

Sears 2014 Store Closings

After reporting a net loss attributable to shareholders of \$573 million for the second quarter of 2014, Sears Holdings (SHLD) announced plans to reduce costs and "rationalize its physical footprint." As part of this plan, the company will shut down more than 100 underperforming Sears and Kmart stores nationwide, on top of more than 100 that closed during the first half of 2014. The recently announced closures are widespread, with the heaviest concentration in the Northeast and Midwest. Of the 107 store closure announcements since late August, Trepp has identified loans in CMBS deals on about a fourth of the properties.

When looking at the larger retail market, loss severity on loans in CMBS has been slightly higher than other major property types, which is attributable to events such as the Sears closings. Over the last year, loss severity on retail loans in CMBS was 63.1%, well above the 53.9% total loss severity for all property types. Year-to-date retail loss severity is 57.2%, which compares to 49.3% across all property types. Going forward, CRE and CMBS investors should keep an eye on Sears and other struggling big-box retail tenant exposure.

Listed below are the top ten properties in CMBS that will be affected by a Sears Holdings store closures. The complete list of loans with exposure to shuttering Sears stores is <u>In the Spotlight</u>.

Galleria at Pittsburgh Mills Sears and Auto Center 590 Pittsburgh Mills Circle Tarentum, Pennsylvania 15084 .

MSC 2007-HO11, 8.28% Delinquency Status: Current Securitized Loan Balance: 133,000,000 Current Loan Balance: 133,000,000 DSCR: 0.96x Sears will leave 19% of space empty in January, just three months before the loan's maturity date. TreppWire Story

Chesapeake Square

Sears and Auto Center 4200 Portsmouth Boulevard Chesapeake, Virginia 23321



JPMCC 2004-LN2, 37.24% Delinguency Status: Grace/ Not Yet Due

Securitized Loan Balance: 73,000,000 Current Loan Balance: 64,239,690 DSCR: 1.11x Maturity extended from August 2014 to March 2017. Sears's lease ended in October 2014. TreppWire Story Westfield Countryside Sears and Auto Center 27001 US Highway 19 North Clearwater, Florida 33761

MSBAM 2013-C11, 11.81% MSBAM 2013-C12, 4.35%

Delinquency Status: Current Securitized Loan Balance: 155,000,000 Current Loan Balance: 100,000,000 DSCR: 1.66x Sears is an anchor tenant (18%) and owns its parcel. Fellow anchor tenants Macy's, Dillard's, and JC Penney also own their parcels.

Towne West Square Mall

Sears and Auto Center 4600 West Kellogg Drive Wichita, Kansas 67209

MSC 2011-C2, 4.24%

Delinquency Status: Current Securitized Loan Balance: 51,000,000 Current Loan Balance: 48,754,427 DSCR: 1.47x Sears is the top collateral tenant with 27% of the space and is reportedly closing at the end of the year.



CMBS Research

November 2014

Mercer Mall

Sears and Auto Center 125 North Mercer Street Bluefield, West Virginia 24701



Delinquency Status: Current Securitized Loan Balance: 40,243,828 Current Loan Balance: 33,441,236 DSCR: 0.98x

Of the three-mall portfolio, Sears occupies 14% of the Mercer Mall and 8% of the total portfolio space. The allocated property balance is \$20M.

Holiday Village Mall

Sears 1200 10th Avenue South Great Falls, Montana 59405



COMM 2012-CR5, 2.51% Delinquency Status: Current Securitized Loan Balance: 29,000,000 Current Loan Balance: 27,815,690 DSCR: 1.92x Maturity extended from August 2014 to March

Maturity extended from August 2014 to March 2017. Sears's lease ended in October 2014.

Manhattan Town Center

Sears and Auto Center 100 Manhattan Town Center Manhattan, Kansas 65502

CSFB 2005-C2, 3.25%

Delinquency Status: Current Securitized Loan Balance: 32,932,513 Current Loan Balance: 27,856,753 DSCR: 1.44x Sears will be vacating 23% of the property's space. The loan has been modeled to mature in March with the option to extend.

Towne Square Mall Sears 5000 Frederica Street

Owensboro, Kentucky 42301

MSC 2007-T27, 1.19%

Delinquency Status: Current Securitized Loan Balance: 25,500,000 Current Loan Balance: 24,589,584 DSCR: 0.90x Sears is the largest collateral tenant with 34% of the mall's space. JC Penny and Radio Shack are two other embattled tenants in the property.

Arrowhead Mall

Sears 501 North Main Street Muskogee, Oklahoma 74401

CSMC 2006-C1, 0.87%

Delinquency Status: Current Securitized Loan Balance: 19,250,000 Current Loan Balance: 17,024,545 DSCR: 1.22x Sears takes up 18% of the mall and is closing in November along with tenant DickinsonTheaters, which occupies 8% and filed for bankruptcy.

TreppWire Story

Lebanon Plaza Sears 1301 Quentin Road Lebanon, Pennsylvania 17042

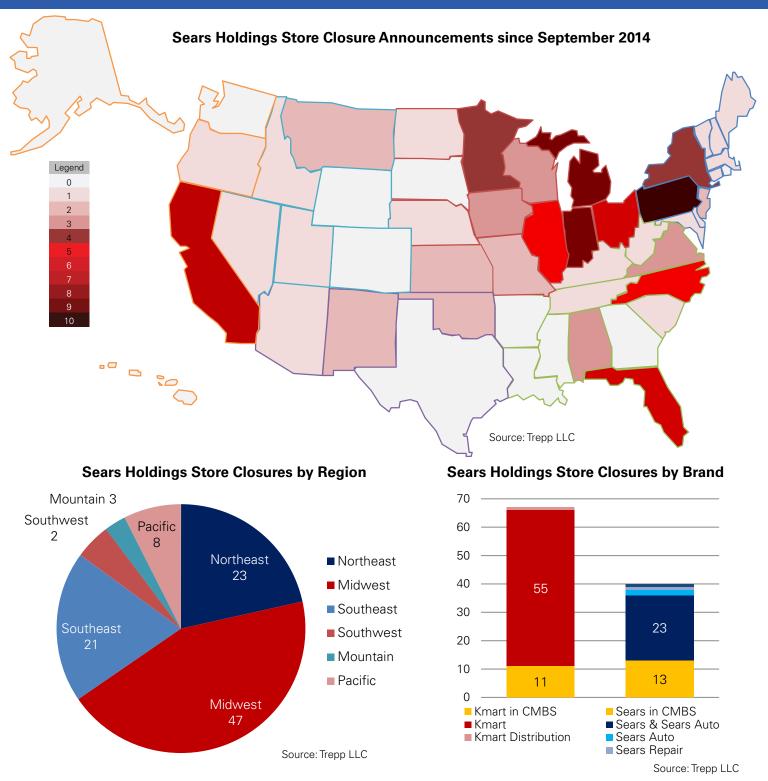
GECMC 2007-C1, 0.87%

Delinquency Status: Current Securitized Loan Balance: 23,200,000 Current Loan Balance: 23,200,000 DSCR: 1.56x Sears occupies 28% of the retail property and is set to close in January.

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