

NEW YORK--([BUSINESS WIRE](#))--Fitch Ratings has upgraded five and affirmed 10 classes of Wachovia Bank Commercial Mortgage Trust, commercial mortgage pass-through certificates, series 2004-C12 (WBCMT 2004-C12). A detailed list of rating actions follows at the end of this press release.

KEY RATING DRIVERS

The upgrades reflect an improvement in credit enhancement from amortization and paydown from maturing loans. Since Fitch's last rating action, the transaction experienced significant paydown as nearly \$455 million (43% of the original pool balance) either liquidated or paid in full; realized losses increased by 0.1% of the original pool balance. The affirmation of the remaining classes reflects sufficient credit enhancement to offset Fitch modeled losses and portfolio concentration. There are 35 loans remaining out of the original 97 loans at issuance, of which 56% of the pool is secured by retail loans.

Fitch modeled losses of 4.8% of the remaining pool; expected losses on the original pool balance total 1.9%, including \$9.7 million (0.9% of the original pool balance) in realized losses to date. Fitch has designated 16 loans (57.9%) as Fitch Loans of Concern, which includes two specially serviced assets (17.2%).

As of the April 2014 distribution date, the pool's aggregate principal balance has been reduced by 79.9% to \$213.8 million from \$1.06 billion at issuance. Per the servicing report, two loans (6.4%) are defeased. Cumulative interest shortfalls are currently affecting the unrated class P.

The largest contributor to modeled losses is the specially serviced The Mall at Waycross loan (4.5%). The loan, which is secured by a 380,982 square foot (sf) retail property located in Waycross, GA, was recently transferred to special servicing in January 2014 for imminent default. The borrower sent a hardship letter indicating its inability to refinance the loan by the May 2014 maturity date. The special servicer has commenced due diligence while preserving all of the lender's rights and remedies.

As of the February 2014 rent roll, the property was 67.5% occupied compared to 94.2% at issuance. The majority of the occupancy decline was associated with Sear's (22.6% of property square footage) closing its store in February 2010. The Sear's lease expires in March 2020 and the space remains dark. According to the latest rent roll, near-term lease rollover risk includes 1.7% of the property square footage in 2014, 10.3% in 2015, and 48.4% in 2016. The property is anchored by JC Penney and Belk, both with lease expirations in August 2016. Two of the larger tenants, Staples and the Georgia Theatre Corporation, have lease expirations in February 2015 and August 2016, respectively.

The largest loan in the pool, The Eastdale Mall (12.8%), transferred to special servicing in November 2013 for imminent default. The loan is secured by 485,722 square feet of a 757,612 sf regional mall located in Montgomery, AL. As of the September 2013 rent roll, the overall mall occupancy was 90.7%; collateral occupancy was 85.3%. The Eastdale Cinemas (6% of collateral square footage) vacated the property in March 2013 after operating on a month-to-month lease. JC Penney, one of the collateral anchors, is currently on a month-to-month lease after its lease expired in March 2012.

In December 2013, a modification eliminated the loan's June 2014 anticipated repayment date provisions and changed the final maturity to December 2018 from June 2037 in exchange for extending the lease of two of the mall's collateral anchor tenants, Sear's and Belk. The borrower exercised lease extensions with Sear's to February 2017 from September 2014 and with Belk to January 2018 from January 2015 by investing a combined \$2 million. The loan is expected to be returned to the master servicer. The loan's net operating income debt service coverage ratio has declined to 1.39x for the first six months of 2013 from 1.93x at issuance.

RATINGS SENSITIVITIES

Rating Outlooks on classes A-1A through G remain Stable due to increasing credit enhancement and continued paydown. The Negative Outlooks on classes H through M reflect the pool's concentration, the thin nature of these classes, and the uncertainty surrounding the workout and possibility for further underperformance of the two specially serviced loans. Additional downgrades to the distressed classes are possible as losses are realized.

Fitch has upgraded the following classes

--\$9.3 million class C to 'AAAsf' from 'AA+sf'; Outlook Stable;

--\$22.6 million class D to 'AAAsf' from 'AA-sf'; Outlook Stable;

--\$10.6 million class E to 'AAsf' from 'Asf'; Outlook Stable;

--\$12 million class F to 'Asf' from 'A-sf'; Outlook Stable;

--\$12 million class G to 'Asf' from 'BBB+sf'; Outlook Stable.

In addition, Fitch has affirmed the following classes:

--\$23.8 million class A-1A at 'AAAsf'; Outlook Stable;

--\$57.4 million class A-4 at 'AAAsf'; Outlook Stable;

--\$25.2 million class B at 'AAAsf'; Outlook Stable;

--\$13.3 million class H at 'BBB-sf'; Outlook Negative;

--\$4 million class J at 'BBsf'; Outlook Negative;

--\$2.7 million class K at 'BBsf'; Outlook Negative;

--\$5.3 million class L at 'Bsf'; Outlook Negative;

--\$4 million class M at 'B-sf'; Outlook Negative;

--\$2.7 million class N at 'CCCsf'; RE 100%;

--\$2.7 million class O at 'CCCsf'; RE 30%.

Classes A-1, A-2, A-3, and MAD have been paid in full. Fitch does not rated class P. Fitch had previously withdrawn the rating of the interest-only class IO.

Additional information on Fitch's criteria for analyzing U.S. CMBS transactions is available in the Dec. 11, 2013 report, 'U.S. Fixed-Rate Multiborrower CMBS Surveillance and Re-REMIC Criteria', which is available at 'www.fitchratings.com' under the following headers:

Structured Finance >> CMBS >> Criteria Reports

Additional information is available at 'www.fitchratings.com'.

Applicable Criteria and Related Research:

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

--'U.S. Fixed-Rate Multiborrower CMBS Surveillance and Re-REMIC Criteria' (Dec. 11, 2013).

Applicable Criteria and Related Research:

Global Structured Finance Rating Criteria http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=708661

U.S. Fixed-Rate Multiborrower CMBS Surveillance and Re-REMIC Criteria http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=724961

Additional Disclosure

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Fitch Upgrades WBCMT 2004-C12

Written by Australian Business

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