



HOULIHAN LOKEY

# REAL ESTATE MARKET UPDATE

SPRING 2021



# Houlihan Lokey's Real Estate Market Update

Spring 2021

Houlihan Lokey is pleased to present a summary of real estate industry observations from its M&A and valuation professionals based on real-time market insights.

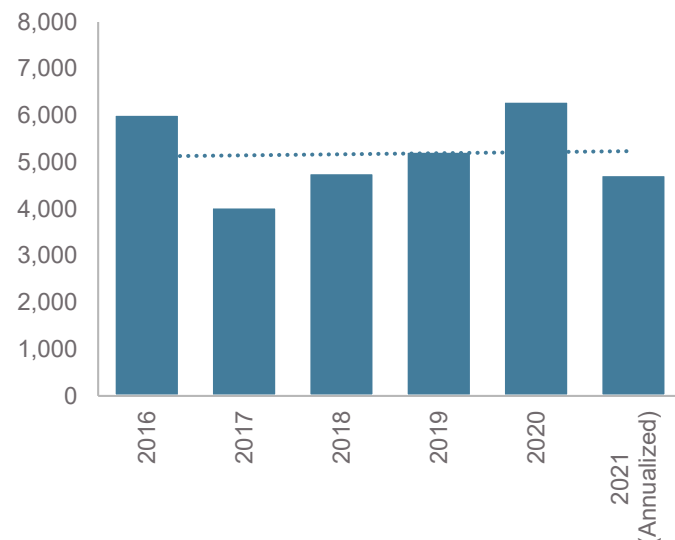
## 1 Public-private valuation disparity persists

- Despite strong total returns for many REITs in Q1 2021 (Nareit reported a 13.51% YTD total return for all equity and a 33.27% one-year compound annual total return), discussions with market participants continue to reflect a disconnect between public and private pricing. We are seeing differences ranging from 5% to 30%, depending on the asset class, with hospitality and retail continuing to lead the pack despite Nareit's reported 97% one-year compound annual total return for lodging/resort REITs following the COVID-19 lows experienced in Spring 2020.

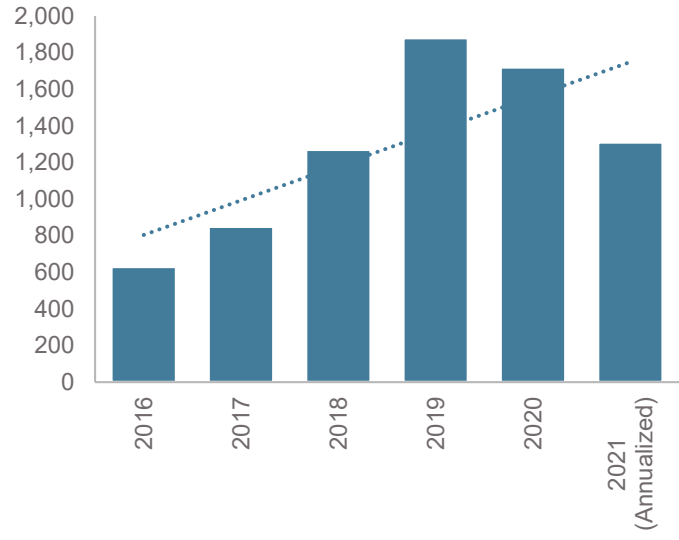
## 2 Self-storage and cold storage remain hot

- Investors' growing acceptance of "non-traditional" asset classes, combined with the desire for yield in a low-interest-rate environment and growing demand pressures from tenants, which only exacerbated during the COVID-19 pandemic, continues to drive deal flow and development in both storage property types.
- Be it BREIT's late 2020 \$1.2 billion acquisition of Simply Self Storage, NexPoint's \$900 million acquisition of Jernigan Capital, or Public Storage's April 2021 announced \$1.8 billion acquisition of ezStorage, the need for storage seems to be growing steadily alongside investor appetite for the segment.
- The pandemic also highlighted the need for functional cold storage for food, medicine, and other specialized products. Lineage Logistics, Americold Logistics, and United States Cold Storage dominate the market, but the sector continues to attract private capital.

Self-Storage Sales Volume (\$M)



Cold-Storage Sales Volume (\$M)



Source: CoStar Group. Reflecting all property sales categorized as self-storage or cold-storage from January 1, 2016 – May 13, 2021 (annualized).  
\*Updated from the originally released charts, which were as of April 23, 2021.

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## Creative studio space sees a surge in status and investor interest

- The COVID-19 pandemic has accelerated the trend in demand for facilities and spaces geared to meet the increasing production needs of content creators that have experienced success from consumer adoption of streaming services (e.g., Netflix, Amazon Prime, Apple).
- Hudson Pacific Properties, along with private-equity investors such as Hackman Capital and Blackstone, have been the leaders in the growing sector by providing integrated solutions to production companies with space needs in domestic and international markets.

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## Repurposing retail assets offers investment for innovators

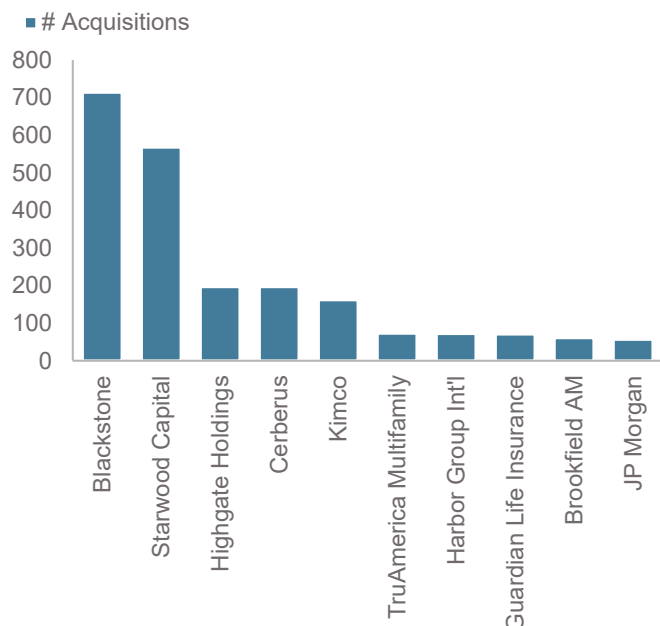
- Certain shopping malls and retail venues continued to suffer declining economics during 2020, which pose unique investment opportunities, particularly for the innovative. We are seeing investor interest to purchase assets below replacement cost—or land value in some instances—and we expect this to continue as secular issues persist.
- Mall and retail restructuring transactions have highlighted the potential to sell or repurpose some portion of legacy holdings, and we expect competition for well-located assets to increase as creative investors provide market solutions for legacy assets that lack long-term viability as a traditional mall or retail center.

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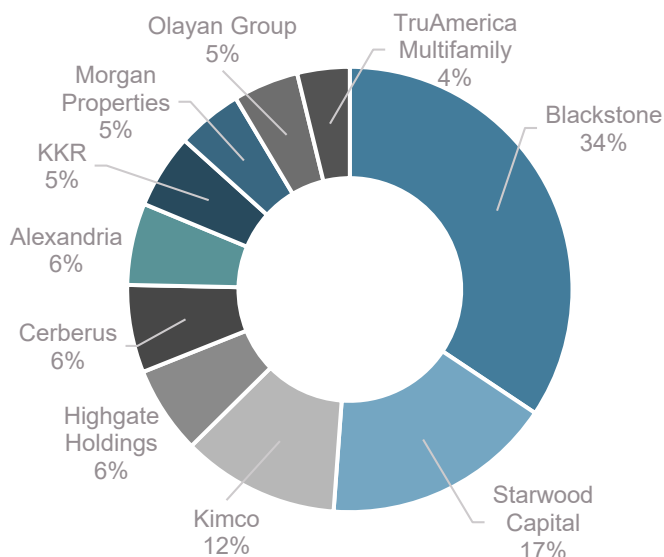
## The big are getting bigger

- Ares Management, Cerberus, Oaktree, Blackstone, Starwood, and RPT Realty, just to name a few, have recently raised multibillion-dollar funds targeting everything from net lease to distressed debt to opportunistic rescue plays.
- The largest alternative asset managers are also looking to build on the successes of Blackstone and Starwood in the non-traded REIT (NTR) sector by exploring the launch of their own perpetual capital vehicles amid changing market perception of NTRs.

### Top 10 Buyers by Property Count



### Top 10 Buyers by \$ Volume



Note: Data above reflects transactions reported by Real Capital Analytics for the period January 1, 2020–May 13, 2021.

\*Updated from the originally released charts, which were as of April 23, 2021.

# Houlihan Lokey's Real Estate Expertise

Houlihan Lokey has a successful track record of assisting its clients—comprising real estate investors, owners, and other stakeholders—with various valuation, transaction, and special situation needs.



We have deep **valuation expertise** in investment, financial reporting, and tax matters.



We advise **Boards of Directors and Special Committees** as they navigate a range of strategic situations and challenges.



We **value large portfolios** of real estate equity and debt positions for various investors and lenders across the United States.



Leveraging our accounting and real estate expertise, we help clients with **transaction advisory services** related to real estate equity and debt investments.



Our bench of experts includes **dispute resolution counselors** to advise on valuation matters involving disputes, mediation, arbitration, and litigation.



We provide **fairness opinions, solvency opinions, and valuation opinions** to clients across a variety of property- and entity-level transactions.



Please reach out to one of the team members below for more information.



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