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The REIT bid is back! It is global. It is thematic. And it is of high quality.

In the last 30 days, we have seen Prologis offer to acquire their smaller rival DCT Industrial at a 14.5% premium and Blackstone seek to acquire Gramercy Property Trust for a 20.8% premium. These deals follow Blackstone's January deal to acquire Canadian REIT Pure Industrial for a 21.5% premium. Clearly, the demand for industrial real estate remains robust, as these deals highlight, as does the 35.1% increase in first quarter 2018 industrial real estate transaction volumes over the same period last year as tracked by Real Capital Analytics.

This healthy appetite for industrial real estate does not come as a surprise to us as our U.S. and Global Real Estate strategies have had a meaningful overweight exposure to this property type for many years. The high level of demand coming from the growth in ecommerce retail and the disciplined level of new construction, which has provided industrial real estate owners with pricing power, has been the driver behind our positive investment thesis on industrial real estate for some time.

Moreover, the recent deal activity speaks to another theme we have written about extensively over the last couple of years – namely the large amounts of unspent capital sitting idle in private real estate funds, which stood at $266 billion as of March according to Preqin. In addition, pension funds and sovereign wealth funds remain under allocated to the real estate asset class. Given that listed real estate, as measured by NAV, or Net Asset Value, currently trades at a discount to the private market, whether in the U.S., or on a Global basis, we would not be surprised to see further deal activity over the balance of 2018. Especially if real estate continues to trade cheaper on Wall Street than Main Street.

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