

FITCH UPGRADES HATFIELD PHILIPS UK COMMERCIAL PRIMARY SERVICER RATING TO 'CPS2-'

Fitch Ratings-London-13 December 2010: Fitch Ratings has upgraded Hatfield Philips International Limited's (HPI) UK Commercial Mortgage Primary Servicer Rating to 'CPS2-' from 'CPS3+' and affirmed the Commercial Mortgage Special Servicer Rating at 'CSS3+'. The ratings have been removed from Rating Watch Evolving (RWE).

The removal of RWE follows the recapitalisation of HPI's parent company, LNR Property Corporation (LNR), completed at end-July 2010. The upgrade of the primary servicer rating reflects HPI's improved financial condition as well as the enhancements made to its investor reporting programme over the last six months.

The recapitalisation raised approximately USD417m through a new equity issue, which were used to repay USD426m of LNR's existing term loan. Furthermore, LNR's parent company extinguished all of the outstanding USD450m of senior notes due 2015 in exchange for LNR stock. Fitch's US REIT group conducted a financial review of LNR following the recapitalisation.

Fitch notes that the new reporting templates are consistent with those produced by other UK rated servicers, are more user-friendly than those previously delivered and continue to include the robust loan commentary which distinguishes HPI from some of its rated peers. Data quality also appears to have improved over the last two reporting cycles. However, the new reports have only been in use for one reporting cycle so further seasoning is required to demonstrate continuous, long-term benefit.

Fitch used its global and UK servicer rating criteria to analyse the servicer's operations and financial condition, including a comparison against similar UK servicers as part of the review process.

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Additional information is available at www.fitchratings.com.

Applicable criteria 'Global Rating Criteria for Structured Finance Servicers', dated 13 August 2010, and 'Rating Criteria for European Mortgage Loan Servicers - UK Market Addendum', dated 28 January 2008, are available on www.fitchratings.com.

Applicable Criteria and Related Research:

Global Rating Criteria for Structured Finance Servicers

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=547305

Rating Criteria for European Mortgage Loan Servicers - UK Market Addendum (UK European Structured Finance)

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=369608

EMEA Structured Finance Snapshot - October 2010

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=563545

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