

CMBS Weekly Report

Special feature: Re-examining triple-B subordination levels in light of Hurricane Katrina

- Benchmark spreads put in a mixed performance this week as triple-A through single-A minus spreads tightened up to 2bp, while triple-B and triple-B minus spreads widened 2 and 10bp.
- The first post-Katrina servicer watchlists have been released. We list the details for all JPMorgan/Chase transactions.
- This week we re-examine triple-B subordination levels in light of the hurricane.

Market spreads

	This				Change				
	Week	1 WK	1 MTH	YTD	Week	1 WK	1 MTH	YTD	
Swap-Based:	Spread Relationships:								
5yr TW AAA	19	0	1	4	10yr Super/Junior AAA	8	0	1	4
5yr WW AAA	25	0	2	0	AA/A	10	0	(1)	2
10yr Ultra AAA	27	(1)	4	N/A	A/BBB	49	4	3	13
10yr Super AAA	28	(1)	4	3	BBB/BBB-	55	8	5	13
10yr Junior AAA	36	(1)	5	7	BB/B	415	0	0	(45)
10yr Generic AAA	30	0	4	2	10yr Super AAA/Agencies	38	0	1	13
AA	46	(2)	3	10	10yr Generic AAA/DUS	11	0	1	2
A	56	(2)	2	12					
A-	66	(2)	1	12	Other Indices:				
BBB+	95	2	5	25	10yr DUS basis (Swap)	19	0	3	0
BBB	105	2	5	25	Whole Loan (TSY)	100	0	0	0
BBB-	160	10	10	38	10yr Agency Asset Swap	(10)	(1)	3	(10)
Treasury-Based:					DJ IG Main 5yr CDX	50	(1)	(1)	6
BB+	265	0	0	0	DJ HiVol 5yr CDX	112	(3)	2	25
BB	295	0	0	5	EOP 5yr CDS	34	(2)	(6)	(3)
B	710	0	0	(40)	EQR 5yr CDS	30	(1)	(2)	10
PAC IO	65	0	0	20	SPG 5yr CDS	34	0	(6)	(3)
Support IO	200	10	20	(20)	5yr Swap (TSY)	44	0	(1)	2
WAC IO	110	0	0	(30)	10yr Swap (TSY)	43	0	(2)	1

* Market spreads are as of Thursday afternoon.

Market commentary

Two fixed-rate transactions priced this week, a third began marketing and we saw substantial secondary selling, with over \$2.5 billion triple-As in for the bid. Despite this, investment-grade spreads gained some traction this week after widening as much as 5bp over the course of the past month in the wake of Hurricane Katrina. Over the last several days benchmark 10-year ultra triple-As tightened 1bp in conjunction with strong demand for newly issued transactions, double-As through single-A minuses tightened 2bp, although triple-Bs and triple-B minuses ended the week 2bp and 10bp wider, respectively. With the benchmark 10-year ultra-senior basis currently trading at S+27, or 5bp wider than its year-to-date tight, we think it looks cheap relative to both its prior historical range,

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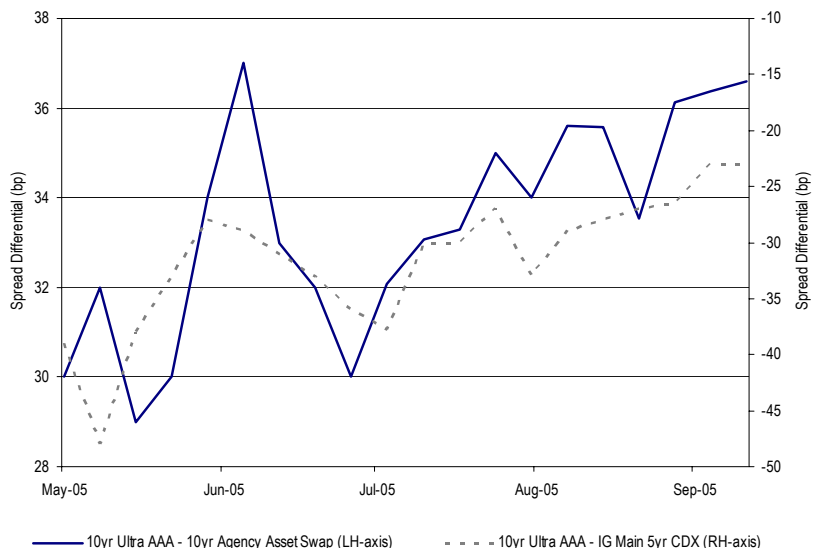
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as well as vis-à-vis competing asset classes, including Agencies and the investment-grade corporate CDX index (Chart 1).

Chart 1: Relative value of 10-year Ultra triple-As versus Agencies and CDX



Given this relative cheapness, we look for triple-A spreads to remain well bid and to tighten slightly over the next several weeks, despite the robust upcoming new issue calendar. Between now and the end of October we expect fixed-rate supply will total \$28-30 billion, of which approximately \$10 billion is expected to price in September. Looking to the end of the year, we expect about \$20 billion to price in November and December, which will bring year-to-date total issuance of fixed-rate CMBS to about \$130 billion, 76% higher than the 2004 record of \$74 billion.

With 5- and 10-year Treasury yields rising 12 and 14bp, respectively this week, we suggest accounts looking to shorten duration consider PAC IOs as an attractive alternative. As we have mentioned in previous weeklies¹, assuming no defaults or prepayments, newly issued PAC IOs currently offer spreads in the high E+20s area, which represents a spread pick-up of over 20bp above that offered by the current-pay A1 bond or 3-year ABS credit card paper.

First updated servicer watchlists released following Hurricane Katrina

Over the past week several of the master servicers for JPMorgan/Chase transactions released their first updated watchlists following Hurricane Katrina. Although information is still filtering in regarding the status of many of the newly watch-listed properties, we have included all publicly available information in Appendix I, which is located on pages 6-12 of this publication.

¹ CMBS Weekly Report, "PAC IOs revisited," July 15, 2005

Special feature

Re-examining triple-B subordination levels in light of Hurricane Katrina

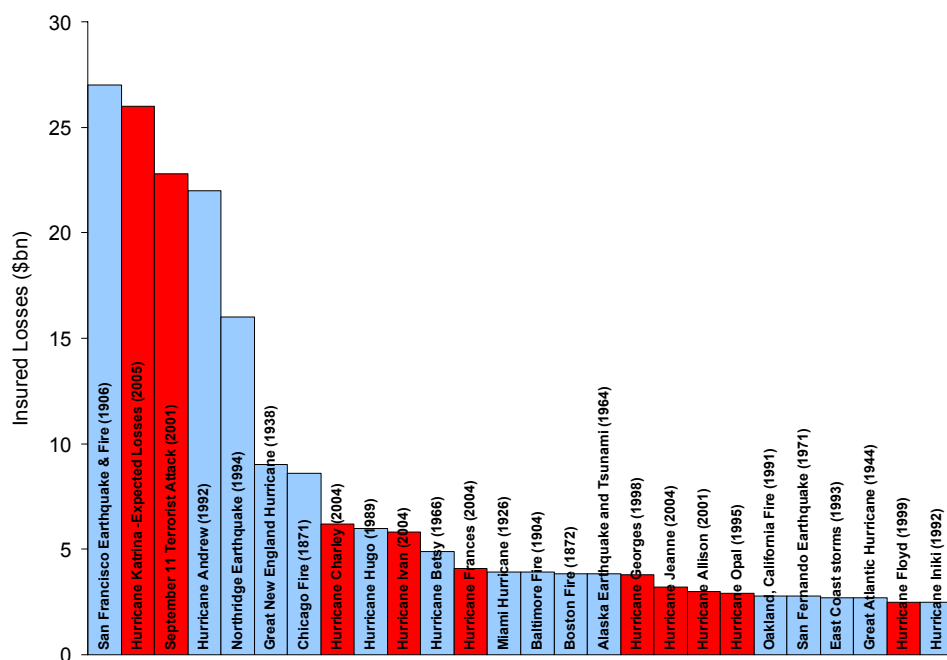
While the effects of Hurricane Katrina have been well documented during the past two weeks, it appears as if the market is only finally beginning to discern between Katrina- and non-Katrina-affected bonds. Immediately following the hurricane, bonds with Gulf state exposure traded with no spread concession relative to those bonds without Gulf state exposure. This week, however, triple-A rated bonds with 3-5% exposure to the Gulf states traded at about a 2-5bp concession, triple-Bs with similar characteristics traded at a concession of 15-20bp, while triple-B minuses traded with a 20-40bp concession.

Although triple-As with Gulf state exposure widened only slightly due to the potential for future cash flow uncertainty, we do not expect these bonds to experience either losses or downgrades due to the effects of Hurricane Katrina. At the triple-B level, however, the outcome is less clear. **Insurance proceeds may mitigate much of the cost of repairing the damage, but we expect triple-B bonds with material (3-5%) Gulf state exposure could experience at least a one-notch downgrade due to Hurricane Katrina.**

How has the CMBS market weathered prior catastrophes?

Unforeseen shocks occur more often than one might realize. In Chart 2 we detail the U.S. catastrophes that have resulted in the 25 largest insured property losses.

Chart 2: U.S. Catastrophes: 25 Largest Insured Property Losses (Losses shown in 2004 \$)



Source: A.M. Best news archives, ISO

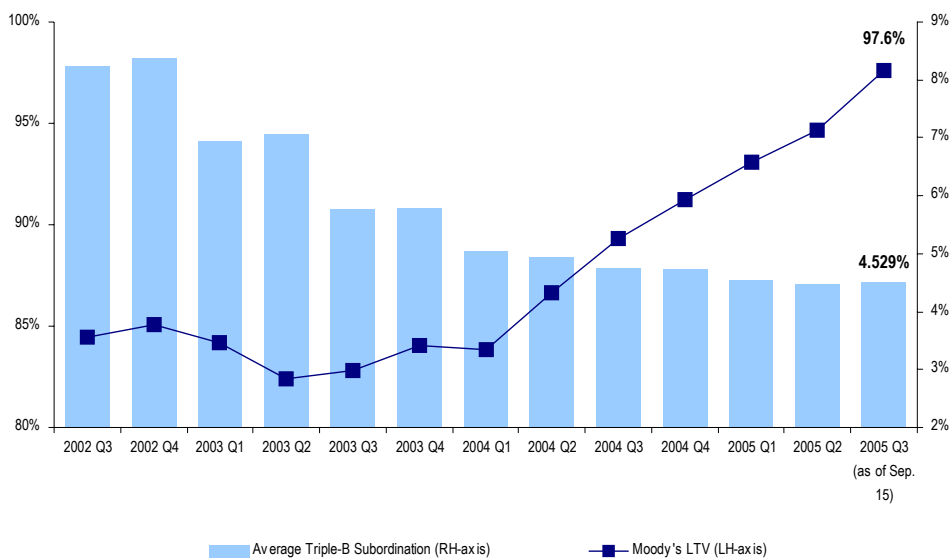
Although ten of these 25 events occurred during the past ten years (the time in which the CMBS market has been in existence), the CMBS market has fared extremely well: we were told by both Moody's and S&P that no CMBS transaction has ever suffered a principal loss as a direct result of any catastrophic disaster. The only catastrophe to result in even a negative rating action was the 9/11 terrorist attack. However, we differentiate the downgrades experienced by the BALL 2001-7WTC transaction (that was ultimately repaid in full due to insurance) that resulted from this catastrophe because the transaction was a single asset deal, and had no diversification to mitigate the destruction caused by the terrorist attacks.

While prior events, such as the attack on the World Trade Center, have affected the CMBS market, the number of transactions impacted has been limited. Hurricane Katrina is the first to truly test how well the system works. **While the total damage due to Hurricane Katrina will take some time to tally, preliminary evidence leads us to believe that even deals with direct exposure will get out without severe losses due to the diversification inherent in fixed-rate conduit transactions.** Investors that hold a diversified CMBS portfolio should expect a few bonds to suffer downgrades, wider spreads and possibly even some losses. Their portfolio's aggregate performance, however, should not be materially impacted by the damage caused by Hurricane Katrina.

The biggest risks facing triple-B bond holders

The biggest risks currently facing the triple-B bond holder are the trends in recently issued transactions toward higher leverage, lower subordination and the inclusion of larger loans. As we have noted in the past, during the prior two years Moody's stressed LTVs have increased dramatically while subordination at the triple-B level has decreased (Chart 3).

Chart 3: Triple-B Subordination vs. Moody's Stressed LTV



Source: JPMorgan, Moody's Investors Service

With higher leverage, less subordination and an increasingly lumpy profile (Table 1), many newly issued CMBS transactions may ultimately prove to provide insufficient subordination to the triple-B bond holder – particularly through the course of the normal economic cycle.

Table 1: Loan and deal sizes have increased, triple-B subordination has decreased

Date	Average Deal Size (\$mn)	Average Loan Size (\$mn)	Average Largest Loan Size (\$mn)	Average Triple-B Subordination (%)
July-August 2005	\$2,216	\$14.20	\$184.50	4.44%
July-August 2004	\$1,326	\$11.30	\$126.60	4.67%

Source: JPMorgan

It is true that many of the larger loans in recently issued deals are of investment-grade quality, which mitigates the probability of a loss in the normal course of a business cycle. Given that the inclusion of more IO loans will limit future deal de-levering, a more recently issued transaction will be less able to withstand the same level of defaults and losses that a deal issued several years ago could. With respect to catastrophic risk exposure, this heightens the need for broad diversification across regional economies.

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Appendix I: Servicer watchlist commentary on JPMorgan-Chase loans with exposure to Hurricane Katrina

Deal Name	Loan ID	Property Name	Current Balance	Deal Exposure	MSA	State	Property Type	Master Servicer	Watchlist Comments
CCMSC 2000-FL1	6	Causeway Plaza	22,660,000	52.5%	New Orleans, LA	LA	Office	GMACC	This property is located in an area that was reported to be affected by Hurricane Katrina. On 08/30/05, the borrower stated that there was major damage to the property, which has affected the day to day operations. According to the borrower, the cost to repair is estimated in excess of \$25,000. On 09/08/05, the borrower stated that they have made arrangements with disaster recovery to come in and assess the damage and they will contact GMACCM with an update on the condition of the property and whether they anticipate repaying the loan by the maturity date, 10/10/2005. The property was last inspected on 01/12/05 and received a rating of good. GMACCM will continue to monitor the loan.
Total CCMSC 2000-FL1 exposure:			22,660,000	52.5%				GMACC	
JPMCC 2001-A	6	Southside Gardens	5,634,713	6.5%	Baton Rouge, LA	LA	Senior Housing	GMACC	Not on servicer watchlist dated 09/09/2005
Total JPMCC 2001-A exposure:			5,634,713	6.5%				GMACC	
CCMSC 2000-3	53	Le Meridien (JW Marriot)	45,282,392	6.4%	New Orleans, LA	LA	Hotel	Wachovia	New Orleans hotel. Borrower reports only minor damage such as a few broken windows and cracked glass doors. No flood damage. Hotel operating on emergency power generators. Hotel was the staging area for evacuations. Security is provided by the local police. Payment of the debt service will not be a problem.
Total CCMSC 2000-3 exposure:			45,282,392	6.4%				Wachovia	
JPMCC 2005-CIBC11	7	Poydras Plaza	59,586,300	3.3%	New Orleans, LA	LA	Office	GMACC	This property is located in an area that was reported to be affected by Hurricane Katrina. On 08/30/05, the asset manager said that they lost 50-75% of the windows on both towers and 1/3 of the roof on one. No injuries were reported as yet. They have hired a private claims adjuster in addition to their insurance agent to examine the property and have contractors lined up. They have 12 months of business interruption insurance. On 09/08/05, the borrower stated that power has been restored to all three buildings, the contractor has started, and they expect the tenants to be able to return within 90 days. The properties are scheduled for an inspection in December 2005. GMACCM will continue to monitor this loan.

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JPMCC 2005-CIBC11	15	Lowes Metairie	23,400,000	1.3%	New Orleans, LA	LA	Retail	GMACC	This property is located in an area that was reported to be affected by Hurricane Katrina. GMACCM has contacted the borrower and is awaiting a response. The property is scheduled for an inspection in February 2006. GMACCM will continue to monitor this loan.
	59	College and Perkins	6,599,872	0.4%	Baton Rouge, LA	LA	Retail	GMACC	Not on servicer watchlist dated 09/06/2005
	94	Walker Plaza	4,100,000	0.2%	Baton Rouge, LA	LA	Retail	GMACC	This property is located in an area that was reported to be affected by Hurricane Katrina. GMACCM has contacted the borrower and is awaiting a response. The property is scheduled for an inspection in November 2005. GMACCM will continue to monitor this loan.
	103	Riverwood Shopping Center	3,860,534	0.2%	New Orleans, LA	LA	Retail	GMACC	This property is located in an area that was reported to be affected by Hurricane Katrina. On 08/30/05, the property manager stated that the plaza received damage to the roof. Leakages have been spotted and a roofer has been called but they have no time frame as to when the roofer will be able to make repairs. The property is scheduled for an inspection in February 2006. GMACCM will continue to monitor this loan.
Total JPMCC 2005-CIBC11 exposure:			97,546,706	5.4%				GMACC	
JPMCC 2005-CIBC12	9	Stirling Covington Center	29,906,023	1.3%	New Orleans, LA	LA	Retail	GMACC	Not on servicer watchlist dated 09/06/2005
	55	Pinebrook Shopping Center	14,000,000	0.6%	Mobile, AL	AL	Retail	GMACC	The property in this pool is located in the state of Alabama and may have damage from Hurricane Katrina. GMACCM has contacted the borrower for additional information regarding the potential damage at the property and is currently awaiting a response. GMACCM will continue to monitor this loan.
	60	The Plantation Apartment Homes	13,400,000	0.6%	Biloxi-Gulfport-Pascagoula, MS	MS	Multifamily	GMACC	The property in this pool is located in the state of Mississippi and may have damage from Hurricane Katrina. GMACCM has contacted the borrower for additional information regarding the potential damage at the property and is currently awaiting a response. GMACCM will continue to monitor this loan.
	75	Lakewind East Apartments	10,600,000	0.5%	New Orleans, LA	LA	Multifamily	GMACC	The property in this pool is located in the state of Louisiana and may have damage from Hurricane Katrina. GMACCM has contacted the borrower for additional information regarding the potential damage at the property and is currently awaiting a response. GMACCM will continue to monitor this loan.

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JPMCC 2005-CIBC12	145	Clearmont Apartments	3,871,098	0.2%	New Orleans, LA	LA	Multifamily	GMACC	The property in this pool is located in the state of Louisiana and may have damage from Hurricane Katrina. GMACCM was notified by the borrower on 08/30/05 that the property sustained significant damage as a result of Hurricane Katrina. The borrower indicated that the property is a total loss and has notified the insurance company. On 08/30/05, GMACCM sent a Loss Draft package to the borrower. GMACCM will continue to monitor this loan.
	150	Coursey Place Center	3,489,952	0.2%	Baton Rouge, LA	LA	Retail	GMACC	Not on servicer watchlist dated 09/06/2005
Total JPMCC 2005-CIBC12 exposure:			75,267,072	3.4%				GMACC	
JPMCC 2005-LDP2	3	Shops at Canal Place	90,000,000	3.0%	New Orleans, LA	LA	Retail	Wachovia	The borrower has provided the following information; however, it is based on information he obtained from third party and tenants. No Adjuster has yet to visit the property. No flooding. Sewage did back up in the lower basement area where the loading docks are located. Borrower reports about a foot of water and is not concerned about damage. Exterior Storm Damage - not severe, random windows blown out. Looting - Looters did break in, but they only took merchandise and did not do a lot of vandalism. Fire - Looters started a fire in Saks 5th Avenue. The third floor was damaged but the fire was contained by the fire department. Borrower states he has 7 armed guards at the property there 24/7. In addition the government was using part of the property as a command center but were pulling out soon. Based on preliminary information he believes the property can be back up and running in 4-6 weeks.
	191	Storage Max - Mobile, AL	3,467,736	0.1%	Mobile, AL	AL	Self Storage	Wachovia	N/A
	223	Magnolia Self Storage	2,594,565	0.1%	Mobile, AL	AL	Self Storage	Wachovia	N/A
	227	Woodland Square	2,560,000	0.1%	Mobile, AL	AL	Multifamily	Wachovia	N/A
	292	All American Self Storage	1,022,857	0.0%	Mobile, AL	AL	Self Storage	Wachovia	N/A
Total JPMCC 2005-LDP2 exposure:			99,645,159	3.3%				Wachovia	
JPMCC 2004-CIBC10	17	Sun Plus Distribution Center	22,258,101	1.1%	Baton Rouge, LA	LA	Industrial	GMACC	This property is located in an area that was reported to be affected by Hurricane Katrina. GMACCM has contacted the borrower and is awaiting a response. The property was last inspected on 06/16/05 and received a rating of good. GMACCM will continue to monitor the loan.
	79	Coursey Commons	7,620,239	0.4%	Baton Rouge, LA	LA	Retail	GMACC	Not on servicer watchlist
	83	IV United Plaza	6,974,830	0.4%	Baton Rouge, LA	LA	Office	GMACC	This property is located in an area that was reported to be affected by Hurricane Katrina. GMACCM has contacted the borrower and is awaiting a response. The property was last inspected on 07/20/05 and received a rating of good. GMACCM will continue to monitor the loan.

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JPMCC 2004-CIBC10	158	Oak Woods Apartments	2,900,506	0.1%	Baton Rouge, LA	LA	Multifamily	GMACC	Not on servicer watchlist dated 09/06/2005
	195	Walgreens - South Carrollton	941,962	0.0%	New Orleans, LA	LA	Retail	GMACC	This property is located in an area that was reported to be affected by Hurricane Katrina. GMACCM has contacted the borrower and is awaiting a response. The property was last inspected on 07/01/05 and received a rating of good. GMACCM will continue to monitor the loan.
	197	Walgreens - Coursey	860,521	0.0%	Baton Rouge, LA	LA	Retail	GMACC	Not on servicer watchlist dated 09/06/2005
	198	Walgreens - Front Street	785,679	0.0%	New Orleans, LA	LA	Retail	GMACC	This property is located in an area that was reported to be affected by Hurricane Katrina. GMACCM has contacted the borrower and is awaiting a response. The property was last inspected on 07/20/05 and received a rating of good. GMACCM will continue to monitor the loan.
	199	Walgreens - Sulphur	768,692	0.0%	Lake Charles, LA	LA	Retail	GMACC	Not on servicer watchlist dated 09/06/2005
	201	Walgreens - Ryan Street	662,125	0.0%	Lake Charles, LA	LA	Retail	GMACC	Not on servicer watchlist dated 09/06/2005
Total JPMCC 2004-CIBC10 exposure:			43,772,653	2.2%				GMACC	
JPMCC 2002-CIBC5	10	Elmwood Tower	18,031,463	1.8%	New Orleans, LA	LA	Office	Wachovia	Not on servicer watchlist dated 09/06/2005
Total JPMCC 2002-CIBC5 exposure:			18,031,463	1.8%				Wachovia	
JPMCC 2002-C1	37	Longwood	6,216,123	0.8%	Biloxi-Gulfport-Pascagoula, MS	MS	Multifamily	Wachovia	On watchlist but information on the property condition is not yet available.
	74	Greentree Apartments	3,321,741	0.4%	Hattiesburg, MS	MS	Multifamily	Wachovia	On watchlist but information on the property condition is not yet available.
	92	Gulf Grove	2,603,720	0.3%	Biloxi-Gulfport-Pascagoula, MS	MS	Multifamily	Wachovia	On watchlist but information on the property condition is not yet available.
	107	Magnolia Oaks Apartments	1,750,022	0.2%	Biloxi-Gulfport-Pascagoula, MS	MS	Multifamily	Wachovia	On watchlist but information on the property condition is not yet available.
Total JPMCC 2002-C1 exposure:			13,891,606	1.8%				Wachovia	
JPMCC 2004-CIBC9	44	Pontchartrain Place Shopping Center	7,347,391	0.7%	New Orleans, LA	LA	Retail	GMACC	This property is located in an area that was reported to be affected by Hurricane Katrina. GMACCM has contacted the borrower and is awaiting a response. The property was last inspected on 01/26/05 and received a rating of good. GMACCM will continue to monitor this loan.
	45	Dean Office Portfolio	7,169,034	0.7%	Baton Rouge, LA	LA	Office	GMACC	Not on servicer watchlist dated 09/06/2005
	58	Dean Commerce Building	5,303,121	0.5%	Baton Rouge, LA	LA	Office	GMACC	Not on servicer watchlist dated 09/06/2005
Total JPMCC 2004-CIBC9 exposure:			19,819,546	1.8%				GMACC	
JPMCC 2004-C2	10	Slidell Center	14,333,107	1.4%	New Orleans, LA	LA	Retail	GMACC	Not on servicer watchlist 09/09/2005
	63	Carondolet Apartments	3,926,299	0.4%	Mobile, AL	AL	Multifamily	GMACC	Not on servicer watchlist 09/09/2005
Total JPMCC 2004-C2 exposure:			18,259,406	1.7%				GMACC	

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JPMCC 2004-C3	43	Holiday Inn Express/Cotton Exchange Hotel	13,946,650	0.9%	New Orleans, LA	LA	Hotel	Midland	N/A
	70	B&M - Grande Pointe	7,125,000	0.5%	Mobile, AL	AL	Multifamily	Midland	N/A
Total JPMCC 2004-C3 exposure:			21,071,650	1.4%				Midland	
CCMSC 2000-1	47	FGS, Favrot and Shane, and Bankers Trust Buildings	6,193,429	1.1%	New Orleans, LA	LA	Office	Wachovia	Not on service watchlist dated 09/12/2005
	46	Fairfield Inn - Gulfport	1,968,417	0.3%	Biloxi-Gulfport-Pascagoula, MS	MS	Hotel	Wachovia	Not on service watchlist dated 09/12/2005
Total CCMSC 2000-1 exposure:			8,161,846	1.4%				Wachovia	
JPMCC 2005-LDP3	51	Chateau LeMoynes	8,990,255	0.4%	New Orleans, LA	LA	Hotel	GMACC	This property is located in an area that was reported to be affected by Hurricane Katrina. On 09/13/05, the borrower stated that there was damage to the property, but they are unable to determine the extent of the damage at this point. There is no power or drinkable water at the property. The damage has affected the day to day operations. GMACCM has contacted the borrower and is awaiting further details. GMACCM will continue to monitor the loan.
	84	Regency Apartments	5,835,565	0.2%	Biloxi-Gulfport-Pascagoula, MS	MS	Multifamily	GMACC	This property is located in an area that was reported to be affected by Hurricane Katrina. On 08/30/05, the borrower stated that there was damage to the property, but the extent of the damage is not yet known. The damage has affected the day to day operations. GMACCM has contacted the borrower for additional information and is awaiting a response. GMACCM will continue to monitor the loan.
	103	Houma Plaza	4,250,000	0.2%	Houma, LA	LA	Retail	GMACC	This property is located in an area that was reported to be affected by Hurricane Katrina. On 08/30/05, the borrower stated that there was damage to the property, but the extent of the damage is not yet known. The damage has affected the day to day operations. GMACCM has contacted the borrower for further details and is awaiting a response. GMACCM will continue to monitor the loan.
	155	Jefferson Village	2,797,297	0.1%	Baton Rouge, LA	LA	Retail	GMACC	Not on servicer watchlist dated 09/09/2005
	174	Sulphur Plaza	2,485,000	0.1%	Lake Charles, LA	LA	Retail	GMACC	Not on servicer watchlist dated 09/09/2005
	222	Ambassador Caffery Plaza	1,271,254	0.1%	Lafayette, LA	LA	Retail	GMACC	This property is located in an area that was reported to be affected by Hurricane Katrina. GMACCM has contacted the borrower and is awaiting a response.
Total JPMCC 2005-LDP3 exposure:			25,629,371	1.3%				GMACC	

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Deal Name	Loan ID	Property Name	Current Balance	Deal Exposure	MSA	State	Property Type	Master Servicer	Watchlist Comments
JPMCC 2001-CIBC3	45	Winn Dixie - Metairie	5,150,147	0.6%	New Orleans, LA	LA	Retail	Wachovia	N/A
	46	Winn Dixie - Meraux	5,087,457	0.6%	New Orleans, LA	LA	Retail	Wachovia	N/A
Total JPMCC 2001-CIBC3 exposure:			10,237,604	1.2%				Wachovia	
JPMC 2000-C10	48	Rotunda Apartments	4,309,861	0.7%	New Orleans, LA	LA	Multifamily	Midland	N/A
	124	Lafayette Apartments	1,282,810	0.2%	New Orleans, LA	LA	Multifamily	Midland	N/A (Fully Defeased)
	158	Buckner Warehouse	547,821	0.1%	New Orleans, LA	LA	Industrial	Midland	N/A (Fully Defeased)
Total JPMC 2000-C10 exposure:			6,140,492	0.9%				Midland	
JPMCC 2003-PM1	62	Castlebrook Apartments	4,869,821	0.4%	Baton Rouge, LA	LA	Multifamily	Midland	N/A
	104	University Place Apartments	2,881,852	0.3%	Lafayette, LA	LA	Multifamily	Midland	N/A
	136	Hollywood Park	1,633,246	0.1%	New Orleans, LA	LA	Multifamily	Midland	N/A
Total JPMCC 2003-PM1 exposure:			9,384,919	0.8%				Midland	
JPMCC 2005-LDP1	27	Market Center	20,239,026	0.8%	Baton Rouge, LA	LA	Retail	Midland	N/A
Total JPMCC 2005-LDP1 exposure:			20,239,026	0.8%				Midland	
JPMCC 2003-CIBC6	54	Gentilly Woods Shopping Center	5,387,129	0.5%	New Orleans, LA	LA	Retail	Wachovia	On watchlist but information on the property condition is not yet available.
	109	Baton Rouge Center	2,058,595	0.2%	Baton Rouge, LA	LA	Retail	Wachovia	On watchlist but information on the property condition is not yet available.
Total JPMCC 2003-CIBC6 exposure:			7,445,724	0.7%				Wachovia	
JPMCC 2001-CIBC2	110	Willow Park Apartments II	1,935,888	0.2%	Lafayette, LA	LA	Multifamily	Midland	N/A
	111	Willow Park Apartments I	1,897,458	0.2%	Lafayette, LA	LA	Multifamily	Midland	N/A
	134	Dolphin South Apartments	864,758	0.1%	Biloxi-Gulfport-Pascagoula, MS	MS	Multifamily	Midland	N/A
	135	Azalea Mobile Home Park	720,784	0.1%	Baton Rouge, LA	LA	Manufactured Housing	Midland	N/A
	137	The Ivy	708,737	0.1%	Baton Rouge, LA	LA	Multifamily	Midland	N/A
Total JPMCC 2001-CIBC2 exposure:			6,127,626	0.7%				Midland	

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Deal Name	Loan ID	Property Name	Current Balance	Deal Exposure	MSA	State	Property Type	Master Servicer	Watchlist Comments
CCMSC 1998-2	40	East Lake Plaza Shopping Center	7,344,443	0.7%	New Orleans, LA	LA	Retail	GMAC	N/A
Total CCMSC 1998-2 exposure:			7,344,443	0.7%			GMAC		
JPMCC 2003-ML1	60	Pelican Bay Apartments	5,015,647	0.6%	New Orleans, LA	LA	Multifamily	Wachovia	Not on servicer watchlist dated 09/06/2005
	119	ITS/Caleb Brett	1,172,479	0.1%	New Orleans, LA	LA	Industrial	Wachovia	Not on servicer watchlist dated 09/06/2005
Total JPMCC 2003-ML1 exposure:			6,188,127	0.7%			Wachovia		
JPMCC 2003-LN1	72	Royal Gulf Apartments	5,475,038	0.4%	Biloxi-Gulfport-Pascagoula, MS	MS	Multifamily	Wells Fargo	Not on servicer watchlist dated 09/13/2005
	173	Cedar Lake MHP	1,677,613	0.1%	Biloxi-Gulfport-Pascagoula, MS	MS	Manufactured Housing	Wells Fargo	Not on servicer watchlist dated 09/13/2005
Total JPMCC 2003-LN1 exposure:			7,152,651	0.6%			Wells Fargo		
JPMCC 2004-LN2	70	Central Plaza	5,100,000	0.4%	Baton Rouge, LA	LA	Retail	GMAC	Not on servicer watchlist dated 09/09/2005
	158	Turtle Bend Shopping Center	1,835,848	0.1%	Hattiesburg, MS	MS	Retail	GMAC	On 08/30/05, the borrower stated that the building sustained soffit damage, but that the tenants are open for business. At this time there is no estimate for the cost of repair. GMACCM has sent a loss draft package to the borrower. The property was last inspected 02/05/05 and received a rating of good. GMACCM will continue to monitor this loan.
Total JPMCC 2004-LN2 exposure:			6,935,848	0.6%			GMAC		
JPMCC 2004-C1	72	Hillcrest Apartment	3,395,517	0.2%	Mobile, AL	AL	Multifamily	GMAC	Not on servicer watchlist dated 09/09/2005
	114	Southview Shopping Center	1,113,613	0.1%	Baton Rouge, LA	LA	Retail	GMAC	Not on servicer watchlist dated 09/09/2005
Total JPMCC 2004-C1 exposure:			4,509,131	0.5%			GMAC		
JPMCC 2001-C1	119	Winn Dixie	2,478,952	0.2%	Mobile, AL	AL	Retail	Midland	N/A
	151	Congress Gardens	1,176,419	0.1%	Lafayette, LA	LA	Multifamily	Midland	N/A
	167	Nelson Plaza	654,085	0.1%	Baton Rouge, LA	LA	Retail	Midland	N/A
Total JPMCC 2001-C1 exposure:			4,309,457	0.4%			Midland		
JPMCC 2002-CIBC4	89	Greywood Glen Apartments	2,778,292	0.4%	Biloxi-Gulfport-Pascagoula, MS	MS	Multifamily	Midland	N/A
Total JPMCC 2002-CIBC4 exposure:			2,778,292	0.4%			Midland		
JPMC 1999-C7	761	Microtel Inn - Sulphur, LA	2,518,441	0.4%	Lake Charles, LA	LA	Hotel	Midland	N/A
Total JPMC 1999-C7 exposure:			2,518,441	0.4%			Midland		
JPMCC 2002-C2	8800	Westgate Apartments	2,379,774	0.2%	Biloxi-Gulfport-Pascagoula, MS	MS	Multifamily	Wachovia	Not on servicer watchlist dated 09/06/2005
Total JPMCC 2002-C2 exposure:			2,379,774	0.2%			Wachovia		

Outlook & recommendations

Spread outlook

Security	Outlook	Logic	Comments
AAA Basis	Stable to slightly tighter	After widening 4bp on the month, 10-year triple-A spreads in the high S+20s offer good relative value vs Treasuries, Agency debentures and the investment-grade corporate CDX. Further, a limited new issue calendar in September could support tighter spreads.	
BBB Basis	Stable to slightly wider	Current uncertainty regarding damage related to Hurricane Katrina coupled with low subordination levels lead us to expect the recent BBB tightening may pause until a clearer picture emerges.	Despite the current uncertainty, BBB spreads do not appear set to gap wider in the wake of Hurricane Katrina.

Relative value recommendations

Sector	Recommendation	Logic	Comments
AAA CMBS to Corporates	Buy AAA CMBS – Sell investment-grade CDX	CDX are once again grinding toward their historical tight. Our mean reversion model currently signals buy CMBS/sell IG CDX.	
AAA CMBS to 10-year FNMA debentures	Buy AAA CMBS – Sell Agency debentures	CMBS offers a spread pick-up of about 37bp.	Agency spreads have tightened dramatically YTD and are not likely to widen in the near term.
AA & A rated CMBS vs Ultra- and Super-Senior AAAs	Overweight purchases of AA and A bonds	Spread differential between double- and triple-A CMBS remains near the widest it has been in over two years. Furthermore, triple-Bs have tightened and double- and single-As appear too wide vs triple-Bs.	Limited supply of double- and single-A bonds make this trade subject to liquidity constraints.
Seasoned 5-year vs new issue 5-year AAAs	Buy seasoned last cash flow bonds that now have 5-year A/L.	Original 10-year last cash flow AAAs that have seasoned for 5 years have better structure, less leverage and less extension risk.	
Ultra-senior vs junior AAAs	Buy junior triple-As	We think that 9bp is too wide of a differential, even once lower subordination and a concession for limited liquidity is factored in.	
CMBS Index Trade	Modest overweight	Sub-LIBOR financing at around L-15, which is on the more expensive side of the historical range of -10 to -90bp. Given stable expectation for AAA spreads, trade should still offer good positive returns.	Modest overweight takes into account the funding advantage level only. Even at L-15, however, this trade is still attractive when employed with a 2% - 10% haircut versus buying cash bonds.

Market data

Deals in the market

Deal name	Size (\$ mn)	Pricing Date	Lead U/W	Rating Agency	Deal Type ¹	Property Mix (%)							Sub. Levels (%)		Pricing Levels					
						OFF	RT	MF	HOT	IND	OT	AAA	BBB	5yr AAA	10yr AAA	AA	A	BBB	BBB-	IO ²
BACM 2005-4	1,586	9/15	BS	M,S	C	34.2	26.0	23.3	7.6	5.1	3.8	30.000	5.500	S+26	S+28	S+46	S+56	S+113	S+173	T+180
												20.000			S+34					T+65
												13.875			S+38					
BSCMS 2005-PWR9	2,152	9/15	BS	F,S	C	15.8	45.9	22.0	8.6	4.2	3.5	30.000	4.250	S+25	S+26	S+44	S+53			T+250
												20.000			S+33					T+65
												12.250			S+37					

1 Deal Type: C=Conduit/Fusion, MF=Multiborrower floater, S=Single Asset/Single Borrower, O=Other; Multifamily% includes manufactured housing/mobile home parks

2 IOs are priced to WAL 100CPR after YM and LO

Issuance summary

(\$ mn)	This Quarter 2005			2004		2003		2002		2001		2000	
	Week	to Date	YTD	Q2 05	Q1 05	Q4 04	Q3 04	Q2 04	Total	Total	Total	Total	Total
Conduit and Fusion	3,738	25,717	84,566	32,384	26,465	22,401	14,420	22,022	73,960	54,282	36,274	40,462	29,795
Multiborrower Floater	-	3,647	10,439	2,343	4,449	3,707	6,227	342	13,094	15,032	11,564	10,506	11,232
Single Asset/Single Borrower	-	900	6,000	3,983	1,117	820	900	2,261	4,441	7,612	3,424	13,586	4,766
Other ³	-	-	1,372	722	650	1,038	-	-	1,618	925	812	2,599	1,100
U.S. Total	3,738	30,264	102,377	39,432	32,681	27,966	21,547	24,625	93,113	77,851	52,074	67,153	46,893
International	226	7,355	41,097	22,650	11,092	11,344	7,697	7,769	34,877	20,803	28,706	22,714	12,116
CRE CDO ⁴	500	2,145	8,317	3,762	2,410	346	2,134	1,079	4,208	2,178	8,359	2,295	648
Agency	-	-	2,636	1,297	1,339	986	1,973	1,502	6,220	7,983	6,850	4,931	1,328

3 Other category includes lease-backed deals, etc.

4 CRE CDO data reflect U.S. and international deals that are composed entirely of CMBS or commercial real estate loans.

Rating agency actions

Deal Name	Action Date	Classes Affected	Agency	Action	Old Rating	New Rating
BAFU 2000-1	09/14/05	B, C, D, E, F	S&P	Upgrade	AA+,AA-,A+,BBB+,BBB	AAA,AAA,AAA,AA,A+
BALL 2001-WBM	09/14/05	N/A	S&P	Downgrade	BB+	BB
BSCMS 1999-WF2	09/14/05	B, C, D, E, F, G	Fitch	Upgrade	AA+,A,A-,BBB,BBB-,BB+	AAA,AA,AA-,A-,BBB+,BBB-
BSCMS 1999-WF2	09/14/05	L	Fitch	Downgrade	CCC	CC
CSFB 2001-CF2	09/12/05	J, K, L, M, N	Moody's	Downgrade	Ba3,B1,B2,Caa1,Caa2	B2,B3,Caa1,Caa3,Ca
CSFB 2001-CK3	09/13/05	B, C, D, E, F	Fitch	Upgrade	AA,A,A-,BBB+,BBB	AAA,AA,AA-,A+,BBB+
DLJMA 1997-CF2	09/15/05	A-3, B-1, B-2, B-3TB, B-3OC	S&P	Upgrade	AA+,BBB,BBB-,BB,CCC	AAA,AA,A-,BBB,B-
GMACC 1997-C2	09/14/05	B, C, D	Moody's	Upgrade	Aa2,A2,Baa1	Aaa,Aa2,A2
GMACC 1997-C2	09/14/05	H	Moody's	Downgrade	Caa2	C
LBUBS 2000-C4	09/12/05	B, C, D, E, F, G, H, J, K	S&P	Upgrade	AA+,A+,A,A-,BBB+,BBB,BB+,BB,BB-	AAA,AAA,AA+,AA,A,BBB+,BBB-,BB+,BB
LBUBS 2000-C5	09/14/05	B, C	Moody's	Upgrade	Aa2,A2	Aaa,A1
LBUBS 2000-C5	09/14/05	M, N, P	Moody's	Downgrade	Caa1,Caa2,Caa3	Caa3,C,C
LBUBS 2001-C7	09/12/05	B, C, D, E, F, G, H, J, K, L, M, N, P, Q	S&P	Upgrade	AA,AA-,A,A-,BBB+,BBB,BBB-,BB+,BB,BB-,B+,B,B-,CCC	AAA,AAA,AA+,AA,AA-,A,A-,BBB+,BBB-,BB+,BB,BB-,B+,B
MCMT 1999-C1	09/12/05	B, C, D	Moody's	Upgrade	A3,Ba1,B2	Aaa,Aaa,Aaa
MCMT 1999-C1	09/14/05	A-1, A-2, B, C, D	S&P	Upgrade	AA-,AA-,BBB-,BB-,B-,AA-	AAA,AAA,AAA,AAA,AAA,AAA
NASC 1996-MDV	09/13/05	B-1, B-2	Fitch	Upgrade	AA,BB	AAA,BB+
PGMT 2001-XLPGM	09/14/05	B, C, D, E, F	Fitch	Upgrade	AA+,AA,A,A-,BBB	AAA,AA+,A+,A,BBB+
PSMT 2000-C5A	09/14/05	B-1, B-2, B-3	Moody's	Downgrade	Baa1,Baa3,Ba1	Ba1,Ba2,Ba3

Source: JPMorgan, Commercial Mortgage Alert, Bloomberg, MCM Corporate Watch, CRE Direct, Rating Agencies

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