

NorthStar to Buy Griffin-American REIT for \$3.4 Billion

By Brian Louis - Aug 5, 2014

[NorthStar Realty Finance Corp. \(NRF\)](#) agreed to buy Griffin-American Healthcare REIT II for about \$3.4 billion, gaining medical-office buildings and senior housing in the biggest health-care real estate deal in three years.

Stockholders of Griffin-American, a real estate investment trust that isn't traded on exchanges, will receive \$11.50 a share, comprising \$7.75 in cash and the rest in NorthStar common stock, the companies said today in a statement. NorthStar also will assume about \$600 million of debt.

Real estate companies are seeking to take advantage of the growing demand for medical services and senior housing as the U.S. population ages. In June, [Ventas Inc. \(VTR\)](#), the country's third-biggest health-care REIT by market value, agreed to buy American Realty Capital Healthcare Trust Inc. for \$2.6 billion. New York-based NorthStar earlier this year acquired \$1.05 billion of senior housing and skilled-nursing facilities.

The Griffin-American properties "are high-quality, diversified and stable cash-flowing assets that will enhance the long duration stable cash-flow growth that supports our dividend," David Hamamoto, NorthStar's chairman and chief executive officer, said on a conference call with analysts.

NorthStar [climbed](#) 6.5 percent to \$17.19 today. The shares have gained less than 1 percent in the past 12 months.

Nontraded REIT

Griffin-American, based in [Irvine, California](#), has sold shares in two offerings at \$10 and \$10.22 a share, according to its latest quarterly regulatory filing. The REIT, founded in 2009, concluded its fundraising last year, collecting \$2.8 billion in equity. It has 295 properties in the U.S. and the U.K., according to a NorthStar filing today.

Nontraded REITs, primarily marketed by brokers to individual investors, have a finite life span and eventually have to give money back to holders. Typically the companies are sold or list their shares on a stock exchange.

NorthStar's "health-care investment platform is relatively new, and with this deal it has ramped up pretty quickly," Jeffrey Langbaum, an analyst with Bloomberg Intelligence, said in a telephone interview.

The planned purchase is the biggest among health-care REITs since Ventas bought Nationwide Health Properties Inc. in July 2011 for \$6.8 billion, according to data compiled by Bloomberg.

"The transaction we announced this morning represents the largest acquisition of a quality, diversified health-care real estate portfolio in the past three years," Jay Flaherty, who oversees NorthStar's health-care property business, said on the conference call.

Rising Rates

Flaherty is the former CEO of HCP Inc., the second-biggest health-care REIT by market value. NorthStar formed a partnership with him in January to build a health-care business.

Health Care REIT Inc., with a market value of about \$20 billion, is the largest company in the industry. Shares of health-care REITs are the worst-performers in the Bloomberg REIT index in the past 12 months, hurt by concern that rising interest rates will increase borrowing costs.

The NorthStar transaction is expected to be completed in the fourth quarter, according to the statement.

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