



M&A and Strategic Transactions Monitor

HFF Securities
Real Estate Investment Banking
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June 2021





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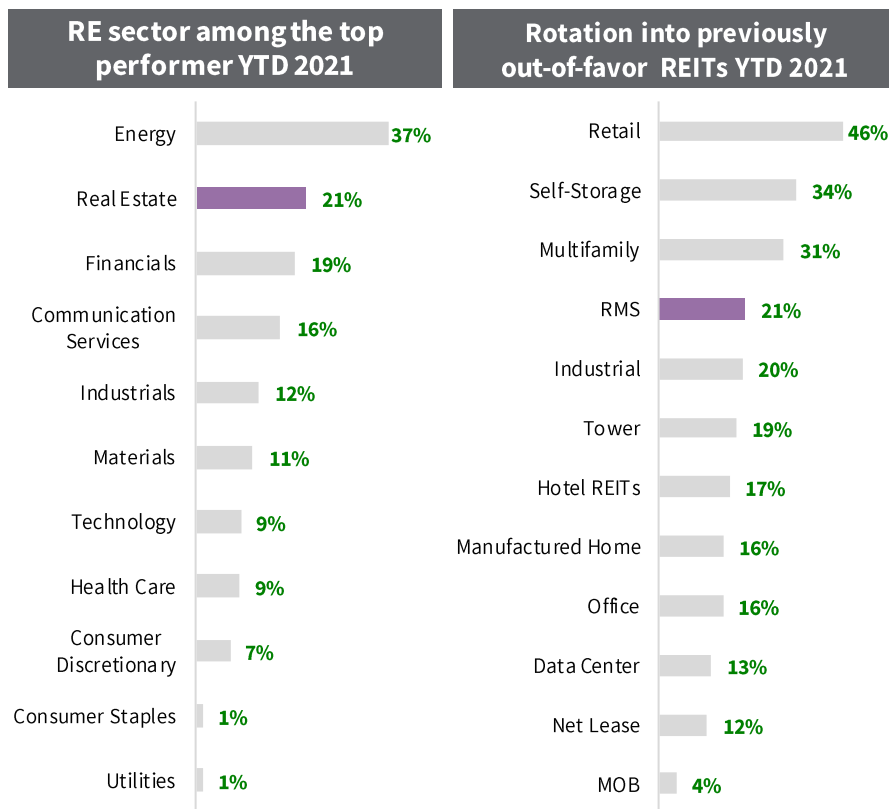
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REIT capital markets, M&A and strategic transactions

M&A and strategic transactions



1. REIT performance update

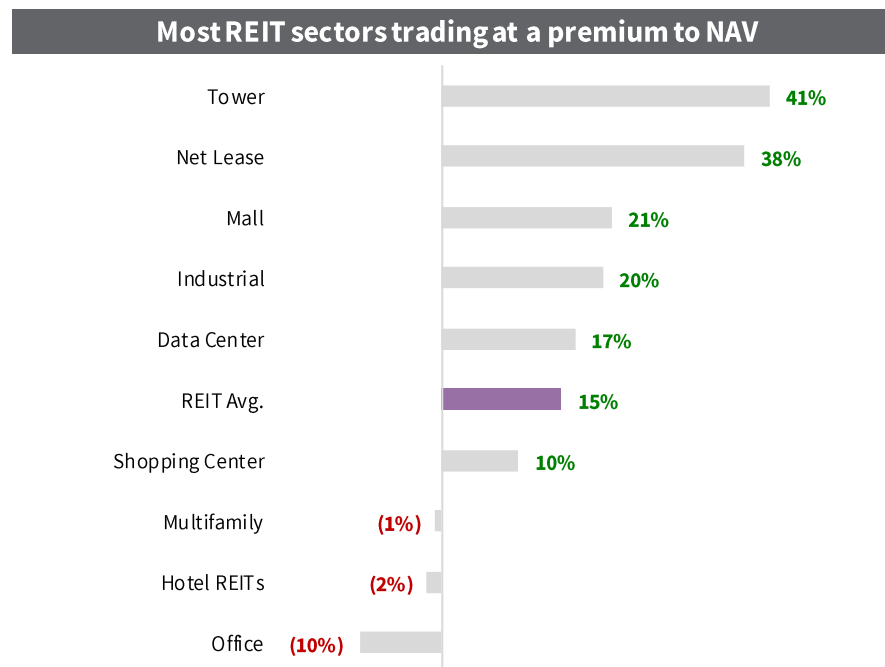


- I. All GICS sectors are in positive territory for 2021; real estate sector has logged a **strong 21% performance** in 2021
- II. Within REIT sub-sectors, a number of REITs that were out-of-favor over most of 2020 have significantly outperformed in 2021. The expectations of “back to normal” economic activity have led to investors betting on certain sectors to make a strong rebound (e.g.,

retail and hotel REITs). On the flip side, tech centric REITs have generally underperformed, impacted by the broad rotation out of the in-favor sectors of 2020

III. A combination of strong performance and adjustments of REIT NAV estimates has resulted in almost all sectors trading at a premium to NAV

IV. Given the favorable cost of capital, REITs today are afforded a **green light to grow**. This factor, combined with significant dry powder available across institutional capital sources, should bode favorably for transaction activities in 2021 and beyond



Source: SNL

M&A and strategic transactions



2. Significant REIT M&A transaction activities

I. Equity Commonwealth (NYSE: EQC) to acquire Monmouth Real Estate (NYSE: MNR) in an all-stock deal with a total transaction value of **\$3.4B**

- The combined entity is expected to have a pro forma equity market cap of **\$5.5B** (including cash of \$2.5B)
- The offer price of \$19.50 / share represents a **30% premium** to MNR's unaffected share price as of December 2020
- The transaction signals EQC's strategy of becoming an industrial REIT; the REIT has ~\$2.5B of cash on balance sheet after having disposed most of its office assets over the last few years

II. Realty Income (NYSE: O) to acquire VEREIT (NYSE: VER) in an all-stock merger with a total transaction value of **~\$16B**

- The offer price of \$48.36/share represents a **17% premium** to VER's 4/28 closing price and **42% premium** to Green Street NAV
- Both companies will concurrently **spin off their office assets** into a pure-play office REIT with an estimated value of **\$2.5B**

III. Kimco (NYSE: KIM) to acquire Weingarten Realty Investors (NYSE: WRI) in stock / cash deal with a total transaction value of **\$5.9B**

- The pro forma company is expected to have an equity value of **\$12B** and an enterprise value of over **\$20B**
- The offer price of \$30.32 per share represents a **11% premium** to WRI's unaffected price, valuing WRI's portfolio in the **high 5% cap rate**

IV. Brookfield Asset Management (NYSE: BAM) to acquire ~38% unowned portion of Brookfield Property Partners (NASDAQ: BPY) equity valued at **\$6.5B**

- The \$18.17/unit offer reflects a **26% premium** to BPY's unaffected share price in January 2021

V. A JV between Blackstone (NYSE: BX) and Starwood (NYSE: STWD) acquired Extended Stay America (NASDAQ: STAY) with a total value of **~\$6B**; the deal had faced resistance from shareholders and proxy advisor prior to closing of the transaction

- The group increased its offer to \$20.50 per share from initial \$19.50 per share in response to pressure from the stakeholders

VI. Blackstone (NYSE: BX) to acquire QTS Realty Trust (NYSE: QTS) in a deal valuing the REIT at **~\$10B**

- Blackstone's infrastructure fund and B-REIT are collaborating on the transaction
- The \$78 per share offer represents a **21% premium** to QTS's closing price on 6/4/21

VII. RMR Mortgage Trust to acquire Tremont Mortgage Trust (NASDAQCM: TRMT) in an all-stock merger to create a commercial mortgage REIT with an enterprise value of **\$1B**

- The offer price of \$6.55/share represents a **6% premium** to TRMT's prior closing price

VIII. Public Storage (NYSE: PSA) acquired ezStorage, a private self-storage owner/operator for total transaction value of **\$1.8B**; The transaction represents a **3.6% in-place cap rate** and **4.2% stabilized cap rate**

Source: SNL

M&A and strategic transactions



3. Significant SPAC M&A activity within PropTech space

- I. **WeWork** to merge with **Bow Capital Management** backed SPAC in a deal that would value WeWork at **\$9B**; WeWork will raise **\$1.3B**, including **\$800MM PIPE** from Starwood Capital, Fidelity, among others
- II. **SmartRent.com**, provider of home automation to homeowners, to merge with **Fifth Wall** backed SPAC in a transaction that would value the prop-tech startup at **\$2.2B**; in addition, the SPAC raised \$155M in PIPE from investors ranging from Lennar, Koch, Starwood, among others
- III. **Sonder**, a technology-focused hospitality business, to merge with **Gores Group** backed SPAC in a transaction that would value the Company at **2.2B**; in addition, the SPAC raised \$200M from investors such as Fidelity, Blackrock and Senator
- IV. **ATI Physical**, owner and operator of 900 physical therapy clinics across 25 states, to merge with a Fortress backed SPAC in a deal valuing the Company at \$2.5B
- V. **Cyxtera**, owner and operator of data centers, to merge with Starboard sponsored SPAC in a deal with total value of **\$3.4B**
- VI. **Lennar-backed Doma Holdings** to go public through a merger with SPAC, **Capital Investment Corp V** in a transaction with **\$3B** total value
- VII. **KKR, TPG-backed PropertyGuru**, a Singapore-based online platform for home buying and rentals, is in talks to merge with a SPAC that would value the Company at **\$2B**

4. Partnership with platforms continue to be in demand, especially for industrial and SFR sectors

- I. **Xebec**, a fully-integrated industrial platform, formed a partnership with an **institutional investor** encompassing **\$475M** in equity commitment
 - JLL advised Xebec on the transaction
- II. **Equus Capital Partners** formed a new partnership with **AIG** encompassing an 8.6M light-industrial and bulkwarehouse portfolio valued at **\$1B** that Equus previously owned with **Partners Group**
 - JLL advised Equus on the transaction
- III. **Ares (NYSE: ARES)** to acquire **Landmark Partners** for **\$1.1B**; the consideration includes **\$787MM** in cash and **\$293MM** in Ares Operating Group units; Landmark managers \$18.7B in AUM and is one of the largest secondaries fund managers in US
- IV. **Ares (NYSE: ARES)** to add retail real estate distribution capabilities with the acquisition of **Black Creek Group** which controls \$12B in AUM
- V. **Lennar (NYSE: LEN)** forms a **\$4B** platform named Upward America to acquire single-family rental homes; the venture received a **\$1.25B** equity commitment from a consortium led by **Centerbridge** and **Allianz**
- VI. **DivcoWest and Atlas** form a **\$1B** single-family rental JV to buy, renovate and manage single-family rental homes across the western US

Source: SNL

M&A and strategic transactions



4. Partnership with platforms continue to be in demand, especially for industrial and SFR sectors (cont'd)

VII. Tricon launches **\$1.5B** Sun Belt focused single-family rental homes JV with **Pacific Life Insurance Co.** and an unnamed investor

VIII. Great Gulf Group and **Westdale** form a **\$200MM equity JV** to develop, own and operate single-family rental assets across US

IX. WPT Industrial REIT (TSE: WIR.U) formed a JV with the **Investment Management Corp. of Ontario** encompassing \$370M in industrial assets

X. RPT Realty (NYSE: RPT) announced its partnership with **GIC, Zimmer Partners and Monarch Alternative Capital** to create a core net lease retail real estate platform that will seek to acquire more than **\$1.2B** of strategic retail assets

XI. Boston Properties (NYSE: BXP) to launch **\$2B** JV with **GIC** and unidentified sovereign wealth fund

XII. Colony Credit Real Estate (NYSE: CLNC) to internalize management with one-time cash payment of **\$102MM**, the purchase private implies a **~4x** LTM asset management fee multiple

5. Large portfolio deals start to see a broad range of asset classes

I. Highwoods Properties (NYSE: HIW) to buy office portfolio consisting of **7 properties** in southern U.S. and **1 office real estate loan** investment from **Preferred Apartment Communities (NYSE: APTS)** for **\$717.5MM**

– JLL advised APTS on the transaction

II. Washington REIT (NYSE: WRE) accelerates transformation into multifamily REIT with agreement to sell a **12-asset portfolio** totalling **2.4MM sf** for **\$766MM** to **Brookfield (NYSE: BAM)**

– Separately, WRE signed an LOI to sell its remaining **8 retail assets** in the third quarter

– JLL advised WRE on the transaction

III. Annaly Capital Management (NYSE: NLY) to sell its commercial real estate business to **Slate Asset Management** for **\$2.33B**

– As part of the deal, **Slate Grocery REIT (TXS: SGR)** agreed to acquire a **\$390MM, 25-property** grocery-anchored portfolio

IV. Etkin Johnson sold a **16-building, 1.67MM SF** industrial portfolio in Colorado for **\$393MM** to an unnamed institutional investor

V. Las Vegas Sands Corp (NYSE: LVS) to sell **\$6.25B** Vegas asset to **VICI Properties (NYSE: VICI)** & **Apollo Global**

VI. Fortress said to be in talks to buy **Colony Capital's (NYSE: CLNY)** non-core "wellness infrastructure portfolio" valued at **~\$3.3B**

VII. Welltower (NYSE: WELL) sold its interest in the operating portfolio with **Genesis Healthcare** through a series of transactions expected to generate proceeds of **\$745MM**

VIII. Starwood (NYSE: STWD) to acquire 17-property, 5,200-unit, Sun Belt focused multifamily portfolio for **\$1.2B**

IX. Harrison Street acquired 24 property assisted living and memory care facilities portfolio for **\$1.2B** from **Healthpeak (NYSE: PEAK)**; separately, Harrison Street sold a **14-property, \$318MM MOB** portfolio

X. Welltower (NYSE: WELL) to acquire **Holiday Retirement's** 86-property seniors housing portfolio for **\$1.6B** in conjunction with **Atria's** acquisition of Holiday

Source: SNL

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Prominent themes in public capital markets

Prominent themes in public capital markets

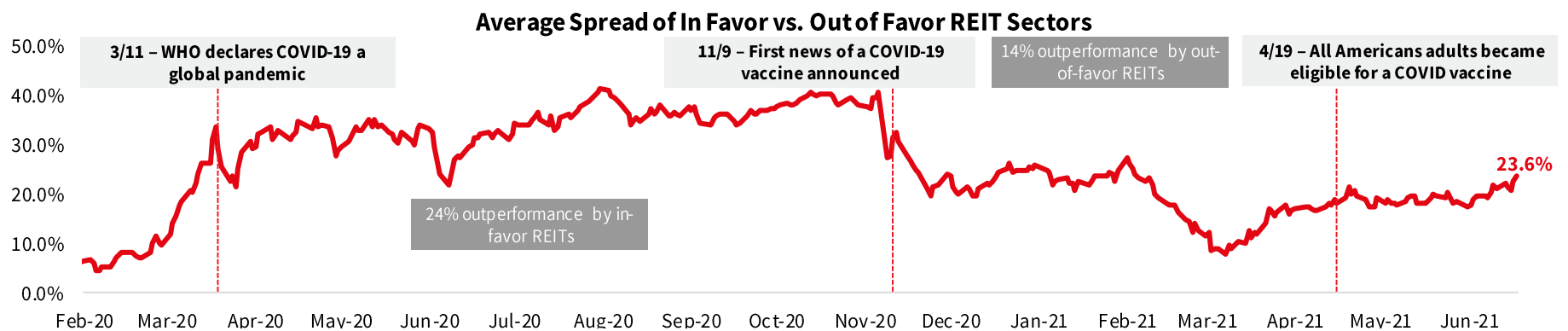
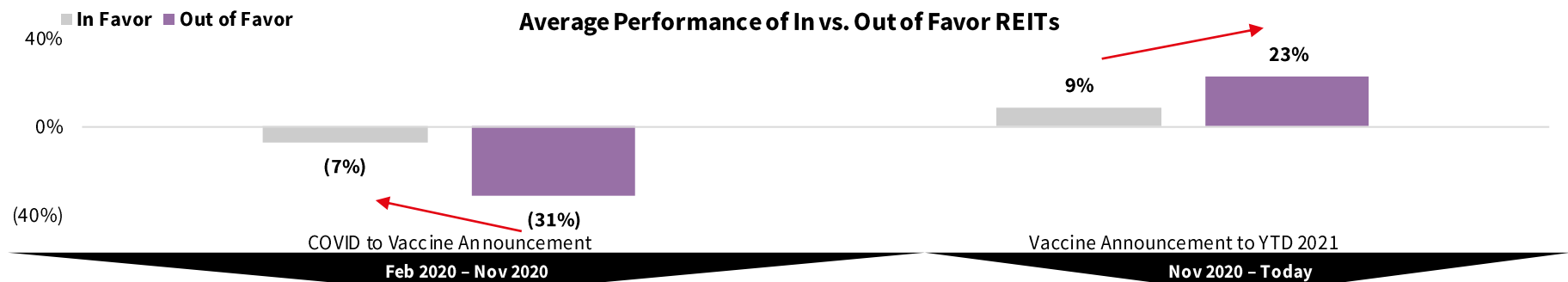


1. Vaccine roll-out and REIT sector rotation into previously out-of-favor sectors

- COVID-19 and lockdowns of the US economy produced REIT sector level winners and losers in the process
- E.g., retail and office were mostly **out-of-favor** while tech driven sectors and industrial REITs **benefited from increased** reliance of e-commerce in 2020
- In-favor sectors **outperformed out-of-favor sectors by 24%** from Feb 2020 till the announcement of the vaccine
- The trend changed in Nov 2021 with the introduction COVID-19 vaccines
- The out-of-favor sectors have made a strong comeback, **outperforming previously in-favor sectors by 14%**
- With the global economy opening back up and expectations of return to pre-COVID normalcy, investors are re-adjusting their views on various REIT sectors

In-Favor REIT Types	Out-of-Favor REIT Types
<ul style="list-style-type: none"> • Data Centers • Industrial • Life Science • Medical Office • Non-Gateway MF • Self-Storage • Single-Family Rental • Manufactured Homes 	<ul style="list-style-type: none"> • Gateway MF • Lodging • Malls • Office • Shopping Centers • Gaming

Rotation into what were considered out-of-favor REITs during COVID-19 have closed the performance gap since Nov '20



Sources: SNL Financial, Green Street Advisors

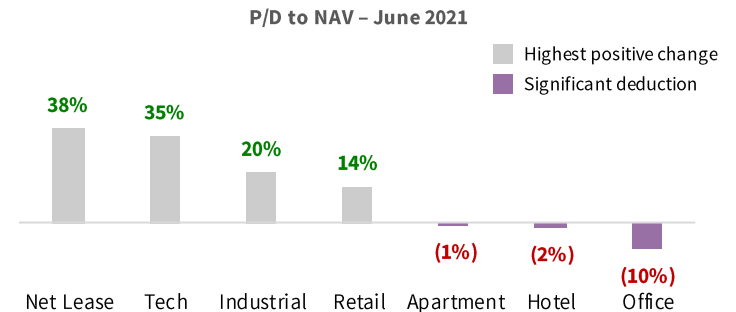
Prominent themes in public capital markets



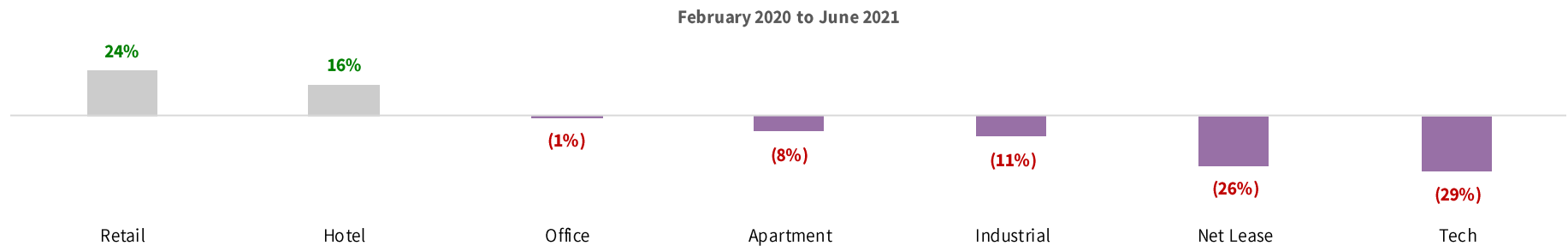
2. Peeling the proverbial “onion” on current REIT premium to NAV

- The current favourable cost of capital position of REITs is a relatively unique phenomenon as rarely have a vast majority of REIT sectors been afforded the favourable position
- The top chart below shows the change in premium or discount to NAV for major REIT sectors since COVID-19 in Feb 2020
- Retail and hotel REITs have experienced the **highest positive change** in their cost of capital (i.e., higher premium to NAV), led by a **significant deduction** in the analysts’ estimates of NAV
- On the other end, tech REITs’ premium has **significantly reduced since Feb 2020** led by **increase in NAV that has outmatched increases in share prices**

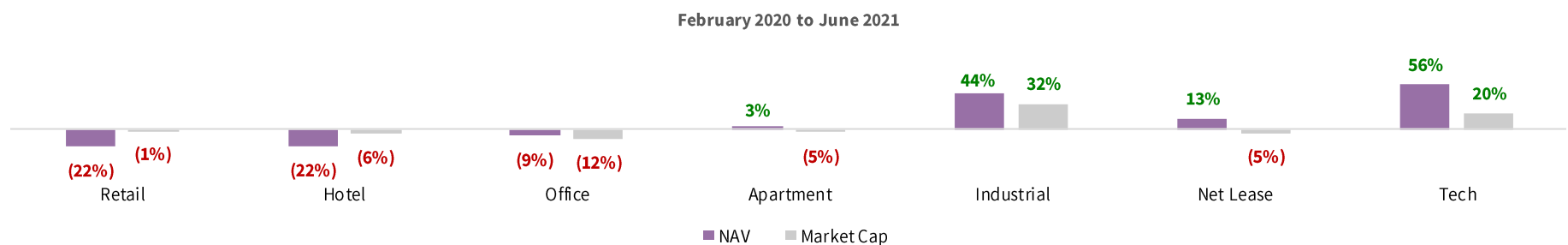
Most major REIT sectors are trading at / around premium to NAV



Retail sector has seen the highest premium to NAV while tech premium to NAV has fallen the most



Movements in premium to NAV largely driven by adjustment to NAV vs. being public markets (share price) driven



Source: Green Street Advisors

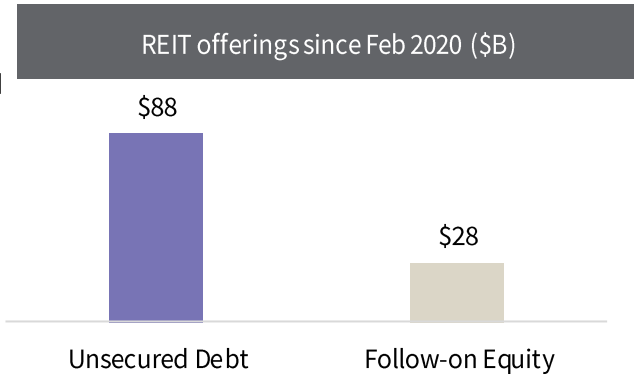
Note: Tech sector includes Data Center and Tower REITs; Retail sector includes Mall and Shopping Center REITs

Prominent themes in public capital markets

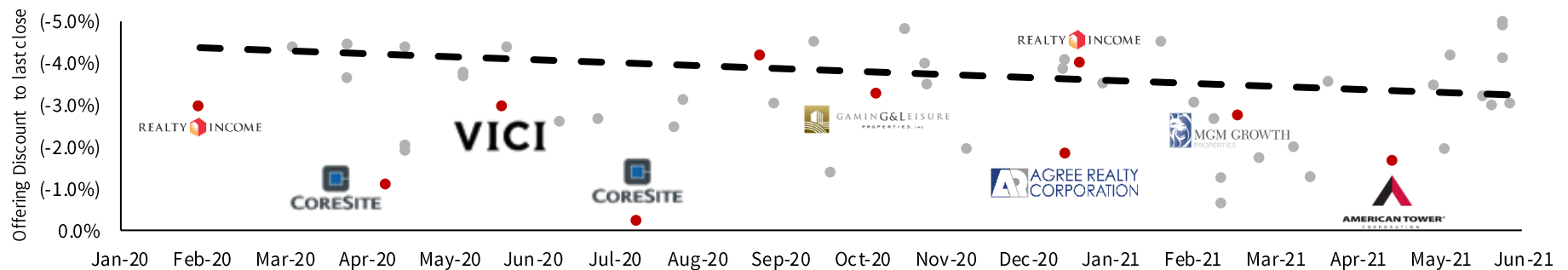


3. Recent REIT capital issuances point to increasingly attractive cost of capital

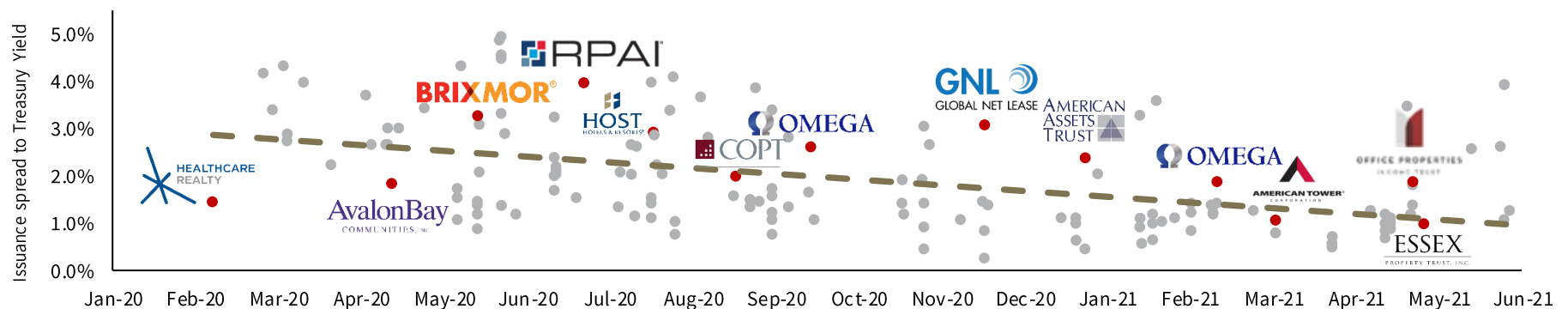
- Despite recent headlines being dominated by rising long term interest rates as well as concerns around volatility in equity capital markets, **REIT issuances do not appear to be much affected**
- In fact, recent data on REIT issuances point to a more favourable environment both in the debt and equity markets
- REIT issuance discount to last close for equity offerings **has been lower for recent issuances than during most of 2020**
- Similarly, spread to treasury for recent unsecured debt issuances has **trended down in recent months**
- The **declining debt spread** is a theme we are noticing across **private capital markets** as well and is discussed in more detail in the next section



REIT Equity issuance offering occurring at lower costs recently – February 2020 to May 2021



REIT unsecured debt issuance spread tightening recently – February 2020 to May 2021



Source: NAREIT, SNL, Company filings

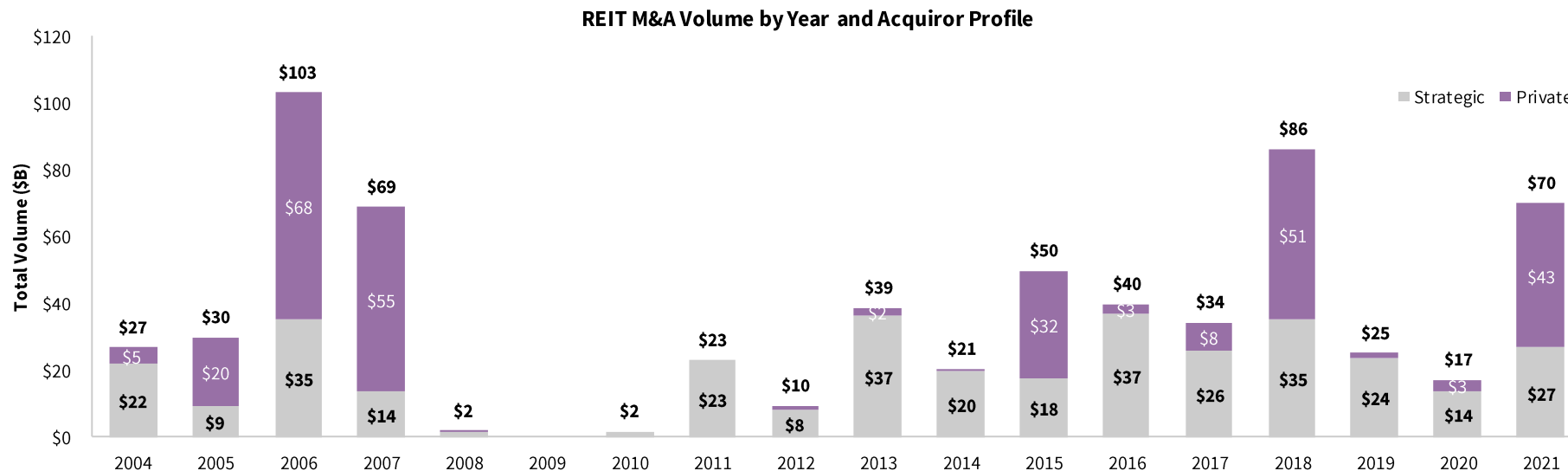
Prominent themes in **public** capital markets



4. REIT M&A poised for a record year

- REIT M&A activity has totaled \$70 billion this year, on track for a potentially record-breaking year as companies emerge from the COVID-19 pandemic

Themes	Representative deals
<p>A Majority of the REITs are trading at a premium to NAV and have “green light” to grow and / or pursue strategic transactions</p>	<ul style="list-style-type: none"> Realty Income trading at significant premium to NAV at announcement of merger with VEREIT
<p>B Challenged property types drawing attention from activists, private equity</p>	<ul style="list-style-type: none"> Blackstone/Starwood’s \$6 billion take-private of Extended Stay; Brookfield’s acquisition of unowned shares of Brookfield Property Partners
<p>C Roll-up activity of non-traded, closed-end vehicles that are increasing scale for a potential liquidity event in the near future</p>	<ul style="list-style-type: none"> Cole Credit REITs, Strategic Storage REITs, Cottonwood Multifamily REITs, Resource REITs all combined in multi-party transactions in last twelve months



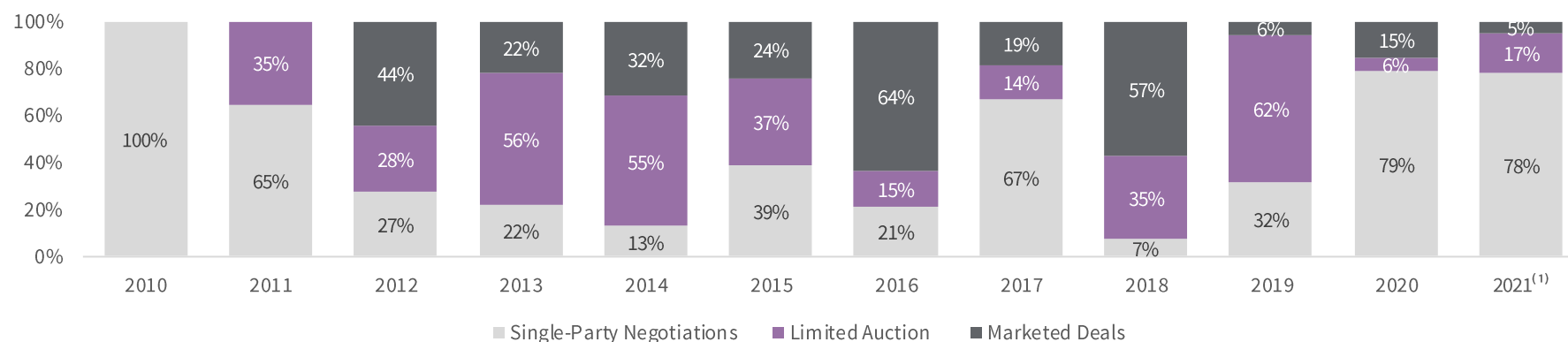
Source: SNL Financial, Cap IQ, Green Street Advisors

Prominent themes in public capital markets



5. REIT M&A deals involving limited auction process have produced higher premium for selling REIT shareholders

- Limited auction transactions within REIT M&A have been a fixture in recent years, representing over 63% of total transactions since 2010
- Using our proprietary REIT M&A database, we have analysed and summarized our findings related to **99 REIT M&A transactions** that have closed / announced since 2010
- Deals that involved limited auction process produced **8% premium** to the consensus NAV estimates at the time of the deal, while deals involving negotiations with only one counterparty resulted in a **5% premium** to consensus NAV



Limited auction deals have resulted in higher premium for selling REIT shareholders⁽¹⁾

	Single-Party Negotiation	Limited Auction	Broad Marketing
Number of Deals	37 / 99 (37%)	26 / 99 (26%)	36 / 99 (36%)
Average Deal Value (\$M)	\$3,662	\$4,842	\$3,284
Average Premium / (Discount) to NAV	5%	8%	0%
Avg. P / (D) to Prior Close ⁽²⁾	14%	18%	19%
Avg. # of Parties Contacted Pre-Signing	1	5	55

Source: Company filings, Green Street Advisors, S&P Capital IQ

Reflects share price on day prior to merger announcement or “unaffected” trading (i.e., prior to stock price movement on potential deal due to public disclosure)

1) 2021 includes only transactions for which a proxy has been filed

Prominent themes in public capital markets



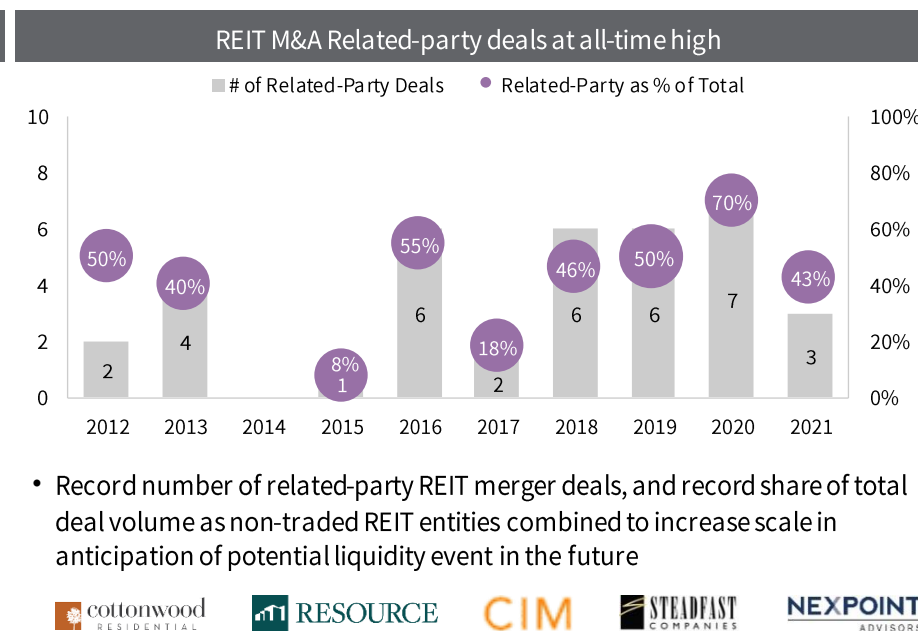
6. LPs and sponsors are increasingly comfortable with related-party deals

- Related-party deals have comprised a large portion of strategic transactions in the last twelve months, with asset managers and board rooms exploring additional avenues to reposition real estate vehicles to maximize shareholder value

Key observations:

- Related-party deals being observed in all spheres of real estate – public/non-traded REITs, fund management, separate account, etc.
- LPs are more comfortable with processes that provide for liquidity in related-party deals that can accommodate LP and GP interests through go-shop windows, publicly-announced reviews, shareholder votes, etc.
- LPs are increasingly interested in staying invested with same cohort of GPs and are generally supportive of related-party deals depending on facts and circumstances
- In certain cases, it makes business sense to own the real estate beyond finite term stipulated within a closed-end vehicle construct and both LPs and GPs sign-on for a longer-term relationship than initially proposed

Recent large Cap GP-Led related-party deals	
Blackstone	<ul style="list-style-type: none"> • Blackstone’s \$14.6B GAV recap of BioMed Realty; closed-end fund BREP VIII and existing co-investors transferred ownership to new core plus perpetual vehicle
Brookfield	<ul style="list-style-type: none"> • Brookfield’s take-private via acquisition of ~38% unowned stake in Brookfield Property Partners by offering 50% cash/50% stock in Brookfield Asset Management or units (\$6.5B equity value for stake being acquired)
Strategic Recapitalizations	<ul style="list-style-type: none"> • Recapitalizations of the portfolios are increasingly commonplace wherein sponsors continue to retain a stake in the portfolio upon a monetization event for LPs



Source: SNL Financial, Cap IQ, Green Street Advisors

Prominent themes in private capital markets

Prominent themes in **private** capital markets

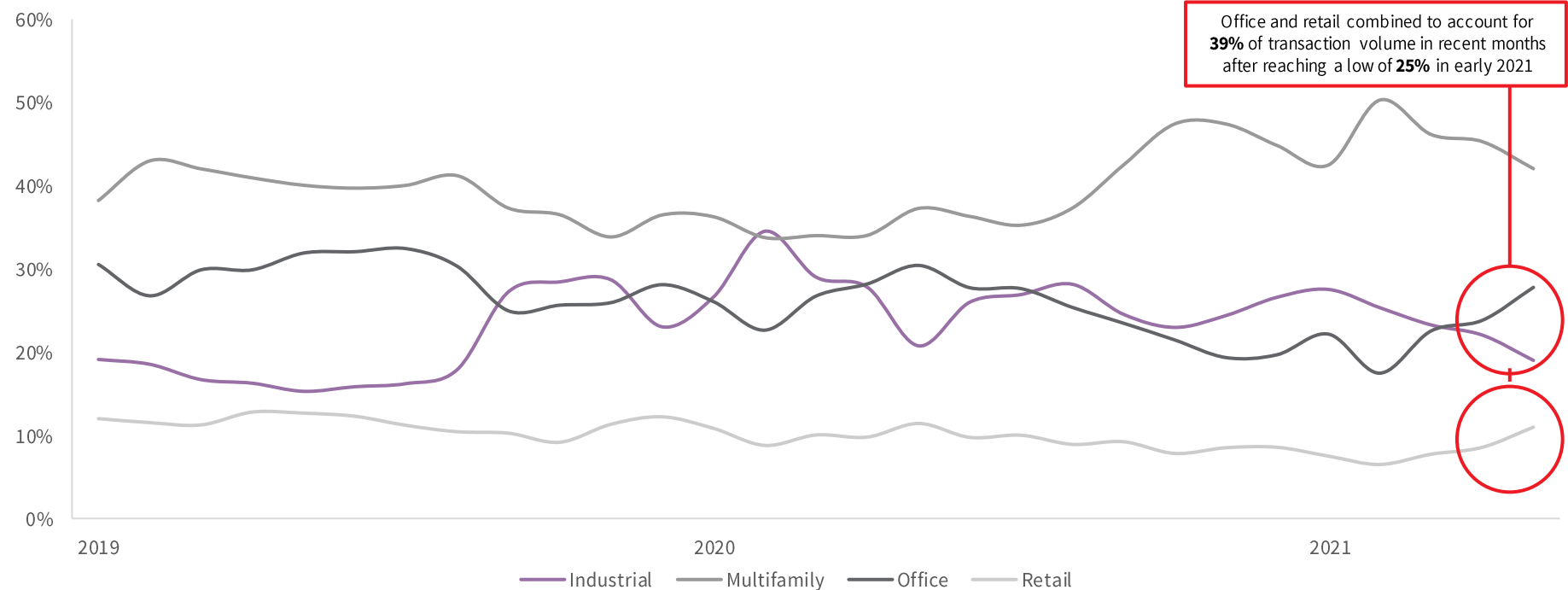


1.

As the U.S. economic recovery gains momentum in 2021, property sectors that felt the deepest impacts in 2020 are increasingly in focus for CRE investors

- After reaching multi-year lows in late 2020 and early 2021, the office and retail sectors' share of U.S. commercial real estate transaction volume has rebounded to historic norms in recent months
- The office sector has been buoyed by bullish sentiment surrounding the criticality of physical office from corporate leadership and expectations for a faster and more robust return to the workplace in 2021
- A release of unprecedented pent-up consumer demand and sooner-than-anticipated re-openings across the U.S. have eased investor concerns over the longer-term health of both retail tenants and the retail property sector at-large

Share of transaction volume by property sector



Source: JLL Research, Real Capital Analytics

Note: Transactions \$5 million+, excludes refinances, rolling three-month average share of volume

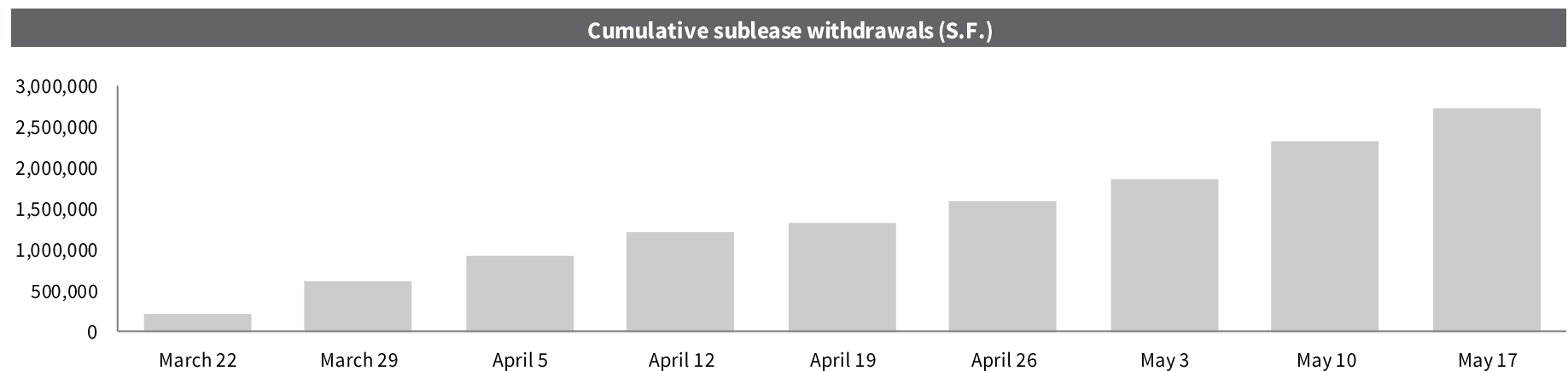
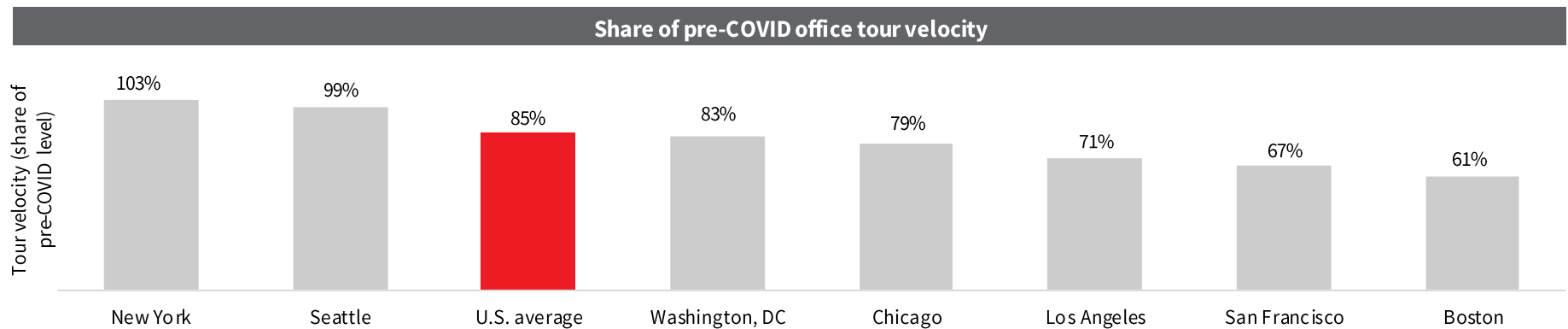
Prominent themes in **private** capital markets



2.

The urban core in primary markets is benefiting from an uptick in mobility spurred by widespread vaccination rollouts. Office tour activity is trending upward

- Although still down moderately from pre-COVID levels, tour activity has increased significantly in recent months
- Many tenants are re-evaluating their earlier decisions to shed space as employees return to the office. Large blocks of sublease space are being withdrawn from the market as tenants re-occupy and backfill space
- The additional clarity with regard to these fundamentals is spurring the aforementioned heightened interest in office capital markets transactions



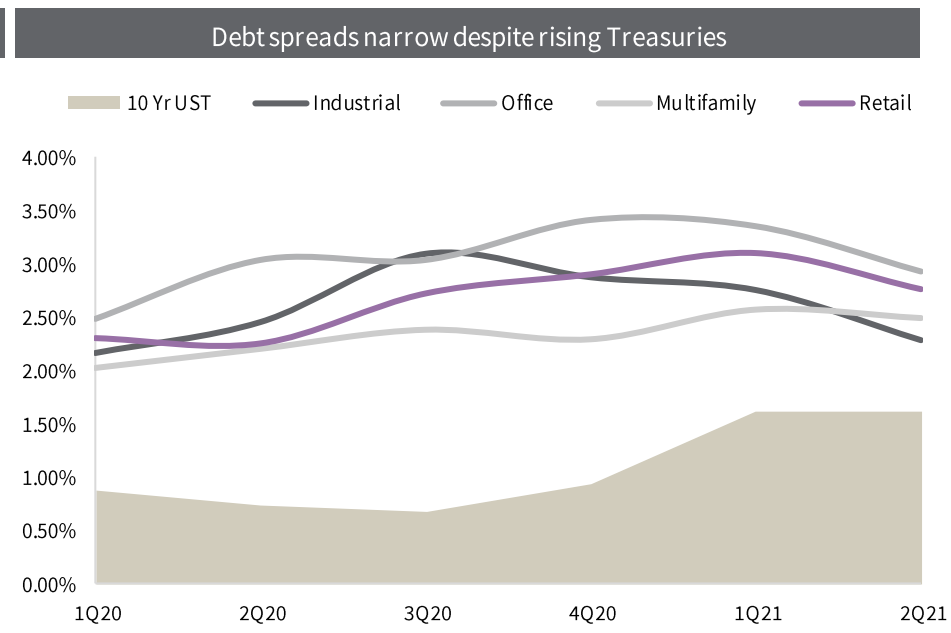
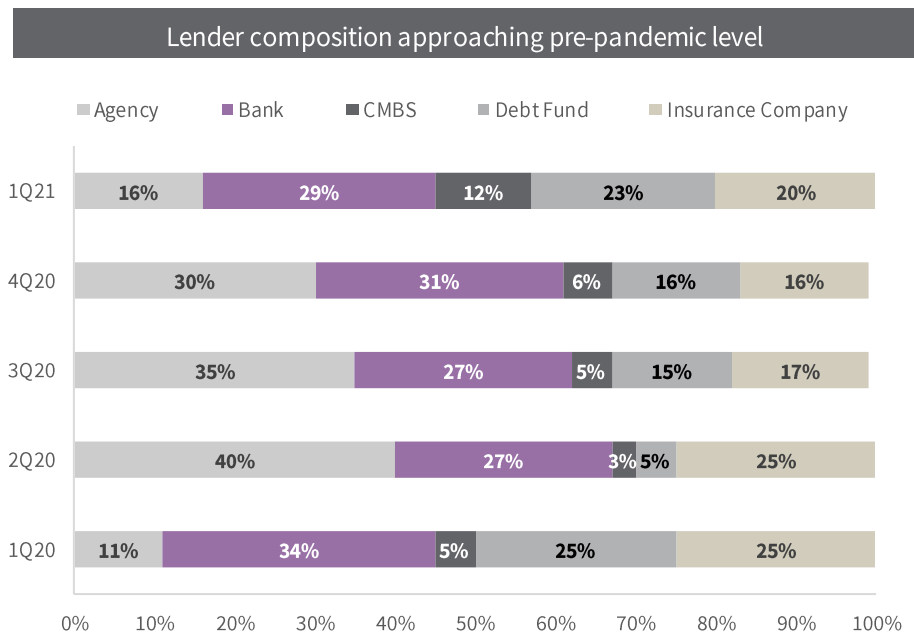
Source: JLL Research

Prominent themes in **private** capital markets



3. Spreads have continued to tighten, despite rise in Treasuries

- During the height of market volatility and lockdowns in Q2 2020, agency lenders accounted for the largest share of mortgage originations, as some other lenders were sidelined. The composition of lenders has generally normalized to the pre-pandemic composition
- Banks and debt funds are again the most active lenders; regional and local as well as national banks are actively quoting both permanent and construction deals. Debt funds continue to be very active across the property type spectrum and are increasingly aggressive on value-add transactions.
- Both Fannie and Freddie are providing more competitive structures to re-gain market share lost earlier in 2021
- The past several months have seen continued spread compression despite rising Treasuries, with spreads compressing the most for industrial assets, while office and retail loans are still pricing somewhat higher. On average, spreads have decreased by 20 basis points since the end of 2020
- Lender types across the board are providing aggressive pricing as they work to reach their 2021 allocation goals. This is providing liquidity to the transactions market and leading to an expansion of investor interest across property types



Source: JLL Research

Note: Pertains to average spreads over UST and LIBOR

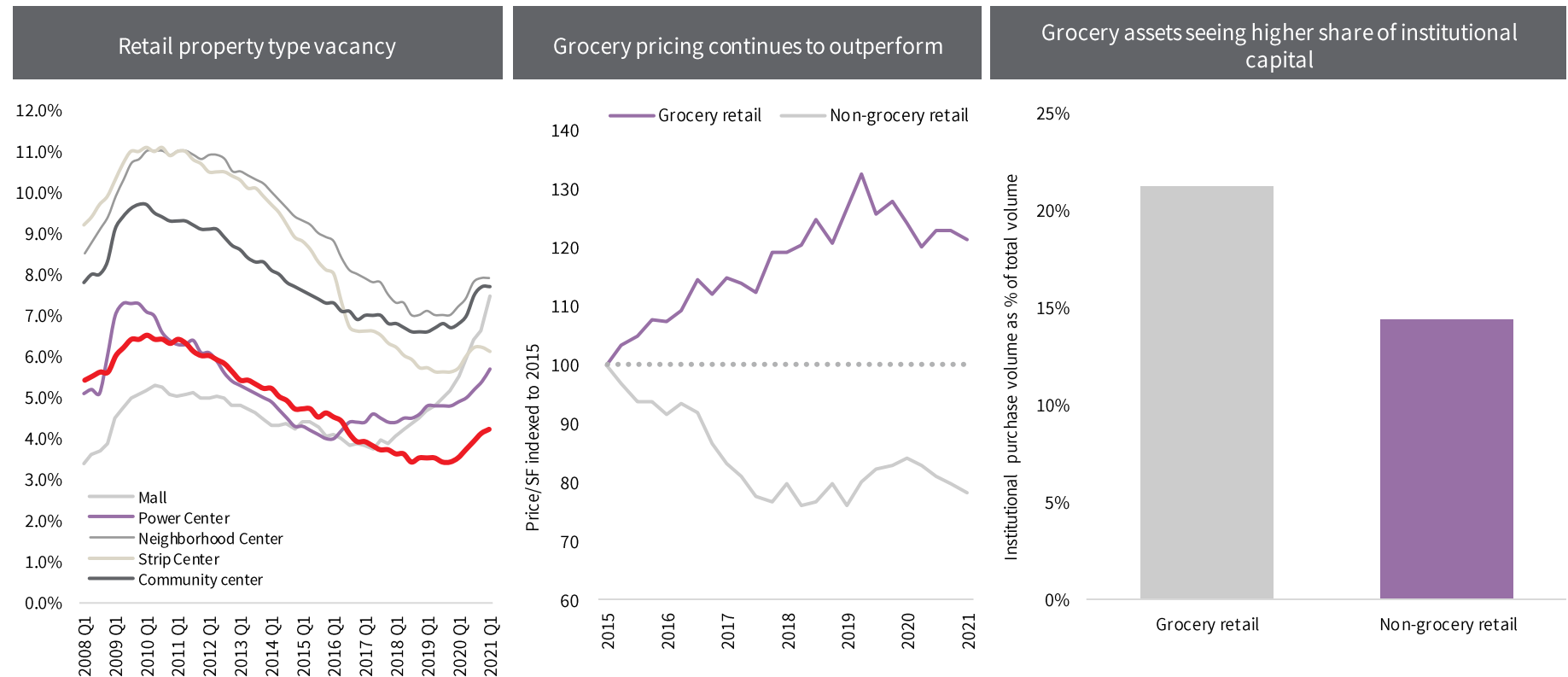
Property sector highlights: Grocery retail

Property sector spotlight: Grocery retail



Retail spending rebounds to pre-COVID-19 levels

- 2021 is expected to mark all-time record retail spending, up 10.5% to 13.5% vs. 2020. The sector is benefiting from excess consumer liquidity – pent-up demand and stimulus and savings
- Demand for necessities, cost savings and convenience has consistently driven up the performance of grocery-anchored centres, which offer daily essentials for consumers. As such, grocery-anchored centers maintain the lowest vacancy of the various retail property types. The pandemic proved the durability and criticality of the asset class. Furthermore, grocery-anchored centers are well-positioned to serve as micro fulfilment centers
- Grocery-anchored centres are enjoying robust investor demand at pre-COVID-19 cap rate lows. Grocery retail price growth trends are very favourable, demonstrating how sector is insulated from headwinds facing select other retail segments. Grocery retail captures increased share of retail sales volume and institutional investment



Source: JLL Research, CoStar, Real Capital Analytics

Note: Includes single-asset and portfolio sales over \$5 million; pertains to grocery-anchored assets and standalone grocery assets

The JLL platform

Dominant capital markets presence across the globe



Americas



#2 ranked

US Investment
Sales Broker



\$104B

In 2020 Capital
Markets Volume

EMEA



#2 ranked

Investment
Sales Advisory



\$50B

In 2020 Capital
Markets Volume

Asia Pacific



#3 ranked

Investment
Sales Advisory



\$14B

In 2020 Capital
Markets Volume



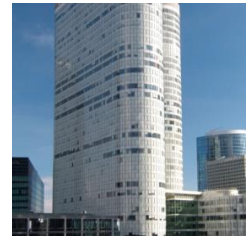
5 Bryant Park



PHT Portfolio



ARTIC Hotel Portfolio



Couer Defense, Paris



Chelsea Barracks, London



Quay Quarter
Tower



Jinqiao Life Hub, Shanghai



Prudential
Plaza



Hammes
Portfolio



Shops at
Crystals



Blanchardstown,
Dublin



Tower 185,
Frankfurt



Plumtree,
London



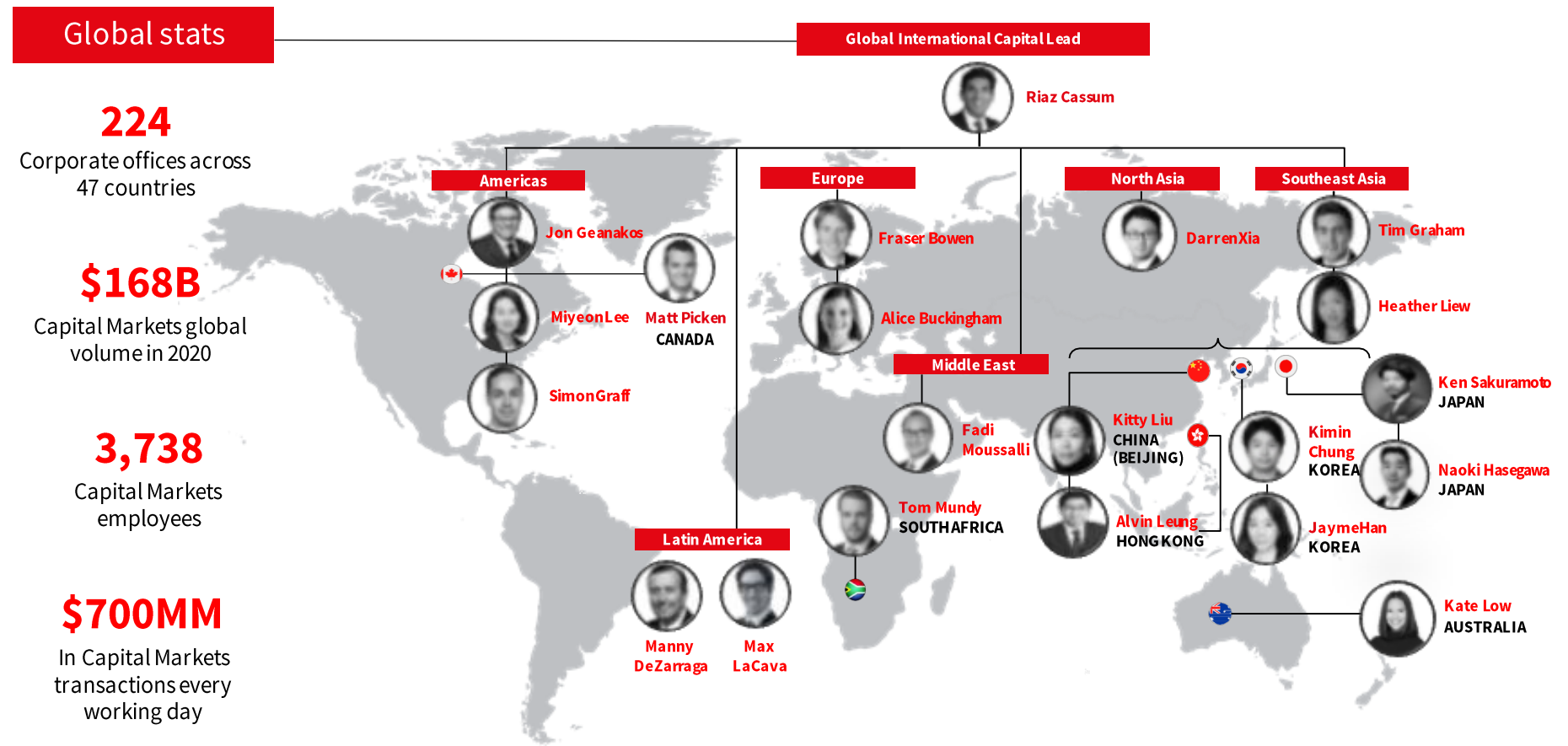
Asia Square Tower 2,
Singapore

Source: RCA

JLL's Global Capital Markets Overview



Unmatched, Unified, and Uniquely Qualified Global Transactions Team



<p>JLL Completes \$700MM In capital markets transactions globally every working day</p>	<p>Americas 1,525 CM Professionals 59 Offices 5 Countries</p>	<p>EMEA 956 CM Professionals 74 Offices 26 Countries</p>	<p>Asia-Pacific 509 CM Professionals 40 Offices 14 Countries</p>
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