

Structured Products Research

CMBS & Commercial Real Estate

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CMBS Weekly: CREFC Conference Highlights

- The CREFC conference in Miami this week was well attended by a variety of CMBS investors. The general mood during our meetings seemed more optimistic than our conversations with clients in the last few months of 2011. As has been the case over the past several years, there are signs pointing to both positives and negatives for CMBS returns in 2012.
- Our team was able to attend some of the sessions during the conference, and we highlight our takeaways from those sessions in our weekly.
- The current recovery is characterized as one of the weakest in history. While U.S. exports remain strong, global growth is slowing so it remains to be seen if we can sustain our recovery in the United States. Participants agreed that sustained economic growth was vital to keep CRE vacancy rates trending downward. Panel consensus was for slow growth into next year with outperformance likely to come from San Francisco and San Jose thanks to demand from tech companies, and Texas and Oklahoma thanks to demand from energy-related companies.
- CRE asset price appreciation stalled midyear. Panelists agreed that core markets should continue to improve at a slow rate, but that fundamental improvement will not likely benefit all markets. Financing should be available in 2012, but participants noted only 20%–35% of 2007 vintage five-year loans are likely to be refinanced, with the balance most likely to be modified.
- We have attached our presentation we used at our client meetings.

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Recent Research

[CMBS Performance Monitor: December Summary](#), January 4, 2012

[CMBS Bulletin: Fair Value Purchase Option Conflict Goes to Court](#), December 30, 2011

[CMBS Bulletin: 666 Fifth Avenue Modification: AM and AJ Impact](#), December 23, 2011

[CMBS Weekly: Spread Matrix and Market Commentary](#), December 16, 2011

[CMBS and Real Estate 2012 Outlook](#), December 5, 2011

[Structured Products Monthly – 2012 Outlook](#), December 5, 2011

[CMBS Weekly: Appraisal Accuracy, Stuytown](#), November 18, 2011

[CMBS Weekly: Examining 2011 Maturities](#), November 10, 2011

[CMBS Weekly: Floating-Rate Loans – How Long Can This Go On?](#), November 4, 2011

[Structured Products Monthly - October 2011: The Changing Landscape of Structured Products](#), October 28, 2011

[CMBS Performance Monitor: October Summary](#), October 28, 2011

[CMBS Weekly: TRX.II Open for Business](#), October 21, 2011

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Together we'll go far



CREFC Commentary

The CREFC conference in Miami this week was well attended by a variety of CMBS investors. The general mood during our meetings seemed more optimistic than our conversations with clients in the last few months of 2011. As has been the case over the past several years, there are signs pointing to both positives and negatives for CMBS returns in 2012.

Positives include

- Low anticipated issuance volume for private-label CMBS in 2012; our estimate is \$25 billion.
- Significant pay down in life insurance portfolios, which are currently invested in very seasoned paper. Many noted that they plan to redeploy most of those proceeds back into CMBS this year.
- Short-duration and heavy cash positions by many money managers, which may result in a positive technical if that money moves off the sidelines.
- AM paper appears attractive to a variety of buyers and appears to offer value at current levels, in our opinion.

Negatives noted

- Last cash flow super-senior pricing on seasoned and new issue transactions appreciated significantly in the first few weeks of the year, leaving limited upside.
- Regulatory requirements regarding trading may limit liquidity for non-investment-grade CMBS, as dealers may be required to reserve significant capital against those positions.
- Risk-retention rules remain in flux with little new clarity.
- The pricing volatility in CMBS last year makes it less desirable than other products for total return investors.

Our team was able to attend some of the sessions during the conference, and we highlight our takeaways from those sessions in our weekly. Attached to this weekly is our client presentation we used during meetings at the conference.

CRE Fundamentals: Where Are We?

- The current recovery is characterized as one of the weakest in history. While U.S. exports remain strong, global growth is slowing so it remains to be seen if we can sustain our recovery in the United States. Participants agreed that sustained economic growth was vital to keep CRE vacancy rates trending downward. Panel consensus was for slow growth into next year with outperformance likely to come from San Francisco and San Jose, due to demand from tech companies, and Texas and Oklahoma, due to demand from energy-related companies.
- Office tenants are cautious, desiring to preserve capital and increase efficiency. The outlook is for office tenants to keep lease sizes stable or downsize, except for tech and energy companies. The New York City office market may suffer due to job cuts at financial firms which could slow absorption gains. Washington, D.C. should continue to perform. Most California markets (except San Jose and San Francisco) are losing corporate tenants. Las Vegas and Phoenix office markets are likely to struggle due to excessive vacancy.
- GSA leasing is likely to remain stable and the agency will look for more opportunities to collapse back into its owned space. GSA has seen its average lease term increase from five years to seven years. GSA typically averages 250-300 SF per employee.
- Job growth may not translate into expanding demand for CRE because of underutilized space and a trend toward more efficient open space plans. We may see a trend in which office workers do not have a specific desk or office, but instead take a work space wherever it is available much like how college students work. Smartphones and tablets could be the “killer apps” that fundamentally change how we work in the future.

- Brick and Mortar retail is not likely to disperse but will evolve along with online retail. Retailers slow to adapt to an online strategy may find it difficult to compete. Annual retail sales from the internet have increased from 5% in the beginning of the decade to 9%, which is approximately \$200 billion.
- CRE asset price appreciation stalled midyear. Panelists agreed that core markets should continue to improve at a slow rate, but fundamental improvement is not likely to benefit all markets. Financing should be available in 2012 but participants noted that only 20% to 35% of 2007 vintage five-year loans are likely to be refinanced with the balance most likely to be modified.
- Building expense increases offset any revenue gains. Utilities and real estate tax line items are increasing, while cleaning and common area maintenance expenses are likely to remain flat.
- Apartments should continue to outperform with NOI increasing versus flattening to slightly negative for retail, warehouse, and office sectors.

Who's Lending?

- Panelists all agreed they are lending and have money ready to put to work. Panel consensus was for 2.0% to 2.5% GDP growth in 2012. Concern over Europe was at the forefront of the discussion.
- Panelists forecasted anywhere from \$25 to \$40 billion in CMBS issuance in 2012.
- Agencies see healthy markets ahead for multifamily fundamentals.
- Panelists believe the market will find a way to refinance maturities in the next few years but many properties will most likely need to change ownership to facilitate the process.
- Speakers felt it was a better environment to be a lender than a borrower.
- Panelists felt 75% was the upper limit for LTV
- Mezzanine lenders benefitted from the volatility and inconsistency of ratings agencies, as it ultimately pushed more transactions their way.
- CMBS lost one to two quarters of production due to volatility in Q3 2011. Warehoused loans from that period are likely to show up in early deals in 2012.

Special Servicer Insights and Distressed Debt Panel

- Special servicers agreed that modification is the most common resolution of choice in this environment.
- Note sales have picked up in the past 18 months and specialists mentioned a note sale was typically more expedient than the foreclosure/liquidation of an asset.
- Servicers stated that note sales in bulk size received more attention from potential buyers than individual loan sales.
- Special servicers pointed out that bids on note sales are converging toward collateral value, which they viewed as encouraging.
- Getting bona fide buyers with capital to close was sometimes an issue with note sales.
- Note buyers said it was often easier to buy from banks than securitized entities due to levels of complexity in the PSAs.
- Most note buyers were regionally focused in specific areas of the country.
- Note buyers said banks depended more on appraisals for property values than CMBS special servicers which use an appraisal as just one of many data points in determining value.
- Note buyers made the comment that the resolution of problem commercial real estate assets seems to be much slower in this cycle than in the early 1990's when the RTC executed mass liquidations.

Keynote Speaker – Douglas Holtz-Eakin

- Financial market recovery was due to the Fed's monetary policy and not TARP since the financial crisis was a problem of liquidity and not solvency.
- Current GDP growth of 2-2.5% will likely accelerate to 3-3.5% by December 2012 but unemployment will probably remain high no matter who is elected President.
- It is very difficult for the Fed to extricate itself from current policy. If we get >4% inflation, then the Fed will need to pursue a disinflation policy at the expense of growth.
- We are likely to see chronic anti-incumbency from a "cranky electorate" that will make it tough to set an important long-term policy course.
- We cannot count on consumer spending for recovery. We must look at a combination of business spending and manufacturing as a source of growth. Corporate profitability is likely to be damaged by poorly performing European business units.
- There needs to be a major movement toward tax reform before 2013.
- Washington, D.C. has placed a \$281 billion regulatory burden on the private sector.
- Major headwinds to recovery include U.S. and European debt. United States debt-to-GDP ratio is now at 100%, which is considered a tipping point. Countries with debt in excess of 90% of GDP typically cannot grow as fast, creating the risk of falling into a debt spiral. The European Union (E.U.) was formed as a political union so that member countries could exert influence over the course of human affairs. If the E.U. disbanded, the individual countries would not have much influence. As a result, Germany is unwilling to allow the E.U. to break up, even if it is not a viable economic union. Germany must recognize that if it wants the E.U. to exist, someone must step up to write Greece a check; otherwise Greece must exit the E.U.

Forum Chairs Report

- The chair of each forum briefly gave an update on what the forums are doing and the current goals.
- There are currently seven forums, most of which are relatively new. The current forums are: B-piece buyers, servicers, portfolio lenders, multifamily lenders, issuers, investment-grade bondholders and the high-yield debt and investment forum.
- The main objective of most of the forums continues to be educating through white papers. The multifamily lenders forum, which initially focused mostly on GSE reform, is now broadening its focus. One of the stated goals of the multifamily lenders forum is to normalize GSE market share, as it believes the current size is unsustainable.
- For the portfolio lenders forum the main task is gathering reliable data on the performance of loans originated by portfolio lenders. The forum recently surveyed portfolio lenders asking for data and the response was good, with participation from about half of those surveyed.

The Evolving World of Commercial Real Estate Finance: What's Next?

- Participants of the session were concerned about the disconnect they see between investors in terms of the yield they want to receive on their investments versus yields they can realistically expect in the current rate environment.
- Participants think there is a large amount of demand for public AAA rated 10-year paper, but felt that below AAA was a better place to invest, based on relative value.
- In terms of hindrances to the growth of the CMBS market, participants mentioned as two main constraints the lack of b-piece buyers and the inability to hedge.
- Participants also mentioned that they think the market is doing a good job of self regulating.

Who is Buying?

- The panel included mainly private capital.
- Panelists noted that investors are adjusting their return expectations down due to low capitalization rates in the better markets.
- The low cost of capital is benefiting many of the class-A assets in major markets.
- Panelists noted that some secondary markets may not recover and may never be benchmarked to primary markets due to the long-term decline in demand.
- Asian capital only needs exposure to the top 8-10 MSAs in the United States.
- The global amount of investable U.S. commercial real estate is shrinking as other global markets are developing assets and growing more quickly.
- Panelists believe CMBS was a good lending source for class-B assets and that is the roll it would play in the foreseeable future as life companies, banks and the agencies can offer cheaper capital to class-A assets.

CMBS Relative Value Matrix

	Recent Levels				52-week				
	Level as of 1/11/12	1-week Change	3-week Change	1-month Change	Average	High	Low	Std. Dev	Deviation from Avg.
SYNTHETICS									
TRX									
TRX.NA.AAA.1	236	-7	-19	-26	215	302	149	49	21
CMBX 1									
AAA	130	-16	-23	-30	123	226	46	46	8
AJ	520	-43	-102	-151	469	872	194	199	52
AA	854	-70	-196	-236	745	1,357	239	344	108
A	1,348	-108	-271	-279	1,121	1,965	390	488	228
BBB	2,535	-112	-319	-339	2,129	3,232	1,143	658	405
BBB-	3,975	-175	-395	-372	3,378	4,864	2,103	889	597
CMBX 2									
AAA	154	-12	-22	-29	138	265	46	56	16
AJ	643	-64	-149	-186	596	1,108	213	265	48
AA	1,144	-95	-220	-249	955	1,683	323	433	190
A	1,628	-119	-301	-304	1,410	2,181	583	537	219
BBB	3,935	-96	-157	-162	3,188	4,326	1,931	774	748
BBB-	4,669	-43	-100	-83	3,916	5,046	2,799	697	753
BB	7,529	-77	-22	63	7,306	7,642	6,945	155	223
CMBX 3									
AAA	181	-13	-37	-52	169	324	62	74	12
AJ	960	-121	-234	-290	846	1,513	341	385	113
AA	1,697	-153	-311	-346	1,455	2,431	564	607	241
A	2,377	-184	-343	-351	2,070	3,013	1,045	604	307
BBB	5,165	-3	79	109	4,190	5,182	3,053	751	975
BBB-	6,424	-102	41	50	5,022	6,545	3,882	881	1403
BB	11,766	-156	-171	-60	11,994	14,160	11,253	763	-228
CMBX 4									
AAA	198	-14	-45	-63	187	332	74	76	11
AJ	989	-115	-205	-254	877	1,522	379	359	112
AA	1,761	-147	-260	-278	1,563	2,451	825	516	198
A	2,539	-138	-303	-349	2,398	3,364	1,504	579	141
BBB	4,686	-27	-103	-79	4,001	4,899	3,255	556	685
BBB-	5,502	-73	-136	-144	4,720	5,746	3,929	651	782
BB	13,101	-120	1,251	1,364	11,760	13,263	11,295	364	1341
CMBX 5									
AAA	186	-13	-32	-44	178	313	74	68	8
AJ	941	-87	-163	-207	766	1294.24	288	327	175
AA	1,567	-123	-217	-238	1,298	2,094	562	494	269
A	2,503	-133	-238	-285	2,084	3,135	1,207	631	419
BBB	4,577	-28	-31	-9	3,883	4,701	3,163	535	693
BBB-	5,390	-47	-64	-30	4,582	5,514	3,861	578	807
BB	11,973	-164	285	398	11,566	12,216	11,151	215	407

Note: For all corporate CDS indices, we present historical data using on-the-run indices.

Source: Bloomberg LP, Markit Group Ltd. and Wells Fargo Securities, LLC.

CMBS Relative Value Matrix (continued)

	Recent Levels				52-week				
	Level as of 1/11/12	1-week Change	3-week Change	1-month Change	Average	High	Low	Std. Dev	Deviation from Avg.
Swap Rates (%)									
3 Yr	0.72	-0.11	-0.15	-0.09	1.04	1.63	0.58	0.30	-0.32
5 Yr	1.16	-0.10	-0.15	-0.09	1.76	2.61	1.07	0.47	-0.60
10 Yr	2.05	-0.07	-0.06	-0.06	2.86	3.85	1.91	0.60	-0.81
Swap Spreads (to UST)									
3 Yr	37	-8	-9	-7	32	53	20	7	5
5 Yr	34	-4	-5	-6	29	45	17	7	6
10 Yr	14	1	-2	0	14	23	7	4	1
CMBS Cash (Spread to Swaps)									
AAA 2010 Vintage 5YR^	135	0	-5	-5	144	225	110	35	-9
AAA 2010 20% Vintage 10YR^	148	0	-10	-10	147	230	97	39	1
AAA 2011 30% Vintage 10YR^	110	0	-15	-15	141	175	110	21	-31
BBB 2010 Vintage 10YR^	700	0	-25	-25	462	725	215	185	238
AAA 2007 Vintage 3YR	100	0	-5	-5	117	150	95	15	-17
AAA 2007 Vintage 5YR	235	0	-10	-10	243	260	230	8	-8
AAA 2007 Vintage 7YR	255	0	-15	-15	262	285	240	14	-7
AAA 2007 Vintage 7YR (AAB)	240	0	-15	-15	227	275	190	32	13
AAA 2005 Vintage 10YR	115	0	-13	-13	135	190	105	23	-20
AAA 2007 Vintage Supersenior 10YR	265	15	-45	-45	258	375	175	64	7
AAA 2007 Vintage Mezzanine 10YR	450	0	-45	-45	467	800	230	188	-17
AAA 2007 Vintage Junior 10YR**	1,200	0	-50	-50	917	1,375	400	338	283
FNMA DUS	75	-3	-3	-3	95	125	82	12	-20
Freddie Mac K-Deal 5-Year^	47	-1	-1	-1	54	65	47	7	-7
Freddie Mac K-Deal 10-Year^	67	-2	-2	-2	74	83	67	6	-7
UST									
3 Yr UST	0.36	-0.03	-0.08	-0.01	0.72	1.42	0.29	0.35	-0.36
5 Yr UST	0.82	-0.06	-0.10	-0.03	1.47	2.40	0.78	0.53	-0.65
10 Yr UST	1.91	-0.07	-0.04	-0.06	2.72	3.74	1.72	0.63	-0.82
CMBS Cash - UST									
AAA 2010 Vintage 5YR^	169	-5	-13	-12	163	244	117	40	6
AAA 2010 20% Vintage 10YR^	169	0	-12	-5	161	249	104	42	8
AAA 2011 30% Vintage 10YR^	131	0	-17	-10	160	193	131	20	-29
BBB 2010 Vintage 10YR^	721	0	-27	-20	474	748	230	191	247
AAA 2007 Vintage 3YR	147	-11	-17	-15	149	189	116	23	-2
AAA 2007 Vintage 5YR	282	-11	-22	-20	276	314	249	20	6
AAA 2007 Vintage Supersenior 10YR	299	12	-50	-48	287	410	194	68	13
FNMA DUS	96	-3	-5	2	109	144	90	15	-13
Freddie Mac K-Deal 5-Year^	81	-4	-6	-7	90	101	81	6	-9
Freddie Mac K-Deal 10-Year^	81	-1	-4	-4	92	106	81	8	-10
Agency Pass-Thrus (FNMA 4.5%)	2	0	0	0	-108	-39	-178	28	110
Agencies - Unsecured Debt (to UST)									
FNMA 10 YR	-2	2	-2	-2	1	13	-13	6	-3
FHLMC 10 YR	-23	3	-3	-3	-19	1	-34	7	-4
Banks and Finance Companies									
BAC 5YR CDS	349	-50	-64	-56	247	483	130	116	102
C 5YR CDS	258	-30	-18	-6	186	362	119	64	72
GECC 5YR CDS	228	-18	-33	-9	180	309	104	68	48
JPM 5YR CDS	129	-12	-14	-19	106	185	65	35	23
WFC 5YR CDS	128	-13	-19	-20	112	183	78	29	16
REIT Index*	242	-14	-23	-23	195	308	134	58	47

*REIT Index spreads are as of 1/6/2012.

**Starting in 2009, we record dollar price levels for AJ and lower rated cash CMBS tranches. 52-week historical information reflects spread movement between Jan. 1, 2008 through Jan 1, 2009.

^For the 2010-2011 vintage CMBS and K-Deals the average, high, low, and standard deviation figures are based on spread data since Nov. 2010.

Source: Bloomberg LP, Markit Group Ltd. and Wells Fargo Securities, LLC.

Weekly Charts

2010/2011 Vintage CMBS Deal Comparison

SUMMARY STATISTICS

Ticker	Cutoff Balance (\$mm)	Issue Date	WA NCF Debt Yield	WA LTV	WA NCF DSCR	Ln Cnt / Prop Cnt	% Retail	Top 1 / 10 Loan %	Orig. Aaa Credit Support %	Orig. Baa3 Credit Support %
RBSCF 2010-MB1	309.7	4/22/2010	14.8	54.4	2.48	6 / 81	66.0	24.9 / 100.0	22.25	0.00
JPMCC 2010-C1	716.3	6/24/2010	12.5	61.5	1.64	39 / 99	71.0	13.5 / 53.3	15.00	4.75
GSMS 2010-C1	788.5	8/17/2010	14.5	53.7	1.88	23 / 48	78.4	12.6 / 76.1	18.50	6.00
JPMCC 2010-C2	1,101.3	10/25/2010	11.6	60.0	1.66	30 / 47	67.0	15.9 / 74.4	18.25	5.00
COMM 2010-C1	856.6	11/16/2010	12.2	58.8	1.71	42 / 63	43.1	14.3 / 60.4	17.38	5.00
WFCM 2010-C1	735.9	11/19/2010	12.8	58.3	1.82	37 / 59	31.2	25.1 / 64.2	17.75	4.00
GSMS 2010-C2	876.5	12/28/2010	11.7	58.9	1.83	43 / 108	38.8	10.1 / 51.8	17.50	5.75
DBUBS 2011-LC1	2,176.1	2/25/2011	10.3	62.3	1.48	47 / 83	43.7	10.8 / 65.9	19.50	6.13
MSC 2011-C1	1,548.4	2/28/2011	11.8	61.2	1.60	40 / 82	43.7	15.5 / 70.6	22.88	6.50
WFRBS 2011-C2	1,299.3	3/10/2011	11.5	62.6	1.62	51 / 97	52.0	12.9 / 55.8	17.13	5.50
JPMCC 2011-C3	1,502.8	3/18/2011	11.4	61.2	1.63	52 / 115	62.9	14.4 / 64.8	17.00	4.38
GSMS 2011-GC3	1,400.6	3/30/2011	12.0	59.9	1.69	57 / 111	60.0	9.0 / 58.4	18.25	5.88
CFCRE 2011-C1	634.5	4/28/2011	10.5	67.6	1.52	38 / 67	27.1	10.5 / 58.0	17.63	5.50
WFRBS 2011-C3	1,446.0	6/9/2011	11.0	63.3	1.60	74 / 177	49.5	12.8 / 49.0	17.13	5.50
MSC 2011-C2	1,214.0	6/22/2011	11.0	62.2	1.63	52 / 64	43.0	12.7 / 62.7	21.00	6.38
JPMCC 2011-C4	1,447.1	6/23/2011	10.6	62.1	1.63	42 / 84	41.1	13.8 / 68.8	18.38	5.00
DBUBS 2011-LC2	2,143.9	6/28/2011	10.6	63.4	1.57	67 / 132	34.9	10.5 / 56.7	17.25	5.63
WFRBS 2011-C4	1,480.7	8/9/2011	11.5	61.5	1.79	77 / 133	42.6	10.9 / 48.2	16.88	5.38
DBUBS 2011-LC3	1,647.7	8/30/2011	11.7	58.0	1.71	43 / 64	24.1	11.8 / 63.1	20.88*	6.38
JPMCC 2011-C5	1,029.7	9/29/2011	11.0	59.5	1.73	44 / 209	50.5	14.1 / 61.8	21.63*	6.38
MSC 2011-C3	1,492.0	10/5/2011	10.9	61.6	1.68	63 / 76	46.3	10.3 / 52.4	19.13*	5.75
GSMS 2011-GC5	1,745.2	10/13/2011	11.0	61.4	1.71	74 / 129	53.5	11.4 / 53.4	19.63*	5.88
WFRBS 2011-C5	1,091.1	11/22/2011	10.4	63.0	1.47	75 / 98	46.0	19.0 / 57.0	22.13*	6.50
CFCRE 2011-C2	774.1	12/15/2011	11.8	63.9	1.56	51 / 72	44.6	12.8 / 56.1	19.88*	6.13
UBSC 2011-C1	673.9	12/29/2011	13.9	64.6	1.43	32 / 38	22.5	10.7 / 63.2	21.88*	6.50

WA = Weighted Average.

* These transactions also included supersenior tranches with 30% credit enhancement.

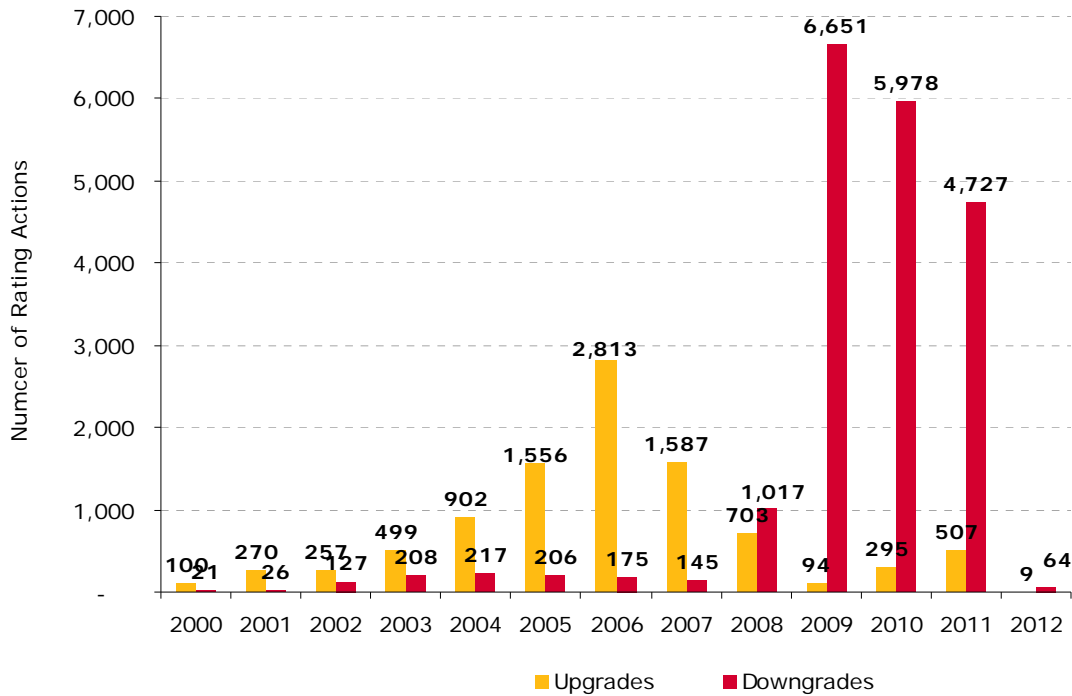
Source: Intex Solutions, Inc, Trepp, LLC, and Wells Fargo Securities, LLC.

COLLATERAL STATISTICS

Ticker	Avg Loan Size (\$mm)	Property Type Breakdown				Full % IO	Partial IO%	Top State %	% 5 Yr Loans	% 7 Yr Loans
		Retail	Office	Hotel	Industrial					
RBSCF 2010-MB1	51.62	66.0	33.1	0.0	0.9	23.8	0.0	TX 37.6	100.0	0.0
JPMCC 2010-C1	18.37	71.0	11.6	0.0	11.8	2.1	5.9	CA 16.1	55.0	18.4
GSMS 2010-C1	34.28	78.4	10.5	0.0	7.3	0.8	14.6	NY 13.4	11.1	0.0
JPMCC 2010-C2	36.71	67.0	15.1	0.0	10.3	4.1	1.0	AZ 15.9	14.8	20.3
COMM 2010-C1	20.40	43.1	29.3	1.5	2.3	3.9	6.4	NY 22.9	49.7	0.7
WFCM 2010-C1	19.89	31.2	28.5	8.5	12.8	3.4	1.4	CA 21.4	6.2	0.0
GSMS 2010-C2	20.38	38.8	33.8	8.5	4.2	14.7	18.1	PA 20.3	30.5	0.0
DBUBS 2011-LC1	46.30	43.7	39.5	6.8	1.5	1.6	18.2	IL 16.2	46.4	7.0
MSC 2011-C1	38.71	43.7	28.0	9.8	7.7	0.0	30.5	DE 15.3	40.7	0.0
WFRBS 2011-C2	25.48	52.0	15.7	1.7	6.1	2.6	12.7	CA 28.8	31.0	4.2
JPMCC 2011-C3	30.23	62.9	24.6	6.2	1.0	2.1	37.4	TX 19.9	19.8	20.7
GSMS 2011-GC3	24.57	60.0	16.1	8.4	0.0	7.4	7.1	TX 22.6	30.1	3.8
CFCRE 2011-C1	16.70	27.1	45.0	0.0	0.0	0.0	31.2	TX 17.4	50.0	3.9
WFRBS 2011-C3	19.54	49.5	20.3	10.1	6.1	7.9	3.5	FL 16.2	22.6	10.1
MSC 2011-C2	23.35	43.0	40.0	4.7	7.1	24.7	4.3	TX 35.1	30.1	1.2
JPMCC 2011-C4	37.15	40.4	36.7	0.8	1.2	12.0	0.0	CA 25.4	21.7	44.8
DBUBS 2011-LC2	32.00	34.9	41.5	8.5	4.2	6.8	18.2	NY 24.9	28.1	6.0
WFRBS 2011-C4	19.23	42.6	13.3	12.3	11.1	16.7	3.1	CA 19.1	14.0	4.7
DBUBS 2011-LC3	40.62	35.5	32.8	18.9	0.0	3.7	15.6	RI 18.4	22.7	1.6
JPMCC 2011-C5	23.40	50.5	16.7	20.3	0.0	29.6	17.8	IL 23.4	21.2	1.5
MSC 2011-C3	23.68	46.3	29.7	12.6	3.4	7.0	20.0	TX 17.6	31.7	10.6
GSMS 2011-GC5	23.58	53.5	14.8	13.3	1.6	20.9	3.8	NY 19.0	28.4	0.0
WFRBS 2011-C5	14.55	46.0	12.0	12.6	6.6	2.5	14.3	TX 35.3	11.2	1.6
CFCRE 2011-C2	15.18	44.6	17.9	15.1	1.0	0.0	7.6	CA 26.3	46.4	0.0
UBSC 2011-C1	21.06	22.5	26.4	15.4	10.8	0.0	38.0	NY 33.0	24.3	0.0

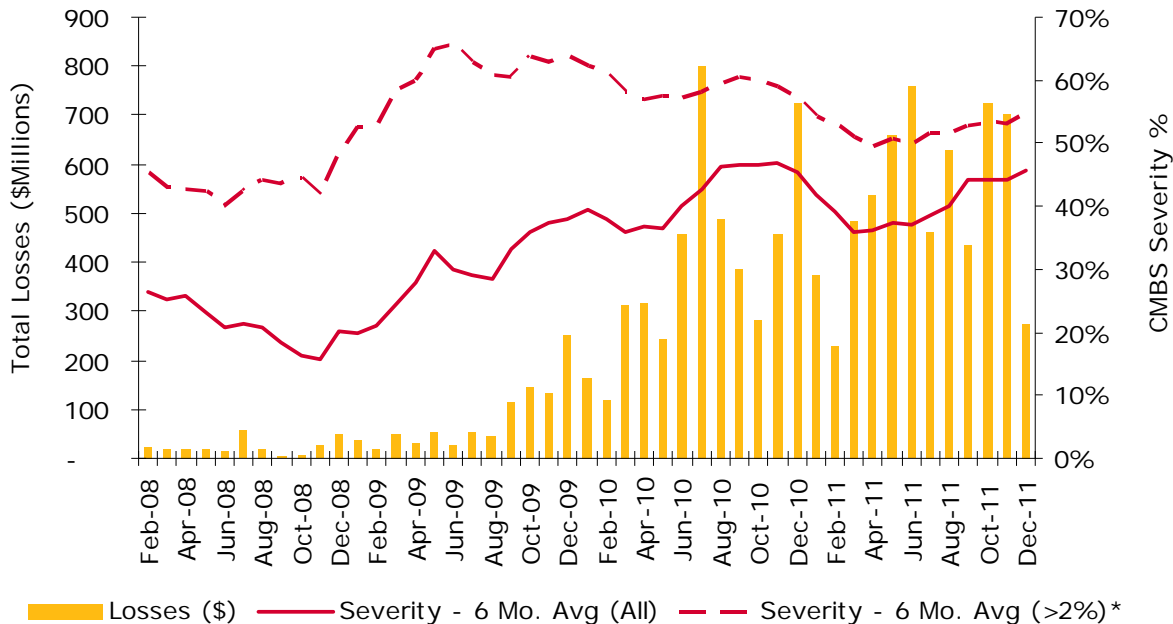
Source: Intex Solutions, Inc, Trepp, LLC, and Wells Fargo Securities, LLC.

Historical Rating Actions (Fixed-Rate Conduit Deals)



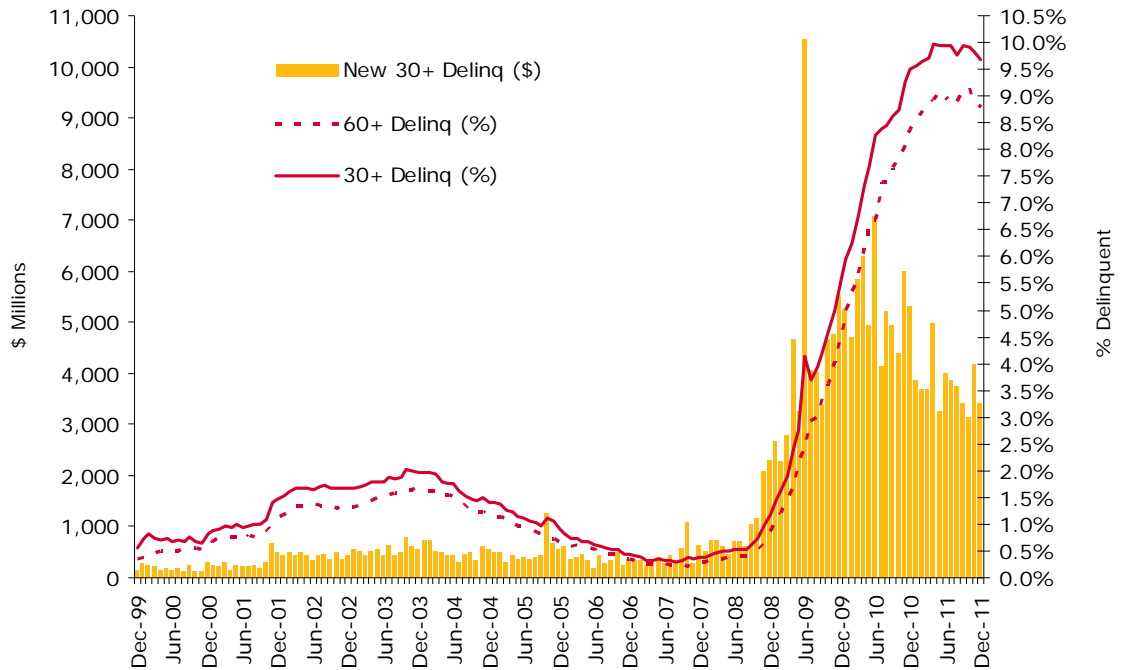
*Rating actions are as of January 11, 2012. Ratings are for fixed-rate conduit deals.
 Source: Wells Fargo Securities, LLC, Moody's, Fitch, DBRS, and S&P.

Historical Loss and Severity Trends (Fixed-Rate Conduit Deals)



* This only includes loans that suffered loss severities greater than 2%.
 Source: Wells Fargo Securities, LLC, and Intex Solutions, Inc.

Historical CMBS Delinquencies (Fixed-Rate Conduit Deals)



Source: Wells Fargo Securities, LLC, and Intex Solutions, Inc.

60+ Day Delinquencies by Property Type (Fixed-Rate Conduit Deals)

Date	Multifamily	Retail	Office	Industrial	Hotel	Self-Storage	Healthcare	Other
Dec-11	13.90%	6.78%	7.97%	10.92%	11.78%	3.71%	5.24%	6.17%
Nov-11	14.33%	6.74%	7.60%	10.53%	14.30%	3.75%	2.56%	6.00%
Oct-11	15.21%	7.11%	7.52%	10.56%	14.28%	4.13%	2.62%	6.05%
Sep-11	15.27%	6.82%	7.50%	10.20%	15.27%	4.03%	2.33%	6.15%
Aug-11	15.13%	6.65%	6.80%	9.97%	15.68%	4.19%	2.26%	6.32%
Jul-11	14.95%	7.03%	6.83%	9.89%	16.12%	4.14%	2.04%	6.77%
Jun-11	15.22%	6.74%	6.62%	10.42%	16.29%	4.20%	2.02%	6.55%
May-11	15.76%	7.02%	6.50%	9.77%	16.40%	4.20%	8.05%	6.42%
Apr-11	15.09%	6.91%	6.45%	9.26%	16.47%	3.88%	8.15%	7.12%
Mar-11	15.40%	6.80%	6.35%	8.82%	16.01%	3.66%	2.51%	8.11%
Feb-11	15.56%	6.66%	6.07%	9.32%	15.94%	3.29%	2.77%	7.79%
Jan-11	15.25%	6.55%	5.82%	7.70%	16.64%	3.23%	3.23%	7.64%
4Q10	14.22%	6.67%	5.99%	5.73%	16.17%	3.14%	8.75%	7.51%
2Q10	13.00%	5.53%	5.15%	5.06%	13.21%	2.51%	2.62%	4.97%
4Q09	7.56%	3.85%	2.88%	3.05%	8.61%	2.31%	7.49%	4.04%
2Q09	4.67%	2.46%	1.63%	1.75%	2.92%	0.96%	6.25%	1.22%
4Q08	2.06%	0.74%	0.39%	0.54%	0.81%	0.13%	5.15%	0.52%
2Q08	1.24%	0.20%	0.19%	0.21%	0.20%	0.09%	4.23%	0.23%
4Q07	1.01%	0.11%	0.11%	0.14%	0.17%	0.11%	0.42%	0.19%
2Q07	0.58%	0.13%	0.16%	0.19%	0.47%	0.07%	0.46%	0.12%
4Q06	0.73%	0.17%	0.25%	0.64%	0.43%	0.09%	1.39%	0.19%
2Q06	1.01%	0.28%	0.38%	0.74%	0.83%	0.14%	2.90%	0.49%
4Q05	1.28%	0.28%	0.46%	1.08%	1.51%	0.12%	4.83%	0.64%
2Q05	1.65%	0.46%	0.65%	1.22%	2.34%	0.17%	4.92%	0.92%
4Q04	1.59%	0.69%	0.83%	1.56%	3.43%	0.13%	4.25%	1.14%
2Q04	1.65%	1.06%	1.03%	1.61%	5.44%	0.19%	4.89%	1.49%
4Q03	1.29%	1.19%	1.05%	1.46%	6.96%	0.10%	8.65%	1.98%
2Q03	0.87%	1.08%	0.70%	1.63%	7.82%	0.18%	7.72%	1.88%
4Q02	0.66%	1.20%	0.48%	1.04%	5.53%	0.20%	7.72%	1.84%
2Q02	0.54%	1.33%	0.41%	0.96%	5.82%	0.11%	7.52%	1.80%
4Q01	0.50%	0.84%	0.34%	0.49%	4.34%	0.13%	8.36%	1.84%
2Q01	0.35%	0.52%	0.19%	0.38%	1.78%	0.04%	7.78%	1.25%
4Q00	0.26%	0.43%	0.17%	0.45%	1.28%	0.05%	4.82%	1.32%
2Q00	0.24%	0.63%	0.18%	0.40%	1.13%	0.00%	3.23%	0.16%

Sources: Wells Fargo Securities, LLC, and Intex Solutions, Inc.

Cumulative Defaults by Vintage (Fixed-Rate Conduit Deals)

Date	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2010
Dec-11	12.49%	13.90%	18.89%	15.84%	10.08%	7.45%	10.90%	14.42%	16.49%	18.99%	17.14%	0.00%
Nov-11	12.49%	13.89%	18.89%	15.78%	9.96%	7.41%	10.79%	14.24%	15.84%	18.59%	16.80%	0.00%
Oct-11	12.49%	13.89%	18.87%	15.49%	9.84%	7.29%	10.66%	14.05%	15.55%	18.39%	16.28%	0.00%
Sep-11	12.49%	13.88%	18.82%	15.15%	9.68%	7.27%	10.47%	13.90%	15.23%	17.96%	16.28%	0.00%
Aug-11	12.49%	13.79%	18.71%	14.88%	9.21%	7.19%	10.29%	13.79%	14.81%	17.31%	16.10%	0.00%
Jul-11	12.47%	13.74%	18.62%	14.47%	8.75%	7.16%	10.20%	13.63%	14.41%	17.07%	16.00%	0.00%
Jun-11	12.46%	13.71%	18.55%	14.12%	8.55%	7.08%	10.05%	13.48%	14.07%	16.64%	16.00%	0.00%
May-11	12.43%	13.65%	18.52%	13.48%	8.28%	6.98%	9.74%	13.34%	13.82%	16.37%	16.00%	0.00%
Apr-11	12.40%	13.61%	18.51%	13.22%	8.06%	6.95%	9.48%	13.13%	13.39%	15.94%	15.82%	0.00%
Mar-11	12.40%	13.54%	18.49%	12.93%	8.04%	6.86%	9.39%	12.88%	12.81%	15.91%	15.58%	0.00%
Feb-11	12.40%	13.50%	18.38%	12.43%	7.92%	6.68%	9.15%	12.57%	12.38%	15.25%	14.91%	0.00%
Jan-11	12.37%	13.48%	18.24%	12.01%	7.76%	6.65%	9.03%	12.22%	11.93%	14.64%	13.72%	0.00%
4Q10	12.29%	13.29%	18.04%	11.61%	7.64%	6.53%	8.80%	11.68%	11.56%	13.85%	13.37%	0.00%
2Q10	11.83%	12.85%	15.65%	10.22%	6.68%	4.97%	7.67%	8.64%	9.72%	10.73%	11.94%	0.00%
4Q09	11.49%	11.49%	12.10%	8.75%	5.69%	3.98%	5.40%	5.11%	6.26%	5.86%	6.28%	
2Q09	11.20%	9.73%	10.53%	7.17%	4.28%	2.25%	3.00%	2.39%	3.29%	2.98%	3.27%	
4Q08	10.47%	8.39%	8.99%	6.24%	3.33%	1.66%	1.41%	1.10%	1.05%	0.66%	2.23%	
2Q08	9.46%	7.47%	8.44%	5.63%	3.01%	1.30%	0.91%	0.77%	0.47%	0.20%	0.00%	
4Q07	8.46%	7.30%	8.14%	5.22%	2.85%	1.10%	0.69%	0.59%	0.35%	0.07%		
2Q07	8.02%	7.19%	7.84%	4.99%	2.29%	0.87%	0.48%	0.37%	0.07%	0.01%		
4Q06	7.92%	7.07%	7.54%	4.77%	2.02%	0.77%	0.42%	0.27%	0.02%			
2Q06	7.60%	6.84%	7.33%	4.48%	1.76%	0.71%	0.37%	0.14%	0.00%			
4Q05	6.81%	5.92%	6.21%	3.57%	1.16%	0.38%	0.08%	0.00%				
2Q05	7.18%	6.49%	7.04%	4.26%	1.51%	0.59%	0.18%	0.07%				
4Q04	6.30%	5.08%	5.33%	2.80%	1.02%	0.22%	0.01%					
2Q04	5.83%	4.43%	4.77%	2.05%	0.66%	0.05%	0.00%					
4Q03	5.15%	3.60%	3.79%	1.56%	0.36%	0.03%						
2Q03	4.25%	2.83%	2.90%	1.04%	0.19%	0.01%						
4Q02	3.31%	1.85%	1.98%	0.64%	0.08%							
2Q02	2.88%	1.52%	1.40%	0.24%	0.00%							
4Q01	2.16%	1.15%	0.62%	0.06%								
2Q01	1.68%	0.60%	0.16%	0.00%								
4Q00	1.10%	0.35%	0.04%									
2Q00	0.87%	0.11%	0.00%									

Defaults are loans reaching 60+ days delinquent.
Sources: Wells Fargo Securities, LLC, and Intex Solutions, Inc.

Cumulative Losses by Vintage (Fixed-Rate Conduit Deals)

Date	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2010
Dec-11	2.53%	2.67%	3.50%	2.65%	2.01%	1.14%	1.20%	1.55%	1.75%	1.56%	2.49%	0.00%
Nov-11	2.52%	2.64%	3.44%	2.61%	1.98%	1.13%	1.15%	1.54%	1.72%	1.50%	2.44%	0.00%
Oct-11	2.52%	2.59%	3.37%	2.56%	1.82%	1.11%	1.07%	1.48%	1.65%	1.33%	2.35%	0.00%
Sep-11	2.51%	2.52%	3.35%	2.52%	1.78%	1.07%	0.99%	1.38%	1.52%	1.23%	2.25%	0.00%
Aug-11	2.49%	2.50%	3.32%	2.51%	1.73%	0.99%	0.96%	1.34%	1.44%	1.16%	2.06%	0.00%
Jul-11	2.48%	2.50%	3.24%	2.51%	1.64%	0.97%	0.93%	1.29%	1.38%	0.98%	1.94%	0.00%
Jun-11	2.48%	2.47%	3.19%	2.46%	1.62%	0.96%	0.89%	1.23%	1.28%	0.93%	1.89%	0.00%
May-11	2.44%	2.41%	3.12%	2.38%	1.53%	0.90%	0.83%	1.14%	1.15%	0.82%	1.68%	0.00%
Apr-11	2.43%	2.39%	3.04%	2.31%	1.42%	0.84%	0.79%	1.08%	1.03%	0.73%	1.32%	0.00%
Mar-11	2.41%	2.36%	2.89%	2.24%	1.33%	0.80%	0.68%	1.00%	0.86%	0.60%	0.91%	0.00%
Feb-11	2.41%	2.35%	2.87%	2.20%	1.29%	0.80%	0.67%	0.96%	0.85%	0.59%	0.91%	0.00%
Jan-11	2.39%	2.35%	2.86%	2.16%	1.27%	0.77%	0.65%	0.93%	0.81%	0.56%	0.87%	0.00%
4Q10	2.26%	2.24%	2.82%	2.13%	1.24%	0.75%	0.63%	0.83%	0.76%	0.53%	0.83%	0.00%
2Q10	2.16%	1.88%	2.22%	1.49%	0.98%	0.45%	0.40%	0.35%	0.30%	0.19%	0.21%	0.00%
4Q09	1.99%	1.60%	1.86%	1.24%	0.74%	0.24%	0.23%	0.16%	0.13%	0.04%	0.07%	
2Q09	1.88%	1.50%	1.63%	1.05%	0.55%	0.17%	0.13%	0.07%	0.02%	0.01%	0.00%	
4Q08	1.83%	1.44%	1.55%	0.99%	0.49%	0.15%	0.12%	0.04%	0.01%	0.00%	0.00%	
2Q08	1.79%	1.43%	1.52%	0.95%	0.46%	0.08%	0.09%	0.02%	0.00%	0.00%	0.00%	
4Q07	1.77%	1.38%	1.45%	0.88%	0.45%	0.07%	0.05%	0.01%	0.00%	0.00%		
2Q07	1.71%	1.27%	1.36%	0.83%	0.40%	0.05%	0.02%	0.01%	0.00%	0.00%		
4Q06	1.64%	1.18%	1.29%	0.73%	0.23%	0.03%	0.01%	0.00%	0.00%			
2Q06	1.52%	1.02%	1.19%	0.56%	0.22%	0.02%	0.00%	0.00%	0.00%			
4Q05	1.43%	0.89%	1.06%	0.47%	0.17%	0.02%	0.00%	0.00%				
2Q05	1.32%	0.74%	0.88%	0.27%	0.11%	0.02%	0.00%	0.00%				
4Q04	1.09%	0.59%	0.59%	0.21%	0.05%	0.00%	0.00%					
2Q04	0.91%	0.43%	0.43%	0.12%	0.02%	0.00%	0.00%					
4Q03	0.59%	0.32%	0.32%	0.08%	0.01%	0.00%						
2Q03	0.44%	0.15%	0.18%	0.04%	0.00%	0.00%						
4Q02	0.25%	0.09%	0.07%	0.02%	0.00%							
2Q02	0.11%	0.04%	0.01%	0.01%	0.00%							
4Q01	0.06%	0.01%	0.00%	0.00%								
2Q01	0.04%	0.00%	0.00%	0.00%								
4Q00	0.02%	0.00%	0.00%									
2Q00	0.01%	0.00%	0.00%									

Sources: Wells Fargo Securities, LLC, and Intex Solutions, Inc.

Future Maturities by Deal Vintage (\$billion outstanding) – Fixed-Rate Conduit Deals

Vintage	1995-1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TOTALS
Ext.*	0.33	0.39	0.93	2.00	0.31	0.47	1.07	3.12	4.48	0.35	0.00	0.00	0.00	0.00	13.46
Mat.**	0.01	0.01	0.00	0.15	0.45	0.02	0.25	0.36	1.20	0.73	0.00	0.00	0.00	0.00	3.18
2012	0.90	0.12	0.23	0.24	10.28	4.15	0.50	7.25	1.74	16.55	0.46	0.00	0.00	0.00	42.42
2013	1.34	1.01	0.13	0.26	0.22	20.07	5.96	1.24	4.17	2.76	0.29	0.00	0.00	0.02	37.45
2014	0.07	0.11	0.07	0.12	0.03	0.53	29.85	8.60	0.69	8.67	0.43	0.00	0.04	0.01	49.24
2015	0.05	0.08	0.15	0.06	0.02	0.25	0.53	76.12	15.22	1.59	0.01	0.00	1.62	0.88	96.58
2016	0.16	0.03	0.02	0.33	0.13	0.10	0.80	1.38	107.90	17.96	0.09	0.00	0.00	6.59	135.49
2017	0.59	0.02	0.02	0.02	0.21	0.15	0.11	0.98	1.74	124.26	6.22	0.00	0.38	0.14	134.85
2018	0.63	0.35	0.03	0.07	0.01	0.48	0.29	0.21	0.90	1.30	2.38	0.00	0.05	1.48	8.18
2019	0.13	0.15	0.04	0.03	0.04	0.05	0.84	0.26	0.27	1.78	0.00	0.00	0.00	0.22	3.80
2020	0.09	0.06	0.06	0.09	0.02	0.09	0.01	1.34	0.38	0.07	0.00	0.00	3.20	1.68	7.07
TOTALS	4.29	2.33	1.68	3.38	11.70	26.36	40.20	100.86	138.70	176.00	9.88	0.00	5.30	11.03	531.72

* Extended at least two months beyond the maturity date.

** At maturity. Includes loans extended 1 month.

Note: Excludes defeased loans.

Sources: Wells Fargo Securities, LLC, Intex Solutions, Inc., Trepp, LLC.

**Future Maturities by Deal Vintage (\$billion outstanding)
Large-Loan Floating Rate & Single Asset/Single Borrower Deals**

Vintage	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TOTALS
2012	0.09	0.00	0.26	0.86	6.37	14.96	0.00	0.00	0.00	0.08	22.61
2013	0.00	0.11	0.02	0.00	2.40	0.06	0.00	0.00	2.35	1.75	6.69
2014	0.00	0.00	0.00	0.00	0.04	1.94	0.00	0.39	0.00	0.32	2.69
2015	0.00	0.00	0.00	0.00	0.24	0.51	0.00	0.00	1.98	0.00	2.72
2016	0.00	0.00	0.00	0.00	0.80	0.07	0.00	0.00	0.00	2.35	3.22
2017	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.45	0.00	0.00	0.45
2018	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2019	0.00	0.00	0.00	0.25	0.00	0.00	0.00	0.49	0.00	0.00	0.75
2020	0.15	0.00	0.00	0.00	0.98	0.00	0.00	0.00	1.78	0.00	2.91
TOTALS	0.23	0.11	0.27	1.11	10.84	17.53	0.00	1.33	6.11	4.50	42.03

* Extended at least two months beyond the maturity date.

** At maturity. Includes loans extended 1 month.

Note: Excludes defeased loans.

Sources: Wells Fargo Securities, LLC, Intex Solutions, Inc., Trepp, LLC.

DISCLOSURE APPENDIX

Additional information is available on request.

This report was prepared by Wells Fargo Securities, LLC.

About Wells Fargo Securities, LLC

Wells Fargo Securities, LLC is a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission and a member of the New York Stock Exchange, the Financial Industry Regulatory Authority and the Securities Investor Protection Corp.

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