

January 7, 2016

**REIT and Real Estate M&A in 2016**

Following are some of the key trends we are following as we enter 2016, while keeping a weather eye on macro market turmoil:

1. M&A activity should continue at a steady pace, with a number of public-to-private and public-to-public REIT mergers already in the works.
2. We are not expecting an avalanche of REIT buyouts a la 2006-7, but many of the same drivers are apparent, as we noted last October in [Taking REITs Private – The Playbook is Back in Play](#), and a number of significant transactions are likely.
3. Hostile transactions remain viable in the REIT world, and we expect the same factors – including institutional investor and activist support – that have led to current record-high levels across all industries to result in more hostile REIT acquisitions.
4. Succession planning and executive compensation will continue to be a major focus for boards, especially given the “maturation” of a significant number of management teams and changed equity market and interest rate environments.
5. While tax-free REIT spinoffs by real estate-rich corporations are no longer possible, we expect the trend to unlock real estate value to continue (albeit at a slower pace) utilizing taxable spins, sale-leasebacks, rights offerings, joint ventures and other structures, particularly in distress situations or where NOLs are available.
6. REIT-REIT spin-offs and spins of REITs’ taxable subsidiaries can still be done tax free, and are expected to continue.
7. Activists are reworking their REIT playbooks to factor in the new REIT legislation and interest rate environment, but they aren’t going anywhere. Dedicated funds for activism have never been more of a force, nor has institutional investor support. One of the key challenges for targeted companies will be both maintaining focus on the business, and being thoughtful about the merits of activists’ suggestions and how best to respond.
8. Congress’ FIRPTA relief should increase already robust deal volume from foreign investors, particularly as investors in stumbling or slowing-growth economies seek safe havens.
9. Interest by U.S. REITs in non-U.S. acquisitions is mixed, with divergent views in different sectors and companies. The debate is likely to continue and we don’t expect volume to grow dramatically.
10. The dislocation in the non-traded REIT sector could lead to increased deal activity, but may also complicate migration into the public markets given due diligence concerns.
11. Ripple effects of e-commerce continue to reshape a number of property types, driving up cap rates in some sectors and continuing to drive industrial, data center and cell tower REIT expansion. Clearly, this is just the beginning.

Adam O. Emmerich

Robin Panovka

*If your address changes or if you do not wish to continue receiving these memos, please send an e-mail to [Publications@wlrk.com](mailto:Publications@wlrk.com) or call 212-403-1443.*