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Presale: Wachovia Bank Commercial Mortgage Trust

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\$2.002 Billion Commercial Mortgage Pass-Through Certificates Series 2006-C24

This presale report is based on information as of March 16, 2006. 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 March 16, 2006			
Class	Preliminary rating*	Preliminary amount (\$)	Recommended credit support (%)
A-1¶	AAA	30,437,000	30.000
A-2¶	AAA	361,311,000	30.000
A-PB¶	AAA	84,272,000	30.000
A-3¶	AAA	610,984,000	30.000
A-1A¶	AAA	314,342,000	30.000
A-M¶	AAA	200,192,000	20.000
A-J¶	AAA	145,140,000	12.750
B¶	AA+	17,517,000	11.875
C¶	AA	22,521,000	10.750
D¶	AA-	17,517,000	9.875
E¶	A+	15,015,000	9.125
F¶	A	20,019,000	8.125
G	A-	20,019,000	7.125
H	BBB+	25,024,000	5.875
J	BBB	32,531,000	4.250
K	BBB-	20,020,000	3.250
L	BB+	7,507,000	2.875
M	BB	7,507,000	2.500
N	BB-	7,507,000	2.125
O	B+	5,005,000	1.875
P	B	5,005,000	1.625
Q	B-	7,507,000	1.250
S	NR	25,024,624	0.000
X-C§	AAA	2,001,923,624**	N/A
X-P§	AAA	1,934,999,000**	N/A

*The rating of each class of securities is preliminary and subject to change at any time. †Currently being offered publicly. §Interest-only class. **Notional amount. NR—Not rated. N/A—Not applicable.

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Profile

Expected closing date: March 30, 2006.

Collateral: 119 loans secured by 130 properties.

Underwriters: Wachovia Capital Markets LLC, Nomura Securities International Inc., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, and J.P. Morgan Securities Inc.

Sellers: Wachovia Bank N.A., Artesia Mortgage Capital Corp., JPMorgan Chase Bank N.A., and Nomura Credit & Capital Inc.

Master servicer: Wachovia Bank N.A.

Special servicer: LNR Partners Inc.

Depositor: Wachovia Commercial Mortgage Securities Inc.

Trustee: LaSalle Bank N.A.

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Rationale

The preliminary ratings assigned to Wachovia Bank Commercial Mortgage Trust's \$2.002 billion commercial mortgage pass-through certificates series 2006-C24 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. Class A-1, A-2, A-PB, A-3, A-1A, A-M, A-J, B, C, D, E, and F 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 1.47x, a beginning LTV of 101.2%, and an ending LTV of 93.1%.

Unless otherwise indicated, all calculations in this report, including weighted averages, do not include the subordinate nontrust B notes for the 1818 Market Street (6.1% of the pool balance), TJX Distribution Center (3.6%), Shoppes at the Village (0.8%), Saratoga Springs Apartments (0.5%), Wellington Point Apartments (0.3%), 2665 South Oneida Street (0.3%), and 555 North Casaloma Drive (0.3%) loans.

Strengths

The transaction exhibits the following strengths:

- Two of the loans (17.6% of the pool) have trust balances with credit characteristics consistent with investment-grade ratings by Standard & Poor's: Grande Lakes Resort Pool ('BBB', 16.7%) and Branmar Shopping Center ('AA-', 0.8%);
- Loans representing 99.7% of the pool balance have borrowing entities that are structured as special-purpose entities (SPEs). Additionally, loans representing 65.1% of the pool have borrowers with nonconsolidation opinions, loans representing 55.5% of the pool have independent directors, and loans representing 48.7% of

the pool have borrowers that are structured as bankruptcy-remote SPEs with both a nonconsolidation opinion and an independent director;

- Relatively stable property types make up 25.1% of the pool balance: multifamily (19.6%), industrial/warehouse (4.9%), and mobile-home park (0.6%);
- Nine loans (34.8%) are secured by multiple cross-collateralized and cross-defaulted assets; and
- The weighted average quality score for the assets securing mortgages in the pool is 2.71, 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 Florida (23.9%), California (15.5%; 14.0% in Southern California and 1.5% in Northern California), Pennsylvania (11.6%), Georgia (6.7%), and Texas (5.9%). The remaining assets are dispersed throughout 30 states, with no other state concentration exceeding 4.5% of the pool balance;
- The pool exhibits asset type concentration in retail (30.6% of the pool), hotel (29.9%), and office properties (14.3% of the pool). Three of the retail loans (12.4% of the pool) are secured by portfolios of multiple cross-collateralized and cross-defaulted loans, and one of the retail loans (0.8%) has a trust balance with credit characteristics consistent with obligations rated investment grade by Standard & Poor's. In addition, the retail concentration is most heavily weighted toward anchored retail (22.7%), which is the most stable segment of the sector. Two of the hotel loans (18.5% of the pool) are secured by portfolios of multiple cross-collateralized and cross-defaulted loans, and one of the hotel loans (16.7%) has a trust balance with credit characteristics consistent with obligations rated investment grade by Standard & Poor's. The underwriting assumptions and capital structures take property type into account, and the credit support levels for the pool consider asset class concentrations;
- The pool exhibits loan concentration, as the top 10 trust balances represent 55.5% of the pool balance. However, one of the top 10 loans has credit characteristics consistent with obligations rated investment grade: Grande Lakes Resort Pool ('BBB'; 16.7%). In addition, one of the top 10 loans (10.6%) is secured by multiple cross-collateralized and cross-defaulted properties, and eight of the top 10 loans (48.7%) are structured with bankruptcy-remote SPE borrowers with nonconsolidation opinions and independent directors;
- Ten loans (25.6%) are full-term, interest-only (IO) loans, and 69 loans (58.5%) have partial IO terms. Standard & Poor's took the IO structure into account in sizing levels; and
- Fourteen loans, which represent 41.7% of the pool balance, have secondary financing in place in the form of a subordinate B note (11.8%), mezzanine debt (23.6%), subordinated secured debt (6.3%), and/or subordinated unsecured debt (0.4%). Furthermore, 34 loans, representing 48.7% of the pool balance, permit the borrower to incur future financing in the form of subordinated secured secondary debt, mezzanine debt, or subordinated unsecured debt. This future additional debt requires a satisfactory intercreditor agreement and certain performance parameters to be met. All existing and potential future additional debt has been taken

into account in the credit support levels.

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Transaction Structure

The certificates issued by the trust represent the beneficial ownership interest in 112 fixed-rate whole loans (88.1%) and the senior interests of seven fixed-rate whole loans (11.9%) that are structured as A/B loans. The junior-interest B notes will not be included in the trust.

The pool includes nine loans (34.8%) 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.

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Pool Characteristics

Collateral description

The pool contains 119 conventional fixed-rate loans secured by liens on 130 properties. By property type, the pool has the following composition: retail (30.6%), hotel (29.9%), multifamily (19.6%), office (14.3%), industrial/warehouse (4.9%), and mobile-home park (0.6%).

Hard lockboxes are in place for three loans, representing 21.2% of the total pool balance. In addition, five loans (8.8%) have soft lockboxes in place, and 21 loans (17.5%) have springing cash management that is triggered by certain conditions, including minimum DSC tests or events of default under the loan documents.

Monthly real estate tax escrows have been established for 88 loans (56.4% of the pool), and monthly insurance premium escrows have been established for 76 loans (47.0% of the pool). Ongoing capital expenditure reserves have been established for loans representing 44.6% of the pool balance.

Reserves have been established for the remediation of existing deferred maintenance items for 27 loans (25.3% of the pool). Generally, the reserve established for each loan equals 125% of the amount recommended in the engineering report.

Monthly leasing reserves have been established for 35 loans (21.5% of the pool representing office, retail, industrial, and mixed-use properties).

Eighteen properties (9.3%) are leased to single tenants. The tenants occupying 15 of these properties, which secure 6.3% of the pool balance, have leases that expire after the respective loan maturity. Additionally, 14 of these single-tenant properties, which secure 8.9% of the pool balance, are occupied by tenants rated investment grade by Standard & Poor's.

Geographic diversity

The pool consists of properties in 35 states. The largest concentrations are in Florida (23.9%), California (15.5%; 14.0% in Southern California and 1.5% in Northern California), Pennsylvania (11.6%), Georgia (6.7%), and Texas (5.9%). The remaining assets are dispersed throughout 30 states, with no other state concentration exceeding 4.5% of the pool balance.

Loan sellers

Wachovia Bank N.A. contributed 84 loans (81.2%), Artesia Mortgage Capital Corp. contributed 26 loans (10.7%), JPMorgan Chase Bank N.A.

contributed 13 loans (5.1%), and Nomura Credit & Capital Inc. contributed nine loans (3.0%).

Loan origination dates

All of the loans (100.0%) were originated within 12 months of the cutoff date.

Hyperamortizing loans

Thirteen loans (9.4% of the pool) were structured as hyperamortizing loans. All of these loans are structured with some form of cash management.

IO loans

Of the loans in the pool, 10 (25.6% of the pool) are IO for the full term of the loans, and an additional 69 loans (58.5% of the pool) have initial IO periods ranging from 12-84 months.

Collateral quality

Based on Standard & Poor's analysis, the pool has a DSC of 1.47x on a weighted average coupon of 5.71%. 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 7.94% on a weighted average basis. This decrease reflects adjustments to rental rates, expense reimbursement ratios, parking and other income levels, 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 101.2%, and the weighted average ending LTV is 93.1%. The weighted average capitalization rate applied to Standard & Poor's NCF is 9.40%. 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 51.1% of the total pool and re-underwrote cash flows and derived asset values for assets representing 72.5% of the pool. The weighted average quality score for the inspected properties is 2.71, an above-average score on Standard & Poor's scale of 1 (highest) to 5 (lowest).

Borrower concentrations

The largest sponsor group is CNL Hospitality Partners L.P., the sponsor for the Grand Lakes Resort Pool loan (16.7%). The five-largest sponsors represent 43.5% of the pool, and the 10-largest sponsors represent 59.0% of the pool.

The largest loan in the pool is the Grand Lakes Resort Pool loan (16.7% of the pool balance). The top five loans represent 41.7% of the pool balance, and the top 10 loans account for 55.5% of the overall pool balance.

The largest loan in the pool, the Grand Lakes Resort Pool loan (16.7% of the pool), is secured by a portfolio of two cross-collateralized and cross-defaulted hotel properties and has a trust balance with credit characteristics consistent with investment-grade ratings by Standard & Poor's ('BBB').

Of the top 10 loans, eight (48.7% of the pool) have bankruptcy-remote SPE borrowers with nonconsolidation opinions and independent directors.

Bankruptcy issues

Three loans (1.5%) have been made to a borrower with principals that have been involved in prior bankruptcies in the past 10 years. All three loans are structured with SPE borrowers and one loan (0.3%) is structured with a bankruptcy-remote SPE borrower. One loan (0.9%) is structured with a hard lockbox for cash management, and another loan (0.3%) is structured with a springing lockbox. The remaining loan (0.3%) has no cash management feature.

Leasehold interests

Four loans (10.3% of the pool) are secured solely or materially by a mortgage lien on the borrower's leasehold interest pursuant to a ground lease. All of these loans have ultimate lease terms (considering extension options) that extend at least 20 years beyond the loan maturity. All of the ground leases afford the lender notice and cure rights.

Tenancies-in-common

Of the loans, 15 (15.0%) are owned by individuals or entities as tenants-in-common (TIC). These generally conform to Standard & Poor's criteria.

A/B notes

The mortgaged properties securing seven loans, representing 11.8% of the pool balance, are encumbered by additional debt in the form of a subordinate B note.

The 1818 Market Street loan (6.1% of pool balance) is structured with a \$10.0 million subordinate B note, the TJX Distribution Center loan (3.6%) is structured with a \$9.6 million subordinate B note, the Shoppes at the Village loan (0.8%) is structured with a \$1.1 million subordinate B note, the Saratoga Springs Apartments loan (0.5%) is structured with a \$593,750 subordinate B note, the Wellington Point Apartments loan (0.3%) is structured with a \$425,000 subordinate B note, the 2665 South Oneida Street loan (0.3%) is structured with a \$415,000 subordinate B note, and the 555 North Casaloma Drive loan (0.3%) is structured with a \$335,000 subordinate B note. Each of these subordinate loans is subject to a subordination agreement and is held outside of the trust.

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.

Additional indebtedness

Five loans (23.6%) have existing mezzanine debt subject to the terms of an intercreditor agreement, and two loans (6.3%) have existing subordinated secured debt.

Two loans (4.7%) permit the borrower to incur future secondary subordinate secured debt. This future additional debt requires a satisfactory intercreditor agreement and certain performance parameters to be met. Thirty-one loans (41.6%) permit the borrower to incur future mezzanine debt subject to a subordination and standstill agreement. One loan (2.4%) permits the borrower to incur future subordinate unsecured

debt.

All existing and potential future additional debt has been taken into account in the credit support levels.

Terrorism insurance coverage

Loans representing 99.9% of the pool have insurance coverage for acts of terrorism, contain express requirements that terrorism coverage be in place, or have coverage that does not specifically exclude acts of terrorism. The loan documents generally require the related borrower to maintain insurance against damage from terrorism and other acts of sabotage. However, the requirements may contain certain qualifications, such as the availability of insurance at commercially reasonable rates and the possibility of the expiration of the Terrorism Risk Insurance Act of 2002, which could prevent terrorism-related coverage from being obtained by the applicable borrower.

Appraisal reports

Appraisal reports, in conformance with USPAP and FIRREA, were prepared for 126 properties (97.0%) in the 12-month period before the cutoff date. The remaining four properties (3.0%) had appraisal reports prepared 24 months before the cutoff date.

Environmental review

Phase I environmental site assessments and/or updates of prior site assessments were prepared for 126 properties (97.5%) in the 12-month period before the cutoff date. The remaining four properties (2.5%) had phase I environmental site assessments and/or updates of prior site assessments prepared 24 months before the cutoff date.

For three properties (4.8%), a phase II assessment was performed in connection with the origination of the loan, and no further action was deemed necessary.

An escrow totaling \$129,563 has been established for three properties (1.8%) to address minor actions that were recommended in the phase I environmental reports.

Structural review

Independent, licensed engineers prepared engineering reports for all of the properties in the pool. The reports identified both deferred maintenance items to be corrected immediately and long-term capital expenditure needs. Twenty-seven properties (25.3%) were identified as needing immediate repairs, and escrows totaling \$2.6 million were established at closing to remedy these items and perform planned, near-term capital improvements. Generally, the loan sellers' requirements for up-front, deferred maintenance reserves are 100%-125% of the recommended amount indicated in the reports.

All of the engineering reports were completed within 12 months of the cutoff date.

Seismic review

Seventeen properties, securing 13.9% of the pool, are located in seismic zones 3 or 4. Seismic studies were completed for all of these properties, and all but one had a probable maximum loss (PML) of less than 20%. The Kent Corporate Park loan (0.3%) has a PML of 24% and the borrower was required to obtain earthquake insurance.

Hurricane and flood review

Of the loans, 32 (29.8%) have properties that are 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.

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Top Seven Loans

Grande Lakes Orlando Resorts

The largest loan in the pool, the Grande Lakes Orlando Resorts loan, has a trust and whole-loan balance of \$335.0 million (16.7% of the pool). In addition to the first mortgage, there is mezzanine debt of \$235.0 million secured by a pledge of equity interests in the borrower. The five-year, fixed-rate, IO loan bears interest at 5.71% through its maturity in March 2011.

The loan is secured by a first mortgage encumbering two cross-collateralized and cross-defaulted hotel properties (see table 1). The Grande Lakes Resort is situated on 500 acres in Orlando, Fla., with two hotels, the 584-room Ritz-Carlton Orlando, Grande Lakes, and the 998-room JW Marriott Orlando, Grand Lakes, the Ritz-Carlton Club golf course, and the Ritz-Carlton Spa. The 14-story Ritz-Carlton includes 64 suites, 56 Ritz-Carlton Club level rooms, and two Ritz-Carlton Suites. There is roughly 35,000 sq. ft. of indoor conference space and another 52,000 sq. ft. of outdoor function space. There are six on-site restaurants ranging from casual to upscale. The 27-story JW Marriott includes 60 suites, approximately 100,000 sq. ft. of meeting space, and two ballrooms totaling 50,000 sq. ft. Additionally, there is 65,000 sq. ft. of outdoor event space and five on-site restaurants. The Ritz-Carlton Club golf course is an 18-hole par-72 Greg Norman Signature golf course set within the headwaters of the Florida Everglades. The Ritz-Carlton Spa includes a 4,000-sq.-ft. lap pool, a 6,000-sq.-ft. fitness center, and 40 spa treatment rooms.

The subject's primary competitive set consists of several resort style hotels in the Orlando market including the 730-room Omni Orlando Resort, the 758-room Westin WDW Swan and 1,509-room Sheraton WDW Dolphin at the WDW Resort at Epcot, the 2,000-room Marriott World Center, the 1,406-room Gaylord Palms Resort, and the 750-room Hyatt Regency Grand Cypress. There are several properties currently under construction or proposed which lie within the subject's competitive set, including the 1,500-room Shingle Creek Resort slated for opening in mid-2006. The revenue per available room (RevPAR) penetration index for the JW Marriott was 105.5% and for the Ritz-Carlton was 133.6% as of year-end 2005. For 2004, the guest segmentation at the property consisted of 30% leisure and 70% group. The hotel's historical performance numbers are provided in table 1.

	City, state	Rooms*	Year built	Occupancy (%)¶	ADR (\$)*	RevPAR (\$)*	Trust loan amt. (\$)
JW Marriott Grande Lakes	Orlando, Fla.	998	July 2003	70.3	196.52	138.20	214,517,544
Ritz-							

Carlton Grande Lakes	Orlando, Fla.	584	July 2003	65.7	266.66	175.08	120,482,456
*Total portfolio is 1,582 rooms. ¶All operating statistics are for the 12-month period ending December 2005; Operating statistics are on a per guest basis. ADR—Average daily rate. RevPAR—Revenue per available room.							

The sponsor of the bankruptcy-remote SPE borrower is CNL Hotels & Resorts Inc. (CNL; not rated). CNL is one of the largest REITs, with a portfolio of 93 hotels in 31 states, the District of Columbia, and Canada, totaling more than 27,000 rooms. CNL's hotels are operated under 20 separate brands, including Marriott, Hilton, and Hyatt. Some of CNL's recognized assets are the Grand Wailea Resort Hotel & Spa, the La Quinta Resort & Club, and the Arizona Biltmore Resort & Spa. The subject hotels are managed by Marriott International Inc., which is not affiliated with the borrower. Marriott is a worldwide hospitality company with more than 2,700 lodging properties located in the U.S and 65 other countries and territories. The loan is structured with a soft lockbox for cash management.

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

- Standard & Poor's underwritten rooms revenue was based on actual and historical occupancies and average daily rates (ADRs). For the Ritz-Carlton, Standard & Poor's concluded an average occupancy of 68.75% and an ADR of \$289.0, yielding RevPAR of \$198.69. For the JW Marriott, Standard & Poor's concluded an average occupancy of 73.25% and an ADR of \$212.0, yielding a RevPAR of \$155.29;
- Departmental revenues were generally underwritten per occupied guest-night, based on historical performance, with greater emphasis placed on data corresponding to the year-end 2005;
- Departmental expenses were generally underwritten as a percentage of departmental revenues based on historical performance, with greater emphasis placed on data corresponding to year-end 2005;
- Undistributed and fixed expenses, excluding real estate taxes and insurance premiums, were underwritten per available guest-night, in line with historical expense levels;
- Property taxes and insurance premiums were based on the 2005 budget;
- Furniture, fixtures, and equipment (FF&E) expense was underwritten at 3.5% of total revenue for the Ritz-Carlton and at 3.0% for the JW Marriott;
- Based on these assumptions, Standard & Poor's overall NCF variance for the portfolio was 7.6%;
- Standard & Poor's applied a capitalization rate of 10.50% to each property's NCF, yielding a value of \$189.08 million (\$323,764 per room) for the Ritz-Carlton and \$326.48 million (\$326,475 per room) for the JW Marriott, and a combined total value of \$515.55 million (\$325,476 per room); and
- Standard & Poor's quality scores for these assets were 2.25 for the JW Marriott and 2.25 for the Ritz-Carlton, resulting in a weighted average quality score for the portfolio of 2.25, an above-average score.

This loan exhibits the following strengths:

- The trust balance exhibits credit characteristics consistent with obligations rated 'BBB' by Standard & Poor's;
- The loan is secured by two cross-collateralized and cross-defaulted properties;
- The Ritz-Carlton and JW Marriott brands are recognized worldwide and generate a high level of customer loyalty; and
- The properties benefit from strong and experienced management and ownership.

This loan exhibits the following concerns and mitigating factors:

- Hotels are volatile assets compared with other property types. However, Standard & Poor's used more conservative underwriting default and loss severity assumptions to account for the volatility; and
- The Orlando hotel market is quite competitive with several new properties scheduled to come on line in the near term. However, the subject properties maintain solid penetration rates and are of above-average quality.

Regency Portfolio

The second-largest loan in the pool, the Regency Portfolio loan, has a trust and whole-loan balance of \$213.0 million (10.6% of the pool). The 10-year, fixed-rate loan bears interest at 5.810%, amortizes on a 30-year schedule after an initial five-year IO period, and matures in March 2016. In addition to the first mortgage, the borrower has the ability to incur future mezzanine financing secured by a pledge of the partnership interests in the borrowing entity. However, any future mezzanine debt will be subject to an intercreditor agreement, will be limited to an LTV and DSC ratio of 85% and 1.15x, respectively, and will be subject to rating agency confirmation.

The 13 loans are secured by first-lien mortgages encumbering the fee interest in a portfolio of 13 retail centers. Each Regency Portfolio loan is cross-collateralized and cross-defaulted with each of the other Regency Portfolio loans. The properties contain a total of 1,841,832 sq. ft. and are located in California (three properties, 38.0% of the allocated loan amount), Illinois (two, 17.7%), Pennsylvania (one, 9.3%), North Carolina (one, 8.4%), Virginia (one, 6.7%), Texas (one, 5.3%),

Delaware (1, 4.7%), Oregon (1, 4.7%), Wisconsin (1, 4.3%), and New Jersey (1, 0.8%). As of the dates indicated in table 1, the properties have occupancies ranging from 51.9%-100.0%, with an average portfolio occupancy of 88.1%. The properties in the portfolio are listed in table 2, and the top 10 tenants of the portfolio are listed in table 3.

Property name	Location	Allocated loan amount (\$)	Year built	Sq. ft.	In-place occupancy	Occupancy as of date
Granada Village	Granada Hills, Calif.	42,000,000	1965	259,270	93.6	December 2005
Pleasant Hill Shopping Ctr.	Pleasant Hill, Calif.	30,530,000	1970	233,678	99.2	February 2005
Civic Center Plaza	Niles, Ill.	27,050,000	1989	265,024	86.9	January 2006
Towamencin Village	Lansdale, Pa.	19,612,000	1990	122,916	100.0	December 2005
Shoppes of	Cary, N.C.	19,126,000	1985	148,204	57.0	January

Kildaire						2006
Brafferton	Stafford, Va.	12,727,000	1979/2000	94,731	51.9	January 2006
Newark Shopping Center	Newark, Del.	11,145,000	1955	183,017	78.2	February 2006
First Colony Marketplace	Sugar Land, Texas	10,500,000	1993	111,675	97.3	January 2006
Greenway Town Center	Portland, Ore.	10,375,000	1979	93,100	100.0	February 2006
Laguna Niguel Plaza	Laguna Beach, Calif.	9,540,000	1985	41,224	93.9	February 2006
McHenry Commons SC	McHenry, Ill.	9,410,000	1988	100,526	94.1	January 2006
Racine Center	Racine, Wis.	9,400,000	1988	135,827	99.1	December 2005
Westmont/Haddon Commons	Collingswood, N.J.	1,585,000	1959	52,640	93.4	January 2006
Totals	—	213,000,000	—	1,841,832	88.1	—

Top 10 Tenants	Property name	Standard & Poor's rating	Sq. ft.	% of total sq. ft.	Base rent per sq. ft.	Lease expiration
Home Depot	Civic Center	AA	116,095	6.3	9.83	October 2015
Target	Pleasant Hill	A+	115,344	6.3	7.34	November 2009
Kohl's	Granada	A-	88,000	4.8	11.36	January 2016
Kmart	Civic Center	NR	87,135	4.7	9.46	October 2009
Dominick's	McHenry	BBB	76,170	4.1	8.50	October 2008
Randall's Food and Drugs	First Colony	NR	68,150	3.7	8.00	November 2018
Piggly Wiggly	Racine	NR	50,979	2.8	5.28	July 2013
Toys "R" Us	Pleasant Hill	B-	44,204	2.4	13.29	November 2009
Genuardi's	Towamencin	BBB-	40,750	2.2	13.75	October 2010
Unified Western Grocers	Greenway Town Center	NR	37,500	2.0	9.25	December 2009
Total	—	—	724,327	39.3%	9.34	—

NRA—Net rentable area. NR—Not rated.

The borrowers are 13 Delaware limited liability companies, each a bankruptcy remote SPE. The sponsors of the borrowers are Regency Centers Corp. and Macquarie Country Wide Trust of Australia. Regency Centers Corp., which was founded in 1963, is an integrated REIT) which owns, manages and develops neighborhood shopping centers in 22 states. Regency owns and manages more than 260 properties, comprising more than 30.0 million sq. ft., located in 46 metropolitan markets, including 18 of the largest 25 markets in the U.S. Macquarie Country Wide Trust is based in Australia and invests worldwide primarily in grocery-anchored shopping centers. Regency Realty Group Inc., an affiliate of one of the sponsors, is the property manager. The loan is not structured with any cash management.

The following points summarize Standard & Poor's underwriting assumptions for all of the properties except for Brafferton and Shoppes of Kildaire:

- Gross potential rent (GPR) was based on leases in place as of January 2006, with vacant space grossed up at the weighted average in-place rent;
- Expense reimbursements were based on the tenants' contractual obligations and the property's historical performance;
- Percentage rent and other income were based on historical performance;
- Vacancy was assumed at 5.0%;
- Operating expenses, other than property taxes and insurance premiums, which were based on the property's current actual expenses, were based on the property's historical performance;
- A management fee of 4% was assumed for each property;
- TI allowances were estimated at \$5.00-\$70.00 per sq. ft. for new space and \$2.50-\$3.50 per sq. ft. for renewal space for anchor tenants based on in-place weighted average rents for each property;
- TI allowances were estimated at \$4.00-\$10.00 per sq. ft. for new space and \$2.00-\$5.00 per sq. ft. for renewal space for in-line tenants based on in-place weighted average rents for each property;
- LCs were assumed to be 4.0% for new leases and 2.0% for renewals;
- TI/LC assumptions were based on in-place weighted average lease terms ranging from six year to 27 years, with LC expenses capped at 10 years;
- A renewal probability of 65% was assumed;
- Replacement reserves were assumed to be \$0.20 per sq. ft. of collateral NRA;
- Based on these assumptions, Standard & Poor's NCF variance on the portfolio was 6.2% relative to the lender's in-place NCF;
- Standard & Poor's applied a blended capitalization rate of 8.99% (based on individual cap rates ranging from 8.75%-9.25%) to the NCF yielding a total value of \$160.8 million, or \$100.56 per sq. ft.; and
- The quality scores for these assets ranged from 2.75–3.25, with an overall weighted average portfolio quality score of 3.00, an average score.

The following points summarize Standard & Poor's underwriting assumptions for Brafferton and Shoppes of Kildaire:

- Standard & Poor's bifurcated the underwriting analysis due to the unusually high vacancies as a result of large tenants vacating these properties. Cash flow was underwritten and DSC was derived following an as-is approach; however, Standard & Poor's used a stabilized approach to determine the ultimate value of the properties;
- For cash flow and DSC purposes, GPR was based on leases in place as of January 2006; for valuation purposes, a 10.0% stabilized vacancy was assumed for Brafferton, and an 8.0% stabilized vacancy was assumed for Shoppes of Kildaire;
- Expense reimbursements were based on the tenants contractual obligations and the properties historical performance; Other income was based on the tenants' contractual obligations and the properties historical performance;
- Operating expenses were based on the properties historical performance and the appraiser's estimated figures;
- A management fee of 4% was assumed;
- TI allowances were estimated at \$4.00 per sq. ft. for new space and \$2.00 per sq. ft. for renewal space for the anchor tenants at the Shoppes of Kildaire based on an in-place weighted average rent of \$7.84 and a weighted average lease term of 13 years;

- TI allowances were estimated at \$4.00 per sq. ft. for new space and \$2.00 per sq. ft. for renewal space for the in-line tenants at the Shoppes of Kildaire, based on an in-place weighted average rent of \$12.35 and a weighted average lease term of eight years;
- TI allowances were estimated at \$8.00 per sq. ft. for new space and \$4.00 per sq. ft. for renewal space for the in-line tenants at the Brafferton property, based on in-place weighted average rent of \$18.69 and a weighted average lease term of eight years;
- LCs were assumed to be 4.0% for new leases and 2.0% for renewals. LCs were based on the weighted average lease terms of eight and 13 years, with LC expenses capped at 10 years
- A renewal probability of 65% was assumed;
- Replacement reserves were assumed to be \$0.20 per sq. ft. of collateral net rentable area (NRA);
- Based on these assumptions, Standard & Poor's NCF variance on these properties was 38.5% relative to the lender's in-place NCF;
- Standard & Poor's applied a capitalization rate of 9.25% to the as-is NCF of both properties and a capitalization rate of 9.50% to the incremental income from the stabilized analysis, and subtracted from value the costs for downtime for the 12 months associated with releasing the vacant space and TI/LC's, yielding a total value of \$23.2 million, or \$95.72 per sq. ft.; and
- The quality scores for these assets ranged from 2.75–3.25 with an overall weighted average portfolio quality score of 3.00, an average score.

This loan exhibits the following strengths:

- The loan is secured by 13 cross-defaulted and cross-collateralized properties, located in 10 states; and
- The properties benefit from a strong mix of nationally recognized tenants.

This loan exhibits the following concern and mitigating factor:

- The borrower has the ability to incur future mezzanine financing secured by a pledge of the partnership interests in the borrowing entity. However, any future mezzanine debt will be subject to an intercreditor agreement, will be limited to an LTV and DSC ratio of 85% and 1.15x, respectively, and will be subject to rating agency confirmation. Standard & Poor's took the loan structure and all potential future additional debt into consideration when sizing the transaction.

1818 Market Street

The third-largest loan in the pool, the 1818 Market Street loan, has a trust balance of \$122.0 million (6.1% of the pool balance) and a whole-loan balance of \$132.0 million. In addition to the \$122 million A note, which is included in the trust, the property is encumbered by a \$10.0 million subordinate B note and a \$9.6 million second mortgage, both of which will be held outside of the trust. The 10-year, fixed-rate loan bears interest at 5.95%, amortizes on a 30-year schedule following an initial five-year IO period, and matures in March 2016.

The loan is secured by a first mortgage encumbering 1818 Market Street, a 37-story, 983,160-sq. ft. office building located in the Philadelphia central business district (CBD), at the southeast corner of Market and 19th Streets. The subject is adjacent to a subway station and within walking distance of the Suburban Philadelphia Commuter Rail (SEPTA). It is also

in close proximity to the highest-end retail district in Philadelphia, and offers convenient access to first-class hotels. Considered to be one of the premier buildings in its market, the property was constructed in 1971 and renovated in 2004. Since 1997, it has benefited from more than \$8.7 million (\$8.85 per sq. ft.) in capital improvements. As of November 2005, the property was 95.6% occupied by 68 tenants paying a weighted average in-place rent of \$21.28 per sq. ft. The borrower escrowed \$1.7 million at closing for a general TI/LC reserve, as well as an additional \$4.0 million in anticipation of the expiration of the building's largest tenant, Day and Zimmerman (not rated., 21.8% of NRA, lease expires in 2008).

Table 4 lists the five largest tenants at the property.

Table 4. 1818 Market Street Major Tenants	Standard & Poor's rating	Sq. ft.	Property NRA (%)	Base rent per sq. ft. (\$)	Base rent (% of GPR)	Lease expiration
Day and Zimmerman	NR	214,613	21.8	17.26	18.6	March 2008
Sunoco	BBB	68,533	7.0	17.39	6.0	September 2007 and 2020
Zurich Insurance	A	41,526	4.2	26.15	5.5	February 2012
American College of Radiology	NR	36,741	3.7	22.10	4.1	February 2015
McKissock & Hoffman PC	NR	33,914	3.4	21.39	3.6	February 2014
NRA—Net rentable area. GPR—Gross potential rent. NR—Not rated.						

The sponsor of the 35 SPE tenant-in-common (TIC) borrowers is Triple Net Properties LLC (Triple Net), a nationally active syndicator of TIC real estate investment structures. The company currently represents 21,845 investors who own 119 properties having a market value of more than \$2.9 billion in 21 states. The property is managed by Triple Net Properties Realty Inc., an affiliate of the sponsor that currently manages a portfolio of more than 25.1 million sq. ft. of commercial space having a market value of more than \$3.1 billion. The loan is structured with a springing lockbox for cash management.

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

- Revenues were based on in-place rents as of November 2005, with vacant space grossed up at the weighted average in-place rent of \$21.28 per sq. ft.;
- Reimbursement income was based on historical performance and the tenants' contractual obligations;
- Parking and other income were based on historical performance;
- Vacancy was underwritten at 10.3%, representing a weighted average vacancy assumption of 3.0% for the income associated with Northwestern Mutual ('AAA'), 5% for the income associated with Sonoco ('BBB'), and 10.7% for the income for all other tenants;
- Operating expenses, with the exception of real estate taxes and insurance premium expense, were based on historical levels;
- Real estate tax and insurance premium expenses were based on the actual tax bills and insurance premiums, respectively;
- A management fee of 4% of effective gross income (EGI) was assumed;
- Replacement reserves were underwritten at \$0.35 per sq. ft.;

- TI allowances were estimated at \$10.00 per sq. ft. for new space and \$5.00 per sq. ft. for renewal space;
- LC expenses were assumed to be 4.00% for new leases and 2.00% for renewal leases;
- TI/LC assumptions were based on the weighted average lease term of 10.4 years, with LC's capped at 10 years;
- A renewal probability of 65% was assumed;
- Based on these assumptions, Standard & Poor's NCF variance was 6.5%;
- Standard & Poor's applied a 9.25% capitalization rate to NCF, yielding a value of \$106.5 million, or \$108.37 per sq. ft.; and
- The quality score for this asset was 3.00, an average score.

This loan exhibits the following strength:

- The property is well located in the Philadelphia CBD, close to public transportation routes, upscale retailers, and high-end lodging.

This loan exhibits the following concerns and mitigating factors:

- The property's largest tenant, Day and Zimmerman (21.8% of NRA and 18.6% of GPR), is on a lease that expires in 2008. However, the tenant has been at the property since 1975, and has thus far committed to renewing at least four of its currently seven leased floors. Furthermore, at closing, the borrower escrowed \$4.0 million (\$18.64 per sq. ft. for the Day and Zimmerman space) into a Day and Zimmerman TI/LC reserve to account for those costs associated with the tenant's potential lease rollover; and
- In addition to the first mortgage financing, the property is encumbered by a \$10.0 million B note and a \$9.6 million second mortgage, both of which will be held outside of the trust. Standard & Poor's factored this current subordinate debt into the capital structure for this loan and the subordination levels for the transaction.

The Forum at Peachtree Parkway

The fourth-largest loan in the pool, the Forum at Peachtree Parkway loan, has a trust and whole-loan balance of \$84.0 million (4.2% of the pooled trust balance). In addition, the borrower is permitted to incur future subordinate financing secured by the property. However, the additional future financing is subject to a subordination and standstill agreement, will be limited to a maximum amount of \$6,918,000 and a minimum DSC of 1.20x, and will be subject to rating agency confirmation. The 10-year, fixed-rate, IO loan bears interest at 5.690% and is scheduled to mature in March 2016.

The loan is secured by a first mortgage encumbering Forum at Peachtree Parkway, a 389,159-sq.-ft. power center located in Norcross, Ga., 15 miles northeast of the downtown Atlanta CBD. The center, built in 2003, consists of anchor tenant space totaling 162,395 sq. ft. and nonanchor tenant space totaling 226,764 sq. ft. As of January 2006, the subject was 100% occupied by five anchor/major tenants (41.7% of NRA) and 61 in-line tenants (58.3% of NRA) paying weighted average in-place rents of \$9.81 per sq. ft. and \$28.49 per sq. ft., respectively. Sales at the center were \$222 for anchor tenants and \$318 per sq. ft. for in-line tenants for the trailing 12-month (TTM) period ending February 2006. The center's anchor tenants are described in table 5.

Tenant	Standard & Poor's rating	Sq. ft.	Property NRA (%)	Base rent per sq. ft.	Lease expiration
Belk	NR	65,804	16.9	3.25	March 2017
Linens N' Things	B	28,600	7.3	14.50	January 2013
Wakefield Beasley	NR	24,551	6.3	13.75	January 2009
Barnes & Noble	NR	23,559	6.1	16.50	March 2012
Old Navy	Parent company: Gap Inc., BBB-	19,881	5.1	12.00	February 2012

NRA—Net rentable area. NR—Not rated.

A selection of some of the subject's largest nonanchor tenants is listed in table 6.

Tenants	Standard & Poor's rating	Occupied sq. ft.	% of collateral NRA	Lease expiration
Pottery Barn	NR	12,100	3.1	January 2015
Storehouse	NR	9,058	2.3	November 2013
J. Crew	B	6,000	1.5	January 2013
Pier 1 Imports	B-	10,285	2.6	August 2013
Victoria's Secret	BBB	5,000	1.3	January 2013
Bath & Body Works	NR	3,110	0.8	May 2007

NRA-Net rentable area. NR—Not rated.

The sponsor of the SPE borrower, is Mr. Stanley E. Thomas. Mr. Thomas founded Thomas Enterprises Inc. in 1987, which is a real estate investment firm headquartered in Newman, Ga. The company currently owns more than 20 million sq. ft. of retail space valued at more than \$2.0 billion. Thomas Enterprises Inc., an affiliate of the sponsor, manages the property. The loan is not structured with any cash management.

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

- GPR was based on leases in place as of the February 2006 rent roll, with vacant space grossed up at the weighted average in-place rent;
- Expense reimbursements were based on historical levels;
- A vacancy adjustment of 7.2% was taken based on the historical vacancy rate and the property's submarket;
- All operating expenses, except for the management fee, were based on either the historical levels or the appraiser's estimate;
- A management fee of 4.0% of EGI was assumed;
- TI expenses for anchor tenants were estimated at \$4.00 per sq. ft. for new leases and \$2.00 per sq. ft. for renewal leases;
- TI expenses for nonanchor tenants were estimated at \$9.00 per sq. ft. for new leases and \$4.50 per sq. ft. for renewal leases;
- LC expenses were estimated at 4.0% for new space and 2.0% for renewal space;
- TI/LC assumptions were based on in-place weighted average lease

terms of 11.6 years for anchor tenants and 9.2 years for in-line tenants, with LC's capped at 10 years;

- A renewal probability of 65% was assumed;
- Replacement reserves were underwritten at \$0.15 per sq. ft.;
- Based on these assumptions Standard & Poor's NCF variance was 2.2%; and
- Standard & Poor's applied a capitalization rate of 8.75% to NCF, yielding a value of \$86.2 million, or \$221 per sq. ft.

This loan exhibits the following strengths:

- The subject property is well occupied at 100.0% by a diverse tenant mix of 66 tenants; and
- The property is well located in an affluent suburban area only 15 miles northeast of Atlanta, Ga.

This loan exhibits the following weakness and mitigating factor:

- The borrower is permitted to incur future subordinate financing secured by the property. However, the additional future financing is subject to a subordination and standstill agreement, will be limited to a maximum amount of \$6,918,000 and a minimum DSC of 1.20x, and will be subject to rating agency confirmation. Standard & Poor's took the loan structure and all potential future additional debt into consideration when sizing the transaction.

Mariott-Melville

The fifth-largest loan in the pool, the Marriott-Melville loan, has a trust and whole-loan balance of \$80.1 million (4.0% of the pool). The 10-year, fixed rate loan bears interest at 5.67%, amortizes on a 30-year schedule, and matures in January 2016.

The loan is secured by a first mortgage encumbering the fee interest in a 369-room full-service hotel located in Melville, Long Island, N.Y., approximately 35 miles from New York City. The property is 22 miles from the John F. Kennedy International Airport and is situated within a mile north of the Long Island Expressway (I-495). Public transportation is provided by the Long Island Railroad via the Syosset and Bethpage stations, which are three and four miles from the subject, respectively. The four-story building was constructed in 1990 and underwent a \$3.0 million (\$8,13 per key) renovation in 2005 that included the replacement of all soft goods and bedding in each of the guestrooms, as well as upgrades to the lobby, ballroom, front entrance, and roof. The subject features 254 King and 115 double/double guest rooms, all of which offer amenities including a dining room chair, a table, a sofa, a living room chair, a desk, a credenza, a dresser, nightstands, an entertainment center, and a wardrobe. Hotel amenities include 15,700 sq. ft. of meeting space, a restaurant, a bar/lounge, an indoor swimming pool, and a fitness center. Parking at the subject is provided by 599 surface parking spaces.

The subject's primary competitive set consists of the 134-room Courtyard Marriott Long Island, the 304-room Hilton Long Island Huntington, the 360-room Hyatt Regency Wind Watch, the 125-room Holiday Inn Long Island, and the 209-room Sheraton Long Island. The subject's RevPAR penetration index was 115.2% as of the TTM ending October 2005. The guest segmentation consists of 60% commercial, 28% group, and 12% leisure. The hotel's historical performance numbers are provided in table 7.

Table 7. Marriott Melville Performance			
	2003	2004	TTM through September, 2005
Avg. occupancy (%)	65.90	67.10	65.10
ADR (\$)	158.26	166.29	167.28
RevPAR (\$)	104.34	111.58	108.95
TTM—Trailing 12 months. ADR—Avg. daily rate. RevPAR—Revenue per available room.			

The sponsor of the bankruptcy-remote SPE borrower is Columbia Sussex Corp. (Columbia), one of the largest privately held hotel owners in the U.S. Columbia owns 82 hotels totaling more than 26,000 rooms in 30 states throughout the U.S. and the Cayman Islands. The company also owns and operates nine hotel/casinos and has experience in both ground up construction and the redevelopment/reflagging of hotels. As of December 2004, Columbia had a net worth of more than \$255 million underlying total assets of more than \$1.1 billion. The property is managed by an affiliate of the borrower. The loan is structured with a hard lockbox for credit card receipts.

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. Standard & Poor's concluded an occupancy of 65.1% and an ADR of \$170.11, yielding a RevPAR of \$110.74;
- Departmental revenues were generally underwritten based on historical levels, on a per-occupied-room basis, with greater emphasis on data from the TTM period ending October 2005;
- Departmental expenses were generally underwritten based on the historical departmental profit margin level, with greater emphasis on data from the TTM period ending October 2005;
- Undistributed and fixed expenses are in line with historical expenses on an absolute and percentage basis;
- An FF&E reserve was underwritten at 4% of total revenue;
- Based on these assumptions, Standard & Poor's NCF variance was 3.9%;
- Standard & Poor's assumed a capitalization rate of 11.25%, resulting in a value of \$69.9 million, or \$189,363 per room; and
- The quality score for this asset was 3.00, an average score.

This loan exhibits the following strengths:

- The hotel is well maintained and in good condition due to its recent renovation in 2005;
- This asset exhibits strong RevPar penetration relative to its competitive set; and
- The property benefits from strong sponsorship and management.

This loan exhibits the following concern and mitigating factor:

- Hotels are volatile assets compared with other property types; However, Standard & Poor's used more conservative underwriting default and loss severity assumptions to account for the volatility.

TJX Distribution Center

The sixth-largest loan in the pool, the TJX Distribution Center, has a trust balance of \$71.7 million (3.6% of the pool balance) and whole-loan balance of \$81.4 million. The whole loan consists of an A note of \$71.7 million that will be included in the trust and a B note of \$9.7 million that will be held outside of the trust by CapLease Funding. The fixed-rate, hyperamortizing, 10-year, IO loan bears interest at 5.570%, has an anticipated repayment date in March 2016 and a final maturity date in June 2021.

The loan is secured by a first mortgage encumbering a single tenant one-story warehouse distribution center located in Philadelphia, 10 miles north of the Philadelphia CBD. The center was developed in 2001 for TJX as a build to suit and is 100% leased to the NBC Philadelphia Merchants Inc., a subsidiary of TJX Cos. Inc. ('A'). Since it was constructed, NBC Philadelphia Merchants Inc. has occupied the 1,015,500-sq.-ft. building at a rental rate of \$5.76 per sq. ft. and has a 20-year lease with two, seven-year renewal options.

The sponsor of the bankruptcy-remote SPE borrower is Capital Lease Funding Inc., a net lease REIT. Capital Lease Funding Inc. owns and finances commercial properties leased to high credit quality tenants. Tenants include corporations, government agencies, and not-for-profit organizations. The company has structured and closed approximately \$2.50 billion in credit tenant loan transactions covering 500 properties and 75 different credit tenants. The mortgage property is managed by the tenant. The loan is structured with a hard lockbox for cash management.

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

- GPR was based on the in-place rents as of October 2005;
- Vacancy was assumed at 3%, as the subject property is 100% occupied by a single credit tenant with more than five years remaining on the lease term after the loan matures;
- Expense reimbursements were underwritten for 100% of all expenses as the lease is triple net;
- Underwritten operating expenses were based on the appraisers estimates;
- A management fee of 3% of EGI was assumed;
- No TI/LC allowance was assumed since the lease term exceeds the loan term by more than five years;
- Replacement reserves were underwritten at \$0.10 per sq. ft.;
- Based on these assumptions, Standard & Poor's NCF variance was 6.9%;
- For valuation purposes, rent bumps during the lease term were averaged, capitalized at 9.00%, and added to value;
- Standard & Poor's applied a 9.00% capitalization rate to NCF, resulting in a value of \$64.6 million, or \$63.58 per sq. ft. and
- The quality score for the property is 2.75, an above-average score.

This loan exhibits the following strengths:

- The building is currently 100.0% occupied by the NBC Philadelphia Merchants Inc. (subsidiary of TJX Cos. Inc., 'A'); and
- The property is strategically located near the most highly traveled north/south interstate highway system from Boston to Florida, I-95.

This loan exhibits the following concern and mitigating factor:

- There is a \$9.7 million subordinate B note that will be held outside of the trust. Standard & Poor's took the loan structure and all additional debt into consideration when sizing the loan's capital structure.

Dobie Center

The seventh-largest loan in the pool, the Dobie Center loan, has a whole-loan and trust balance of \$54.4 million (2.7% of the pool). In addition to the first mortgage financing, the loan has existing mezzanine debt of \$6.5 million secured by a pledge of equity interests in the borrower and subject to subordination and intercreditor agreements. The 10-year, fixed-rate loan bears interest at 5.59%, amortizes on a 27.5-year schedule following 51 initial IO payments, and matures in January 2015.

The loan is secured by a first mortgage encumbering a 27-story, 975-bed (383 units) student housing apartment building with 68,599-sq. ft. of ground level retail space located in Austin, Texas, on the University of Texas (UT) campus. UT is the largest public university in the U.S., enrolling 350,000 undergraduate and graduate students. Built in 1969 and subsequently renovated in 1998, the subject is the premier student housing complex for UT students and offers superior, unparalleled amenities including a four-screen movie theater that is part of the ground floor retail space, as well as a swimming pool, a spa, a basketball court, a volleyball court, an exercise room, a laundry room, and a business center. In addition, the subject offers frontage along Guadalupe Street, also known as The Drag, which features a wide variety of student-oriented restaurants, bars, and retail shops. As of the December 2005 rent roll, the residential portion of the property was 93.4% leased. The residential units have been nearly 100% leased for the past three school years.

The property's unit mix is described in table 8.

Unit type	No. of beds	No. of units	Sq. ft.
Efficiency	150	75	245
Studio	308	154	263-286
Side suite	184	46	792
Corner suite	296	74	887
Side suite plus	6	3	600
Private studio	31	31	268
Total	975	383	450

As of December 2005, the subject's ground floor retail space was 93.4% leased to 48 tenants paying a weighted average rent of \$18.13 per sq. ft. Table 9 lists the major retail tenants at the property.

Tenant	Standard & Poor's rating	Leased sq. ft.	% of collateral NRA	Base rent per sq. ft. (\$)	Lease expiration
Dobie Theater	NR	9,500	13.8	12.00	August 2010
University Federal CU	NR	6,322	9.1	20.00	August 2010
Food Court Seating	NR	4,851	7.1%	N.A.	N.A.

Ticket City.com	NR	4,755	6.9	13.51	MTM
Princeton Review	NR	4,608	6.7	10.50	MTM
U.S. Military	NR	4,277	6.2	26.55	December 2006
NRA—Net rentable area. NR—Not rated. N.A.—Not available. MTM—Month-to-month.					

The sponsor of the bankruptcy-remote SPE borrower is Howard Michaels, chairman and CEO of The Carlton Group Ltd. (Carlton), a New York-based international real estate and loan sale investment bank prominent in debt and equity placement, commercial and residential loan sales, and investment sales. Founded in 1991, Carlton has completed more than \$25 billion of equity, debt, and secondary market loan sale transactions since 1998. The property is managed by American Campus Communities (NYSE: ACC), one of the largest publicly traded REITs focused solely on student housing in the U. S. Founded in 1993, the company has been involved in the development, construction, finance, and management of more than 114 student properties. The loan is structured with a soft lockbox for cash management.

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

- GPR attributed to the property's residential units was based on the November 2005 rent roll;
- Retail income was based on leases in place as of December 2005;
- No additional vacancy was assumed for the property's residential and retail spaces, as the current in-place vacancies are in line with those of the submarket;
- Other income was based on historical levels;
- Operating expenses, with the exception of real estate taxes and insurance premiums, were based on historical levels;
- Real estate taxes and insurance premium expenses were based on the actual tax bill and insurance premiums, respectively;
- A management fee of 3.6% of EGI was assumed, representing a weighted average of 3.5% and 4.0% for the residential and retail portions of the property, respectively;
- TI expenses for retail tenants were estimated at \$5.00 per sq. ft. for new leases and \$2.50 per sq. ft. for renewal leases;
- LC expenses were estimated at 4.0% for new space and 2.0% for renewal space;
- TI/LC assumptions were based on an in-place weighted average lease term of 5.0 years;
- A renewal probability of 65.0% was assumed;
- Replacement reserves were estimated at \$300 per unit for the residential units and \$0.15 per sq. ft. for the retail space;
- Based on these assumptions, Standard & Poor's overall NCF variance for the property was 19.6%; and
- Standard & Poor's applied a blended capitalization rate of 8.35% to NCF, representing 8.25% and 9.0% for the income associated with residential and retail spaces, respectively, yielding a value of \$51.4 million, or \$294 per sq. ft. (\$134,238 per residential unit).

This loan exhibits the following strengths:

- The subject benefits from its proximity to UT, the largest public university in the U.S., and is located within a thriving, popular student neighborhood;

- Considered a premier student housing complex, the property offers superior amenities including a four-screen movie theater, a swimming pool, a spa, a basketball court, a volleyball court, and an exercise room; and
- The property benefits from strong sponsorship and management.

This loan exhibits the following concern and mitigating factor:

- In addition to the first mortgage financing, the loan has existing mezzanine debt of \$6.5 million secured by a pledge of equity interests in the borrower. However, a subordination and intercreditor agreement is in place that limits the lender's control rights. Standard & Poor's adjusted the capital structure to account for this existing mezzanine financing.

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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.

Property type	% of pool	DSC (x)	NCF diff.* (%)	Cap rate (%)	Beg. LTV (%)	End. LTV (%)	Value per unit/sq. ft. (\$)
Retail	30.6	1.21	8.61	8.86	111.4	102.9	156
Hotel	29.9	2.17	7.01	10.77	87.5	82.0	245,553
Multifamily	19.6	1.24	3.77	8.40	98.0	89.0	62,710
Office	14.3	1.03	15.95	9.20	110.4	102.8	124
Industrial/warehouse	4.9	1.25	6.57	9.03	107.0	91.9	57
Mobile-home park	0.6	1.23	6.01	8.50	94.0	76.3	22,864
Total	100.0	1.47	7.94	9.40	101.2	93.1	N/A

*Difference between Standard & Poor's estimated NCF and underwriter's estimated NCF as a percentage of underwriter's estimated NCF. DSC—Debt service coverage. NCF—Net cash flow. N/A—Not applicable.

Property name	Property type	% of pool	DSC (x)	% NCF diff.*	Cap rate (%)	Beg. LTV (%)	End. LTV (%)	Value per unit/sq. ft. (\$)
Grande Lakes Resort Pool	Hospitality/full service	16.7	2.79	7.29	10.50	65.8	65.8	321,653
Regency Portfolio	Retail/anchored	10.6	1.07	11.01	8.75	115.7	108.0	100
1818 Market Street	Office/CBD	6.1	1.13	6.49	9.25	114.5	107.1	108
Forum at Peachtree Parkway	Retail/anchored	4.2	1.58	2.23	8.75	97.5	97.5	221
Marriott - Melville, N.Y.	Hospitality/full service	4.0	1.41	3.89	11.25	114.6	96.4	189,363
TJX Distribution Center	Industrial/warehouse	3.6	1.22	6.92	9.00	111.1	101.3	64
Dobie Center	Multifamily student housing	2.7	1.13	18.38	8.56	106.4	95.9	52,463
Doubletree								

Hotel - Santa Monica, Calif.	Hospitality/full service	2.6	1.23	5.33	11.25	123.6	116.4	169,446
Bank of America - Pasadena, Calif.	Office/suburban	2.5	0.39	61.60	9.00	110.3	110.3	131
Marriott Del Mar	Hospitality/full service	2.4	1.17	9.77	11.00	135.1	125.9	125,075
Weighted avg.	—	55.5	1.65	10.26	9.75	99.3	93.8	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. NCF—Net cash flow. CBD—Central business district.

Table 12. Standard & Poor's DSC Range (x)

	No. of loans	Loan balance (\$)	% of pool
>1.65	6	366,932,474	18.3
1.55 to 1.65	3	90,144,578	4.5
1.50 to 1.54	2	11,523,000	0.6
1.45 to 1.49	1	3,250,000	0.2
1.40 to 1.44	2	98,566,910	4.9
1.35 to 1.39	8	67,266,068	3.3
1.30 to 1.34	5	20,283,852	1.0
1.25 to 1.29	14	152,173,678	7.6
1.20 to 1.24	36	306,467,855	15.3
1.15 to 1.19	16	243,911,477	12.2
1.10 to 1.14	18	279,509,571	14.0
1.05 to 1.09	5	278,044,161	13.9
1.04 to 1.00	1	8,350,000	0.4
0.00 to 1.00	2	75,500,000	3.8
Total	119	2,001,923,624	100.0

DSC—Debt service coverage.

Table 13. Standard & Poor's Beginning LTV Range (%)

	No. of loans	Loan balance (\$)	% of pool
<50	1	4,047,388	0.2
50 to 60	0	0	0.0
61 to 70	3	344,142,474	17.1
71 to 75	2	20,950,000	1.1
76 to 80	0	0	0.0
81 to 85	2	7,347,189	0.4
86 to 90	0	0	0.0
91 to 95	10	103,281,670	5.2
96 to 100	37	317,057,650	15.8
>100	64	1,205,097,253	60.2
Total	119	2,001,923,624	100.0

Table 14. Standard & Poor's Ending LTV Range (%)

	No. of loans	Loan balance (\$)	% of pool
Fully amortizing loans	2	9,297,388	0.5

0 to 50	1	4,250,000	0.2
51 to 60	2	21,992,474	1.1
61 to 70	3	340,947,189	17.0
71 to 75	3	9,245,601	0.5
76 to 80	4	35,786,068	1.8
81 to 85	9	105,996,827	5.3
86 to 90	17	190,714,678	9.5
91 to 95	22	191,009,611	9.5
96 to 100	34	367,034,787	18.3
>100	22	725,649,000	36.3
Total	119	2,001,923,624	100.0

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