOR plus 290 basis points.

The loan is collateralized by a first-mortgage lien on a 534,751-sq.-ft., 40-story office building located in downtown Seattle, Wash. The property was completed in 1974 and renovated in 1998 at a cost of $17.0 million ($31.79 per sq. ft.). The subject is situated in the Seattle CBD, along Fourth Ave. between Madison and Marion Streets on an entire city block. The subject is currently 73.9% occupied by 41 tenants at a weighted average rent of $28.95 per sq. ft. The building currently contains approximately 17,847 sq. ft. of ground floor retail space (3.3% of NRA) and there is a 489-space parking garage beneath the building.

Table 5 lists the major office tenants at the property.

Table 5 – Major 900 Fourth Avenue Tenants						
Tenant	**Rating**	**Sq. ft.**	**Property NRA (%)**	**Base rent per sq. ft.**	**Base rent (% of in-place rent)**	**Lease expiration**
Attorney General – State of Washington	AA	115,501	21.6	33.56	36.1	2007
Union Bank of California N.A.	A-	44,678	8.4	20.53	8.6	2014
Secure Computing Corp.	N.R.	38,724	7.2	34.23	12.4	2005
DLR Group	N.R.	16,797	3.1	18.00	2.7	2014
King County Prosecuting Attorney's Office	N.R.	16,797	3.1	25.00	3.7	Month to month
NRA—Net rentable area. N.R.—Not rated.						

The sponsor of the bankruptcy-remote SPE borrower is Beacon Capital Strategic Partners III L.P. Beacon is a real estate private equity investment firm with a current portfolio valued at $3.0 billion. Beacon focuses on office properties in a select number of markets throughout the U.S., including Boston, Washington, D.C., New York, Los Angeles, San Francisco, Chicago, Denver, and Seattle. The property manager is The Trammell Crow Co., one of the largest commercial real estate service companies in the U.S., which provides building management, brokerage, and project management services to both owners and users of commercial real estate. The loan is structured with a springing lockbox for cash management.

The following section summarizes Standard & Poor's underwriting assumptions for this loan:

- Standard & Poor's bifurcated the underwriting analysis. Cash flow was underwritten on an as-is approach; however, Standard & Poor's used a stabilized approach assuming an 88% occupancy level to derive the ultimate value of the building;
- GPR was based on leases in place as of October 2004, with vacant space grossed up at the weighted average in-place rent;
- For cash flow and DSC purposes, no additional vacancy was assumed under the as-is approach because the property's occupancy is below market levels; however, for valuation purposes, a vacancy of 12% was assumed on a stabilized basis;
- Expense reimbursements were underwritten based on the actual lease terms and historical recovery performance;
- Other income was based on historical performance;
- Operating expenses, other than property taxes and insurance, were based on historical levels;
- Property taxes and insurance were based on the actual expenses;
- A management fee of 4% of EGI was assumed;
- Replacement reserves were underwritten at $0.30 per sq. ft.;
- TI costs for office space were estimated at $10.00 per sq. ft. for new space and $5.00 per sq. ft. for renewal space;
- TI costs for retail space were estimated at $10.00 per sq. ft. for new space and $5.00 per sq. ft. for renewal space;

- LCs were estimated at 4.0% for new space and 2.0% for renewal space;
- Weighted average lease terms of 6.9 years and 14.2 years were assumed for office and retail tenants, respectively, for TI costs and were capped at 10 years for LC costs;
- A renewal probability of 65.0% was assumed;
- Based on these assumptions, Standard & Poor's overall NCF variance for the property was 22.8%;
- Standard & Poor's completed a stabilized analysis by grossing up the vacant space at the market rent of $26.00 per sq. ft. One year of downtime NOI associated with leasing the vacant space and new TI/LC costs were subtracted from the value. The TI/LC costs were offset against funds available under a $15.0 million credit facility for TI/LC and capital improvements. A capitalization rate of 9.25% was applied to the as-is NCF and a capitalization rate of 9.50% was applied to the incremental stabilized NCF assuming a 88% stabilized occupancy rate, yielding a value of $86.0 million, or $161 per sq. ft.; and
- The quality score for this asset was 3.00, an average score.

This loan exhibits the following strengths:

- The property is well located in downtown Seattle, with easy access to the area highway network and the State of Washington ferry system;
- Ten investment-grade tenants, leasing 41.0% of NRA, occupy the building under long-term leases; and
- The property benefits from strong sponsorship and management.

This loan exhibits the following concern and mitigating factor:

- The subject is somewhat old, having been built in 1973; however, it has undergone renovations of $17.0 million ($31.79 per sq. ft.) since 1998.

Credit Evaluation

The following tables provide further analysis of the cash flow and valuation of the various property types, the top 10 loan characteristics, and Standard & Poor's DSC and LTV stratification ranges.

Table 6 - Cash Flow Analysis and Valuation

Property type	% of pool	DSC (x)	% NCF diff.*	Cap rate (%)	Beg. LTV (%)	End. LTV (%)	Value per unit/sq. ft. ($)
Office	37.2	1.56	12.8	8.92	94.3	88.4	207
Retail	25.9	1.48	1.7	9.05	94.3	80.8	174
Multifamily	12.3	1.35	2.1	8.74	94.7	82.3	65,749
Hotel	10.5	1.58	2.2	11.35	90.4	71.3	191,354
Self-storage	6.2	1.82	3.7	10.25	116.7	114.4	133
Mixed	4.8	1.32	2.7	9.25	96.8	82.6	118
Mobile-home park	2.0	1.27	0.9	8.74	99.9	87.7	17,018
Industrial	0.6	1.26	2.1	9.00	94.4	79.3	47
Land – hotel	0.3	1.45	2.0	11.33	116.1	96.7	8
Land – retail	0.2	1.27	5.0	9.25	108.9	91.4	558
Total	100.0	1.51	6.2	9.29	95.6	85.1	—

*Difference between Standard & Poor's estimated NCF and underwriter's estimated NCF as a percentage of underwriter's estimated NCF. DSC—Debt service coverage ratio. NCF—Net cash flow.

Table 7 - Top 10 Loans								
Property name	**Property type**	**% of pool**	**DSC (x)**	**% NCF diff.***	**Cap rate (%)**	**Beg. LTV (%)**	**End. LTV (%)**	**Value per unit/sq. ft. ($)**
6 Times Square	Office CBD	5.6	1.00	24.48	8.40	103.07	99.92	374
175 West Jackson	Office CBD	5.5	1.32	23.06	8.75	70.38	63.43	221
180 Maiden Lane	Office CBD	4.5	2.56	1.86	8.75	63.24	63.24	270
Figueroa Plaza	Office CBD	4.4	1.85	7.91	8.75	104.6	104.66	141
Residence Inn Portfolio #2	Hospitality extended stay	3.4	1.48	3.29	11.80	96.10	79.19	61,594
Hotel Gansevoort	Hospitality full service	3.3	1.69	2.31	10.50	78.53	61.37	462,481
900 Fourth Avenue	Office CBD	3.2	1.76	22.85	9.25	77.95	77.95	161
AON Office Building	Office suburban	3.1	1.17	16.98	9.50	117.08	100.91	134
Extra Space SS - Portfolio #1	Self-storage	2.7	1.80	6.33	10.25	122.50	122.50	47
Extra Space SS Portfolio #2	Self-storage	2.7	1.86	1.33	10.25	118.55	118.55	60
Weighted avg.	—	38.3	1.62	12.32	9.43	92.67	86.94	0

*Difference between Standard & Poor's estimated NCF and underwriter's estimated NCF as a percentage of underwriter's estimated NCF. DSC—Debt service coverage ratio. NCF—Net cash flow. CBD—Central business district.

Table 8 - Standard & Poor's DSC Range			
DSC range (x)	**No. of loans**	**Loan balance ($)**	**% of pool**
>1.65	21	636,823,985	30.8
1.55 to 1.65	6	90,845,909	4.4
1.50 to 1.54	7	69,794,840	3.4
1.45 to 1.49	10	118,536,819	5.7
1.40 to 1.44	18	137,434,619	6.6
1.35 to 1.39	14	152,466,890	7.4
1.30 to 1.34	16	278,937,448	13.5
1.25 to 1.29	16	183,333,406	8.9
1.20 to 1.24	21	138,248,495	6.7
1.15 to 1.19	9	112,087,308	5.4
1.10 to 1.14	2	33,428,568	1.6
1.05 to 1.09	0	0	0.0
1.04 to 1.00	1	115,000,000	5.6
0.00 to 1.00	0	0	0.0
Total	141	2,063,442,241	100.0

DSC—Debt service coverage ratio.

Table 9 - Standard & Poor's Beginning LTV			
Beginning LTV range (%)	**No. of loans**	**Loan balance ($)**	**% of pool**
<50	0	0	0.0

Table 9 - Standard & Poor's Beginning LTV			
Beginning LTV range (%)	**No. of loans**	**Loan balance ($)**	**% of pool**
50 to 60	2	3,247,320	0.2
61 to 70	8	114,740,584	5.6
71 to 75	2	159,800,000	7.7
76 to 80	11	189,886,959	9.2
81 to 85	6	63,370,889	3.1
86 to 90	11	87,638,887	4.2
91 to 95	18	145,023,269	7.0
96 to 100	29	382,501,022	18.5
>100	54	920,729,358	44.5
Total	141	2,063,442,241	100.0

Table 10 - Standard & Poor's Ending LTV			
Ending LTV range (%)	**No. of loans**	**Loan balance ($)**	**% of pool**
Fully amortizing loans	6	14,564,226	0.7
0 to 50	2	3,247,320	0.2
51 to 60	8	45,260,173	2.2
61 to 70	15	380,220,601	18.4
71 to 75	12	163,415,058	7.9
76 to 80	21	220,317,318	10.7
81 to 85	16	161,701,920	7.8
86 to 90	25	306,938,049	14.8
91 to 95	18	174,073,457	8.4
96 to 100	8	180,415,166	8.7
>100	10	416,785,000	20.2
Total	141	2,063,442,241	100.0

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