

Morningstar CMBS Services

Morningstar, Inc.
410 Horsham Road, Suite A
Horsham, PA 19044

Online:
ratingagency.morningstar.com

Phone:
800 299-1665

Email:
ratingagency@morningstar.com

Morningstar's structured credit research and ratings subsidiary is a Nationally Recognized Statistical Ratings Organization (NRSRO) that has earned a reputation for innovation and excellence in the structured finance market. Our goal is to help institutional investors identify credit risk in structured finance investments. Our analytical approach stresses transparency of the ratings process, strong fundamental credit analysis, and comprehensive investor-focused reporting. With Morningstar, structured finance investors have access to high quality ratings, investment research, surveillance services, data, and technology solutions.

CMBS Ratings

Morningstar strives to provide the marketplace with independent, transparent, through-the-credit-cycle credit analysis and ratings of CMBS securities. To achieve this objective we employ the combination of an extensive proprietary database that tracks and analyzes historical CMBS loan performance, a dedicated team of real estate analysts and loan underwriters, a quantitative CMBS subordination model, and access to a wide array of third party commercial real estate market data.

New Issue CMBS Ratings

Morningstar utilizes a transparent, bottom-up approach to rating CMBS securities that blends qualitative, quantitative, and legal analysis of the loan, portfolio and issuing trust. Our analysis of a CMBS transaction begins with underwriting 100% of the loans that collateralize the transaction to determine the stabilized net cash flow and estimated value of each property. We then utilize a proprietary, empirically based CMBS subordination model to quantitatively translate the results of our loan-by-loan analysis into subordination requirements at each rating category. Concurrently, we engage the services of external legal counsel to assist with identifying structural issues at the loan and trust levels that introduce additional credit risk. Such risks are then quantified and addressed in the loan analysis and/or subordination modeling exercises. The end result of our analysis is a CMBS letter rating for each class of the transaction and a comprehensive pre-sale report that includes an in-depth analysis for each loan in the transaction.

Surveillance CMBS Ratings

Morningstar's CMBS Surveillance services are designed for portfolio managers, analysts and traders in the commercial mortgage-backed securities market. The CMBS Workstation is a web-based surveillance tool that provides access to Morningstar's proprietary credit analysis and ratings information on approximately 10,000 CMBS securities, along with state-of-the-art features for tracking portfolio, bond and collateral level performance.

Our monthly surveillance process ensures timely reporting on new credit events affecting CMBS, and results in ratings and analysis that are up-to-date, stable, and accurate. Each month, Morningstar conducts a thorough quantitative and qualitative analysis on the underlying loans and properties that collateralize a CMBS transaction to produce an estimated property value and loss estimate for each loan. The results of the collateral analysis are then applied to the class structure of the transaction to determine the impact of the loss projections on each class of the CMBS transaction. Updated collateral statistics are analyzed on a monthly basis by the CMBS surveillance analysts to ensure that estimates of collateral value and corresponding loss forecasts reflect changes in loan workout status, collateral performance, and market conditions. Our loan and property-level analysis includes a review of operating cash flow, tenant base, property condition, and market performance. The result of our monthly analysis is an up-to-date letter rating, a ratings outlook, and a comprehensive credit analysis, the CMBS DealView, for each CMBS transaction that is covered by Morningstar.

CMBS Web Services Ratings Feed

The Web Service Ratings Feed provides a standard, secure means of interoperating between third party software applications and Morningstar for easy and convenient access to CMBS ratings and outlooks on thousands of CMBS securities. With the Web Services Ratings Feed you can effectively integrate our CMBS ratings with proprietary or third-party systems for portfolio management, accounting or compliance.

CMBX Analysis

Our CMBX service is a comprehensive credit analysis that utilizes both quantitative and qualitative analysis to identify current and potential performance issues and projected losses for the CMBS transactions that makeup each of the CMBX reference pools.

Our CMBX service will provide you with a monthly CMBXView for each of the CMBX Indexes, a monthly Loss Summary Report detailing our loss estimates for each of the CMBX Indexes, and system generated CMBX portfolios on the CMBS Workstation, providing easy access to our CMBS collateral database, standard portfolio reporting, and other portfolio surveillance functionality.

CMBS Re-Remic/CDO Analysis

Our Re-Remic/CDO analysis helps investors and collateral managers monitor and analyze portfolio holdings of re-securitizations. The Re-Remic/CDO service includes independent ratings and analysis on the performance of the securitizations.

Private Client Services

Portfolio Analysis

Our Private Client Services group provides investors across the credit spectrum with in-depth, cutting edge surveillance programs custom tailored to meet their specific needs. The Private Client Services group gives investors a complete research and surveillance solution with analysis of all types of CMBS and commercial real estate loan portfolios.

CMBS Due Diligence Workstation

The Due Diligence Workstation is designed for CMBS investors participating in the “non-rated” sector of the CMBS market. The workstation provides investors with data collection, management and reporting functionality, including loading deal tapes and collecting due diligence data, such as property inspections and underwriting data. It also includes a comprehensive reporting package that effectively consolidates and presents the information to support an efficient investment decision making process. The Due Diligence Workstation is a cost effective centralized data repository and reporting tool which is designed to facilitate a collaborative work environment.

Private Client CMBS Surveillance Workstation

The Private Client CMBS Surveillance Workstation goes beyond our base level CMBS Workstation to provide non-investment grade CMBS investors with an effective surveillance platform. The service includes re-underwriting capabilities, detailed surveillance reporting, customized watchlist functionality and full access to our CMBS collateral database and comprehensive “Deal View” credit analysis of hundreds of CMBS transactions. The Private Client CMBS Surveillance Workstation connects seamlessly with the Due Diligence Workstation for easy transfer of initial underwriting and loss forecast data for benchmarking and monitoring asset performance.

Commercial Real Estate Asset Management Workstation

Our Commercial Real Estate Asset Management Workstation is the industry’s first information technology platform for monitoring and analyzing the performance of individual commercial mortgages and loan portfolios. Loan and property data can be integrated from most systems and databases to create a complete data repository for loan analysis.

Data & Valuation Services

CMBS Lead Generator

CMBS Lead Generator provides commercial real estate professionals with access to a robust source of CMBS refinance leads and workout opportunities by combining Morningstar CMBS loan and property data with proprietary collateral analysis, detailed financial data, and estimates of property value and refinance proceeds.

CMBS MarketView Explorer

CMBS MarketView Explorer provides commercial real estate investors, lenders, brokers and developers with a powerful interactive database search tool to access detailed revenue and expense data for commercial properties. CMBS MarketView Explorer is the industry's largest and most accurate source of operating data with nationwide coverage for all major property types.

Valuation Services

Our skilled real estate team provides in-depth market analysis and current market values for commercial real estate assets including all types of CMBS investments, commercial loans, individual real estate properties, as well as portfolios of securities, loans and properties.

Due Diligence Services

Comprehensive due diligence services to support portfolio analysis, real estate lending, asset acquisition, or asset management of all property types throughout the United States. Our due diligence services can be customized to meet specific client requirements.

Data & Data Management Services

We collect, process and report data on more than \$700 billion worth of securities, loans and properties every day. Our comprehensive data set is available to clients for use in proprietary and third party systems and models. Additionally, we offer data cleaning and management services to augment and improve our clients' information management systems. ■■

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