STANDARD & POOR'S RATINGS SERVICES
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Presale:
Palisades Center Trust 2016-PLSD

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Presale:

Palisades Center Trust 2016-PLSD

$388.5 Million Commercial Mortgage Pass-Through Certificates Series 2016-PLSD

This presale report is based on information as of April 15, 2016. 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 April 15, 2016

Class	Preliminary rating (i)	Preliminary amount	LTV (%) (iii)	Market value decline (%) (iv)	Debt yield (%)
A	AAA (sf)	229,100,000	41.1	70.6	16.4
X-CP	BBB- (sf)	388,500,000 (ii)	N/A	N/A	N/A
X-NCP	BBB- (sf)	388,500,000 (ii)	N/A	N/A	N/A
B	AA (sf)	55,500,000	49.9	64.3	13.5
C	A (sf)	48,800,000	57.6	58.8	11.7
D	BBB- (sf)	55,100,000	66.3	52.5	10.2

(i) The rating on each class of securities is preliminary and subject to change at any time. The certificates will be issued to qualified institutional buyers according to Rule 144A of the Securities Act of 1933. (ii) Notional balance. (iii) Based on the $418.5 million whole loan and Standard & Poor's value. (iv) Reflects the decline in the appraised value of $881 million (as of February 2016) that would be necessary for the transaction to experience a principal loss at each given rating level. LTV--Loan-to-value ratio, as calculated by Standard & Poor's. N/A--Not applicable.

Profile

Expected closing date	April 29, 2016
Collateral	A $388.5 million trust loan, which is part of a whole mortgage loan structure with a total principal amount of $418.5 million, secured by the fee and leasehold interests in the Palisades Center Mall, located in West Nyack, N.Y., a 2.2 million-sq.-ft. super-regional mall (1.9 million of which serves as collateral for the loan). The mortgage loan sellers are retaining $30.0 million in nontrust companion notes pari passu to class A. Both the trust and companion notes are collectively secured by the same mortgage on the property and will be serviced and administered according to the trust and servicing agreement for this securitization.
Standard & Poor's whole loan LTV	66.3%
Standard & Poor's whole loan DSC	2.40x
Payment structure	On each distribution date, interest accrued for each class of certificates at the applicable pass-through rate will be distributed in the following priority, depending on available funds: first, pro rata to the class A, class X-CP, and class X-NCP certificates, then to the class B, C, and D certificates, in each case until the interest payable to each such class is paid in full. On or before the distribution date in May 2018, class X-CP will receive interest payments, thereafter, X-NCP shall receive the interest payments due based upon the net mortgage rate and the notional amount of the reference classes. On each distribution date, principal payments on the mortgage loans will be distributed in the following priority, depending on available funds and amounts received from principal payments: first to class A, then class B, then class C, and then class D. The class X–CP and X–NCP certificates will not be entitled to receive principal distributions; however, the notional amount of the class X–CP and X-NCP certificates will be reduced by the aggregate amount of principal distributions and realized losses allocated to the class A, class B, class C, and class D certificates, respectively. Losses will be allocated to each class of certificates in reverse sequential order starting with D through and including A, in each case until the certificate balance of each class has been reduced to zero.
Depositor	J.P. Morgan Chase Commercial Mortgage Securities Corp.

Profile (cont.)	
Mortgage loan seller	JPMorgan Chase Bank N.A. and Barclays Bank PLC
Master servicer and special servicer	Wells Fargo Bank N.A.
Trustee	Wilmington Trust N.A.
Certificate administrator	Wells Fargo Bank N.A.

LTV--Loan-to-value ratio, which is based on Standard & Poor's values. DSC--Debt service coverage. NCF--Net cash flow.

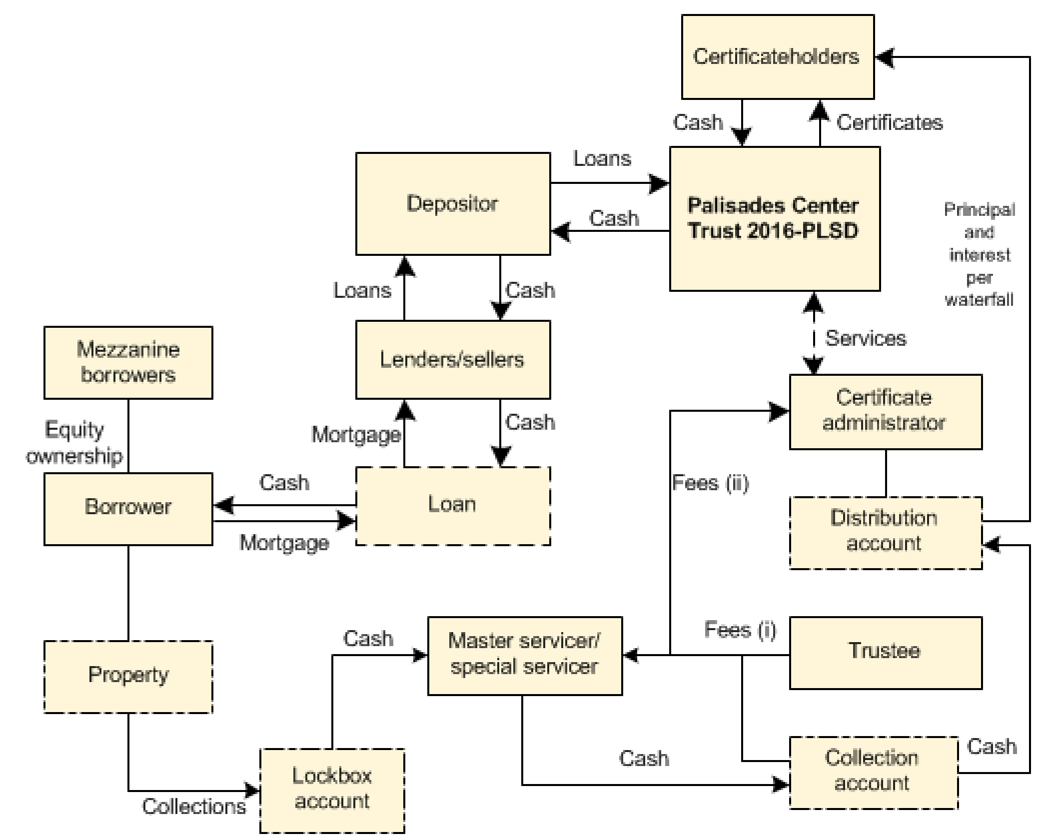
Rationale

The preliminary ratings assigned to Palisades Center Trust 2016-PLSD's $388.5 million commercial mortgage pass-through certificates reflect Standard & Poor's Ratings Services' view of the collateral's historical and projected performance, the sponsor's and manager's experience, the trustee-provided liquidity, the loans' terms, and the transaction's structure. We determined that the $418.5 million whole loan balance has a beginning and ending loan-to-value (LTV) of 66.3% based on our estimate for the long-term sustainable value of the collateral backing the transaction.

Transaction Overview

An overview of the transaction's structure, cash flows, and other considerations follows (see chart).

Transaction Structure



(i) Includes servicing, liquidation, and work-out fees. (ii) Includes reimbursements.

Strengths

The transaction has the following strengths:

- The loan is secured by the Palisades Center Mall, a super-regional mall whose experience-driven retail and entertainment tenants distinguish it from the competing regional malls in the trade area. The property maintains a strong market position within its primary trade area. According to the International Council of Shopping Centers (ICSC), the property is the 11th largest in the U.S. by square footage and the eighth most visited, with approximately 24.0 million visitors per year. The property integrates big-box retail tenants, traditional in-line and anchor retail tenants, dining options via a traditional food court and the fourth floor ThEATry, with a unique combination of entertainment tenants, including, an ice skating rink, a movie theater, a Lucky-Strike bowling alley, go-kart racing at Autobahn Raceway, the world's largest indoor ropes course, and a comedy club and restaurant.
- The property is considered the dominant mall in the primary trade area. The property benefits from strong trade area demographics, where 48% of households within the trade area earn more than $100,000 annually. According to the appraisal, the primary trade area has an average household income of $134,980 compared with the 2015 U.S. average of $76,502.

- Palisades Center has a diverse tenant mix of national anchors (greater than 50,000 sq. ft.), major retailers (between 10,000 sq. ft. and 50,000 sq. ft.), and in-line retailers (less than 10,000 sq. ft.). The collateral featured 10 anchor tenants, 19 major tenants, 168 in-line, restaurant, and food court tenants as of February 2016. This diversity of retail income lowers the risk of sudden changes in the property's capacity to meet its debt service obligations.
- The whole loan balance has a 2.40x debt service coverage (DSC) ratio based on the 4.19% fixed interest rate and Standard & Poor's net cash flow (NCF).
- The whole loan balance has low leverage, with a 66.3% loan-to-value (LTV) ratio, based on Standard & Poor's valuation. Our long-term sustainable value estimate is 28.4% lower than the appraiser's valuation.
- According to the issuer, the property's total occupancy rate was approximately 95.1% as of February 2016 and has averaged 95.1% since 2007, ranging from 91.4% in 2009 to 99.0% in 2013. Based on the most recent issuer-provided rent roll, the collateral occupancy is 94.3%. Standard & Poor's underwrote base rental income as of the current in-place occupancy level, with an additional 10% incremental vacancy applied to tenants that we deemed to be riskier than traditional mall tenants, including Autobahn Indoor Speedway, New York Sports Club, Lucky Strike Lanes, Levity Live Comedy Club and Restaurant, and 5 Wits. Standard & Poor's underwritten physical occupancy for the collateral is 93.9%, while the Standard & Poor's underwritten economic vacancy for the property is 89.4%.
- Palisades Center benefits from the presence of non-traditional mall tenants such as Autobahn Indoor Speedway, Lucky Strike Lanes, Levity Live Comedy Club and Restaurant, and 5 Wits, which provide an entertainment supplement to the traditional retail tenants at the property. However, Standard & Poor's views these tenants' revenue as somewhat riskier than that of traditional mall tenants, and we applied a 10% vacancy factor to their gross rent.
- The property has a designated exit off of Interstate 287, which connects Interstate 87, Interstate 95, and the Palisades Parkway. Interstate 287 is one of the more heavily trafficked roads in the Northeast, with approximately 338,000 cars traveling by the property daily.
- The property, built in 1997, underwent a $31.4 million renovation from 2013 to 2015. Upgrades to the property include lighting and ceiling feature redesign, free Wi-Fi in the common areas, new floor tiling throughout the mall, glass and metal handrail installation, soft seating areas, and interior and exterior landscaping.
- The loan is structured with a hard lockbox with in-place cash management. All excess cash flow is swept into a lender-controlled reserve account if the DSC ratio, calculated using the annualized income as defined in the loan documents for the TTM period divided by the debt service for the outstanding mortgage and the mezzanine loans, falls below 1.25x on the last day of each quarter during the term of the loan. Currently, the total debt DSC is 1.58x, calculated using Standard & Poor's net cash flow (NCF) for the property, indicating that the NCF could drop approximately 19.8% before triggering the cash flow trap.
- The property features nine anchor tenants, including three Big-box/Category Killer anchors: BJ's Wholesale Club, Burlington Coat Factory, and Target. The anchors at the property are performing well compared to their respective chain-wide averages, but several of the anchors at the property are larger than the chain-wide average, which skews the sales per square foot comparison.
- Palisades Center benefits from Bergen County New Jersey's Blue Laws, which several of its direct competitors are subject to. The Blue Laws place significant restrictions on doing business on Sundays. Palisades Center's convenient location positions the property well to attract Bergen County residents on Sundays.
- The transaction structure holds the borrower responsible for expenses that would typically result in shortfalls to the certificateholders, such as special servicing, work-out, and liquidation fees as well as costs and expenses incurred from the special servicer's appraisals and inspections. If deemed recoverable from the liquidation proceeds, the servicer must make administrative advances (provided the collateral has sufficient value) to prevent interest shortfalls that might otherwise arise from these expenses if the borrower does not pay them on time.

Risk Considerations

We considered the following risks for this transaction:

- The transaction is concentrated by sponsor, property type, and geographic location. We accounted for this concentration when assessing the underlying property and the loan. In addition, the borrower is structured as a bankruptcy-remote, special-purpose entity (SPE) with restrictions on future debt.
- In addition to the first mortgage debt, the borrower has obtained two mezzanine loans, mezzanine loan A of $75.0 million and mezzanine B of $66.5 million, increasing the Standard & Poor's calculated LTV to 78.2%, and 88.8%, respectively. To account for this additional risk, we applied a negative 1.5% LTV threshold adjustment at each rating level, according to our criteria.
- The mortgage loan is interest-only for the entire term. Compared with an amortizing loan, an interest-only loan bears a higher refinance risk because of the higher loan balance at maturity. To account for this additional risk, we applied a negative 2.5% LTV threshold adjustment at each rating level, according to our criteria.
- The weighted average occupancy cost for the mall's comparable in-line tenants is high at 18.4%, while average sales for these tenants are $424 per sq. ft., as calculated by Standard & Poor's. Palisades Center has historically operated at an occupancy cost ranging from 16.8% to 19.2%, averaging 18.1% from 2007 to 2015, while inline sales per sq. ft. over the same period ranged from $432 in 2009 to $479 in 2015. Furthermore, reported in-line sales per square foot have increased 5.0% since 2013, from $456 to $479, while occupancy costs have been declining during the same time period. Standard & Poor's forecasted NCF is 4.9% below the issuer's underwritten NCF. We considered both the occupancy cost and sales per square foot in our capitalization rate selection.
- The J.C. Penney anchor within the mall is underperforming its chain-wide per sq. ft. average for annual sales. As of year-end December 2015, J.C. Penney reported $79 per sq. ft. in sales compared to a $120 per sq. ft. chain-wide average. However, the subject J.C. Penney reported $12.4 million in total sales for 2015, which is slightly higher than the chain-wide store average of $12.3 million. This is mainly due to the subject store being approximately 53.4% larger than the chain-wide store average. The loan agreement has been structured to allow the borrower to release the J.C. Penney parcel from the mortgage lien. To release the parcel, several provisions would need to be satisfied, including debt service coverage (DSC) and loan-to-value (LTV) ratio hurdles for the remaining collateral for the mortgage lien. Furthermore, we also considered the partial mitigation from the mall's trade area, competitive position, in-line retailer composition and performance, and our view that the anchor space could likely be re-leased if it were vacated.
- In 2013, Apple Inc. vacated its space at Palisades Center and relocated to the recently completed The Shops at Nanuet, a Simon Property Group development. Since 2013, total sales at the property have declined, mainly due to the departure of Apple. From 2007 through 2015, total sales ranged from $616 million to $701 million, averaging $647 million per year. In 2014 and 2015, the center achieved sales of $599 million and $575 million, respectively. According to the issuer, the center produced $641 million in total sales in 2012 compared to $575 million in 2015, resulting in a $66.5 million decline, of which, $48 million (72.3%) of the decline can be attributed to four tenants that vacated: Apple, Restoration Hardware, Sports Authority, and Banana Republic. However, according to the most recent rent roll, three of the four spaces have been recently re-tenanted by Zara, Texas de Brazil Steakhouse, and Autobahn Indoor Speedway, a strong demonstration of the sponsor's ability to re-tenant.
- Out of the mall's total tenants, 53 tenants, which lease approximately 34% of total collateral sq. ft. and contribute approximately 37.5% of total in-place base rent as calculated by Standard & Poor's, have termination options that are contingent on maintaining certain occupancy, anchor co-tenancy, or sales benchmarks. The property's performance and historical occupancy are generally at levels above the thresholds that would trigger these termination options. In the event of a tenant exercising a termination option, we believe the property's desirability

within the trade area would lead to the space being re-leased.

- According to the appraiser, the American Dream development in East Rutherford, N.J., (formerly known as Xanadu), located 25 miles south of the subject, is estimated to open in 2017. After numerous delays in the project, Triple Five acquired the project and recommenced construction. Triple Five is the owner of the world's largest and second-largest tourism, entertainment, and retail complexes: the West Edmonton Mall in Canada and the Mall of America in Minnesota, respectively. The current plan for the American Dream development is to offer roughly 3.0 million sq. ft. of retail, entertainment, and dining attractions.
- The SPE borrower is structured with a nonconsolidation opinion and at least two independent directors. However, the loan's recourse carve-out is limited to 20% of the whole loan amount for losses attributed to "bad boy" acts such as fraud or voluntary bankruptcy.
- The Phase I Environmental report for the Palisades Center Mall revealed historical contamination at the mortgaged property related to off-site gasoline stations, with four documented hazardous material spill cases that require no further action. The property was built on the site of the former Old Nyack and Dexter landfills. The landfills were closed as part of the Landfill Closure Plan in 1997. The closure plan included the removal of fill from the footprint of the mall and moving it to surrounding areas that are now parking lots. Additional steps taken to mitigate any future risks associated with the fill included capping the landfill with asphalt paving, installation of a groundwater/leachate collection system, and a methane gas ventilation system. No further action was recommended in the environmental report aside from the continued monitoring of the systems and maintenance of the asphalt cap. The estimated cost to monitor the systems was estimated to be $15,000-$20,000 per year by CBRE. The borrower has obtained an environmental indemnity as part of the loan's closing.

Loan Collateral Characteristics

Collateral description

The collateral is one $388.5 million trust loan secured by a first mortgage lien on the fee and leasehold interests in the Palisades Center Mall in West Nyack, N.Y. The Palisades Center Mall is a 2.2 million sq. ft. super-regional mall, of which 1.9 million sq. ft. serves as collateral.

Loan Characteristics

Mortgage loan

The whole mortgage loan was originated in April 2016 and has a principal balance of $418.5 million and a five-year term maturing in March 2021. The mortgage loan is interest-only for its entire term and has a 4.19% interest rate. Because the mortgage loan does not provide for scheduled amortization, the entire original principal loan amount must be repaid on the loan's maturity date and thus carries greater refinance risk at maturity. To account for this additional risk, we applied a negative 2.5% LTV threshold adjustment at each rating level, according to our criteria.

Of the $418.5 million whole mortgage loan balance, $388.5 million is included in this securitization, and one senior pari passu non-trust companion note totaling $30.0 million has been retained by the mortgage loan seller; the note may be securitized in a future transaction.

The $388.5 million trust loan balance is composed of a $229.1 million senior portion and a $159.4 million junior portion.

The borrower's payments on the whole mortgage loan are first applied on a pro rata basis to the senior trust note and the pari passu non-trust companion note and then to the junior trust notes.

The whole mortgage loan will be serviced and administered according to the trust and servicing agreement for this securitization.

Secondary financing

In addition to the first-mortgage loan, the borrower has obtained a $75.0 million mezzanine A loan and a $66.5 million mezzanine B loan. An intercreditor agreement governs both the mortgage and the mezzanine lender's rights.

Release provisions

The borrower may obtain the release of certain non-income-producing parcels at the mall, subject to certain conditions detailed in the offering circular. Release conditions include but are not limited to there being no event of default, that the released parcel is a legal tax lot, and that all necessary easements for the subject property's operation are acquired.

In addition, the borrower may obtain the release of an anchor tenant parcel in the event that an anchor tenant goes dark or ceases operations at the property or, in the case of J.C. Penney, the borrower can request a release of the J.C. Penney space from the lien of the mortgage, subject to certain conditions detailed in the loan agreement. Anchor Release Parcel release provisions include but are not limited to there being no event of default, the lender's reasonable satisfaction that the LTV based on the remaining collateral does not exceed 125% or does not increase, that the released parcel is a legal tax lot, all necessary easements for the subject property's operation are acquired, the debt service coverage ratio (DSC) for the remaining portions of the property subject to the mortgage lien shall be no less than 1.53x when excluding any tenants which vacate due to co-tenancy clauses relating to J.C. Penney's occupancy at the property, the loan-to-value ratio for the remaining collateral shall be no greater than 63.6%, and the payment of a release premium of $8.4 million to the first mortgage. The release payment will include yield maintenance if the release occurs prior to distribution in May 2018. In addition, none of the following tenants can be "dark" prior to the release: Macy's, Lord & Taylor, and Target.

Borrower/sponsor

The transaction's borrower is a bankruptcy-remote special-purpose entity affiliated with Pyramid Management Group LLC (Pyramid), a privately held real estate developer and management company with a core focus on real estate in the northeastern U.S. It is the largest privately owned shopping mall developer in the country and owns a portfolio of 17 properties that generate more than $4.0 billion in annual sales. This portfolio includes seven super-regional shopping centers greater than one million sq. ft., eight smaller regional shopping centers, and two power centers. Pyramid manages each of the properties within the Pyramid portfolio, including three of New York State's largest malls: Crossgates Mall in Albany, Destiny USA Mall in Syracuse, and Palisades Center.

The organizational documents require that the borrower have two independent directors whose votes are needed before either borrower may file for bankruptcy.

Management agreement

Pyramid Management Group LLC, a borrower-related entity, will manage the mortgaged property. Any management fees payable are subordinate to debt service payments in the cash management waterfall. The property manager is entitled to a monthly management fee of 3.0% of gross revenues and certain other fees. The appraiser estimated the management fee to be approximately 3.0% of the effective gross income (EGI). In our analysis, we assumed a management fee of 3.0% of the EGI. If the borrower hires a third-party manager (subject to a rating agency confirmation), the loan documents cap the management fee at the prevailing market rates.

The management agreement may not be terminated unless the borrower has entered into a replacement management agreement approved by the lender, with a qualified manager also approved by the lender and subject to rating agency confirmation.

Trade payables

The borrower may accrue trade payables of up to 3.0% of the property's loan amount, and they must incur these payables in the ordinary course of operations. The loan agreement requires that trade payables be repaid within 60 days of the due date.

Insurance

We reviewed the transaction's insurance provisions and providers and determined that they are generally consistent with our property insurance criteria and normal market standards.

Reserves

A summary of the transaction's reserves is shown in Table 1.

Table 1

Reserves	
Tax and insurance reserve	On an ongoing basis, the borrower will make monthly deposits for taxes and insurance in the amount equal to 1/12 of the next succeeding payments for taxes, and insurance premiums due.
Replacement reserve	Upfront $39,507; on an ongoing basis, the borrower will make a monthly deposit of $39,507 for replacements and repairs, the replacement reserve account shall have a cap of $474,081 ($0.25 per sq. ft. of collateral).
Rollover reserve	Upfront $158,027; on an ongoing basis, the borrower will make a monthly deposit of $158,027 for TI/LC obligations, until the reserve cap of $1,896,322 has been satisfied ($1.00 per sq. ft. of collateral).
Required repairs reserve	The loan required $90,400 in upfront reserves, respectively, for deferred maintenance items.
Free rent reserve	The loan required $8.5 million in upfront reserves, respectively, for outstanding free rent at the property.
Ground rent reserve	Upfront $187,510; on an ongoing basis, the borrower will make monthly deposits for ground rent in the amount equal to 1/12 of the annual ground rent due.

TI/LC--Tenant improvements/leasing commissions.

Cash management

The loan has a hard lockbox in place for cash management that must be a separate clearing account held in the borrower's name but controlled by and pledged to the lender. The borrower or property manager must deliver to all property tenants a written notice instructing that all lease rents must be delivered to the operating account. The borrower is then required to deposit all other revenues from the property into the operating account within one business day.

Palisades Center Mall

Palisades Center is a 2.2-million-sq.-ft. super-regional shopping mall situated on 136.9 acres of land. Of the mall's total square footage, 1.9 million sq. ft. will serve as collateral for the loan. The property, built in 1998, is located in West Nyack, N.Y., at the intersection of Interstate 287, Route 303, and Route 59, which, according to the issuer, has a cumulative traffic count of 338,000 cars per day.

The property currently features two anchor stores, Lord & Taylor and Macy's, which are tenant-owned and not part of the loans' collateral. Collateral anchors and junior anchors include J.C. Penney, Home Depot, Target, BJ's Wholesale Club, Dick's Sporting Goods, Burlington Coat Factory, Best Buy, Autobahn Indoor Speedway, and Bed Bath & Beyond, which total 840,306 sq. ft. (44.3% of the collateral square footage). As of year-end 2015, sales for J.C. Penney, Dick's Sporting Goods, and Bed Bath & Beyond exceeded the 2015 averages for their respective chains, despite lower per-sq.-ft. sales as the subject property stores are significantly larger than their respective chain-wide average store size. Autobahn Indoor Speedway has yet to report sales at the center, as the location opened in late 2015. Lord & Taylor and BJ's Wholesale Club are privately owned and do not disclose their financial performance to the public (see Table 2).

Table 2

Palisades Center Anchor Tenant Sales

	Sq. ft.	TTM sales per sq. ft. ($)	TTM total sales (Mil. $)	2015 chain-wide average sales per sq. ft. ($) (i)	2015 chain-wide average total sales (Mil. $) (i)
Macy's (ii)	201,000	330	39.6	191	31.1
J.C. Penney	157,339	79	12.4	120	12.3
Home Depot	132,800	286	38.0	371	38.9
Target	130,140	299	38.9	303 (iii)	40.5 (iii)
Lord & Taylor (ii)	120,000	195	23.4	N/A	N/A
BJ'S Wholesale Club	118,076	353	41.7	N/A	N/A
Dick's Sporting Goods	94,745	165	15.7	198	9.8
Burlington Coat Factory	66,628	126	8.4	111	8.6
Best Buy	49,822	1,084	54.0	967	38.4
Bed Bath & Beyond	45,000	210	9.4	269	7.6

(i) Provided by the appraiser and issuer. (ii) Non-collateral tenant. (iii) 2014 chain-wide sales data. TTM--Trailing 12 months ending February 2016. Source: Company 10-k filing or annual report.

In addition to the anchor and junior anchor tenants, Palisades Center includes the 21-screen AMC Palisades Theater, including an IMAX. AMC Theater reported $464,165 per screen in sales as of the TTM ended December 2015. Over the period of 2010 through 2014, the theatre produced average sales per screen of approximately $696,000. The decline in 2015 was mainly due to the five-month, $6.3 million renovation, which included sight and sound enhancements, modernized concessions, and box office, restroom, and corridor upgrades. In addition, the property features 19 additional major tenants, representing 22.4% of the collateral square footage--Dave & Buster's, Forever 21, Barnes & Noble, New York Sports Club, Billy Beez, Old Navy, Zara, Uniqlo, Lucky Strike Lanes, DSW, Staples, H&M, Modell's Sporting Goods, Levity Live Comedy Club & Restaurant, Victoria's Secret, Gap/Gap Body, New Yorker, 5 Wits, and Abercrombie & Fitch. These major tenants generated 20.0% of the base rental income and average sales of $217 per sq. ft. as of December 2015, as calculated by Standard & Poor's.

The property also has 168 in-line, restaurant, and food court tenants and 18 vacant units ranging from 520 sq. ft. to 34,307 sq. ft. The property's comparable in-line sales for tenants reporting data for at least one year and excluding food court, kiosk, and other tenants was $424 per sq. ft. for the TTM ending December 2015, as calculated by Standard & Poor's. We calculated 18.4% in-line occupancy costs by dividing the sum of the base rent and reimbursements by total sales for the period ending December 2015. We included heating, ventilation, and air conditioning and utilities reimbursements in our calculation because we believe the inclusion of these costs provides the most comprehensive reflection of true occupancy costs.

Tenant summary

Table 3 shows Palisades Center's top tenants by square footage.

Table 3

Palisades Center Top Tenants

Tenant	Standard & Poor's rating	Occupied sq. ft.	% of collateral NRA	% of total rent (i)	Lease expiration
Macy's (ii)	BBB	N/A	N/A	N/A	N/A
J.C. Penney	B	157,339	8.3	2.2	March 2018
Home Depot	A	132,800	7.0	3.6	January 2019
Target	A	130,140	6.9	3.1	January 2024
Lord & Taylor (ii)	NR	N/A	N/A	N/A	N/A
BJ's Wholesale Club	B-	118,076	6.2	3.1	February 2018
Dick's Sporting Goods	NR	94,745	5.0	2.4	January 2023
AMC Palisades Theater	B+	74,270	3.9	5.6	December 2028
Burlington Coat Factory	NR	66,628	3.5	1.6	October 2018
Best Buy	BB+	49,822	2.6	2.1	March 2021
Dave & Buster's	NR	48,406	2.6	1.7	January 2019
Autobahn Indoor Speedway	NR	45,756	2.4	0.9	January 2026
Bed Bath & Beyond	BBB+	45,000	2.4	1.6	January 2022
Forever 21	NR	33,136	1.7	1.8	January 2022
Barnes & Noble	NR	32,000	1.7	0.9	January 2019
New York Sports Club	NR	28,487	1.5	1.0	December 2021
Billy Beez	NR	26,849	1.4	0.9	October 2023
Old Navy	BBB- (iii)	26,790	1.4	1.5	March 2024
Zara	NR	25,495	1.3	1.2	January 2026
Uniqlo	NR	24,522	1.3	1.0	March 2023
Lucky Strike Lanes	NR	24,374	1.3	0.5	December 2016
DSW	NR	23,276	1.2	1.5	August 2020
Staples	BBB-	21,088	1.1	1.0	April 2018

Table 3

Palisades Center Top Tenants (cont.)					
Tenant	**Standard & Poor's rating**	**Occupied sq. ft.**	**% of collateral NRA**	**% of total rent (i)**	**Lease expiration**
H&M	NR	21,000	1.1	0.9	January 2022

(i) As calculated by Standard & Poor's. (ii) Not part of the collateral. (iii) Rating on parent company (GAP Inc.). NRA--Net rentable area. NR--Not rated. N/A--Not applicable. MTM--Month to month.

Tenant rollover

Aside from 2018 and 2019, the property generally has a staggered lease rollover schedule during the five-year loan term (see Table 4). Of the 17 leases expiring in 2018, the largest is J.C. Penney at 8.3% of collateral NRA and 2.4% of Standard & Poor's base rent calculation.

Table 4

Palisades Center Tenant Rollover (i)				
Year	**No. of leases expiring**	**NRA (sq. ft.)**	**% of NRA**	**% of Standard & Poor's in-place rent**
2016	19	81,521	4.3	4.70
2017	13	31,997	1.7	3.04
2018	17	407,137	21.5	13.38
2019	30	282,048	14.9	16.24
2020	22	82,702	4.4	8.41
2021	21	138,518	7.3	8.97
2022	19	163,118	8.6	10.21
2023	14	179,749	9.5	7.89
2024	15	208,156	11.0	9.77
2025	13	30,205	1.6	3.68
2026	9	100,205	5.3	4.25
2027 and beyond	2	74,576	3.9	5.73
MTM	3	1,504	0.1	0.44
Vacant	18	114,889	6.1	N/A
Total	215	1,896,329	100.0	100.00

(i) Excludes the two non-collateral tenants, Macy's and Lord & Taylor. NRA--Net rentable area. MTM--Month to month. N/A--Not applicable.

Historical performance

The total mall occupancy rate has fluctuated between 94.4% and 100.0% from 2007 and 2015 when including the non-owned anchor tenants and temporary tenants (92.6%-99.1% excluding temporary tenants). Excluding the non-owned anchors and temporary tenants, Palisades Center was 94.4% leased. Including the non-owned anchors and temporary tenants, Palisades Center was 98.2% leased. In-line sales per square foot have risen by an average of 1.8% annually since the 2009 recession, while occupancy costs at the center have remained stable averaging 18.1%, according to the historical in-line sales and occupancy costs the borrower reported (see Table 5).

Table 5

Palisades Center Historical Performance (i)

Year	In-line occupancy excluding temporary tenants (%)	Total mall sales (Mil. $)	In-line sales per sq. ft. ($)	In-line occupancy costs (%)
2015	87.3	574.7	479	18.2
2014	92.7	598.5	470	18.3
2013	97.0	647.6	456	18.5
2012	95.1	641.2	464	19.2
2011	93.0	629.3	462	18.3
2010	89.9	618.1	444	18.3
2009	89.5	616.1	432	18.0
2008	91.7	674.9	447	17.3
2007	96.5	701.3	456	16.8

(i) Based on historical information provided by the issuer.

Historical cash flow and Standard & Poor's cash flow notes

We reviewed the property's historical cash flow and the cash flows that the issuer and appraiser reported to determine our view of the property's sustainable cash flow (see Table 6).

Table 6

Palisades Center Cash Flows

	2012	2013	2014	2015	TTM ending February 2016	Borrower budget	Appraiser	Issuer	Standard & Poor's
Income ($)									
Gross potential rent								51,058,853	
Base rent	49,823,594	51,548,502	50,203,707	46,111,107	46,224,321	48,013,492	48,189,827		48,146,982 (i)
Less: vacancy								(2,503,874)	(605,050) (ii)
Expense reimbursement	32,107,402	32,460,069	26,341,916	24,591,384	25,509,480	26,552,908	26,944,579	26,862,673	26,815,904 (iii)
Percentage rent	922,134	1,262,751	1,179,698	609,095	577,539	509,101	884,200	509,101	498,987 (iv)
Other income	574,141	821,390	1,106,394	530,720	412,773	500,000		500,000	500,000 (v)
Specialty/temporary/kiosk	4,135,903	3,495,396	4,022,448	4,212,099	4,216,924	4,265,000	3,750,000	4,265,000	3,966,462 (xi)
Effective gross income	87,563,174	89,588,108	82,854,163	76,054,405	76,941,037	79,840,501	79,768,606	80,691,753	79,323,285
Expenses ($)									
Real estate taxes	27,415,135	25,953,138	21,994,232	21,630,015	21,936,244	21,569,204	21,813,028	21,569,204	21,813,028 (vii)
Insurance	638,183	465,519	452,375	433,937	433,937	436,582	435,000	427,260	427,620 (viii)
Management fees	2,531,418	2,691,896	2,260,276	2,341,673	2,310,183	2,393,958	2,378,058	1,000,000	1,490,000 (ix)
Utilities	1,381,710	1,583,570	1,735,677	1,741,134	1,739,022	1,670,058		1,670,058	1,670,058 (x)
Repairs and maintenance	2,958,596	2,819,218	2,941,449	3,060,874	3,149,867	3,251,483	8,250,000	3,251,483	3,251,483 (x)

Table 6

Palisades Center Cash Flows (cont.)

	2012	2013	2014	2015	TTM ending February 2016	Borrower budget	Appraiser	Issuer	Standard & Poor's
Other operating expenses	4,464,784	4,188,719	4,374,270	4,407,097	4,448,093	4,541,124	100,000	4,541,124	4,541,124 (x)
Ground rent	1,133,142	1,151,587	1,161,555	1,190,823	1,197,394	1,216,029	1,192,036	1,216,029	1,216,029 (x)
Total operating expenses	40,522,968	38,853,647	34,919,834	34,805,553	35,214,741	35,078,438	34,168,122	33,675,158	34,409,342
Capital items ($)									
Leasing commissions								1,179,600	890,181 (xi)
Tenant improvements								794,262	873,039 (xii)
Capital reserves								284,448	568,898 (xiii)
Total capital items								2,258,310	2,332,118
Additions/subtractions to NCF									
NCF ($)	47,040,206	50,734,462	47,934,329	41,248,852	41,726,296	44,762,063	45,600,484	44,758,285	42,581,825
NCF haircut (%)									(4.9)
Capitalization rate (%)									6.75 (xiv)
Standard & Poor's value ($)									630,841,849
Standard & Poor's value per sq. ft. ($)									333

(i) Based on in-place rents as of the February 2016 rent roll, including 12 months rent steps through 2017. (ii) Standard & Poor's assumed a 10% incremental vacancy rate on the rents and reimbursements generated by entertainment tenants. (iii) Based on in-place collections as of the February 2016 rent roll. (iv) Based on in-place percentage rent collections. (v) Based on the TTM. (vi) Four-year average. (vii) Based on the Cushman & Wakefield appraisal. (viii) Based on the Harbor Insurance Review. (ix) Based on borrower budget. (x) Plug to account for the portion of the 3.00% contractual management fee not included in the leasing commissions below. (xi) 4% for new leases, 2% for renewals. (xii) Based on $0.30 per sq. ft. (xiv) Standard & Poor's cap rate guideline for regional malls with sales greater than $400 per sq. ft. and less than $500 per sq. ft. TTM--Trailing 12 months. NCF--Net cash flow.

We used the TI costs, renewal probabilities, and assumed lease terms listed in Table 7 to calculate TI/LC costs for the various tenant types at Palisades Center Mall as part of our determination of NCF.

Table 7

Standard & Poor's Leasing Costs For Palisades Center

	Anchor	Major	In-line	Entertainment (i)	Theater	Restaurant	Food court
New TIs per sq. ft. ($)	5.00	11.00	20.00	4.00	33.50	11.00	76.00
Renewal TIs per sq. ft. ($)	2.50	5.50	10.00	2.00	16.75	5.50	38.00
Renewal probability (%)	65	65	65	60	60	65	60
Assumed lease term (years)	19.3	15.2	12.9	12.3	30.8	15.7	11.8

(i) Includes Autobahn Indoor Speedway, New York Sports Club, Lucky Strike Lanes, Levity Live Comedy Club and Restaurant, and 5 Wits. TI--Tenant improvements.

Market Summary

Palisades Center Mall is located in Rockland County, N.Y., within the New York-Northern New Jersey-Long Island Metropolitan Statistical Area (MSA), the largest MSA within the state of New York. Rockland County is located in the southeast portion of New York on the western side of the Hudson River, bordering New Jersey's Bergen County. The area benefits from excellent regional accessibility via Interstate 287, which connects New York, New Jersey, and Pennsylvania. In addition, the new Tappan Zee Bridge is currently being constructed; the new bridge design will ease congestion, contain a Bus Rapid Transit space, and be mass transit ready for a light or commuter rail line. Rockland County consists primarily of single-family homes and is known as a commuter suburb due to its proximity to the New York Metro area. According to the appraiser, Rockland County residents are more affluent and have attained a higher level of education than the U.S. on average; approximately 41.6% of households earn at least $100,000 per year compared to just 21.4% across the remainder of the U.S. Furthermore, more than 40% of Rockland County residents have earned at least a bachelor's degree compared to only 28.6% achieving this education level across the U.S. Similarly, the average household income in Rockland County is approximately $114,178 compared to the 2015 U.S. average of $76,502. According to the appraiser, the Rockland County metro-area's population increased by 0.9% annually between 2004 and 2014, which is in line with the national average growth over the same period. Rockland County's unemployment rate has historically been inside of both the state and national rates. According to the Bureau of Labor Statistics, the Rockland County unemployment rate was 4.6% as of May 2015 compared to 5.0% in May 2014, and is below New York State's 4.8% rate and the 4.9% national average as of March 2016.

The primary trade area for Palisades Center is 10 miles, with a secondary trade area up to 15 miles. The primary trade area's population is 634,908, and the average household income is $134,980 as of 2015, which is 76.4% higher than the $76,502 U.S. average.

The trade area's retail market is mature and robust given the above-average regional accessibility, high population density, and affluence. The appraiser has identified 10 primary competitors (See Table 8). The Shops at Nanuet, a redevelopment of the former Nanuet Mall, was completed in 2013 by Simon Property Group. Some of the notable tenants that vacated Palisades Center and relocated to The Shops at Nanuet are Apple and Banana Republic. According to management, Apple's relationship with Simon Property Group played a factor in its decision to move to the new development, but management stated that sales are down 20%-30% compared to its previous performance at Palisades Center. The Shops at Nanuet is a direct competitor in terms of proximity, though it lacks the entertainment tenants that make Palisades Center a regional destination. Garden State Plaza is owned and managed by Westfield and features a broad tenant mix and five anchor tenants: J.C. Penney, Lord & Taylor, Macy's, Neiman Marcus, and Nordstrom.

Table 8

Competitive Shopping Centers

Property name	Property type	Gross leasable area (sq. ft.)	Anchor tenants	Sales per sq. ft. ($)	Occupancy (%)	Distance from Palisades Center (miles)
Primary competitors						
The Shops at Nanuet	Super-regional mall	800,000	Macy's, Sears, Regal Cinemas	550	90	4.0
Garden State Plaza	Super-regional mall	2,183,198	J.C. Penney, Lord & Taylor, Macy's, Neiman Marcus, Nordstrom	750	98	18.0
Ridge Hill	Lifestyle center	1,300,000	Dick's Sporting Goods, Lord & Taylor, REI, Whole Foods, Cinema De Lux	500	91	14.9
The Outlets at Bergen Town Center	Lifestyle center	1,001,936	Bloomingdales Outlet, Century 21, Homegoods, Marshall's, Nordstrom Rack, Off 5th, Target, Whole Foods	560	80	19.0
Paramus Park Mall	Regional center	766,386	Macy's, Sears	375	99	15.6
The Galleria at White Plains	Super-regional mall	883,000	Macy's, Sears	N/A	84	12.6
Mall at Bay Plaza	Super-regional Mall	1,300,000	J.C. Penney, Macy's	580	92	24.4
Tice's Corner Marketplace	Lifestyle center	119,161	None	600	90	7.0
The Westchester	Super-regional mall	890,000	Neiman Marcus, Nordstrom	600	96	14.0
The Shops at Riverside	Super-regional mall	771,000	Bloomingdales, vacant anchor	615	91	17.0

Source: Cushman & Wakefield.

Property Evaluation Details

During our property evaluation, we:

- Conducted a site inspection of the Palisades Center Mall with members of Pyramid Management Co., J.P. Morgan, and Barclays Bank. The aforementioned recent capital investment by the sponsor is immediately noticeable while walking the property. The Pyramid team's presentation to the group reinforced the notion that Palisades Center is the crown jewel of its 17-property portfolio.
- Derived Standard & Poor's NCF and value for the property based on a review of property-level operating statements, the borrower budget, and appraisal report;
- Reviewed management and sponsorship, which included discussions with property management;
- Reviewed the third-party appraisal, environmental report, engineering report; and
- Reviewed the structural matters that we believed were relevant to our analysis.

Scenario Analysis

We performed several 'AAA' stress scenario analyses to determine how sensitive the certificates would be to a downgrade during the loan term.

Effect of declining rental income

A decline in net rental income may constrain cash flows available for debt service. A decline in cash flows may occur because of falling rental rates, occupancy levels, changes to operating expenses, or other factors that may decrease a property's net income. To analyze the effect of a decline in cash flows on our ratings, we have developed scenarios in which the NCF from the property decreases by 10%-40% from our current cash flow conclusion, which is 4.9% lower than the issuer's underwritten NCF. (See Table 9 for the effect on Standard & Poor's LTV under these scenarios, holding constant Standard & Poor's 6.75% capitalization rate, and the resulting potential transition in the ratings on the certificates).

Table 9

Effect Of Declining Rental Income On Standard & Poor's Ratings

Decline in Standard & Poor's NCF (%)	0.00	(10.00)	(20.00)	(30.00)	(40.00)
Potential rating migration from 'AAA'	AAA	AAA	AA	A+	BBB

NCF--Net cash flow.

Transaction-Level Credit Enhancement

To determine a transaction's credit enhancement at each rating level, we use each loan's Standard & Poor's DSC and LTV to calculate the stand-alone credit enhancement (SCE) and diversified credit enhancement. However, because this transaction is secured by one loan, its SCE represents the transaction's credit enhancement at each rating level.

Our analysis of a stand-alone transaction is predominantly a recovery-based approach that assumes a loan default. We use the loan's stand-alone LTV thresholds at each rating level to determine the expected principal proceeds that can be recovered at default and are applicable to a loan with a 10-year loan term, a 30-year amortization schedule, and no additional debt (a "benchmark 10/30 loan").

The mortgage loan collateral for this transaction is interest-only for its entire term, and there is subordinate debt from the mezzanine loans. To account for this additional risk, we reduced the LTV thresholds by applying negative adjustment factors across all rating categories (see Table 10).

Table 10

Implied Market Value Declines By Rating Category

Class	Preliminary rating	LTV (%)	Implied market-value decline (%) (i)
A	AAA (sf)	41.1	70.6
B	AA (sf)	49.9	64.3
C	A (sf)	58.5	58.8
D	BBB- (sf)	66.3	52.5

(i) Reflects the decline in the $881 million appraised value (as of Feb 2016) that would be necessary for the transaction to experience a principal loss at each given rating level. LTV--Loan-to-value ratio, which is based on Standard & Poor's value.

Related Criteria And Research

Related Criteria

- U.S. Government Support In Structured Finance And Public Finance Ratings, Dec. 7, 2014
- Insurance Criteria For U.S. And Canadian CMBS Transactions, June 13, 2013
- Methodology And Assumptions: Assigning Ratings To Bonds In The U.S. Based On Escrowed Collateral, Nov. 30, 2012
- CMBS Global Property Evaluation Methodology, Sept. 5, 2012
- Rating Methodology And Assumptions For U.S. And Canadian CMBS, Sept. 5, 2012
- Criteria Methodology Applied to Fees, Expenses, And Indemnifications, July 12, 2012
- Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- Assessing Borrower-Level Special-Purpose Entities In U.S. CMBS Pools: Methodology And Assumptions, Nov. 16, 2010
- Global Methodology For Rating Interest-Only Securities, April 15, 2010
- Understanding Standard & Poor's Rating Definitions, June 3, 2009
- Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment, May 28, 2009
- Legal Criteria For U.S. Structured Finance Transactions: Special-Purpose Entities, Oct. 1, 2006
- U.S. Legal Criteria For "Recycled" Special-Purpose Entities, Sept. 19, 2002

Related Research

- Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, July 2, 2014
- Industry Economic And Ratings Outlook: With Issuance Up And Delinquencies Down, CMBS Has Positive Momentum Going Into 2014, Dec. 9, 2013
- U.S. And Canadian CMBS Diversity Adjustment Factor Matrices, Sept. 5, 2012
- Application Of CMBS Global Property Evaluation Methodology in U.S. And Canadian Transactions, Sept. 5, 2012

In addition to the criteria specific to this type of security (listed above), the following criteria articles, which are generally applicable to all ratings, may have affected this rating action: "Post-Default Ratings Methodology: When Does Standard & Poor's Raise A Rating From 'D' Or 'SD'?," March 23, 2015; "Global Framework For Assessing Operational Risk In Structured Finance Transactions," Oct. 9, 2014; "Methodology: Timeliness of Payments: Grace Periods, Guarantees, And Use of 'D' And 'SD' Ratings," Oct. 24, 2013; "Counterparty Risk Framework Methodology And Assumptions," June 25, 2013; "Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings," Oct. 1, 2012; "Methodology: Credit Stability Criteria," May 3, 2010; and "Use of CreditWatch And Outlooks," Sept. 14, 2009.