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Mall Shooting Highlights Folly of AAA-Rating of CMBS Backed by a Single Mega-Mall.

Wolf here: Co-author Marc, who worked for Moody's for nine years, told me, "I want to see rating agencies improve their performance before they contribute to another meltdown."

On Black Friday, the Destiny USA Shopping Mall in Syracuse, New York was evacuated after a shooting in the food court. The following day, a knife fight broke out in the mall's entertainment complex, adding to shoppers' apprehension about visiting. This apprehension should be shared by holders of Commercial Mortgage Backed Securities (CMBS) collateralized solely by Destiny USA loans, including owners of \$215 million in AAA-rated senior notes.

While one short-lived catastrophic event will not lead directly to bond defaults, the outbreaks of violence at an already troubled mega-mall cast a harsh light on rating agency decisions to assign their highest grades to structured notes wholly lacking the protection afforded by diversification.

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by Marc Joffe • Dec 16, 2019

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