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Fla. Mall Backing CMBS Loan Sees Loss of 2 Anchors; Value Plunges

Westfield Sarasota Square, a regional shopping mall in Sarasota, Fla., that backs a \$38 million CMBS loan, is getting pinched by the departure of two of its four anchors.

The 1 million-square-foot property, of which 512,849 sf serves as collateral for the CMBS loan, might be worth only \$39 million, according to Morningstar Credit Ratings. The loan is securitized through COMM, 2013-CCRE9.

Macy's, which had occupied 142,308 sf of space that it owned at the mall, closed its store in recent weeks. That was followed by eight inline tenants. And Morningstar found that Sears, which owns a 216,438-sf store at the property, also is planning to close. That, too, likely will be followed by the departure of additional inline tenants.

The property's two remaining anchors are JCPenney, which owns its 130,857-sf store, and Costco Wholesale, which leases 146,921 sf through August 2032. Other tenants include AMC Theatres, which leases 47,068 sf through 2021, and H&M, in 21,371 sf through January 2026.

Morningstar noted that the property was appraised at a value of \$128.4 million when its loan was written four years ago,

which gave it a leverage level of only 29.6 percent. So despite the anchor and inline departures, the property still generates well more than enough cash flow than needed to fully service the loan.

As of the end of March, the property was on track to generate \$5.1 million of net cash flow, according to servicer data compiled by Trepp LLC. While down 19 percent from the amount generated in 2013, it's still nearly 3.5 times the amount needed for the loan and points to the fact that regional malls, even in 2013, were generally avoided by many lenders.

Meanwhile, the loan doesn't mature until 2023, which would give the property's owner, Westfield Corp., time to fill up the vacant anchor spots. The company, which bought it for \$77 million 14 years ago, owns 35 retail properties in the U.S. and United Kingdom, including the 290,000-sf retail mall in the World Trade Center complex in lower Manhattan. Its portfolio's inline stores generate nearly \$900/sf in annual sales.

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