

### Re-equitization Talk Dominates First Day of REITWeek

By Allen Kenney

(June 3)—The major topic of discussion on the first day of REITWeek 2009: NAREIT's Investor Forum® was REITs' recent push to re-equitize their balance sheets. Industry analysts and executives assembled at New York's Waldorf=Astoria Hotel for the meeting agreed that REITs will have to rely on more equity and less debt going forward.

Highlights of the June 3 events included panels on the REIT approach to real estate investment and an overview of the debt and equity markets. Both discussions centered on the recent secondary equity offerings by REITs, as well as the future of publicly traded real estate investment vehicles.

"The public market for real estate has a rosy future," said Mike Kirby, chairman and director of research for Green Street Advisors Inc. "The commercial real estate industry is going to need enormous amounts of new equity coming in to re-equitize balance sheets, and the only source of capital that can fill this vacuum is the public market."

Many of the industry observers concurred that REITs likely carried excessive debt in the run-up to the recent downturn in the market. Kirby noted that research has shown REITs carrying lower levels of debt have outperformed their more highly levered counterparts over time.

The recent equity issuances represented prudent management on the part of REIT executives, according to Ted Bigman, managing director of Morgan Stanley Investment Management. Bigman noted that the stock offerings had been popular with more than just dedicated institutional investors; "generalist" investors had embraced the secondary offerings as well.

"The level of interest from generalist investors was surprising," Bigman said.

As REITs have taken measures to adjust their capital structures in favor of greater levels of equity, they have positioned themselves to take advantage of coming opportunities, according to the panelists.

"Distress isn't here yet. There will be a long, protracted period where opportunities will be plentiful for years to come," Kirby said.

Michael Fascitelli, president and CEO of Vornado Realty Trust (NYSE: VNO), echoed Kirby's sentiments: "REITs are going to be in their best competitive position in many years."

Going forward, however, REITs should be cautious about ramping up deal-making, panelists advised.

"There's no need to be in a rush," Fascitelli said. "The key is to stay liquid and be really patient."

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