Commercial RealEstate Direct

Thursday, April 28, 2016

Morningstar Pegs $17.4Mln Value on Hudson Valley Mall

The Hudson Valley Mall, which backs a $49.4 million mortgage that was securitized through CFCRE Commercial Mortgage Trust, 2011-C1, could be worth only $17.4 million, according to analysis by Morningstar Credit Ratings.

That would mean the trust that holds the loan could be facing a loss of $32.5 million, according to the Horsham, Pa., rating agency. It previously had projected a $24.7 million loss.

The loan was transferred to special servicer LNR Partners a year ago as tenant departures at the Kingston, N.Y., mall caused a drop in cash flow. The property's transfer prompted Fitch Ratings, which said the loan's resolution would result in significant losses, to downgrade three of the CMBS deal's classes.

Macy's, which leases 120,814 sf under an agreement that runs through next January, has left the property, following JCPenney, which last year closed its 67,578-sf store. Its lease runs through October 2017.

Morningstar pegged the property's occupancy in the high-60 percent range, and noted that tenants that occupy roughly 24 percent of the property's 765,465 sf are subject to leases that mature within 12 months. Those, it noted, could vacate if sales don't improve. Given the departure of two major tenants, sales declines at inline stores is likely.

So far, however, the CMBS loan hasn't missed a payment, although payments have been made after they were due, but during their grace periods. The debt matures in 2021, amortizes on a 30-year schedule and pays a coupon of 6.739 percent.

To get to its $17.4 million estimate of value, Morningstar adjusted the property's last reported cash flow to reflect the departure of a number of additional tenants. Then it applied a 15 percent capitalization to that number, which it said reflects the average cap rate for comparable properties in the mid-Atlantic and Northeast regions.