

COMMERCIAL REAL ESTATE ReCAP

JULY 24 - AUGUST 8, 2010

General Growth Aims To Emerge From Bankruptcy As Two Entities

7/31/2010, The Baltimore Sun, Edward Gunts and Larry Carson

The company that owns most of the regional malls in Central Maryland announced Tuesday that it intends to emerge from Chapter 11 bankruptcy protection this fall as two separate entities, with some key properties in the state going to each one.

The new General Growth Properties portfolio, which the current company had mentioned in previous bankruptcy filings, would include Maryland developments such as Harborplace, the Gallery, the Village of Cross Keys, Mondawmin Mall, Towson Town Center, Owings Mills Mall and White Marsh Mall.

Most of General Growth's Maryland properties were developed by the Rouse Co. and bought by General Growth in 2004, when it acquired the Rouse Co. portfolio for \$11.3 billion. That acquisition was largely responsible for causing the financial problems that led General Growth to seek bankruptcy court protection, analysts say.

A judge is expected to start considering the reorganization plan in August. Once the company emerges from Chapter 11 protection, shareholders will own stock in both General Growth and Spinco, according to the proposed plan.

Dodd, Frank and You

7/22/2010, The New York Observer, Sam Chandan

Financial reform has passed its final hurdle to becoming law. Last week's Senate vote on the bill's conference report and the pending signature of the president now usher in far-reaching, though little understood, changes to the nation's financial system. Details of the law aside, its passage heralds a reversal of long-term deregulation and a medium-term outlook characterized by more aggressive enforcement. The civil fraud case against Goldman Sachs, while controversial in its settlement, is just one example of how federal agencies have been emboldened by the changing winds in Washington.

Ongoing disagreements over how to preclude another crisis will persist, as do disagreements over what triggered the crisis. There is the potential for reform and improvement in every aspect of the financial system. The characterization of the crisis, however, still suggests an unwillingness to acknowledge systemic failures, indicating shortsightedness on the part of policy makers and consumers in addition to the nation's financial engineers.

Survey: A Bleaker Outlook For Economy Into 2011

7/29/2010, The Maryland Daily Record, Associated Press

The U.S. economic recovery will remain slow deep into next year, held back by shoppers reluctant to spend and employers hesitant to hire, according to an Associated Press survey of leading economists.

The unemployment rate will be no lower at the end of the year than it is now — 9.5 percent.

Since then, businesses have been slow to step up hiring. Americans' confidence in the economy has declined, leading shoppers to reduce spending. And the housing market has weakened further with the end of a homebuyer tax credit that had buoyed sales earlier this year.

Consumers aren't leading this rebound, as they usually do, despite ultra-low borrowing costs.

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The tight job market, scant pay raises and drooping home values are forcing others, too, to spend less and save more.

Despite such risks, 55 percent of the economists described the recovery as “on track” as of the middle of the year. The rest said it was “faltering.”

CMBS Loan Defaults Hit 9.5%

8/2/2010, GlobeSt., Staff Reporter

With a 133-basis point rise in the cumulative default rate for CMBS during the second quarter, predictions of an 11% to 12% rate of securitized loans in arrears come closer to reality. Fitch Ratings says 9.48% of the fixed-rate conduit CMBS loans in its universe were in default at the end of Q2, while Realpoint said in late July that \$3.11 billion of unpaid loans were added to the total during June.

Even for loans that haven't yet gone into special servicing, the future looks iffy. In separate ratings actions over the last three days of July, Moody's Investors Service placed a total of \$6.5 billion of securities on review for possible downgrade, and downgraded more than \$300 million. Largest of the CMBS pools on the Moody's watchlist is a \$1.66-billion class of JPMorgan Chase Commercial Mortgage Securities Corp. Commercial Mortgage Pass-Through Certificates Series 2006-LDP9, which at the moment still carries the triple-A ratings assigned in 2007.

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