CWCapital Offers $149.6Mln Distressed Loan Against Cincinnati Mall

Commercial Real Estate Direct Staff Report

CWCapital Asset Management has put the $149.6 million CMBS loan against the Tri-County Mall in suburban Cincinnati up for sale.

The loan is the largest in the collateral pool of Credit Suisse First Boston Mortgage Securities Corp., 2005-C2. It has been in special servicing since August 2009 and hasn't made an interest payment since April 2011. CWCapital has filed to foreclose against the loan.

It has hired Mission Capital Advisors to orchestrate the loan's sale. The New York loan-sales specialist has started distributing offering material to prospective investors and will entertain an initial round of offers on March 26. It will take final bids on April 16 with the hopes of closing a sale by April 25.

The loan's collateral was constructed in 1960, making it the first regional mall in the Cincinnati area, and last renovated in 2008. It was purchased by a venture led by DDR Corp. and Coventry Real Estate Fund II in 2006 for $220 million and had been the area's dominant shopping center. But it since has been hit hard by competition from newer shopping venues nearby.

Nonetheless, the property is viewed as a potential opportunistic play. An investor would presumably pay less than the loan's par value, providing it with a relatively low cost basis in the property. That could allow whoever buys the loan to take over the property and attract tenants with relatively low rents.

The property's inline space was roughly 76 percent leased as of the end of last year, when it generated roughly $5.6 million of net operating income. It is anchored by Sears, which takes 285,000 sf, Dillard's, in 235,850 sf, and Macy's, which owns the space it occupies. JCPenney had also anchored the property, but it vacated its 160,321 sf in 2004.

According to a report from the CMBS deal's trustee, the shopping center was appraised at a value of $33.8 million last October.

As has become customary for offerings from CWCapital, the special servicer will tack on a buyer's premium to the loan's winning bid. That practice was popularized by auction.com, which is part owned by LNR Partners.

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