2021 PRACTICE GROUP OF THE YEAR

LAW360

Real Estate

Kirkland & Ellis LLP represented Starwood Capital on the $6 billion take-private joint venture of hotel operator Extended Stay America, as well as KKR for the $2.2 billion sale of industrial warehouses to Oxford Properties, helping it earn a place among Law360's 2021 Real Estate Groups of the Year.

The group of about 93 attorneys in the United States and around the world mainly work out of offices in New York, Los Angeles, Chicago, Dallas and London, partner Jonathan Schechter said.

The real estate practice group's work is important to the firm as it helps serve Kirkland's private equity clients, partner Kevin Ehrhart said.

"We recognize real estate as a sort of critical industry for our private equity clients. It's a major component of their overall investment approach," Ehrhart said. For instance, the firm's work includes helping raise investment funds, mergers and acquisitions, and tax issues for the real estate industry, he said.

On June 16, Extended Stay America said it closed on its $6 billion deal to be taken private by a joint venture of Blackstone Real Estate Partners and Kirkland-advised Starwood. The $20.50-per-share deal was a dollar more than the original terms in March and came after two proxy advisory firms recommended shareholders vote against the sale.

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One unique aspect of the transaction was that it was a joint venture and a take-private deal in one and that the joint venture component came together quickly and only shortly before signing, Schechter said.

"The speed of the deal was the challenging factor," he said.

"Starwood and Blackstone a lot of times do the take-privates by themselves without partnering with somebody, and so the joint venture added extra aspects to the transaction that also had to get done within a short time frame," Schechter said.

Kirkland is both fund counsel and transactional counsel to longtime client Starwood, something that's helpful for deals such as the Extended Stay take-private deal, partner Michael Brueck said.

"You know the client's sensitivities and are able to react quickly," he said. "You also have such a very close working relationship with the client, which is always beneficial for these transactions," Brueck said.

"We pride ourselves on being strategic and commercial in how we deliver transactional advice," he added.

In August, Kirkland-led private equity giant KKR announced its plans to sell a portfolio of industrial warehouses in the U.S. featuring about 14.5 million square feet of space to Canada's Oxford Properties for roughly $2.2 billion.

The portfolio being sold featured 149 distribution buildings located across 12 industrial U.S. markets such as Dallas, Atlanta, Chicago, San Diego and the Baltimore-

Washington corridor, according to a statement at the time.

KKR had been building up the portfolio since 2018 through its industrial operating platform, called Alpha Industrial Properties.

Kirkland worked with KKR's industrial platform to acquire and finance the assets and eventually package them up to be sold, Kirkland partner David Rosenberg said.

"It was gratifying to see those investments come full circle," he said.

Part of what made the deal challenging was paying off the various lenders on the properties all at once so the deal could close, Rosenberg said.

"In a deal where there were a lot of moving pieces already, working with lenders who have their own processes and procedures and move at their own pace was particularly challenging," he said.

In September 2020, Kirkland advised Cerberus Capital Management LP on its joint venture with Highgate to buy six portfolios of hospitality-focused real estate from what was then Colony Capital Inc. in a deal valued at $2.8 billion.

The portfolios sold included almost 23,000 rooms across 197 hotel properties, reduced Colony Capital's debt by $2.7 billion and was part of the real estate investment trust's goal to focus exclusively on digital infrastructure assets, according to a statement at the time.

The assets all had existing financing and involved the assumption of debt and required dealing with existing franchise agreements, Schechter said.

Part of what made the deal unique was that the transaction happened during the pandemic, when some corners were concerned about the hospitality sector and that it took place as Colony, now known as DigitalBridge, was exiting the hospitality industry,

"It was a great opportunity for them to take advantage of the situation at the time," Schechter said.

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