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## Wachtell: Expect more REIT M&A in 2015, but few privatizations

By Tom Yeatts

Observers can expect REIT M&A activity to continue at a "steady" rate in 2015, with traditional public-to-public deals and activity in a "few sectors" in particular likely accelerating, law firm Wachtell Lipton Rosen & Katz said in a Jan. 6 news release.

As for privatizations, the potential for such deals is increasing, the firm said, but it has not yet observed "meaningful action."

Wachtell expects the simplification trend among REITs to continue, prompting spinoffs that simplify, streamline and de-risk companies' business profiles.

The firm also highlighted the "dislocation" in the nontraded REIT segment and said it could prompt greater deal flow, but it might also "complicate" the migration of nontraded portfolios into the public sphere.

Much has been made of foreign investment in U.S. real estate, but Wachtell expects REITs' interest in non-U.S. property to increase in 2015, "along with structures to address cross-border governance, taxation and other risks."

Shareholder activism, particularly that directed at the small and mid-cap REITs, "shows no sign of abating," the firm said. Management and board teams will have to remain vigilant.

The influence of e-commerce, meanwhile, will continue to push cap rates higher in some sectors and drive expansion among industrial, tower and data center REITs.

"Other technological developments will continue to impact all property owners, in how properties are managed, and in relationships with tenants and other users, oftentimes in discontinuous and unexpected ways and increasingly requiring board-level attention," the firm said.