

Mortgage Loan No. 11 – Amazon Fulfillment Center

Mortgage Loan Information

Mortgage Loan Seller:	JPMCB
Original Principal Balance:	\$38,500,000
Cut-off Date Principal Balance:	\$38,500,000
% of Pool by IPB:	3.6%
Loan Purpose:	Acquisition
Borrower:	Cole ID Charleston TN, LLC
Sponsor:	Cole REIT III Operating Partnership, LP
Interest Rate:	4.09800%
Note Date:	10/16/2012
Anticipated Repayment Date⁽²⁾:	11/1/2019
Interest-only Period:	84 months
Original Term⁽⁴⁾:	84 months
Original Amortization:	N/A
Amortization Type:	ARD-Interest Only
Call Protection:	L(25), Grtr1%orYM(55),O(4)
Lockbox⁽⁵⁾:	Hard
Additional Debt:	N/A
Additional Debt Balance:	N/A
Additional Debt Type:	N/A

Property Information

Single Asset / Portfolio:	Single Asset
Title⁽¹⁾:	Fee/Leasehold
Property Type - Subtype:	Industrial - Warehouse
Net Rentable Area (SF):	1,016,148
Location:	Charleston, TN
Year Built / Renovated:	2011 / N/A
Occupancy:	100.0%
Occupancy Date:	12/1/2012
Number of Tenants:	1
2009 NOI⁽³⁾:	N/A
2010 NOI⁽³⁾:	N/A
2011 NOI⁽³⁾:	N/A
TTM NOI⁽³⁾:	N/A
UW Economic Occupancy:	97.0%
UW Revenues:	\$4,415,054
UW Expenses:	\$443,347
UW NOI:	\$3,971,706
UW NCF:	\$3,870,092
Appraised Value / Per SF⁽⁶⁾:	\$60,000,000 / \$59
Appraisal Date:	8/10/2012

Escrows and Reserves

	Initial	Monthly	Initial Cap
Taxes:	\$0	Springing	N/A
Insurance:	\$0	Springing	N/A
Replacement Reserves:	\$0	\$0	N/A
TI/LC:	\$0	\$0	N/A
Other:	\$0	\$0	N/A

Financial Information

Cut-off Date Loan / SF:	\$38
ARD Loan / SF:	\$38
Cut-off Date LTV:	64.2%
ARD LTV:	64.2%
UW NCF DSCR:	2.42x
UW NOI Debt Yield:	10.3%

(1) The improvements are subject to a payment in lieu of taxes ("PILOT") program which decreases the property tax liability 50% each year for 10 years through December 2021. As part of the PILOT program the subject site is owned by the Industrial Development Board, which is controlled by the Bradley County Economic Development Commission. While the land is leased to the subject ownership, there is not a lease payment and there is an ongoing purchase option for the land in the amount of \$1.00. As additional security, the mortgage is also secured by the fee interest.

(2) The loan is structured with an anticipated repayment date ("ARD") of November 1, 2019. In the event that the loan is not paid off on or before the ARD, the borrower is required to make monthly payments to the lender of interest in the amount of the monthly debt service payment at the initial interest rate and additional interest will accrue based on a step up in the interest rate of 300 basis points plus the greater of (i) the initial interest rate (4.09800%) or (ii) the then current seven-year swap yield (the "Revised Interest Rate"); but in no event shall the Revised Interest Rate exceed 500 basis points plus the initial interest rate. The final maturity date of the loan is November 1, 2022.

(3) The property was constructed in 2011 and as such historical financials are not available.

(4) Represents the Original Term to the ARD.

(5) Upon the occurrence of a Cash Sweep Event, all funds deposited to the lockbox shall be deemed additional security for the loan. A "Cash Sweep Event" means the occurrence of: (i) an event of default; (ii) any bankruptcy action of the borrower or manager; (iii) Amazon.com having a senior unsecured credit rating below BBB- (or the equivalent), (iv) Amazon.com's EBITDA is \$828 million or less, (v) Amazon.com shall have ceased occupying the property, (vi) the Amazon.com guaranty of the lease shall cease to be in full force and effect, or (vii) the payment date one month prior to the ARD has occurred without full payment of the loan.

(6) The appraisal also concluded a "Hypothetical Market Value as Dark" of \$37.7 million (\$37 per square foot).

The Loan. The Amazon Fulfillment Center loan has an outstanding principal balance of approximately \$38.5 million and is secured by a first mortgage lien on a newly constructed industrial building that is 100.0% leased to Amazon.com ("Amazon") through September 2026. The loan is structured with an anticipated repayment date ("ARD") of November 1, 2019, and a final maturity date of November 1, 2022. The seven-year loan is interest-only through the ARD. The property was acquired by the sponsor in May 2012 in an all-cash acquisition for approximately \$59.3 million from USAA. The proceeds of the loan were used to pay closing costs of approximately \$0.8 million and return equity of \$37.7 million to the sponsor. After recapitalization, the sponsor has approximately \$20.8 million of equity remaining in the property. The sponsor is Cole REIT III Operating Partnership, LP, an operating partnership under Cole Real Estate Investments which has managed more than 1,950 assets representing approximately 70.6 million square feet of commercial real estate in 47 states with a combined acquisition cost of approximately \$11.8 billion.

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The Property. The property is an approximately 1.0 million square foot (not including mezzanine space) Class A distribution center situated on an approximately 115-acre parcel in Charleston, Tennessee. The property also includes an additional 238,595 square feet of mezzanine space that is utilized for storage but not included in the net rentable area. The property improvements include 38 foot clear height and 46 dock high doors. The distribution center was constructed in 2011 and is 100.0% leased to Amazon.com Inc. (“Amazon”) as one of their regional distribution centers. Amazon has a 15-year triple net lease with an initial lease maturity in September 2026 with four, 5-year renewal options. The lease has a rate of \$3.88 per square foot with 2.0% annual rent steps. The lease is guaranteed by Amazon which is currently rated Baa1 and AA- by Moody’s and S&P, respectively. Amazon is an online retailer based in Seattle with over 65,000 employees.

The Market. The property is located in Charleston, Tennessee near Interstate 75 which is a major roadway that connects Chattanooga and Knoxville. Interstate 75 is approximately two and a half miles from the property with access provided by Lauderdale Highway. The property is located approximately 40 miles from the Chattanooga Airport and approximately 45 miles from the Chattanooga central business district. In addition to the property, new industrial facilities in the market include a recently constructed 1.0 million square foot Whirlpool manufacturing facility and a 400,000 square foot Whirlpool distribution facility that is currently under construction. According to the appraisal, Class A warehouse properties in the Chattanooga market have average rental rates of \$3.25 per square foot and an average vacancy of 8.0% as of year end 2011.

Tenant Summary ⁽¹⁾					
Tenant	Ratings Moody's/S&P/Fitch	Net Rentable Area (SF) ⁽²⁾	% of Total NRA	Base Rent PSF	Lease Expiration Date
Amazon	Baa1 / AA- / NA	1,016,148	100.0%	\$3.88	9/30/2026

(1) Based on the underwritten rent roll.

(2) The property also includes an additional 238,595 square foot mezzanine space that is not included in the rentable area and is utilized for storage.

Underwritten Net Cash Flow ⁽¹⁾				
	Budget	Underwritten	Per Square Foot	% ⁽²⁾
Rents in Place ⁽³⁾	\$3,946,867	\$4,198,719	\$4.13	92.2%
Vacant Income	0	0	0	0.0
Gross Potential Rent	\$3,946,867	\$4,198,719	\$4.13	92.2%
Total Reimbursements ⁽⁴⁾	0	352,883	0.35	7.8
Net Rental Income	\$3,946,867	\$4,551,602	\$4.48	100.0%
(Vacancy/Credit Loss)	0	(136,548)	(0.13)	(3.0)
Other Income	0	0	0.00	0.0
Effective Gross Income	\$3,946,867	\$4,415,054	\$4.34	97.0%
Total Expenses⁽⁴⁾	\$0	\$443,347	\$0.44	10.0%
Net Operating Income	\$3,946,867	\$3,971,706	\$3.91	90.0%
Total TI/LC, Capex/RR	0	101,615	0.10	2.3
Net Cash Flow	\$3,946,867	\$3,870,092	\$3.81	87.7%
Occupancy		100.0%		

(1) The property was constructed in 2011 and as such historical financials are not available.

(2) Percentage column represents percent of Net Rental Income for all revenue lines and represents percent of Effective Gross Income for the remainder of fields.

(3) Amazon's lease has a rate of \$3.88 per square foot with 2.0% annual rent steps. Underwritten Rents in Place reflect the average contractual rent over the term of the lease.

(4) Amazon's lease is triple net and Total Reimbursements and Total Expenses are shown for illustrative purposes.

Future Additional Debt. A mezzanine loan may be originated by owners of a qualified transferee under a third party sale provided certain terms and conditions are satisfied including: (i) the LTV of the mortgage and mezzanine loans does not exceed 75.0% based on a recent appraisal, (ii) the debt service coverage ratio (taking into account the mezzanine loan) is not less than 1.60x, (iii) the mezzanine loans shall be evidenced by lender in its sole discretion, (iv) the maturity date of the mezzanine loan shall be no earlier than the final maturity date of the loan and (v) the senior unsecured credit rating of Amazon is BBB- (or the equivalent) or better if rated by a rating agency.