

Zell, Zuckerman Tout Strength of REIT Form of Investment

By Allen Kenney

(June 4)— The industry’s resiliency during the ongoing financial crisis has demonstrated the value of the REIT investment proposition, according to industry luminaries Samuel Zell, chairman of Equity Group Investments LLC, and Mortimer Zuckerman, chairman of Boston Properties Inc. (NYSE: BXP).

The commercial real estate veterans spoke at REITWeek 2009: NAREIT’s Investor Forum® at a panel on the current state of the REIT industry. Both seemed to agree that REITs should be strong players in the real estate market once the economic downturn subsides.

“The last 12 months have been a test, and I think REITs have passed with flying colors,” Zell said. “The REIT model has worked.”

Zell said the recent turmoil in the financial markets had illustrated the benefit of REITs’ ability to access different sources of capital and maintain liquidity. He noted that private commercial real estate companies haven’t had the same success raising capital.

Zell and Zuckerman did differ on the availability of favorable acquisition opportunities in the near future. Zuckerman disagreed when Zell said he doesn’t foresee potential equity transactions on the immediate horizon.

“We’re clearly going to be entering a period of greater equitization in real estate,” Zuckerman said. “There’s going to be an awful lot of opportunity coming due in the near term. REITs increasingly will be larger players.”

Looking ahead, the commercial real estate pioneers said confidence would play a key role in facilitating a recovery in the market.

“You have to worry that that confidence could totally collapse. There’s still a lot of anxiety out there,” Zuckerman said. “We need confidence that the system isn’t going to come apart.”

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