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Mall Owner Struggling With Its Mortgage Bills

By NATE SCHWEBER

KATHERINE EKLUND was at Willowbrook Mall last week, where she was getting holiday photos of her daughters, Julia Gerbino, 5, and Catherine Gerbino, 2. Ms. Eklund said she had no idea that the owners of the mall, General Growth Properties, the second-largest shopping mall owners in the United States, were having financial problems. But she said she was not surprised.

Ms. Eklund, 42, of Short Hills, who frequents this mall for the Bloomingdale's store and the GapKids, figured the mall owner was in the same boat as many others in these dire times.

"I would just say it's the economy," she said. "I see it everywhere."

General Growth, a Chicago-based company that owns four New Jersey malls, including Paramus Park, Bridgewater Commons and Woodbridge Center in addition to Willowbrook, recently announced that it has hired bankruptcy lawyers. It owns 225 malls in 44 states.

The company received a two-week extension on \$900 million in mortgage loans that were due on Monday. The company, which has announced its intentions to refinance its debt load, said it was in talks with lenders for a longer extension.

David Keating, a spokesman for General Growth Properties, said that the company was working with advisers to develop a comprehensive plan to generate capital. The company has announced plans to sell three

of its malls on the Las Vegas strip and one in Hawaii, but Mr. Keating said the four malls in New Jersey would not be affected.

"Regardless of our situation, our properties and company will continue to operate," he said. "We look forward to a prosperous holiday season."

General Growth Properties also has debt payments of \$3 billion more coming due in 2009.

Ivan Friedman, president and chief executive of RCS Real Estate Advisors, a firm that specializes in helping retailers evaluate their real estate portfolios, and which is not advising General Growth, said that General bought the Rouse Company in 2004 for \$12 billion, including its debt. He said the company is now "caught in a credit freeze" and is having trouble securing loans to cover debt.

"Nobody expected the bottom would fall out like this," Mr. Friedman said.

He added that companies often hire bankruptcy lawyers to alarm their creditors and that even if General Growth Properties did file for bankruptcy protection, shoppers would hardly notice a difference.

"It's not like a real bankruptcy, the malls won't just disappear," he said.

In its New Jersey locations, General Growth Properties malls are among the top property tax payers in their municipalities.

Patricia Flannery, mayor of Bridgewater, said that her town collects \$4 million annually from Bridgewater Commons and an

additional \$1.2 million in revenue sharing. Because of the mall's location next to major highways, she's confident another company would buy it should General Growth Properties choose to sell.

"We watched the stock price fall for months, but this news did come as a surprise," she said.

Shares of General Growth Properties tumbled to about \$1 recently from more than \$40 during the summer.

Mayor John E. McCormac of Woodbridge, who said his town earns \$5.6 million in property taxes from the mall, said he too was surprised by the news.

"Based on the status of our mall you would not know that the parent company had problems," he said.

Officials in Wayne said that the town collects more than \$6.5 million in property taxes from Willowbrook, more than any other single entity.

Inside Willowbrook Mall some store employees have criticized General Growth for policies that they say have hurt the bottom line. Last week mall management would not allow David Levitt, 23, who owns the Easy Blue cell-phone accessory kiosk, to put up a silver Christmas tree to attract holiday shoppers, saying it was not an approved decoration.

"It's a bummer, it's not good for business," Mr. Levitt said.