

Brookfield's DTLA Office Tower Goes Into Receivership

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Brookfield's Gas Company Tower goes into receivership

Receiver has court authority to sell the 54-story DTLA building



UPDATED, April 26, 2023, 12:29 p.m.: Brookfield's Gas Company Tower, one of the investment management firm's core assets in Downtown L.A., has been placed into a receivership, *The Real Deal* has learned.

The CMBS lenders — Citi Real Estate Funding and Morgan Stanley — for \$350 million in debt on the 54-story office building, filed a lawsuit last week asking the court to appoint a receiver on the property, an alternative to bankruptcy, according to L.A. Superior Court documents. A representative for Brookfield did not respond to a request for comment.

Gregg Williams of Trident Real Estate Group was chosen as the receiver and has the authority to "market, advertise, promote and negotiate the sale of the property," according to a court filing. If successful, any proceeds of the sale would go to pay creditors.

With a receivership, a court appoints a third-party to help make creditors whole, without having to file for bankruptcy. Receivers can also restructure and refinance debt to resolve delinquent loans.

Brookfield defaulted on two senior loans attached to the property at 555 West 5th Street in February — one for \$210 million and another for \$140 million.

The alternative investment firm defaulted for two reasons, according to court documents. First, it failed to pay off the loan in full by the maturity date of Feb. 9, and second it failed to pay an advance of \$3.6 million in property taxes by April 10.

Under the loan agreement, Brookfield was required to pay 3 percent in additional interest if it defaulted — on top of the interest rate Brookfield paid on the \$350 million debt. The loans held an interest rate of Libor plus 1.89 percent, according to filings with the Securities & Exchange Commission.

Over the last year, Brookfield has struggled with rising debt payments on the building, coupled with stagnant lease activity. At the end of September, the Gas Company Tower was about 73 percent leased — no change from the prior quarter, according to SEC filings.

The company reported \$27.3 million in yearly base rent at the tower in December, or about \$2.3 million a month. That wasn't enough to cover the new debt service payments, which shot up as interest rates soared in the second half of 2022.

Combined with the monthly interest payments on mezzanine loans connected to the building, the total debt service in December came out to about \$2.7 million — more than double its payments just a few months prior.

Williams has already tapped Colliers to manage and help lease up the property, the brokerage said in a statement on Friday. A team led by Ian Gilbert — who worked at Brookfield until last week — will handle leasing.

As receiver, Williams can pay Colliers either \$40,000 per month or 2 percent of the monthly cash collected from the property — whichever amount is greater.

While receivership may help Brookfield navigate the future of the Gas Company Tower, the firm faces other battles with its Downtown L.A. portfolio.

Earlier this month, Brookfield's DTLA fund wrote down the value of its 45-story office tower at 355 South Grand Avenue — the South Tower of the Wells Fargo Center — by \$111 million, citing the impacts of L.A.'s new transfer taxes.

The same entity has also voluntarily delisted its shares from the New York Stock Exchange, according to SEC filings. The DTLA fund traded below \$2 a share for the first time earlier this month and has teetered just above the listing threshold of \$1 per share since then.

