

Mall safe despite owner's struggles

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Sliding stock

Glenbrook Square's owner, General Growth Properties Inc., has struggled on the stock market this week, hitting its all-time low price Wednesday. The S&P 500 index dropped the company after trading closed Wednesday.

Stock symbol: GGP

Friday close: 44 cents

52-week low: 24 cents

52-week high: \$50.33 (Nov. 15, 2007)

At a glance

Company: General Growth Properties Inc.

Headquarters: Chicago

What it does: Owns or manages more than 200 malls totaling about 200 million square feet

Local assets : Glenbrook Square

Employees: About 4,200

1.2 million

Square footage of Glenbrook Square

175

Number of Glenbrook retailers

200

Number of Glenbrook employees

2,000

Combined number of retailers' and mall's employees

15 million

Estimated number of Glenbrook shoppers each year

Glenbrook Square's owner is teetering on the verge of bankruptcy, but retail experts say the Fort Wayne mall probably will keep its doors open.

If owner General Growth Properties Inc. declares bankruptcy, Glenbrook would likely be sold and continue to operate under a new owner, said Richard Feinberg, a retail management professor at Purdue University. Glenbrook, marketed at a bargain price, he said, could be attractive to some private-equity firms or mall investors with capital. Only

older malls with many vacancies would be likely to close, he said.

"Fort Wayne is a very strong retail area, and I would expect someone would come in and take over the mall at a really good price for them," Feinberg said.

Chicago-based General Growth Properties has \$958 million in debt payments due Dec. 1, and the company will owe an additional \$3 billion next year. The company could seek legal protection from creditors if it can't refinance or delay the payment deadline, General Growth Properties said in a statement filed Monday with the Securities and Exchange Commission.

General Growth is an equity real estate investment trust, a structure that allows investors to pool money to buy money-making properties and create an income stream. REITs are required to pay out 95 percent of their annual net earnings to shareholders.

General Growth's collapse has dragged down other REITs and spread fears among investors, Stifel Nicolaus & Co. analysts wrote in a research report Tuesday.

The country's second-largest mall owner is developing a strategic plan to generate additional capital, and its shopping centers will continue to operate, General Growth said in a statement Thursday. The company is considering joint ventures or mergers, among other possibilities. A spokeswoman declined to make additional comments.

Mall owners juggling substantial debt have less ability to weather the economic storm, said Barton Weitz, executive director of the David F. Miller Center for Retailing Education and Research at the University of Florida.

Without a financial cushion, mall landlords can be dragged down by their own tenants when those retailers are struggling. Some contracts call for lease payments to decline when sales lag, Weitz said.

And they've definitely lagged. Retail sales dropped by 2.8 percent last month, the largest amount on record, the Commerce Department reported Friday.

With consumer spending falling, retailers might not be paying their rent on time or at all, Feinberg said. Retailers such as Circuit City and Linens 'N Things are closing locations nationwide. Malls can't collect rent on vacant spaces. Less-established retailers that occupy many malls can't afford to pay higher rent, he said.

Still, a functioning mall like Glenbrook is unlikely to close, said Peter Sealey, marketing professor at the Peter F. Drucker Graduate School of Management at Claremont Graduate University in Claremont, Calif. Companies strong enough to survive the economic downturn will buy desirable malls orphaned by bankruptcy.

"There's a buyer for that (mall)," he said. "It would be sold or restructured at a price where it can operate."