

WEINGARTEN REALTY INVESTORS /TX/  
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>3. The article also attributes to Ms. Matthews the statement that a key constraint amid the recession is not having enough capital to meet demand. Ms. Matthews intended this statement to convey the risk that limits on the Company's ability to access capital may constrain the Company's development and redevelopment activities in the future, and not as an assessment of existing or anticipated demand for the Company's datacenter solutions.

**Full Text of the Dow Jones Newswire Article**

REIT Investors Seek Safe Haven In Specialty Developers

By A.D. Pruitt

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NEW YORK (Dow Jones) As mounting corporate layoffs and a deepening recession leave few bright spots in the office-property market, investors are trying to find a safe haven in specialty developers.

The move toward office niche such as biotechnology and data centers is giving real-estate investment trusts like Digital Realty Trust Inc. (DLR), Corporate Office Properties Trust (OFC) and Alexandria Real Estate Equities, Inc. (ARE) a competitive edge in a down market. Investors think demand from these sectors will remain consistent as a weak economy wrecks havoc in the financial services industry.

The fundamentals are going to be negative probably for most of this year for office property, said Gus Seasongood, co-manager of the Huntington Mortgage Securities Fund, who focuses on REIT investments.

We're going through rough times ... Anyone that has developed a new building certainly will have trouble leasing up the property, Seasongood said. He noted that he expects pressure on rents.

As such, Seasongood is investing in real estate companies he considers a little more recession resistant including Digital Realty, a top pick for many investors and analysts. The company, whose clients include the social networking site [Facebook](#), owns and builds data centers for large corporations on a wholesale basis.

Seasongood said demand for scientific research is strong and the company doesn't have the debt problems compared with other highly leveraged office REITs.

Pamela Matthews, director of investor relations at Digital Realty, said the company saw a record leasing-volume rate in 2008. She said that while there was definitely a disruption of capital in the market, Digital Realty focused on maintaining a strong balance sheet.

The limited availability of capital has driven a lot more companies to do more outsourcing of development of data centers, Matthews said. That has driven more demand for our data center solutions.

She noted that a key constraint amid the recession is not having enough capital to meet demand.

The market for data centers started to expand in the wake of 9/11 as corporations moved to increase back-up support offices. Disaster contingency operations following Hurricane Katrina and the expansion of the Internet also fueled demand.

Jay Leupp, portfolio manager for Grubb & Ellis AGA Realty Income Fund, is keen on Alexandria Real Estate, which owns and develops offices and laboratories for pharmaceutical and biotechnology tenants. Leupp noted demand for such space should remain constant given that drug testing is conducted during the highs and lows of an economic cycle.

He also likes PS Business Parks, Inc. (PSB), which focuses on multi-tenant office and industrial space. The bulk of the job growth in the U.S ... has been in small business, Leupp said.

The outlook for commercial real estate gets more dire amid few indications that frozen credit markets will thaw soon. National office vacancies stood at 14.19% at the end of the fourth quarter of 2008, compared with 12.6% at the same period in the prior year, according to a recent report by Colliers International.

In January, office and industrial REITs plunged 19.8%, according to the National Association of Real Estate Investment Trusts. Although it's been brutal across the board, the pain in specialty office REITs has been a little less severe. For instance, shares of Digital Realty are up 1.4% since the start of the year, while SL Green Realty Corp.(SLG), New York City's largest commercial landlord, has seen its stock plummet about 42%.

The lack of major transactions, a dearth of financing and further deterioration in employment are likely to keep management teams cautious and the generalist investors at bay, said RBC Capital Markets in a recent report.

As such, we continue to recommend a heightened focus on specialty-focus office names and suggest caution particularly among the Global Industrial REITs, RBC said, noting they were positive on Digital Realty and Office Properties, which focuses on tenants tied to the U.S. government, defense information technology and data sectors.

RBC Capital said the sub-sector is a defensive play and offers the potential for continued growth and early recovery.

-By A.D. Pruitt, Dow Jones Newswires; 201-938-2269; angela.pruitt@dowjones.com [ 02-03-09 1114ET ]

**Legend**

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