



M&A bonanza – but at what price to the UK market?



Private equity firms are circling undervalued UK REITs with seemingly generous bids, but Gravis's Matthew Norris warns investors not to be distracted by headline premiums, the real value lies in long-term earnings power, improving fundamentals, and the strategic benefits of control.

Key take-outs:

- Premiums aren't always value: Bids often ignore long-term potential
- Control matters: Full ownership unlocks real value
- REITs are undervalued: Private equity sees the opportunity, do boards?

Private equity firms are once again targeting UK Real Estate Investment Trusts (REITs), with bids they claim to be a generous premium to recent share prices. However, as M&A activity in the sector continues to rise, Gravis's Matthew Norris is warning investors that such offers may distract from the real value of these assets.

"The same story is being repeated time and again," says Matthew, who is Head of Real Estate Securities at Gravis. "A bidder offers a significant premium to recent prices, and dealmakers present it as an undeniable win. We've seen this with Assura, where KKR's private bids were focused primarily on historical share prices, rather than the true intrinsic value of the company. Similarly, with Warehouse REIT, the bids from a consortium of private equity firms were marketed as a premium to past prices with little mention of valuation metrics and no mention of future value creation."

With the Bank of England now cutting rates, rental demand for the best buildings holding firm, and property fundamentals improving, many REITs are poised for significant gains. So, it's no surprise that strategic and financial buyers are moving

swiftly. However, the key issue, Matthew highlights, is that the takeover premium to previous share prices is misleading. "It overlooks the long-term earnings power of the companies, and the future potential of the assets involved," he says.

Control comes with a premium

Matthew likens the situation to the game of Monopoly. "Owning a single property on a Monopoly board earns you some rent, but as avid players know, true power lies in owning the full set," he explains. "Once you control all sites in a colour group, you dictate development, set rent, and unlock greater value. The same principle applies in corporate takeovers: control carries a premium."

Private equity is targeting REITs as they can deploy vast sums of capital into fully operational, high-quality portfolios — often with strong brands and robust development pipelines. These acquisitions promise attractive returns and, due to their size, an accelerated route to fee generation.

"A forward-looking mindset is crucial," he continues. "UK REITs continue to trade at deep discounts to their net asset value, averaging 29% as of February, compared to the ten-year average of 17%. The market is clearly mispricing these assets and private equity firms are taking advantage."

When approached with offers, Matthew believes company boards should be focused on extracting an ownership premium that reflects the benefits of full control and the true potential of the business.



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