

HUNTON

Real Estate Capital Markets Report

Fall 2025

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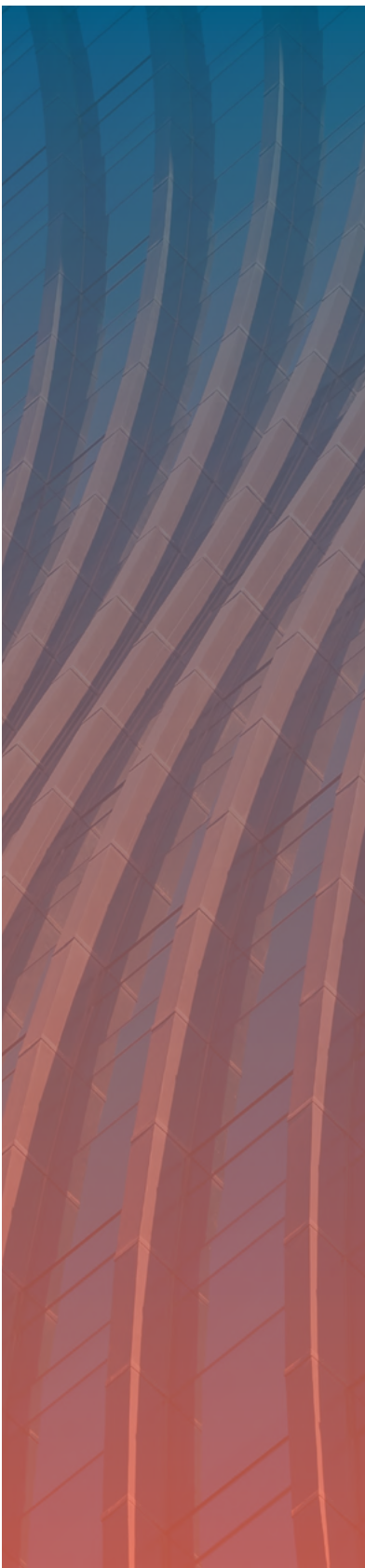
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We are excited to share with you some highlights of our Real Estate Capital Markets team from the third quarter of 2025. During the quarter, we continued to observe an uptick in activity that carried over from Q2. While it remains to be seen how the US government shutdown may impact the economy and capital markets, thus far conditions continue to be constructive. In addition to advising on regular-way capital raises, we continue to represent REITs seeking to raise capital through strategic joint ventures and other fund structures, M&A transactions, and strategic investments. As discussed below, we were busy on a number of fronts.

Our practice continued to demonstrate breadth. For example, we recently advised AG Mortgage Investment Trust, Inc. (MITT) in negotiating and executing a definitive agreement to acquire additional interests in AG ARC LLC (AG ARC) from certain funds managed by Angelo, Gordon & Co., L.P. As a result of the transaction, MITT now indirectly owns approximately 66 percent of AG ARC. AG ARC indirectly owns Arc Home LLC, a leading non-QM and non-Agency mortgage originator. We also represented Chimera Investment Corporation in the closing of its previously announced acquisition of HomeXpress Mortgage Corp. from certain affiliates of Seer Capital Management and certain management sellers. HomeXpress Mortgage is a leading originator of consumer non-QM, investor business purpose, and other non-Agency mortgage loan products with a nationwide presence across 46 states and Washington, DC.

In addition to this M&A activity, REIT capital markets were relatively active during the quarter, bucking the traditional quiet of summer months. For example, we represented MFA Financial, Inc. (NYSE: MFA) in connection with its simultaneous establishment of a \$100 million preferred stock at-the-market (ATM) offering program and a \$300 million common stock ATM offering program. Please read more about the MFA deal in our Deal Spotlight beginning on [page 3](#).

Other transactions included our representation of Pebblebrook Hotel Trust in a private offering of \$400 million aggregate principal amount of its 1.625% Convertible Senior Notes due 2030 to qualified institutional buyers in compliance with Rule 144A, Sunrise Realty Trust, Inc. in connection with the establishment of a \$50 million common stock ATM offering program, and Chimera Investment Corporation in a follow-on offering of \$120 million aggregate principal amount of 8.875% Senior Notes due 2030.

Much of the activity discussed above requires careful REIT tax planning and counsel. As our readers know, we are proud of our top-ranked REIT tax practice. We encourage you to read more about that practice and one of its leaders, **Anna Page**, in our Team Member Spotlight beginning on [page 4](#). Anna works seamlessly with us on business tax matters related to IPOs, ATM offerings, mergers and acquisitions, and other transactions.

In terms of thought leadership, please refer to [page 5](#) and [page 7](#) for two articles which provide insights on how REITs can successfully navigate the acquisition of a mortgage loan originator. Hunton is proud to be one of the top, fully integrated and multidisciplinary legal platforms in the United States for advising companies in the mortgage and financial services industry on these types of transactional matters.

Finally, we look forward to seeing many of our clients, colleagues, and friends for REITworld 2025 coming up in early December. Once again, Hunton is a proud sponsor of REITworld. We appreciate the opportunity to partner with you and look forward to working with you for the remainder of 2025.



Deal Spotlight: Hunton Advises MFA Financial, Inc. on Preferred Stock Offering and Common Stock Offering

Hunton recently represented MFA Financial, Inc. (NYSE: MFA) in connection with the simultaneous establishment of a \$100 million preferred stock at-the-market (ATM) offering program and a \$300 million common stock ATM offering program.

Pursuant to MFA's preferred stock ATM program, they may offer and sell up to \$100 million of shares of the company's 7.50% Series B Cumulative Redeemable Preferred Stock and/or its 6.50% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock from time to time through the sales agents.

MFA is a specialty finance company organized as a REIT that invests in and finances residential mortgage assets. MFA invests, on a leveraged basis, in residential whole loans, residential mortgage securities, and other real estate assets. Hunton represents mortgage REITs and similar finance companies on a broad range of capital markets transactions and is proud to have represented MFA in numerous capital markets transactions over the years.

The Hunton capital markets team that advised on the transaction was led by partners **Rob Smith, Kate Saltz,** and **Kendal Sibley** and associates **Tianlu Zhang, Elizabeth White, Claire Andress, Josh Milgrom,** and **Patrick Tricker.**

Team Member Spotlight: Anna Page

Anna is counsel in Hunton's business tax practice, supporting the firm's capital markets, renewable energy, and structured finance and securitization practice groups in a wide variety of transactions and matters.

Her experience includes representation of REITs in a broad range of transactions including IPOs, ATM offerings, mergers and acquisitions, and other capital markets transactions; representation of taxpayers in various tax incentive matters, with an emphasis on investment tax credit and production tax credit transfers; representation of government sponsored entities in a variety of US federal income tax issues; representation of issuers and initial purchasers in securitizations (including dedicated rate securitizations, credit risk transfer transactions, and deals involving servicer advances and other servicing-related collateral); and representation of REITs, REMICs, publicly traded partnerships, and other pass-through entities.

Anna also has a robust pro bono practice and particularly enjoys advocating for military veterans and families.

In addition to her work at the firm, Anna serves as an adjunct professor at Washington & Lee University School of Law, teaching an immersive transactional course to rising 3Ls. Prior to joining the firm, Anna served as a judicial intern to the Honorable Reggie B. Walton of the US District Court in Washington, DC. Anna received her BA from the University of Virginia and her JD from Washington & Lee University School of Law, *cum laude*, where she served on the *Washington & Lee Law Review*.



Anna takes a client-centered approach; her creativity, calm demeanor, and instinct to build relationships add value to each representation.



Our Thought Leadership (In Case You Missed It)

Considerations for REITs in Acquiring Mortgage Loan Originators

by [Tianlu Zhang](#)

(Originally published September 10, 2025 as part of our [Mortgage M&A Minute](#).)

We have recently represented some publicly traded mortgage REITs in acquiring mortgage loan originators and servicers, and we are aware of other similar deals being considered or that have been completed. Many REITs are seeking to diversify income streams by adding origination fees and mortgage servicing income, and to gain access to a steady flow of mortgage loan volume through the target's origination platform. Additionally, REITs may also be seeking to increase their presence in certain markets by leveraging the target's geographic footprint and network of professional brokers and borrowers. Below is a short summary of key factors REITs might consider in assessing these potential acquisition transactions.

QM Versus Non-QM Loans

Different types of mortgage loans have different rates of return and risks, as well as growth prospects. A mortgage REIT needs to carefully assess whether a certain type of loan suits the REIT's desired portfolio mix, risk appetite, and potential market perception. One threshold determination to be made in selecting potential targets is to decide between traditional qualified mortgage (QM) loan originators and non-qualified (non-QM) loan originators. While QM loans represent the bulk of the mortgage market, non-QM loans have become

increasingly popular in recent years. Non-QM loans are mortgage loans that do not conform to the underwriting guidelines for QM loans set by the Consumer Financial Protection Bureau.

Lenders of QM loans must make a good-faith effort to determine that borrowers have the ability to repay the mortgage before approving the mortgage application. QM loans must also satisfy certain additional criteria, including that the borrower's debt-to-income ratio must be 43 percent or less. QM loans are usually guaranteed or insured by federal government agencies such as the Federal Housing Administration, or government-sponsored enterprises (GSEs) such as Fannie Mae and Freddie Mac. In contrast, non-QM loans, as an alternative financing option for borrowers struggling to meet the traditional criteria, have more flexible income and credit standards and are not guaranteed by the federal government or GSEs (and therefore are subject to fewer regulatory restrictions on loan fees and features).

As a result of the foregoing, non-QM loans typically have higher origination fees and interest rates than QM loans. In addition, due to the potential removal of GSEs from federal conservatorship and the uncertainty it casts on the QM market, non-QM loans may experience even more growth.



Hunton is the most active law firm advising on mortgage REIT M&A in the past three years.

S&P Capital IQ, 2025

While non-QM loans may be riskier than QM loans due to the lack of strict underwriting criteria and governmental oversight, non-QM loan originators may be attractive to REITs that focus on income increase and future growth prospect and have reasonable risk tolerance. This is particularly true for non-QM originators who have a strong track record and a clean compliance history.

Licensing Requirements

Mortgage origination is subject to significant regulation on a state and federal level as readers of this newsletter know. These regulations impose licensing requirements on originators, servicers, and certain other industry participants. Licensing requirements vary from jurisdiction to jurisdiction and can involve restrictions on loan origination and servicing practices. Obtaining and maintaining the requisite licenses can be time-consuming and costly, especially for originators with an active presence in multiple jurisdictions. REITs considering acquiring an originator should familiarize themselves with the applicable licensing and regulatory requirements along with engaging appropriate counsel to advise. The compliance burden is usually not handled by outside counsel alone so REITs will need to be sure to have appropriate internal teams who can address routine compliance filings and issues. Understanding the licensing and compliance requirements associated with acquiring an originator is a key piece of any transaction. In addition to the post-closing licensing and compliance obligations, notifications and approvals that must be obtained from regulators can add significant time between signing and closing of an acquisition. In our next issue, we will take a deeper dive into compliance and regulatory considerations in acquisitions.

Secondary Market Liquidity Considerations

Mortgage loans are routinely resold by lenders and investors to generate liquidity. REITs looking to acquire mortgage loan originators should assess the secondary market of the loan portfolio to be acquired, taking into consideration the operating history of the target, and any particular market conditions of a geographic region. For example, there may be a limited market for certain loans that are perceived as riskier, such as non-QM loans (which do not meet the GSE purchase eligibility); accordingly, these loans may not be resold as whole loans on favorable terms and need to be securitized. Many mortgage REITs sponsor mortgage loan securitizations in their ordinary course of business as an alternative to whole loan sales, but those that do not should assess the target's securitization capacity—if any—or the process and cost of building such capacity. Additionally, mortgage loan originators may retain the servicing rights (MSRs) on the mortgage loans after the loans are sold in the secondary market, or they may sell such rights to third-party servicers instead. The former may make the originator a more attractive target for REITs seeking to retain mortgage servicing capacity and build direct relationships with borrowers, while the latter may be more suitable for those focused on immediate liquidity while outsourcing administrative tasks to third parties.

Hunton has experience in all areas addressed above—REIT securities, mortgage M&A, licensing and regulatory issues, structured finance and securitization matters, and MSR transactions, including setting up fund structures focused on investing in MSRs. Hunton attorneys are ready to assist if any REIT client is considering acquiring a mortgage loan originator or servicer or engaging in any transactions involving mortgage loans or MSRs.

M&A Opportunities for REITs Using a Taxable REIT Subsidiary

by [Patrick Tricker](#)

(Originally published September 10, 2025 as part of our [Mortgage M&A Minute](#).)

Real estate investment trusts (REITs) are subject to numerous tax rules on the nature and extent of their non-real estate activities. REITs have more latitude when operating through a taxable REIT subsidiary (TRS), which is treated as a corporation for tax purposes and subject to normal corporate tax rates. TRSs can conduct many activities directly that would otherwise endanger the parent's REIT status, such as M&A activity with a non-REIT business.

Congress intended REITs to be passive investors in real property and loans secured by real property. As a result, REITs are subject to a 100 percent prohibited transaction tax (PTT) on any "dealer" income that they receive. Dealer income generally refers to gain from property held primarily for sale to customers in the normal course of the REIT's trade or business.

Mortgage REITs center their business model on investing in mortgages and mortgage-backed securities. In addition to such passive investment, many mortgage REITs originate loans to hold

themselves, to sell, or to be securitized. Loan sales (including REMIC securitizations) generally are conducted through a TRS to avoid any PTT concerns.

In this way, TRSs give REITs an opportunity for vertical integration of their mortgage business. REITs can acquire active businesses such as loan originators, loan servicers, and fund managers through a TRS. In general, M&A activity where the TRS is the acquiror will be taxable to the target, even where a portion of the consideration is paid in REIT shares.

The recently passed One Big Beautiful Bill Act expands the ability for REITs to engage in this kind of activity. Starting in tax years that begin in 2026, the limit on the value of TRS securities that a REIT can hold will increase from 20 percent to 25 percent.

TRSs present many opportunities for REITs to acquire attractive business that add value and synergy to a REIT's existing investments. As always, make sure to talk to your tax advisor to structure any acquisition in compliance with the REIT rules and to maximize tax efficiency.

Nationally Ranked REIT Practice

Recognized in 2025 by *Chambers USA* and *Legal 500*

George Howell
Partner

Kate Saltz
Partner

Kendal Sibley
Partner

Robert Smith
Partner

Market Data

Top Five REIT Sectors in Terms of Capital Markets Deal Volume (Q3 2025)



**Retail
REITs
12**



**Office
REITs
11**



**Mortgage
REITs
10**

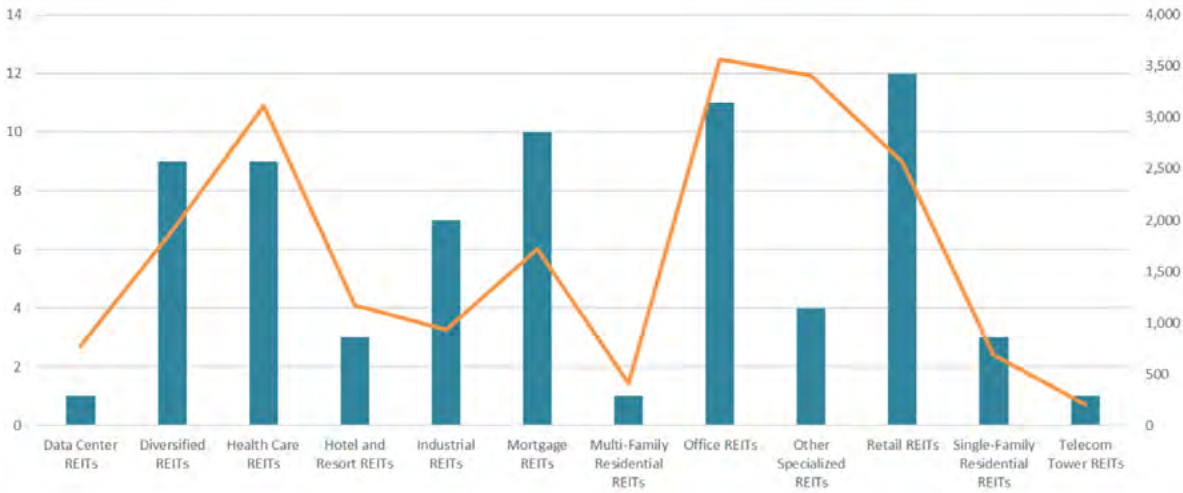


**Diversified
REITs
9**



**Health Care
REITs
9**

REIT Capital Market Transactions Q3 2025 Deal Counts and Deal Value by Sector



Source: S&P Capital IQ Pro

Contact Us

About Us

Hunton consistently ranks as one of the most experienced law firms with respect to real estate capital markets transactions, representing issuers, underwriters, sponsors, and lenders in connection with structuring and financing publicly and privately owned real estate companies, including in particular real estate investment trusts (REITs). The firm regularly receives top-tier national rankings for its work as both issuer's and underwriters' counsel in *Chambers USA*, *Legal 500*, *Bloomberg*, and *Refinitiv*.

Hunton has extensive experience in taking real estate companies public, both as REITs and as C corporations, and in subsequent financing transactions. We have handled approximately 155 IPOs and Rule 144A equity offerings and more than 1,100 capital markets transactions involving more than 215 REITs and other real estate companies. In the course of those and other engagements, we have worked closely with the leading investment banking firms, accounting firms, and other professionals active in the real estate finance industry. As a result, our Real Estate Capital Markets practice group is particularly well-qualified to assist companies accessing the public capital markets as well as private capital sources.

