

# **Bond Case Briefs**

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## **American Dream Mall Bonds Gain More Than 20% as Traffic Picks Up.**

- **Mega-mall reported \$39 million of sales in fourth quarter**
- **Triple Five Group borrowed \$1 billion to finance mall in 2017**

Municipal bond buyers are wagering on a big recovery for the American Dream.

Bonds issued for the mall and entertainment complex in New Jersey's Meadowlands have returned more than 20% so far this year as consumers come back and investors snap up the riskiest securities.

The mall, which reopened on Oct. 1, last week reported sales of \$54 million in 2020, with \$39 million collected in the fourth quarter. Sales at U.S. department stores grew for the first time in a year last month as consumers spent their \$600 stimulus checks, according to Mastercard SpendingPulse.

"As more stores opened and the vaccine is rolled out, we think that traffic at enclosed malls should rebound, with levels at American Dream continuing to rise relative to comparable malls," Barclays Plc muni strategists led by Mikhail Foux, wrote in a research note Thursday.

Yields on investment grade municipal bonds have plunged to record lows against Treasuries as investors keep pouring billions into mutual funds, spurred by optimism about the economic recovery and the prospect that Congress will extend some \$350 billion of aid to states and local governments. That money has been chasing fewer bonds as the pace of new sales slows down, driving up prices and leading some fund managers to shift into riskier securities to get higher yields.

The bonds issue for the American Dream in 2017 was one of the biggest issues of unrated securities ever in the municipal market, reflecting the risk associated with the retail industry even before the pandemic struck.

The longest maturity American Dream bonds have delivered 25.8% this year, almost 10 times the return for junk and non-rated municipal bonds, according to data compiled by Bloomberg. On Thursday, \$5 million American Dream bonds with a 7% coupon maturing in 2050 traded at 111.7 cents on the dollar to yield 4.94%. In September the same securities traded at 87 cents to yield 8.2%.

"It's further evidence that strong cash flows into open-end mutual funds and limited supply is driving investors to buy bonds down the credit spectrum in an effort to pick up yield," said Robert Amodeo, head of municipals at Western Asset Management Company.

American Dream owners Triple Five Group issued about \$1.1 billion municipal bonds to help finance the complex, which includes an amusement park, water park, ice rink and indoor ski slope. The deal consists of \$800 million bonds backed by payments in lieu of taxes and about \$300 million that are secured by New Jersey grants it will receive if the project meets sales-tax revenue targets

Barclays estimated the mall received about \$2.6 million of 2020 grant revenue to cover expenses and debt service on bonds backed by those payments. While this is lower than \$44 million base case in the bond prospectus, it is above the downside scenario that estimated no revenue in 2020.

The grant revenue bonds, which traded Thursday at a 4.6% yield, are attractive relative to the high-yield muni index, which yields 3.4%, Barclays said.

Barclays has “proprietary” data from cell phones, electronic devices and cars showing traffic going into American Dream picking up, said Mayur Patel, a Barclays muni analyst.

“If mall traffic and sales continue to increase, grant revenues might continue to grow, although they are likely to track the downside scenario for the next few years,” according to Barclays analysts.

## **Bloomberg Markets**

By Martin Z Braun

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— *With assistance by Anne Riley Moffat*