

Press Releases



Insight beyond the rating.

Date of Release: September 19, 2017

DBRS Confirms the Rating on West Edmonton Mall Property Inc.

DBRS Limited (DBRS) confirmed the rating of A (sf) on the 4.309% First Mortgage 10-Year Interest Only Series B1 Bonds (the Series B1 Bonds) and on the 4.056% First Mortgage 10-Year Amortizing Series B2 Bonds (the Series B2 Bonds; collectively with the Series B1 Bonds, the Bonds) issued by West Edmonton Mall Property Inc. (the Issuer) and secured by the Issuer's interest in West Edmonton Mall (the Mall or the Property).

The Bonds were issued on February 13, 2014, with a ten-year term and mature on February 13, 2024. As of August 13, 2017, the Bonds' outstanding balance was \$842.6 million and will have amortized to \$723.2 million at maturity.

The Bonds are secured by a fee interest in the Property, a regional mega shopping complex located in Edmonton. The Property consists of a retail area, a 355-room upscale hotel and 557,000 square feet (sf) of entertainment facilities. Net rentable footage adds up to approximately 2.6 million sf. The Mall is accessible via major highways and roads, including Whitemud Drive, 170 Street and the Anthony Henday Drive. The Property has expanded significantly three times since it opened in 1981: first in 1983 (Phase II), then in 1985 (Phase III) and 1999 (Phase IV). In support of a unique shopping experience, it has since undergone several upgrades and expansions, with the latest one completed in 2016. Considering the trend of Canadian suburban shopping malls undergoing fundamental restructuring to transform into mixed-use town centres, the Mall seems to be well positioned for the future change in shopping experience. The Property is managed by WEM Management Inc., which has proven to be skillful at attracting new quality tenants and retaining existing ones.

As of April 2017, approximately 90% of the gross leasable area (GLA) of the retail segment was leased. A part of the vacant space is the

former Target area (approximately 126,000 sf), of which 85,635 sf are now leased for late 2017/early 2018, as indicated by the Property management. The unknown outcome of the Sears restructuring process presents another challenge, as Sears occupies approximately 5% of the GLA. The other top five tenants are Hudson's Bay Company, Simons, Gateway Casino, Scotiabank Theatre and Sport Chek, which together occupy approximately 21% of GLA.

The Property benefits from a diversified tenant roster with staggered lease maturities, which reduces rollover risk during the term of the Bonds.

Financial performance of the Property remains stable, posting modest gains in tenant sales annually, with an annual commercial retail unit sales of \$738 per square foot (psf), \$763 psf and \$754 psf in YE2014, YE2015 and YE2016, respectively, and \$736 psf currently. In addition, the Property benefits from supplementary income from the entertainment and hotel segments. DBRS expects the growth in revenue to stay somewhat soft, as Alberta retail sales remain under pressure as a result of local economic drivers.

The rating confirmation of the Bonds at A (sf) is based on the financial performance, stable metrics, the DBRS debt service coverage ratio of 1.8 times and the DBRS loan-to-value ratio of 72%, supported by the Property's ability to generate steady income from multiples sources.

Notes:

All figures are in Canadian dollars unless otherwise noted.

The related regulatory disclosures pursuant to the National Instrument 25-101 Designated Rating Organizations are hereby incorporated by reference and can be found by clicking on the link to the right under Related Research or by contacting us at info@dbrs.com.

The principal methodology is North American Single-Asset/Single-Borrower Methodology, which can be found on dbrs.com under Methodologies

The rated entity or its related entities did participate in the rating process. DBRS had access to the accounts and other relevant internal documents of the rated entity or its related entities

For more information on this credit or on this industry, visit www.dbrs.com or contact us at info@dbrs.com.

Ratings

Issuer	Debt Rated	Rating Action	Rating Trend	Notes Published	Issued
West Edmonton Mall Property Inc.	4.056% First Mortgage 10-Year Amortizing Series B2 Bonds	Confirmed	A (sf) Stb	Sep 19, 2017	CA
West Edmonton Mall Property Inc.	4.309% First Mortgage 10-Year Interest Only Series B1 Bonds	Confirmed	A (sf) Stb	Sep 19, 2017	CA

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 CA = Canada Issued, NRSRO
 EU = EU Issued, NRSRO
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