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Abstract:

$50 Billion of Added Investment Capacity for REITs:

Equity Infusions, Modified Debt Management Tactics and Capital Conservation Planning Create Expansion Potential

Real estate investment trusts (REITs), have recapitalization programs underway featuring equity issues, revised debt tactics and capital conservation plans in order to strengthen balance sheets and improve cash flow from operations. Notably, according to statistics compiled by the National Association of REITs (NAREIT), $18.9 billion of equity capital has been raised during the first six months of 2009, which exceeds the total of $17.9 billion raised during the entirety of 2008.

New equity issues such as those which occurred during the second quarter 2009 are playing a vital role for industry recapitalization and could be just the beginning of a trend. There are still sizeable amounts of debt maturities to be negotiated, which is a threat to the recapitalization process. The specter of widespread deleveraging within the real estate business may not inhibit preparations by public companies for bold acquisition initiatives driven by market opportunity. Acquisitions by REITs have not significantly impacted the transactional marketplace for commercial real estate as of the end of the second quarter of 2009, but major possibilities have been created, new strategies can evolve regarding widespread troubled asset acquisitions, discounted CMBS purchases, opportunistic lending as well as a potential round of mergers and acquisitions (M&A).

The abstracted article was published in its' entirety by:

Real Estate Finance

Volume 26, Number3

October 2009

By Aspen Publishers