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Vornado Buys CMBS Debt on Va. Mall It Owns

Vornado Realty Trust has paid \$115 million for \$171.5 million of securitized debt backed by the Springfield Mall in Fairfax County, Va., a property it owns.

The Paramus, N.J., REIT also bought out its partner in the 1.4 million-square-foot mall for \$25 million.

Vornado, which as of the end of September held \$846 million of cash on its balance sheet, expects to record a gain of \$98 million from the two transactions.

Roughly two months ago, CWC Capital Asset Management, representing two CMBS trusts that held \$159 million of debt on the mall, tapped Mission Capital Advisors to market the loan for sale.

Vornado last year requested that the debt be moved to special servicing because the property's performance had deteriorated and it wanted to negotiate new terms for it.

While the securitized debt had a balance of \$159 million in October, some \$7 million of advances had been made against it by master servicers for the two CMBS deals. In addition, the loan had accumulated special servicing fees during the year it was in CWC Capital's hands.

Vornado bought the property in 2005 for \$116 million

and assumed the securitized debt, which then had a balance of \$181.2 million.

That debt is evenly split and serves as collateral for Nomura Asset Securities Corp., 1998-D6, and Commercial Mortgage Asset Trust, 1999-C1. Its anticipated repayment date is 2013, although its final maturity isn't until 2028. It carries a coupon of 8.5 percent.

The mall's cash flow had fallen to \$2.9 million in the first nine months of 2009, down 76 percent from its \$20.1 million of cash flow in 1999, about the time the debt was originated.

The property is on Route 644 near Interstate 9, south of the Washington, D.C., beltway. It was constructed in 1973 as an enclosed mall. Vornado in 2008 launched a massive redevelopment to convert it into a lifestyle center, where storefronts open to the outside instead of into a central enclosed courtyard.

The renovation was slated to cost more than \$150 million and had resulted in the shuttering of all but 200,000 sf of inline space.

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