

Shareholders of Two W.P. Carey Non-Traded REITs Approve Merger

Shareholders of Carey Watermark Investors 1 Inc. (CWI 1) and Carey Watermark Investors 2 Inc. (CWI 2), two publicly registered non-traded REITs managed by affiliates of W.P. Carey Inc. (NYSE: WPC) and Watermark Capital Partners, have approved the proposed merger of the two companies to create a self-managed non-traded REIT named Watermark Lodging Trust (WLT).

The Carey Watermark REITs were formed to invest primarily in the lodging and lodging-related sectors, and the combined company will oversee a portfolio of 33 lodging assets previously valued at \$4.6 billion.

Last month, the REIT [suspended distributions](#) due to the reduced travel and lodging demand and related financial impact resulting from the global coronavirus (COVID-19) pandemic. The company indicated that the suspension would be temporary.

In connection with the merger, CWI 1 stockholders will receive a fixed exchange ratio of 0.9106 shares of CWI 2 Class A common stock for each share they hold. CWI 2 will be the surviving entity in the merger and will be renamed Watermark Lodging Trust.

Following the close of the merger, the combined company will complete an internalization transaction with W. P. Carey Inc. and Watermark Capital Partners, as a result of which the combined company will become self-managed.

“We believe the strategic combination of CWI 1 and CWI 2 creates meaningful benefits for all shareholders and is even more compelling amid today’s economic backdrop,” said Michael

Medzigian, CEO of both REITs. “As a combined company with a more simplified structure, we will have a larger balance sheet with greater financial flexibility and are better positioned to improve value as we work through this challenging period in the lodging industry. We will continue to work on behalf of our shareholders to execute on our strategy and create long-term growth.”

The REITs have filed articles of merger with the Maryland State Department of Assessments and Taxation, and the transaction is “expected to close as soon as practicable,” once closing conditions are met.

Carey Watermark Investors launched in September 2010 and closed in December 2014 after raising approximately \$1.2 billion in investor equity in its initial public offering and follow-on offering. The company’s \$2.3 billion portfolio is comprised of 26 properties, as of September 30, 2019.

Carey Watermark Investors 2 owned a \$1.6 billion portfolio of 12 properties, as of December 31, 2019. The REIT’s initial public offering was declared effective in February 2015 and closed in June 2017 after raising \$851.3 million in investor equity.

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Two W.P. Carey Hospitality REITs Suspend Distributions Due to Coronavirus

Carey Watermark Investors 1 Incorporated and Carey Watermark

Investors 2 Incorporated, two publicly registered non-traded REITs sponsored by affiliates of W.P. Carey Inc. (NYSE: WPC), have each temporarily suspended distributions due to the reduced travel and lodging demand and related financial impact resulting from the global coronavirus (COVID-19) pandemic.

“Consistent with that being experienced throughout the U.S. lodging industry, to date, the companies have experienced significant cancellations of individual rooms and group bookings and expect that they may continue to do so until the spread of the virus, or the fear of the spread, subsides,” the companies said in a joint statement. “In addition, government-imposed restrictions on travel and large gatherings have adversely affected the performance of the companies’ hotels in affected areas.”

In addition to the suspensions, the REIT are modifying operations and implementing cost reduction plans across their hotels, including:

- Implementing detailed cost-cutting contingency plans to eliminate variable costs at each hotel, including both major and minor cost elimination and efficiency measures;
- Temporarily suspending operations at select restaurants, spas and other outlets where there is insufficient demand to sustain operations on a commercial basis;
- Renegotiating property vendor contracts and payment terms by management companies; and
- Postponing certain capital expenditure projects.

“We remain committed to creating value for our shareholders over the long-term. Due to the rapid acceleration of the coronavirus and the uncertainty of its magnitude and duration, we believe it is prudent to preserve our cash during this unprecedented time,” said Michael Medzigian, CEO of both REITs. “We are working closely with our hotel management partners on contingency planning to reduce operating costs and

believe the impact of the coronavirus will be temporary.”

In October 2019, the REITs announced plans to merge to create Watermark Lodging Trust, a \$4.6 billion internally managed non-traded REIT. The transaction is expected to close in the first quarter of 2020, subject to the approval of stockholders.

Medzigian added, “We believe the strategic rationale for the merger of [the REITs] becomes even more compelling. As a combined company with a more simplified structure and larger balance sheet with greater financial flexibility, we believe our ability to grow profitability improves. We are experiencing a significant issue that may last a while, but we remain steadfast in our belief that the high-quality assets that comprise our portfolios will be resilient through this period in our history.”

The Carey Watermark Investors REITs were formed to invest primarily in the lodging and lodging-related sectors.

Carey Watermark Investors launched in September 2010 and closed in December 2014 after raising approximately \$1.2 billion in investor equity in its initial public offering and follow-on offering. The company’s \$2.3 billion portfolio is comprised of 26 properties, as of September 30, 2019.

Carey Watermark Investors 2 owned a \$1.6 billion portfolio of 12 properties, as of December 31, 2019. The REIT’s initial public offering was declared effective in February 2015 and closed in June 2017 after raising \$851.3 million in investor equity.

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Two W.P. Carey Non-Traded REITs to Merge in \$4.6 Billion Transaction

Carey Watermark Investors 1 Inc. (CWI 1) and Carey Watermark Investors 2 Inc. (CWI 2), two publicly registered non-traded REITs sponsored by affiliates of W.P. Carey Inc. (NYSE: WPC), plan to merge in an all-stock transaction to create a \$4.6 billion internally-managed non-traded REIT with a portfolio of 33 lodging assets.

CWI 2 will be the surviving entity of the merger and renamed Watermark Lodging Trust.

The transaction has been approved by the boards of both companies and is expected to close during the first quarter of 2020, with stockholder approval.

“The strategic combination of the two highly complementary portfolios is a unique opportunity to create a premier, internally managed lodging REIT and is the next step on the path to liquidity,” said Michael Medzigian, CEO of CWI 1 and CWI 2. “It allows us to create a more focused portfolio and improve profitability to position the company for the public markets and create long-term growth on behalf of our shareholders.”

If approved, CWI 1 stockholders will receive a fixed exchange ratio of 0.9106 shares of CWI 2 Class A common stock for each share of CWI 1 common stock.

The exchange ratio is based on the December 31, 2018 net asset values per share of both companies. CWI 2 had an NAV per share of \$11.41, as of December 31, 2018, while CWI shares were valued at \$10.39 each. Both REITs originally priced their shares at \$10.00 each.

CWI 1 and CWI 2 are managed by affiliates of W. P. Carey Inc. and Watermark Capital Partners LLC, and following the close of the merger, the combined company will complete an internalization transaction and become self-managed.

CWI plans to conduct a 30-day go-shop period to solicit alternative proposals. Also, effective immediately, the REITs have suspended their respective distribution reinvestment plans and quarterly share redemption programs.

In June 2017, the W.P. Carey board approved a plan to exit all non-traded retail fundraising activities to focus exclusively on net lease investing for the company's balance sheet. W.P. Carey's managed programs include non-traded REITs, non-traded business development companies, and private funds.

Last year, [W.P. Carey merged](#) with one of its other non-traded REITs, Corporate Property Associates 17 – Global Incorporated, in a transaction valued at approximately \$5.9 billion.

The Carey Watermark Investors REITs were formed to invest primarily in the lodging and lodging-related sectors, and in recent years, have been among the largest and most active investors in the lodging industry.

Carey Watermark Investors launched in September 2010 and closed in December 2014 after raising approximately \$1.1 billion in investor equity. The company's \$2.3 billion portfolio is comprised of 27 properties, as of June 30, 2019.

Carey Watermark Investors 2 owned a \$1.6 billion portfolio of 12 properties, as of June 30, 2019. The REIT's initial public offering was declared effective in February 2015 and closed in June 2017 after raising \$851.3 million in investor equity.

W.P. Carey is one of the largest diversified net lease REITs with an enterprise value of more than \$20 billion and includes 1,198 net lease properties covering approximately 137 million square feet. It has invested in single-tenant industrial,

warehouse, office and retail properties mostly located in the U.S. and Northern and Western Europe.

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W.P. Carey REIT Increases Net Asset Value

The board of Carey Watermark Investors 2 Inc., a publicly registered non-traded real estate investment trust sponsored by W.P. Carey (NYSE: WPC), has approved a new net asset value per share of \$11.41 for the company's Class A and Class T shares of common stock, as of December 31, 2018.

Last year, the two share classes had an \$11.11 NAV per share, as of December 31, 2017.

The NAV was calculated by the REIT's advisor, Carey Lodging Advisors, based on appraisals of its real estate portfolio provided by CBRE Hotels and estimates of its mortgage debt provided by Robert A. Stanger & Co.

The per share NAV was based on the estimated market value of the company's assets, less the estimated market value of its liabilities, divided by the total shares outstanding, and was performed in accordance with the Institute of Portfolio Alternative's valuation guidelines.

Starting this month, the NAV of \$11.41 per share will be used for issuing shares under the company's distribution reinvestment plan and for share redemptions.

Carey Watermark Investors 2 invests in lodging and lodging-related properties in the United States and owns a portfolio

of 12 properties with a total investment cost of nearly \$1.6 billion, as of the fourth quarter of 2018. The REIT's initial public offering was declared effective in February 2015 and closed in June 2017 after raising \$851.3 million in investor equity.

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Everest REIT Investors Completes Carey Watermark Investors Tender Offer

Everest REIT Investors I LLC, a private real estate investment firm, has completed its unsolicited tender offer for shares of Carey Watermark Investors Inc., a publicly registered non-traded real estate investment trust managed by W.P. Carey Inc. (NYSE: WPC).

Everest purchased 48,831 shares of Carey Watermark for \$7.50 each in its tender offer that expired on March 29, 2019. The firm offered to purchase up to 7.02 million shares of common stock, or roughly 5 percent of the outstanding shares.

Carey Watermark shares originally sold for \$10.00 each and have an estimated net asset value of \$10.41 as of December 31, 2017.

Carey Watermark Investors launched in September 2010 and closed in December 2014 after raising approximately \$1.1 billion in investor equity, according to Summit Investment Research. The company's portfolio was comprised of 27 properties with a total investment cost of nearly \$2.3

billion, as of the third quarter of 2018.

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Everest Launches Tender Offer for Shares of W.P. Carey REIT

Everest REIT Investors I LLC, a private real estate investment firm, has launched a tender offer to purchase shares of Carey Watermark Investors Inc., a publicly registered non-traded real estate investment trust managed by W.P. Carey Inc. (NYSE: WPC). The offer expires on March 29, 2019.

Everest is offering to purchase up to 7.02 million shares of common stock, or roughly 5 percent of the outstanding shares, for \$7.50 per share. Carey Watermark shares originally sold for \$10.00 each and have an estimated net asset value of \$10.41 as of December 31, 2017.

Everest and its subsidiaries do not currently own any shares of the REIT and would pay nearly \$52.7 million if all shares sought in the current offer are tendered.

Carey Watermark Investors launched in September 2010 and closed in December 2014 after raising approximately \$1.1 billion in investor equity, according to Summit Investment Research. The company's portfolio was comprised of 27 properties with a total investment cost of nearly \$2.3 billion, as of the third quarter of 2018.

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Carey Watermark Investors I and II Announce Board Resignations

The boards of Carey Watermark Investors Inc. I and II, publicly registered non-traded real estate investment trusts sponsored by W.P. Carey (NYSE: WPC), have announced that several members of the REITs' boards have resigned.

Robert E. Parsons, Jr., who also served as chairman of the audit committee, and William H. Reynolds, Jr. resigned from the board of directors of Carey Watermark Investors. Both Parsons and Reynolds will remain independent directors of Carey Watermark Investors 2 Incorporated.

In addition, Carey Watermark Investors 2 Inc. announced the resignation of two of its board members, Charles S. Henry and Michael D. Johnson. Henry and Johnson will remain independent directors of Carey Watermark Investors Incorporated.

The REIT did not announce that there were any disagreements that caused the resignations.

Carey Watermark Investors launched in September 2010 and closed in December 2014 after raising \$1.1 billion in investor equity, according to Summit Investment Research. The company's portfolio was comprised of 31 properties with a total investment cost of nearly \$2.4 billion, as of the fourth quarter of 2017.

Carey Watermark Investors 2's initial public offering was declared effective in February 2015 and closed in June 2017 after raising \$861 million in investor equity, according to

Summit Investment Research. The company owns a portfolio of 12 properties with a total investment cost of nearly \$1.6 billion, as of the fourth quarter of 2017.

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Carey Watermark Investors Decreases Net Asset Value

The board of Carey Watermark Investors Inc., a publicly registered non-traded real estate investment trust sponsored by W.P. Carey (NYSE: WPC), has approved a net asset value per share of \$10.41 for the company's shares of common stock, as of December 31, 2017. The new valuation is a decrease of 3.6 percent compared to [last year's NAV per share](#) of \$10.80.

The NAV was calculated by the REIT's advisor, Carey Lodging Advisors, based on appraisals of its real estate portfolio provided by CBRE Hotels and estimates of its mortgage debt provided by Robert A. Stanger & Company.

The per share NAV was based on the estimated market value of the company's assets, less the estimated market value of its liabilities, divided by the total shares outstanding, and was performed in accordance with the IPA valuation guidelines.

Starting this month, the \$10.41 NAV will be used for issuing shares under the company's distribution reinvestment plan and for share redemptions.

Carey Watermark Investors launched in September 2010 and closed in December 2014 after raising \$1.1 billion in investor equity, according to Summit Investment Research. The company's portfolio was comprised of 31 properties with a total

investment cost of nearly \$2.4 billion, as of the fourth quarter of 2017.

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Carey Watermark Investors 2's NAV Per Share Increases 3.4 Percent

The board of Carey Watermark Investors 2 Inc., a publicly registered non-traded real estate investment trust sponsored by W.P. Carey (NYSE: WPC), has approved a new net asset value per share of \$11.11 for the company's Class A and Class T shares of common stock, as of December 31, 2017. The new valuation is an increase of 3.4 percent compared to last year's NAV per share of \$10.74 for the two share classes.

The NAV was calculated by the REIT's advisor, Carey Lodging Advisors, based on appraisals of its real estate portfolio provided by CBRE Hotels and estimates of its mortgage debt provided by Robert A. Stanger & Co.

The per share NAV was based on the estimated market value of the company's assets, less the estimated market value of its liabilities, divided by the total shares outstanding, and was performed in accordance with the IPA valuation guidelines.

Starting this month, the \$11.11 NAV will be used for issuing shares under the company's distribution reinvestment plan and for share redemptions.

Carey Watermark Investors 2's initial public offering was declared effective in February 2015 and closed in June 2017

after raising \$861 million in investor equity, according to Summit Investment Research. The company owns a portfolio of 12 properties with a total investment cost of nearly \$1.6 billion, as of the fourth quarter of 2017.

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