

CHICAGO--( [BUSINESS WIRE](#) )--Link to Fitch Ratings' Report: SCG 2013-CWP Hotel Issuer Inc.

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=717816](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=717816)

Fitch expects to assign the following ratings and Outlooks to SCG Hotel Issuer Inc., commercial pass-through certificates, series 2013-CWP (all currency amounts are Canadian dollars unless noted otherwise):

--\$42,000,000 class A-1 'AAAsf'; Outlook Stable;

--\$188,000,000 class A-2 'AAAsf'; Outlook Stable;

--\$25,000,000 class B 'AAsf'; Outlook Stable;

--\$40,000,000 class C 'Asf'; Outlook Stable;

--\$65,000,000 class D 'BBBsf'; Outlook Stable;

--\$40,000,000 class E 'BBB-sf'; Outlook Stable;

--\$400,000,000\* class X 'NR'.

\* Notional amount and interest only.

The expected ratings are based on information provided by the issuer as of Sept. 6, 2013.

The certificates represent the beneficial interests in the mortgage loan securing the Westin Calgary, Westin Harbour Castle (Toronto), Westin Ottawa, Westin Bayshore (Vancouver) and Westin Edmonton with a total of 2,925 rooms. Proceeds of the loan along with additional mezzanine financing were primarily used to acquire the properties, referred to as the Canada Westin Portfolio (CWP), from PSP Investments (PSP), fund reserves and pay closing costs. The certificates will follow a sequential-pay structure.

## KEY RATING DRIVERS

**Fitch Leverage:** Fitch's stressed debt service coverage ratio (DSCR) and loan to value (LTV) for the trust component of the debt are 1.41x and 73.9%, respectively. The DSCR and LTV based on the total debt stack including the \$80 million mezzanine loan are 1.17x and 89%, respectively.

**Asset Quality and Location:** The CWP received Fitch property quality scores of A to B+. The assets are well located in the downtown core of five of Canada's six largest cities. All five assets achieved revenue per available room (RevPAR) penetrations above 100% in 2012, and a trailing twelve month (TTM) June 2013 average at 117%. Between 2005 and 2012, the properties underwent approximately \$181 million (\$61,887 per key) in capital expenditures. This includes \$51 million during the past 36 months. Because of the recent capital investments, no PIPs were required upon the sponsor's purchase of the portfolio.

**Sponsor Equity:** The sponsor will invest approximately \$310 million of cash equity in the transaction, after accounting for the subordinate mezzanine financing, closing costs and funding of upfront reserves. The cash equity represents 41% of the \$765 million purchase price.

**Canadian Loan Historical Performance:** The ratings reflect strong historical Canadian commercial real estate loan performance, including a low delinquency rate and low

historical losses. In addition, the legal framework generally favors lenders' rights

## RATING SENSITIVITIES

Fitch found that the pool could withstand a 70.7% decline in value (based on appraised values at issuance) and an approximately 59.2% decrease in the most recent actual cash flow prior to experiencing \$1 of loss to any 'AAAsf' rated class.

Fitch evaluated the sensitivity of the ratings of classes A-1 and A-2 (rated 'AAAsf' by Fitch) and found that a 20.9% decline in Fitch NCF would result in a one category downgrade. Additionally, a 44.2% decline would result in a downgrade to below investment grade. The Rating Sensitivity section in the presale report includes a detailed explanation of additional stresses and sensitivities.

Key Rating Drivers and Rating Sensitivities are further detailed in Fitch's accompanying presale report, available at '[www.fitchratings.com](http://www.fitchratings.com)' or by clicking on the above link.

### Applicable Criteria and Related Research:

--'Criteria for Analyzing Large Loans in U.S. Commercial Mortgage Transactions' (Sept. 21, 2012);

--'Global Structured Finance Rating Criteria' (May 24, 2013);

--'U.S. Commercial Mortgage Servicer Rating Criteria' (Feb. 18, 2011);

--'U.S. Fixed-Rate Multiborrower CMBS Surveillance and Re-REMIC Criteria' (Dec. 8,

2012);

--'Counterparty Criteria for Structured Finance and Covered Bonds' (May 13, 2013);

--'U.S. Commercial Mortgage Originator Review Criteria' (Feb. 18, 2011).

Applicable Criteria and Related Research:

Criteria for Analyzing Large Loans in U.S. Commercial Mortgage Transactions

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=688831](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=688831)

Global Structured Finance Rating Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=708661](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=708661)

U.S. Commercial Mortgage Servicer Rating Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=584005](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=584005)

U.S. Fixed-Rate Multiborrower CMBS Surveillance and Re-REMIC Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=696969](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=696969)

Counterparty Criteria for Structured Finance and Covered Bonds

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=707155](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=707155)

Additional Disclosure

Solicitation Status

[http://www.fitchratings.com/gws/en/disclosure/solicitation?pr\\_id=801490](http://www.fitchratings.com/gws/en/disclosure/solicitation?pr_id=801490)

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