Press release
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Income investors losing out in M&A

With UK Real Estate Investment Trusts (REITs) trading at historically wide discounts and takeover activity intensifying, shareholders are increasingly footing the bill for delays—without receiving the income their capital continues to generate.

Matthew Norris, Fund Manager and Managing Director of Real Estate Securities at Gravis, is calling on REIT boards to do more to protect shareholders' interests during the takeover process.

The call to action is clear: REIT boards must act.

- Demand that bidders make firm offers sooner
- Negotiate income-sharing provisions during offer periods
- Ensure shareholders continue to receive divdiends while their capital remains at risk

"At the heart of the issue is a growing misalignment," says Norris. "Buyers are benefitting from the rental income of REIT assets during protracted negotiation periods, while shareholders, who still bear all the market risk, see none of the reward."

"Time is money, especially in real estate, where every day a property earns rent," he continued. "Yet during the takeover process, that can be drawn-out over months in some cases, it's private equity bidders who benefit from that income, while shareholders are left waiting, unrewarded."

This "financial dead zone" arises between the disclosure of a potential takeover and the announcement of a binding offer under the UK Takeover Code. Despite regulatory timelines, these periods are often extended, creating a blackout window in which REITs continue to generate income, but shareholders potentially don't see a penny.

Take the proposed takeover of Warehouse REIT as an example, now in its third month in public view. While its portfolio continues to yield over 6%, that income is quietly accruing value for the bidder, who has yet to assume any financial risk.

"This isn't just a timing issue, it's a fundamental fairness issue," Norris added. "If the buyer wants the income, they should step up, take the risk, and make a binding offer. Otherwise, the income rightly belongs to the shareholders whose capital is still exposed."

UK REITs such as Assura and Warehouse REIT have become attractive targets for private capital, drawn by reliable, growing income streams and assets in resilient sectors like healthcare, logistics, and rental housing. Yet these are the very assets that make extended timelines so lucrative - for buyers, not shareholders.

In many cases, REITs are not just holding steady, they're growing. Grainger, the UK's largest listed landlord, recently announced a 12% increase in its interim dividend, for example. And with interest rates expected to fall, the case for delaying deals only strengthens for leveraged bidders.

"Shareholders are providing the fuel that keeps these businesses running during negotiations," Norris concluded. "It's only fair they continue to receive their share of the returns."

In real estate, time always has a price. It's time that REIT boards ensure that price is paid to the right party: the shareholder.

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For more information, or to talk to Matthew Norris, please contact:

Sam Slator

sam.slator@graviscapital.com

020 3405 8554 / 07547994945

Disclosure

The VT Gravis UK Listed Property Fund is an investor in Assura, Grainger, Primary Health Properties and Warehouse REIT. The VT Gravis UK Infrastructure Income Fund is an investor in Assura and Primary Health Properties.

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