

General Growth files Chapter 11

South Florida Business Journal - by [Oscar Pedro Musibay and Susan R. Miller](#)

In what is being called the biggest real estate failure in U.S. history, **General Growth Properties**, the nation's second-largest owner of shopping malls, including downtown Miami's Bayside Marketplace, has filed for Chapter 11 bankruptcy.

The company, which owns or manages about 200 malls in 44 states, said it was not able to get its debt holders to give it more time to refinance its debt.

General Growth (NYSE: GGP) listed \$29.5 billion in total assets and about \$27.3 billion in debt.

One of its most ambitious and weighty financial decisions occurred in 2004, when General Growth paid \$11.3 billion to buy commercial developer **Rouse Co.**, then-owner of Bayside Marketplace, which has 226,000 square feet of retail and is 95 percent leased.

In South Florida, General Growth also owns Village of Merrick Park in Coral Gables, Pembroke Lakes Mall in Pembroke Pines and Mizner Park in Boca Raton.

In addition to the company, about 158 regional shopping centers it owns and certain subsidiaries have also filed for protection.

General Growth said in a statement on its Web site that it intends to emerge from bankruptcy as quickly as possible. Certain subsidiaries, including its third-party management business and joint ventures, have not filed for protection, according to the statement.

“Over many months, the company has endeavored to negotiate with its unsecured and secured creditors to obtain the time needed to develop a long-term solution to the credit crisis facing the company,” the statement said. “Unable to reach an out-of-court consensus, the company reluctantly concluded that restructuring under the protection of the bankruptcy court was necessary.”

General Growth also announced that Pershing Square Capital Management L.P., as agent, has agreed to provide a debtor-in-possession financing facility of about \$375 million. The facility, which the bankruptcy court must approve, will provide funding during Chapter 11. The company will look for additional approvals to pay employee salaries, vendors, insurance and other claims so shopping centers and other properties continue to operate uninterrupted.

“Our core business remains sound and is performing well with stable cash flows,” General Growth CEO Adam Metz said in a statement. “We believe that Chapter 11 is the best process for restructuring maturing mortgage loans, reducing the company’s corporate debt, and establishing a sustainable, long-term capital structure for the company. While we have worked tirelessly in the past several months to address our maturing debts, the collapse of the credit markets has made it impossible for us to refinance maturing debt outside of Chapter 11.”

Leo Zabezhinsky, manager of business development and real estate for the **Miami Downtown Development Authority**, said Bayside Marketplace, which has been up for sale for several weeks, continues to perform well. Bayside has steady sales, despite the economic downturn, due mainly to continued growth of tourist traffic through the Port of Miami, a major feeder to Bayside.

In addition to the shopping malls, General Growth owns some master-planned community developments and commercial office buildings. Company officials said all of its shopping centers, master-planned communities and other

properties remain open for business.

“We don’t expect any of our visitors to notice any difference in our quality of service to customers,” Metz said in a news release. “Our tenant retailers, restaurants, movie theaters and everyone at our malls stand ready to serve you, just as we have in the past.”

In mid-November, General Growth warned that it might seek bankruptcy protection if it could not restructure or refinance its heavy debt load.

On Dec. 10, Fitch Ratings downgraded the company and warned that a default on nearly \$900 million in debt was likely. Two days later, General Growth said it had borrowed \$896 million, which it used to retire a \$58 million bond issued by the Rouse Co., as well as refinance \$814 million of mortgage indebtedness that was originally scheduled to mature in 2009. The new mortgages mature in 2013 and 2015.

Jim Padron, senior development manager at **Flagler Development Group**, which manages retail leasing at the 75-acre Palms at Town & Country in Kendall, said the retailers feeling the downturn the most are those tied to the residential boom, like furniture companies.

He asserts that General Growth’s issues are related to a need to restructure debt.

“In general, this is more of a financial refinancing,” he explained, “a restructuring of debt versus whether or not their centers are performing or not.”

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