# REIT + REAL ESTATE

2019 ANNUAL REVIEW

 $\frac{MORRISON}{FOERSTER}$ 



#### HIGHLIGHTS OF DEALS IN THE REIT AND REAL ESTATE SECTORS \_\_\_\_\_



**JERNIGAN CAPITAL** 



**BROAD STREET** 



MEDEQUITIES REALTY TRUST



MISSION CRITICAL REIT II



BLACK CREEK INDUSTRIAL REIT IV



UDR

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STEADFAST APARTMENT REIT



EQUITY RESIDENTIAL



PLYMOUTH INDUSTRIAL REIT



PIPER SANDLER & CO.



**REIT RESOURCE CENTER** 

ABOUT MOFO



2019 was a banner year for REITs, real estate companies, and real estate lenders, with performance across the industry reaching levels that had not been seen since 2014. A growing economy and strong stock price performance resulted in a price premium to NAV for many listed REITs across sectors. In addition, public, non-listed REITs more than doubled the amount of capital they had raised in 2018, coming in at approximately \$11 billion for 2019. All of these factors contributed to increased REIT and real estate transaction activity in 2019, which drove Morrison & Foerster to another strong year representing clients across the globe on billions of dollars of M&A, real estate, tax, financings, and capital markets transactions.

Our lawyers helped clients around the globe secure exceptional results for their respective stakeholders, enter the public markets, raise capital, and expand and reshape their businesses. Highlights of our work in 2019 include serving as key advisors on:

- several public offerings by a leading multifamily REIT, resulting in proceeds of more than \$1.8 billion;
- the internalization of the external advisor to a leading self-storage REIT;
- the \$600 million sale of a healthcare REIT;
- two of the largest mergers of public, non-listed REITs;
- a \$2 billion equity offering by one of the leading capital raisers in the public, non-listed REIT sector;
- the largest logistics real estate fund ever raised in India; and
- the global offering by the first infrastructure fund listed on the Tokyo Stock Exchange.

Morrison & Foerster represents issuers, underwriters, and lenders in all of the major real estate product areas, including office, commercial, industrial, multifamily, hospitality, and specialized uses, such as solar energy and data centers, and across substantially all REIT asset classes, including residential, office, retail, industrial, and healthcare.

We are honored that clients continue to trust us with their most important transactions. We take pride in our reputation of having a world-class team of lawyers who focus on building long-term relationships by offering clients practical, business-oriented, and thoughtful counsel at particularly pivotal points in their business. We believe our team is unique among legal practitioners in the REIT and real estate sector, as we have a deep bench of lawyers with experience counseling REIT and real estate clients at all stages of their life-cycles. In addition to our strong track record of advising listed REITs, our team includes leading lawyers in the representation of public, non-listed REITs, private REITs, and real estate companies. We are proud to have been recognized by publications such as *Law360* as 2019 Real Estate Practice Group of the Year and others including *Chambers USA* and *Chambers Asia Pacific*, *Legal 500*, and *U.S. News – Best Lawyers* for being a top-tier firm in the real estate sector.

In the pages that follow, you will read more about our work and our clients' accomplishments in 2019. It was our privilege to be a part of these transactions, and we thank all of our clients for entrusting us with their work.





RECOGNIZED AS LEADING LAW FIRM FOR REITS AND REAL ESTATE SIX U.S. TEAM MEMBERS RANKED AS RECOMMENDED FOR REITS 2019



RECOGNIZED AS A LEADING LAW FIRM FOR REITS AND REAL ESTATE 2019

As has consistently been the case since our IPO in early 2015, JCAP was well represented by a multidisciplinary team of MoFo attorneys in what for us is a transformational event in our corporate history.

John Good, Chairman and CEO, Jernigan Capital, Inc.

## **JERNIGAN CAPITAL**

We advised Jernigan Capital, Inc. (NYSE: JCAP) in its definitive asset purchase agreement with JCAP Advisors, LLC, the company's external advisor, in which Jernigan Capital Operating Company, LLC will acquire the business assets and liabilities of JCAP Advisor, thereby internalizing JCAP Advisors. As a result of the Internalization, JCAP will directly employ the existing management team and all other employees of JCAP Advisors. The Internalization is expected to be immediately accretive to earnings per share and adjusted earnings per share. Completion of the Internalization is one of the last steps in JCAP's transformation to an equity REIT and creates the platform to maximize the future earnings potential of and stockholder value from its best-of-class self-storage portfolio. JCAP owns latest-generation self-storage facilities in dense urban submarkets and provides debt and equity capital to private developers, owners, and operators of self-storage facilities with a view to eventual outright ownership of the facilities it finances. With their expertise and experience across a wide range of practice areas, Morrison & Foerster was instrumental in helping us navigate a complex transaction. They also look beyond a single transaction and focus on long-term relationships, and we look forward to working with them as we continue to grow our company.

> Michael Z. Jacoby, Chairman and CEO, Broad Street Realty, LLC

#### **BROAD STREET**

We advised Broad Street Realty, LLC and its related entities in a series of mergers with MedAmerica Properties, Inc. With the closing of the initial mergers, the combined company was renamed Broad Street Realty, Inc., and is now a fully integrated and self-managed, publicly owned real estate company that owns, operates, and develops primarily grocery-anchored shopping centers and mixed-use properties in the Mid-Atlantic, Southeast, and Denver, Colorado markets. Broad Street's common stock trades on the OTCQB market under the ticker symbol "BRST."

Morrison & Foerster was a true partner throughout the life-cycle of our company – from our formation and initial capital raise in 2014, to our IPO in 2016 and ultimately through our merger with Omega. They fully understood our business and objectives and worked seamlessly across practice areas to deliver thoughtful, practical, and business-oriented solutions, including very sound governance direction, to both management and our Board of Directors. I considered them an integral part of our team.

John McRoberts, former CEO and Chairman of the Board, MedEquities Realty Trust, Inc.

# **MEDEQUITIES REALTY TRUST**

We advised long-time client MedEquities Realty Trust, Inc. (NYSE: MRT) in connection with its \$600 million acquisition by Omega Healthcare Investors, Inc. (NYSE: OHI). Prior to the acquisition by Omega Healthcare, MedEquities was a public REIT that invested in a mix of healthcare properties and healthcare-related real estate debt investments within the acute, post-acute, and behavioral sectors of healthcare services. As part of the transaction, Omega acquired MedEquities' stakes in 34 facilities located in seven states and added nine new operators to Omega's existing lineup. The merger also expanded Omega's investment portfolio of long-term healthcare facilities to include a wider variety of healthcare-focused properties, including acute-care hospitals, short-stay and outpatient surgery facilities, specialty hospitals, diagnostic facilities, behavioral facilities, and physician group practice clinics.



# **CARTER VALIDUS MISSION CRITICAL REIT II**

We advised Carter Validus Mission Critical REIT II, Inc. (CVMC REIT II) in its merger with Carter Validus Mission Critical REIT, Inc. The merger resulted in a combined company with an enterprise value of approximately \$3.2 billion. CVMC REIT II is a public, non-listed REIT that engages in the acquisition of quality income-producing commercial real estate with a focus on data centers and healthcare facilities. CVMC REIT II owns approximately 146 real estate properties.

We have been working with key members of the Morrison & Foerster team for over 10 years on a number of public company IPOs by Black Creek Group REITs, including Black Creek Industrial REIT IV. Their skills, creativity, and depth of expertise as issuer's counsel and Blue Sky counsel have guided us through multiple successful capital raises, and we are appreciative of our ongoing relationship with them, their willingness to really dig into complex issues, and their thoughtful advice.

Sarah Wadsworth, SVP and Assistant General Counsel, Black Creek Group

# **BLACK CREEK INDUSTRIAL REIT IV**

We advised Black Creek Industrial REIT IV in connection with the registered public offering of up to \$2 billion of its common stock. Black Creek Industrial REIT IV is a public, non-listed REIT sponsored by Black Creek Group that is focused on the acquisition, development, and financing of income-producing real estate assets, consisting primarily of high-quality distribution warehouses and other industrial and logistics properties in markets throughout the United States that favor existing and growing demand for industrial warehousing and distribution.



# UDR

We represented long-time client UDR, Inc. (NYSE: UDR), an S&P 500 company and a leading multifamily REIT, in several public offerings in 2019 resulting in proceeds of more than \$1.8 billion. The transactions included three underwritten offerings of senior unsecured medium-term notes (including \$300 million of "green" bonds to fund eligible green projects), a \$350 million underwritten offering of common stock and issuances under UDR's at-the-market equity offering program, including a forward sale. The offerings allowed UDR to repay higher-cost debt and fund a portion of its approximately \$1.8 billion of acquisitions in 2019.



# **STEADFAST APARTMENT REIT**

Morrison & Foerster represented Steadfast Apartment REIT, Inc. (STAR) in its acquisition of Steadfast Income REIT, Inc. (SIR) and Steadfast Apartment REIT III, Inc. (STAR III). All three Steadfast REITS are public non-listed REITs. STAR acquired SIR and STAR III in separate stock-for-stock, tax-free transactions, creating a combined company with approximately \$3.4 billion in gross real estate assets.

STAR invests in quality mid-tier apartment communities across the United States and is sponsored by Steadfast REIT Investments, LLC, an affiliate of Steadfast Companies, an Orange County, California-based group of affiliated real estate investment and operating companies that acquire, develop, and manage real estate in the United States and Mexico. STAR's portfolio portfolio consists of 68 properties in 14 states and a 10% unconsolidated joint venture interest in 20 properties.

# **EQUITY RESIDENTIAL**

We advised the underwriters in connection with multiple registered offerings of senior notes by Equity Residential resulting in gross proceeds of \$1.2 billion and the sales agents and forward purchasers in connection with its \$1 billion at-the-market equity offering program, which included a forward component. Equity Residential (NYSE: EQR), an S&P 500 company, is one of the largest REITs in the country and is focused on the acquisition, development, and management of rental apartment properties located in urban and high-density suburban markets, primarily in Boston, New York, Washington, D.C., Seattle, San Francisco, Southern California, and Denver.

We value our long-standing relationship with Morrison & Foerster and their expertise across capital markets, M&A, real estate, and tax. They understand our business and are able to bring their vast experience and knowledge of our company to provide effective, efficient, and practical deal execution that is also quite in tune with our business objectives.

Scott Fenster, Executive Vice President and General Counsel, Equity Residential

#### **PLYMOUTH INDUSTRIAL REIT**

We advised the underwriters in connection with several registered public offerings by Plymouth Industrial REIT, Inc., including two common stock offerings resulting in gross proceeds in excess of \$100 million and its \$50 million at-the-market equity offering program. Plymouth Industrial REIT (NYSE American: PLYM) is a REIT focused on the acquisition, ownership, and management of single- and multi-tenant Class B industrial properties, including distribution centers, warehouses, and light industrial properties, primarily located in secondary and select primary markets across the United States.

Morrison & Foerster has been underwriters' counsel on all of our capital raises as a public company, including our IPO. We greatly value their practical approach and the depth of their expertise and look forward to continuing our very productive relationship through the next phase of our growth.

> Jeff Witherell, Chairman and CEO, Plymouth Industrial REIT, Inc.

# **PIPER SANDLER & CO.**

Morrison & Foerster advised long-standing client Piper Sandler & Co. (previously Sandler O'Neill & Partners) as counsel in connection with several matters in 2019.

We advised placement agent's counsel in connection with **Newport Realty Trust**, **Inc.**'s \$55 million private offering of senior secured notes. Newport Realty Trust is a private REIT that originates loans to real estate investors who seek to fund the acquisition, renovation, rehabilitation, or improvement of residential and commercial properties.

We represented the sales agents in connection with **Community Healthcare Trust, Inc.**'s new \$360 million at-the-market equity offering program. Community Healthcare Trust (NYSE: CHCT) is a REIT that owns and acquires, or finances, real estate properties that are leased to hospitals, doctors, healthcare systems, or other healthcare service providers.

We represented the underwriter's counsel in connection with **Sotherly Hotel Inc.**'s \$27 million registered preferred stock offering. Sotherly Hotels (NASDAQ: SOHO) owns, acquires, renovates, and repositions full-service, primarily upscale and upper-upscale hotel properties located in the Mid-Atlantic and Southern United States.

The team at Morrison & Foerster has been our go-to counsel on REIT matters for years. The MoFo team has always been thoughtful, commercial, and responsive, and we greatly value their expertise and friendship.

Tom Howland, Managing Director and Head of REIT Group, Piper Sandler & Co.



# GLP

We advised GLP Pte. Ltd., the leading global provider of modern logistics facilities and technology-led solutions, in the establishment of the largest-ever Japan-focused logistics private real estate fund. GLP Japan Development Partners III (GLP JDP III) is expected to reach JPY625 billion (US\$5.6 billion) of assets under management when fully invested. This is a follow-on venture to GLP Japan Development Venture I and II, GLP's first two Japan development vehicles in partnership with the Canada Pension Plan Investment Board, which have reached full capacity. With the establishment of GLP JDP III, GLP Japan will manage over US\$18 billion AUM across four private equity funds and GLP J-REIT. Morrison & Foerster also advised GLP on the formation of GLP Japan Development Venture I and II, as well as on a US\$2 billion fund in China with Singapore sovereign wealth fund GIC. This is a USD-denominated value-add fund that will focus on income-generating logistics facilities in China.

## **INDOSPACE**

We advised IndoSpace, India's leading developer of industrial real estate and warehousing facilities, on the formation of US\$580 million IndoSpace Logistic Parks III. This is the largest logistics real estate fund ever raised in India, which will create a corpus of more than US\$1.2 billion to develop and acquire industrial and logistics-related real estate investments in India post leverage. IndoSpace will use the capital to further strengthen its market leadership position.





During 2019, Morrison & Foerster acted as counsel to the financial advisors to Boards of Directors and special committees in connection with several market-changing transactions.

We represented Bank of America Merrill Lynch in its role as financial advisor to the Board of Directors of **Hospitality Property Trust** in connection with its \$2.5 billion portfolio acquisition from Spirit MTA REIT. Hospitality Property Trust (NASDAQ: HPT) owns a diverse portfolio of hotels and net lease service and necessity-based retail properties across the United States, Puerto Rico, and Canada.

We represented Janney Montgomery Scott in its role as financial advisor to the Special Committee of **Ashford Inc.** in connection with its acquisition of the hotel management business of Remington Holdings, LP. Ashford, Inc. (NYSE American: AINC) is a leading provider of asset management and other services to companies within the hospitality industry. Ashford serves as the advisor to two NYSE-listed real estate investment trusts – Ashford Hospitality Trust and Braemar Hotels & Resorts.

We represented Duff & Phelps in its role as financial advisor to the Special Committee of **Carey Watermark 2** in connection with the internalization of its external manager. The internalization was effected in connection with Carey Watermark 2's all-stock merger with Carey Watermark 1, which will create Watermark Lodging Trust, an internally managed, non-traded, diversified lodging REIT.



#### LENDER REPRESENTATIONS

During 2019, Morrison & Foerster acted as counsel to lenders in connection with several market-changing transactions.

We represented the agent/arranger of \$341 million in term financing in connection with the initial public offering of **Eagle Hospitality Trust**, a hospitality REIT listed on the Singapore Stock Exchange (SGX). The REIT's assets consist of hotels in the U.S.

We represented the agent/arranger of \$380 million in revolver and term financing in connection with the initial public offering of **Prime US REIT**, an office REIT listed on the SGX. The REIT's assets consist of Class A office buildings in the U.S.

We represented the agents/arrangers in connection with permanent loan facilities to subsidiaries of **Douglas Emmett, Inc.**, secured by office buildings in Los Angeles and Honolulu. Each of these deals involved multi-hundreds of millions of dollars.



## SOSILA LOGISTICS REIT

We advised SMBC Nikko Securities, Inc., Daiwa Securities Co., Ltd., and Mizuho Securities Co., Ltd. as underwriters in SOSiLA Logistics REIT, Inc.'s ¥48 billion global initial public offering of its investment units, which were listed on the Tokyo Stock Exchange. Morrison & Foerster provided advice on Japanese and U.S. law and was sole counsel to the underwriters. In recent years, the demand for modern logistics facilities in Japan has dramatically increased due to expansion in e-commerce and increased pressure on businesses to improve the efficiency of their supply chains and distribution channels. SOSiLA Logistics REIT, sponsored by Sumitomo Corporation, invests primarily in logistic facilities in Japan to capitalize on these trends. The proceeds from the global offering were used to acquire five logistics facilities and two industrial properties.

#### TAKARA LEBEN INFRASTRUCTURE FUND

We represented SMBC Nikko Capital Markets Ltd. and Mizuho International plc in the ¥6.5 billion global offering of investment units by Takara Leben Infrastructure Fund, Inc., the first infrastructure fund listed on the Tokyo Stock Exchange, which acquires and manages renewable energy projects in Japan with a focus on solar energy projects in Japan. Takara Leben Co., Ltd., which sponsors Takara Leben Infrastructure Fund, is a pioneer in the development of residential properties with solar panels in Japan, and Takara Leben Infrastructure Fund aims to leverage the sponsor's expertise to invest in and manage cutting-edge solar energy projects. This was a debut global offering by Takara Leben Infrastructure Fund, and we advised the underwriters as the sole international counsel. The proceeds from the global offering were used to acquire six new solar energy projects.



## TRINITY INVESTMENT MANAGEMENT

We represented Trinity Investment Management on the establishment of First Step Homes, a full-service developer and operator of social and affordable housing across Ireland, as a joint venture between Trinity and funds managed by Angelo Gordon. We also represented Trinity Investment Management on the refinancing and £250 million sale of a portfolio of science, technology, engineering, and mathematics (STEM) business parks in the UK owned by an existing joint venture between of Trinity and funds managed by Angelo Gordon to a new joint venture established between Trinity and Harrison Street Real Estate, and we also advised Trinity on the negotiation of that new joint venture.

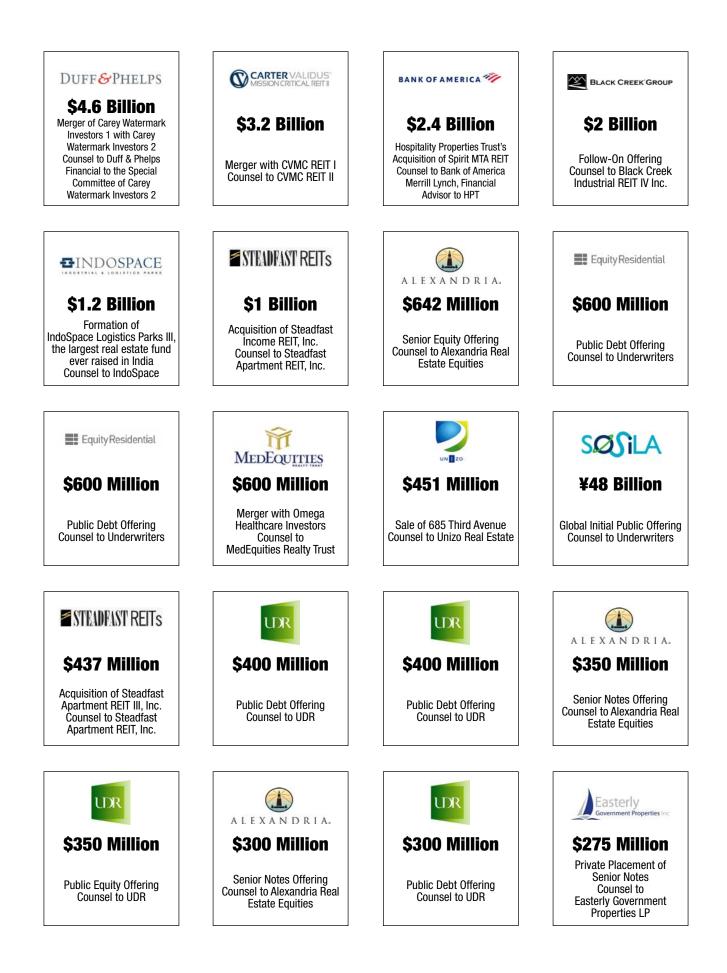
# **STARWOOD CAPITAL**

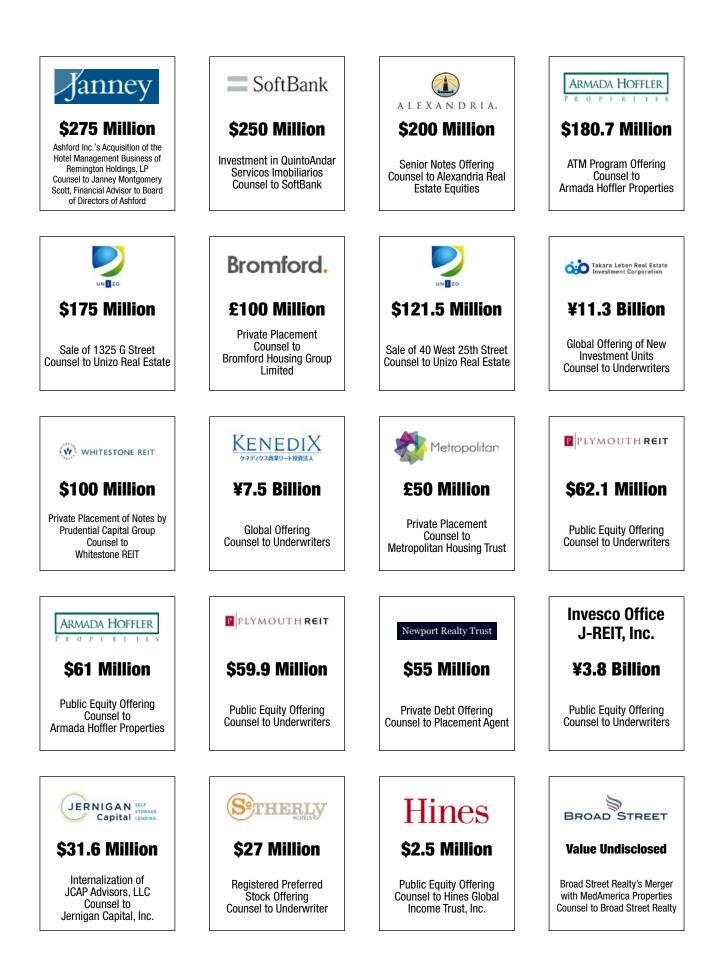
We advised a controlled affiliate of Starwood Capital on its joint venture with Avara Oy to acquire a Finnish residential portfolio of approximately 2,200 units from a consortium of Finnish vendors. The portfolio of 73 assets was located across 16 cities, with half the portfolio by value being in the Helsinki region.

# **BRAVO STRATEGIES III**

We advised Bravo Strategies III, an opportunistic fund managed by PIMCO on its joint venture with UK REIT, New River REIT, to buy a portfolio of retail parks in the UK. The Joint Venture is looking to acquire up to  $\pounds$ 500 million of assets, with the first acquisitions being a portfolio of four assets located in Scotland and the Isle of Wight for  $\pounds$ 60.5 million, and another retail park in England for  $\pounds$ 44.7 million.







# **REIT RESOURCE CENTER**

As a leading global law firm with one of the most active and highly regarded Real Estate Investment Trust (REIT) practices in the U.S., Morrison & Foerster provides clients with comprehensive legal services in the areas of capital markets, M&A, tax, real estate, investment management, and corporate governance. Our resource center provides practical information and guidance about the most timely and significant issues pertaining to REITs. Below is a sample of resources you will find. If you would like to be updated as our resources are published, please contact us at REIT@mofo.com and we will get you added to our distribution list.



WHAT THE REIT?!

Read about current Tax Issues for the REIT community in our monthly newsletter.



# GUIDE TO REIT EXECUTIVE COMPENSATION

FTI Consulting and MoFo demystify REIT executive compensation by addressing a variety of topics.



#### FAQs – REITs

In the last 60 years, the REIT industry has grown significantly and provides all investors with the benefits of commercial real estate investments.



#### **QUICK GUIDE TO REIT IPOs**

The REIT sector remains strong, and IPOs for REITs are still a key path to realization of REIT and real estate investor liquidity.



# IREI PODCAST ABOUT TAKING REITS PUBLIC

MoFo partner Andy Campbell spoke in an interview with Real Assets Adviser, and provided key insights about the IPO process for REITs.



FAQS - NON-GAAP FINANCIAL MEASURES

They have always been particularly important for REITs, but understanding the SEC's rules regarding their presentation can be challenging.



#### **ABOUT MOFO**

We are Morrison & Foerster — a global firm of exceptional credentials. Our clients include some of the largest financial institutions, investment banks, Fortune 100, and technology and life sciences companies. We've been included on the *American Lawyer*'s A-List for 15 years, and *Fortune* named us one of the "100 Best Companies to Work For." Our lawyers are committed to achieving innovative and business-minded results for our clients, while preserving the differences that make us stronger. Visit us at mofo.com.

Morrison & Foerster's REIT and Real Estate team is a global, collaborative, integrated, and multi-office practice involving capital markets, corporate, finance, M&A, investment management, tax, and other lawyers throughout the firm.

Lawyers in the **REIT practice area** are actively involved in advising listed public REITs, non-traded public REITs, private REITs, and REIT sponsors, contributors, investors, investment advisers, underwriters, and institutional lenders on all aspects of REIT activity. Lawyers in the REIT practice area also have been active and influential in Nareit and other industry organizations and in legislative affairs affecting the REIT industry.

We have one of the leading real estate practices in the United States, Asia, and Europe providing innovative and practical legal advice to a broad range of real estate industry participants in all types of real estate transactions, including acquisition, development, financing, ownership, leasing, and operation. In particular, our lawyers regularly assist our clients in debt and equity transactions covering virtually all real estate product types.

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