NEW YORK--(BUSINESS WIRE)--Fitch Ratings has upgraded one class and affirmed six classes of Concord Real Estate CDO 2006-1, Ltd/LLC. (Concord 2006-1) reflecting Fitch's base case loss expectation of 43.6%. Fitch's performance expectation incorporates prospective views regarding commercial real estate market value and cash flow declines. A detailed list of rating actions follows at the end of this release.

KEY RATING DRIVERS

Since last rating action, class A-1 has received pay down totaling approximately $113 million primarily from the full and partial payoff of eight assets as well as scheduled amortization. Realized losses since last review were $4.2 million. The CDO is overcollateralized by approximately $48 million, as of the May 2014 trustee report. Per the asset manager, a $20 million loan was recently paid off in full. The principal proceeds are expected to be applied to pay down class A-1 at the next payment date.

As of the May 2014 trustee report, and per Fitch categorization, the CDO is substantially invested as follows: whole loans/A-notes (15%), B-notes (43%), mezzanine debt (15%), CMBS (14%), CDOs (5%), and cash (8%). There are interests in approximately 19 different assets contributed to the CDO. The current percentage of defaulted assets and assets of concern is 14.9% and 41.7%, respectively. The CDO is currently passing all of its par value and interest coverage tests.

Under Fitch's methodology, approximately 60.3% of the portfolio is modeled to default in the base case stress scenario, defined as the 'B' stress. Modeled recoveries are below average at 27.7% reflecting the significant subordinate debt in the transaction.

The largest contributor to Fitch's base case loss expectation is a B-note (13% of the total collateral) secured by two office towers located in Farmers Branch, TX. While the property is currently 100% leased to an investment grade tenant, the property is considered overleveraged, and Fitch modeled a substantial loss on this loan in its base case scenario.

The next largest contributor to Fitch's base case loss expectation is a defaulted B-note (11.7% of the total collateral) secured by a 575-room full-service resort located in Tucson, AZ. Since August 2010, the loan has been in maturity default and the special servicer is pursuing foreclosure. Fitch modeled a substantial loss on this loan in its base case scenario.

This transaction was analyzed according to the 'Surveillance Criteria for U.S. CREL CDOs and CMBS Large Loan Floating-Rate Transactions', which applies stresses to property cash flows and debt service coverage ratio tests to project future default levels for the underlying portfolio. Recoveries are based on stressed cash flows and Fitch's long-term capitalization rates. The default levels were then compared to the breakeven levels generated by Fitch's cash flow model of the CDO under the various defaults timing and interest rate stress scenarios as described in the report 'Global Criteria for Cash Flow Analysis in CDOs'. The breakeven rates for classes A through C pass the cash flow model at the ratings listed below.

The Positive and Stable Outlooks on classes A through C generally reflect the senior positions in the capital structure and/or cushion in the modeling.

The 'CCC' ratings for classes D through F are based on a deterministic analysis that considers Fitch's base case loss expectation for the pool and the current percentage of defaulted assets and Fitch Assets of Concern, factoring in anticipated recoveries relative to each class' credit enhancement.

RATING SENSITIVITIES

If the collateral continues to repay at or near par, classes may be upgraded. The junior classes are subject to further downgrade should realized losses begin to increase.

WRP Management, LLC is the collateral asset manager for the transaction. The CDO's reinvestment period ended in December 2011.

Fitch upgrades the following:

--$20.3 million class A-1 to 'A' from 'BBBsf'; Outlook Stable;

Fitch affirms the following classes and revises Outlooks as indicated:

--$23.3 million class A-2 at 'BBsf'; Outlook to Positive from Stable;

--$46.5 million class B at 'BBsf'; Outlook Stable;

--$10 million class C at 'Bsf'; Outlook Stable;

--$6 million class D at 'CCCsf' RE 100%;

--$8.1 million class E at 'CCCsf'; RE 100%;

--$22.4 million class F at 'CCCsf'; RE 70%.

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

Applicable Criteria and Related Research:

--'Global Structured Finance Rating Criteria' (May 20, 2014);

--'Surveillance Criteria for U.S. CREL CDOs and CMBS Large Loan Floating-Rate Transactions' (Nov. 25, 2013);

--'Global Rating Criteria for Structured Finance CDOs' (Sept. 12, 2013).

Applicable Criteria and Related Research:

Global Structured Finance Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=748821

Surveillance Criteria for U.S. CREL CDOs and CMBS Large Loan Floating-Rate Transactions

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=723059

Global Rating Criteria for Structured Finance CDOs

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=718027

Additional Disclosure

Solicitation Status

http://www.fitchratings.com/gws/en/disclosure/solicitation?pr_id=835078