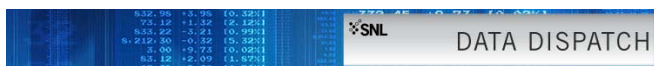




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## SNL Q3'10 League Tables: A mounting real estate M&A swell maybe, but still no wave in view

By Tom Yeatts

The environment for real estate mergers and acquisitions activity was [still](#) tepid in the third quarter as the outlook for the broader economy remained hazy at best. There were no new SNL-covered deals during the period.

However, Jahn Brodwin, senior managing director for corporate finance at FTI Schonbraun McCann Group, told SNL that the [increase](#) in property transactions is a positive sign for increased M&A activity to come.

"It's not going to be a tsunami," said Brodwin, who advises companies on debt and equity transactions. "But we're going to be able to take our surfboards out and have some fun again."

At the end of the second quarter, Brodwin had identified the IPO front as a potentially active site for M&A activity in 2010 and 2011; he maintains that view. Unsuccessful IPOs will precipitate the acquisition of fledgling companies by public REITs or other well-capitalized entities, he said.

Certainly, the IPO market has been unpredictable if not [grueling](#); many offerings have been postponed, and in early September, shares of most of the recent IPOs were trading below the IPO price. With the exception of [CoreSite Realty Corp.](#)'s recent [IPO](#), Gleacher & Co. analyst David Harris told SNL that the market has been "very underwhelmed" by the offerings so far.

Robert W. Baird analyst Andrew Wittmann told SNL that there has been "sharp" improvement in the debt markets during the last three months, with more credit available for "reasonably levered" deals. During the last five years, M&A activity has been driven by debt capital, he said.

There was at least a ripple of M&A activity during the previous three months. Just into the third quarter, [Ventas Inc.](#) [closed](#) the acquisition of Chicago-based Lillibridge Healthcare Services Inc. The purchase, which included Lillibridge's real estate interests in 95 medical office buildings and ambulatory facilities, is part of Ventas' broader plan during the coming years to expand the company's MOB holdings and diversify its portfolio, Ventas Chairman, President and CEO Debra Cafaro [told](#) SNL in June.

At the end of August, [Simon Property Group Inc.](#) completed its [acquisition](#) of Prime Outlets Acquisition Co. — nearly all the interest of which was owned by Lightstone Group and [Lightstone Value Plus REIT Inc.](#) and certain of its affiliated entities — in a \$2.3 billion transaction. The deal added 21 outlet center properties to the mall giant's portfolio.

For much of the first half of 2010, Simon had industry observers bracing for a tsunami-size deal with its unsolicited acquisition and recapitalization [offers](#) for [General Growth Properties Inc.](#); Simon [withdrew](#) its proposals in May.

Also in August, [Care Investment Trust Inc.](#) completed the [sale](#) of control of the company to [Tiptree Financial Partners LP](#) through the issuance of shares of its common stock to Tiptree. The [deal](#) was first announced in March.

On the international front, [CommonWealth REIT](#), formerly HRPT Properties Trust, cleared several hurdles — regarding tax rulings, management arrangement and lender consent — with respect to its pending [acquisition](#) of Australia-based MacarthurCook Industrial Property Fund. At the end of September, the Supreme Court of New South Wales [approved](#) the implementation of the proposal.

There was a flicker of activity elsewhere. In July, at least three publicly traded REITs, including [National Retail Properties Inc.](#), [Lexington Realty Trust](#) and [Realty Income Corp.](#), were reportedly [considering making offers](#) for [Spirit Finance Corp.](#), the U.S. REIT owned by [Macquarie Group Ltd.](#)

Of the investment banks engaged in the SNL-covered deals completed in 2010, [Credit Suisse \(USA\) Inc.](#) took the No. 1 spot for its role as financial adviser in the Care Investment Trust deal. Schulte Roth & Zabel LLP served as legal adviser to Tiptree, and McDermott Will & Emery LLP served Care Investment Trust.

### 2010 year-to-date real estate financial adviser rankings

2010 YTD rank	2009Y rank	Company	No. of deals	Total deal value (\$M)
<b>Ranked by deal value</b>				
1	NR	Credit Suisse (USA) Inc.	1	182.3
2	NR	Dana M. Ciraldo	1	54.2
2	NR	Genesis Capital LLC	1	54.2
2	NR	Houlihan Lokey	1	54.2
<b>Ranked by number of deals</b>				
1	NR	Credit Suisse (USA) Inc.	1	182.3
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NR = not ranked; NA = not available

Year-to-date data is as of Sept. 30, 2010. 2009Y rankings are recalculated as of Oct. 4, 2010.

Based on announcement deal values. Terminated deals are not included. In-house advisers are included.

Source: SNL Financial

In the [Lodgian Inc.](#) buyout [completed](#) by a [Lone Star Funds](#) affiliate in the second quarter, [Genesis Capital LLC](#) and [Houlihan Lokey](#) acted as financial advisers to Lodgian, and King & Spalding LLP served as legal counsel. Hunton & Williams LLP acted as legal counsel for Lone Star, and Dana Ciraldo, previously affiliated with Hodges Ward Elliott Inc., acted as financial adviser.

Looking ahead, Baird's Wittmann said a significant uptick in real estate M&A activity will be contingent on several factors: greater clarity with respect to the outlook for the broader economy; further improvement in the capital markets making riskier debt financing available; and compulsion, from within or without, for companies to deal directly with distress.

Overall, Wittmann's outlook for deal activity is less sanguine than Brodwin's; the price of debt is still high with respect to transactions with a loan-to-value of 70% or more. Wittmann said a highly levered buyout is not likely to occur for the rest of 2010 or 2011.

### 2010 year-to-date real estate legal adviser rankings

2010 YTD rank	2009Y rank	Company	No. of deals	Total deal value (\$M)
<b>Ranked by deal value</b>				
1	NR	McDermott Will & Emery LLP	1	182.3
1	NR	Schulte Roth & Zabel LLP	1	182.3
3	NR	Hunton & Williams LLP	1	54.2
3	NR	King & Spalding LLP	1	54.2
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Source: SNL Financial

"It looks like at least the intermediate-term outlook is more asset-specific for acquisitions rather than enterprise-level [transactions]," he said.

With so much uncertainty in the broader economy, Gleacher's Harris was hesitant to generalize about future M&A activity; prospects can be weighed only on a company-specific, case-by-case basis, he said. His view for potential increased activity on the IPO front is tentative. A company that has undertaken the overwhelming task of taking a company public is not likely to "throw in the towel" after a period of months, Harris said.

Nevertheless, many companies will have refinancing issues to deal with during the next couple of years, and those problems, coupled with a change in interest rates, could trigger takeover opportunities. "At some point, we have to assume that rates are going to be going up," he said.

There may be some stock in the theory that increased M&A activity is on the horizon: just into the fourth quarter, Toronto-based [Brookfield Office Properties](#) and Fairfax, Va.-based [Brookfield Homes Corp.](#) entered into a definitive agreement to [combine](#) Brookfield Homes and the North American residential land and housing division of Brookfield Office into Brookfield Residential Properties Inc. The transaction, expected to close in January 2011, will create the sixth-largest residential platform in North America.

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