

# No.1 mall owner goes shopping for rival

By Blake Ellis, CNNMoney.com staff reporter

NEW YORK (CNNMoney.com)—Simon Property Group Inc., the largest U.S. mall operator, said Tuesday it has made a \$10 billion bid to acquire General Growth Properties, Inc, its biggest competitor.

Simon (SPG) said the offer would speed up General Growth's emergence from bankruptcy.

The offer includes about \$7 billion that General Growth owes its creditors, about \$2 billion to its shareholders and another \$1 billion for other assets.

Simon already owns more than 380 properties, including Sawgrass Mills and Town Center in Sunrise, Fla., and Roosevelt Field and the Westchester in suburban New York.

If General Growth accepts the offer, Simon would acquire more than 200 additional properties, including the Paramus Park Mall in New Jersey, Cumberland Mall in Atlanta, Water Tower Place in Chicago and the Glendale Galleria in California.

"Simon is obviously being very aggressive," said Ivan Friedman, president & CEO of RCS Retail Real Estate Advisors. "You've got the two largest mall owners right across the street from each other, so this just makes Simon more difficult to deal with—they'll be the only guy on the street now."

Friedman said that while this is a huge acquisition, he doesn't think the mall owner will have trouble running such a large number of malls.

"Simon is a great operator, I think they can assimilate this and still run the malls well," he said. "The question is if

General Growth decides it wants to stay independent and reorganize their company on their own."

General Growth filed for bankruptcy in April after failing to raise enough capital to service its debt, and the company is expected to emerge from bankruptcy later this year.

"Simon's offer provides the best possible outcome for all General Growth stakeholders," said Simon CEO David Simon in the statement. "Our offer provides much-needed certainty to conclude General Growth's protracted reorganization process."

The mall owner's attempt to scoop up its biggest rival highlights the growing trend of consolidation in the industry—but it doesn't mean the mall sector will shrink or that stores will need to be closed as a result of these acquisitions, said Friedman.

"I think everything in the retail world is in consolidation mode right now, and only the strongest are surviving," he said. "But malls will always be there, they're not going away, and the concept of mall shopping is not going to go away."

Craig Johnson, retail industry expert and president of consulting firm Customer Growth Partners, said that this is a long-anticipated, natural move for the company.

Johnson said the move could bode well for malls overall, since "Simon is a far better mall operator than General Growth, and it has the capital to operate and refresh [General Growth's] malls when necessary." ■