

April 4, 2019

REIT M&A and Consolidation:  
Ten Predictions for the Next 24 Months

Below is our annual list of predictions discussed at yesterday's NYU REIT Conference:

1. Tech-REITs growth and consolidation will accelerate. Tech-REITs already represent four out of the ten biggest REITs, and with the roll-out of 5G, IoT and AI will be further turbo-charged.
2. The much-debated "NAV discounts" which drove several [misguided] activist campaigns last year have already flipped to premiums in a number of sectors, and we expect the trend to continue.
3. Take-privates will get harder as REIT valuations rise and arbitrage opportunities get harder to find, but will continue given the need to deploy the significant amounts of dry powder accumulated on the private side.
4. More public-to-public strategic deals will pencil out, driven in part by renewed CEO and board confidence (with obvious geo-political wild card caveats).
5. Founders who don't have viable succession plans will increasingly consider exiting through deals given the strong REIT markets.
6. A small number of PE players will continue to dominate take-privates of REITs over \$5B, and club deals won't get any easier. Sale processes in this environment will continue to require artful structuring.
7. The complex bidding landscape and shallow big-bidder pools will result in more deals getting done with go-shops, window shops or initial (very) low-break fees.
8. Growth in the total market cap of U.S. REITs will continue, with REITs' aggregate equity market cap reaching \$1.4 trillion by 2022.
9. Chinese capital will not return, but the impact will barely be felt.
10. Tech-disruption and opportunity will accelerate and continue to reshape REITs and their business models in unexpected ways.

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