



*Insight beyond the rating.*

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## **DBRS Rated CMBS Exposure to General Growth Properties**

DBRS has reviewed its exposure to General Growth Properties' (GGP or the REIT) sponsored assets in the U.S. CMBS transactions it rates in light of GGP's recent filing for bankruptcy. DBRS has been monitoring the health of its GGP exposure since the REIT announced it was experiencing difficulty meeting its maturing debt obligations. In total, DBRS rates seven transactions with exposure to GGP, four of which have had GGP sponsored loans transfer to special servicing (see list below).

Some of the loans have upcoming maturities within the next 18 months, which could present further extension risk. Despite the numerous challenges brought upon by a difficult economic environment, the majority of these malls have maintained stable occupancy rates and continue to meet debt service obligations. However, DBRS believes these assets will continue to operate under stress as declining sales volumes erode percentage rent and tenants vie for rental abatements.

Of more immediate concern to DBRS is the important precedence this voluntary bankruptcy filing will ultimately establish. In January 2009, DBRS published *The Four Planks in the Platform for Recovery: The Commercial Mortgage Market and Securitization*, which underlined the fact that the CMBS industry is reliant upon the courts to uphold the rule of law going forward. CMBS transactions rated by DBRS are based upon the understanding of certain principles such as special purpose entities operating as bankruptcy remote entities and the validity of non-consolidation opinions. The voluntary bankruptcy filing from GGP threatens this base assumption on a number of levels. The establishment of a collective cash collateral facility by GGP to absorb excess cash flow would violate these fundamentals and is specifically intended to disrupt the timely payment of loan principal from these performing assets.

Also of importance are the fees associated with the loans that have been transferred to special servicing, which will ultimately translate into losses if not recovered from the sponsor. The special servicer is entitled to receive a monthly fee in addition to a liquidated or corrected mortgage loan fee, depending on the outcome of the transfer. For loans with subordinate B-notes in place, these fees may be absorbed in a reverse sequential manner in accordance with the respective loan's intercreditor agreement.

While the fees would be expected to be contained to the lowest unrated class in each of the DBRS rated transactions, it is possible that the interest shortfalls associated with the monthly special servicing in conjunction with other specially serviced loans could cause interest shortfalls to rise into rated classes as the loans secured by the GGP malls often represent a significant portion of the respective transactions. At this point, DBRS is hopeful that the courts will uphold the bankruptcy remote nature of the partnerships, minimizing the credit impacts to DBRS rated classes.



*Insight beyond the rating.*

DBRS will continue to monitor the performance of each property closely while the sponsorship remains in bankruptcy and update shadow ratings as needed to reflect the individual credit characteristics of the loans.

**GGP Exposure - DBRS Rated U.S. CMBS Transactions**

Transaction Name	Loan Name	Trust Balance	Whole Loan Balance	Debt Yield (2)	Loan per Unit	Occup. Rate	DSCR	Maturity Date	Status
BSCMS 2007-PWR18	Southlake Mall (1)	70,000,000	100,000,000	9.00%	\$364.97	92.50%	1.35	12/05/2017	Current
BSCMS 2007-PWR18	GGP Portfolio (1)	156,000,000	196,000,000	10.00%	\$163.89	96.10%	1.63	02/01/2013	Current
COMM 2004-LNB2	Meadows Mall	51,373,806	102,747,612	15.60%	\$329.10	97.00%	2.12	08/01/2013	Current
GECMC 2005-C1	Lakeside Mall (1)	90,150,972	180,450,495	11.00%	\$280.47	94.00%	1.72	12/01/2009	Current
GECMC 2005-C1	Ward Centers (1)	58,294,174	58,294,174	15.00%	\$215.14	99.00%	2.34	01/01/2010	Current
JPMCC 2005-LDP4	Silver City Galleria	129,669,205	129,669,205	7.40%	\$181.38	90.20%	1.11	06/10/2011	<1 Month
MLCFC 2006-1	Kenwood Towne Center	140,049,873	193,552,167	11.50%	\$230.03	98.00%	1.65	12/01/2010	Current
MLMT 2005-CIP1	Burlington Town Center (1)	26,000,000	26,000,000	12.50%	\$116.51	92.30%	2.46	07/01/2010	Current
MLMT 2005-CIP1	Glenbrook Square Mall (1)	177,234,868	177,234,868	10.00%	\$203.96	86.00%	1.48	07/01/2010	Current
MSC 2005-HQ6	Coronado Center (1)	122,590,486	168,260,454	8.20%	\$319.49	95.00%	1.19	06/06/2010	Current
MSC 2005-HQ6	Oviedo Marketplace (1)	51,818,911	51,818,911	8.00%	\$119.20	70.20%	1.16	05/05/2012	Current

(1) SPE was included in voluntary bankruptcy filing and the loan was transferred to special servicing.

(2) Q3 2008 financials were annualized.

Source: DBRS, Trepp, LLC.

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