

Debt Advisory Services

PROPERTY

Retail – Big Box Center

LOCATION

Suburban Chicago, IL

LOAN TYPE

Securitized First Mortgage

SITUATION

- The property was originally occupied by 5 big box retail tenants. It was located in the last submarket to be developed in the path of growth for the market. With the economic downturn, one tenant declared bankruptcy and vacated while a second tenant ceased operations and vacated. The remaining tenants invoked the co-tenancy provisions of their leases and either downsized or reduced their rental payments. The borrowers paid out-of-pocket for several months to keep the loan current but they were no longer able to continue this support for the project and the loan went into default. As a retail concept the property had failed and alternative uses for the property were contemplated. The special servicer was commencing foreclosure and the imposition of a receiver.

RESOLUTION

- A discounted pay-off (DPO) was successfully negotiated. The amount of the pay-off was 53% of the current outstanding loan balance and all personal liability issues were waived. The DPO was financed through a combination of equity and a recourse loan. The process took 6 months from the initial default to the acceptance of the resolution.