

SMALL BUT MIGHTY



JONATHAN LITT

DESPITE ITS SMALL SIZE COMPARED TO OTHER DEDICATED ACTIVISTS, LAND & BUILDINGS HAS MADE A NAME FOR ITSELF IN THE REAL ESTATE SECTOR AS A “FORCE TO BE RECKONED WITH,” WRITES ELANA DURÉ.

LAND & BUILDINGS	
FOUNDED	2008
HQ LOCATION	STAMFORD, CT, U.S.
KEY PEOPLE	JONATHAN LITT CRAIG MELCHER
FOCUS	PARTIAL
AUM	\$557.2M (MARCH 2019)

COMMON BOARD REPRESENTATIVES*:



*SINCE 2013. SOURCE: ACTIVIST INSIGHT GOVERNANCE

While the stereotypical hedge fund closed shop and retreated to the beach this summer, Jonathan Litt’s real estate-focused fund **Land & Buildings** revisited old targets like Brookdale Senior Living, Liberty Property Trust, and Hudson’s Bay Co. to advance M&A- and board-related demands.

“LITT IS CLEARLY MARCHING TO THE BEAT OF HIS OWN DRUMMER.”

Brookdale has an annual meeting in November and Hudson’s Bay is currently evaluating a management buyout – making Land & Buildings’ demands opportune. However, the timing of Litt’s campaign at Liberty Property and his recent threat to challenge the entire board of Taubman Centers is unusual.

“Litt is clearly marching to the beat of his own drummer,” a defense adviser who was involved in about a dozen engagements with Land & Buildings told *Activist Insight Monthly*. “He’s done something different in terms of ramping up the pressure during the off-season when there’s no vote.”

REAL ESTATE GURU

Litt has always been a unique character in the activism landscape, with his background in equity research, rather than asset management. Litt covered the real estate sector as a sell-side analyst for 14 years, including at Citigroup, where he had a distinguished career (analysts at Citi still value his opinion and will sometimes cite his shareholder letters, much to companies’ dismay).

“Jonathan Litt has been a highly-regarded research analyst in the real estate world and his insights and experiences as an analyst have shaped his investments and his activism,” Bruce Goldfarb, CEO of proxy solicitor Okapi Partners, told *Activist Insight Monthly*.



TWO YEARS ON, OTHERS HAVE JOINED THE CRUSADE AT HBC.

“JONATHAN LITT HAS BEEN A HIGHLY-REGARDED RESEARCH ANALYST IN THE REAL ESTATE WORLD AND HIS INSIGHTS AND EXPERIENCES AS AN ANALYST HAVE SHAPED HIS INVESTMENTS AND HIS ACTIVISM.”

In 2008, Litt founded Land & Buildings with colleague Craig Melcher in an effort to take advantage of the financial crash – a move that surprised many in money management. He later utilized shareholder activism as an investment strategy, telling *Activist Insight Monthly* in 2015 that he sees it as “an extension of analysis, except you have more tools in the toolbox.” Land & Buildings did not respond to *Activist Insight Monthly*’s request for comment for this article.

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Since 2013, Land & Buildings has advanced demands at 20 companies, gaining an average total follower return of 11.8%. There have been proxy contests, such as the one at Taubman, where Litt won a board seat despite the founding family controlling 30% of the vote, and more collaborative engagements, such as at BRE Property Trust, which sold itself in 2013 after agreeing with Litt’s analysis. However, most of the firms Litt pushed to sell – including Mack-Cali Realty, QTS Realty Trust, and Liberty Property – have yet

to heed the activist’s demands. Land & Buildings has no compunction revisiting old targets, making it busier than most.

‘MEDIA MACHINE’

Headquartered in Connecticut, Land & Buildings employs a concentrated investment strategy focused on discounted real estate in the public markets. The firm often takes a proactive approach that involves focusing on operational efficiency, seeking strategic alternatives, and gaining board representation. The activist gained 10 of the 43 seats requested since 2013, according to *Activist Insight Online*, with Litt sitting on the boards of Mack-Cali and Taubman.

“Existing pure-play activists such as Land & Buildings Investment Management... have demonstrated that domain expertise provides a competitive advantage, allowing them to survive while peers such as Pershing Square and Greenlight Capital have struggled. Other activists are taking notice,” J.P Morgan wrote in its 2019 Proxy Season Review.

Litt is known in the activist community for his outspoken nature and media presence. Advisers that *Activist Insight Monthly* spoke to for this article said the words he uses and the tactics he adopts prove he is “persistent” and “aggressive.” One even referred to Litt as a “pit bull.”



A CONFUSING STRATEGIC SHIFT AND QTS FACED A WITHHOLD CAMPAIGN.

“THEY KNOW HE’S A KIND OF MEDIA MACHINE. THE HEADACHE HE REPRESENTS IS VERY UNIQUE TO HIM.”

“I don’t think most companies are happy to have him show up,” a source said. “He highlights issues. He becomes an investor that they need to address.”

At Taubman, Litt embarked on a multi-year campaign to push for asset sales and governance improvements, including the de-staggering of the board. Land & Buildings lost a proxy contest in 2017 but won a board seat the following year. Litt decided not to stand for re-election at the 2019 annual meeting because “it was clear that the company did not intend to re-nominate me,” he said in a shareholder letter. He has pointedly noted that the entire board is up for re-election next year.

Yet high insider ownership and a strained relationship with the board did not deter Litt from working tenaciously to improve shareholder value. The activist in June threatened his third contest at the real estate operator, proving that he doesn’t back down easily.

“He’s willing to do a lot of things to put pressure on a company,” added Eleazer Klein, co-chair of Schulte Roth & Zabel’s shareholder activism group. “He’s not shy of being aggressive and fighting.”

When asked if issuers are scared to have Land & Buildings on their shareholder registers, one adviser said they are more wary than afraid. “They know he’s a kind of media machine,” the expert noted. “The headache he represents is very unique to him.”

‘PIT BULL’

Yet others said Litt’s bark is bigger than his bite – mainly because his firm does not build large stakes in companies. “Part of his limitation is his assets under management, his influence in a vote,” an adviser that spoke on condition of anonymity told *Activist Insight Monthly*.

Land & Buildings has less capital than other frequent activists, reporting \$577.2 million in regulatory assets as of March 29. This compares to an average of \$2.9 billion that primary-focused activists managed as of August 22, according to *Activist Insight Online*.

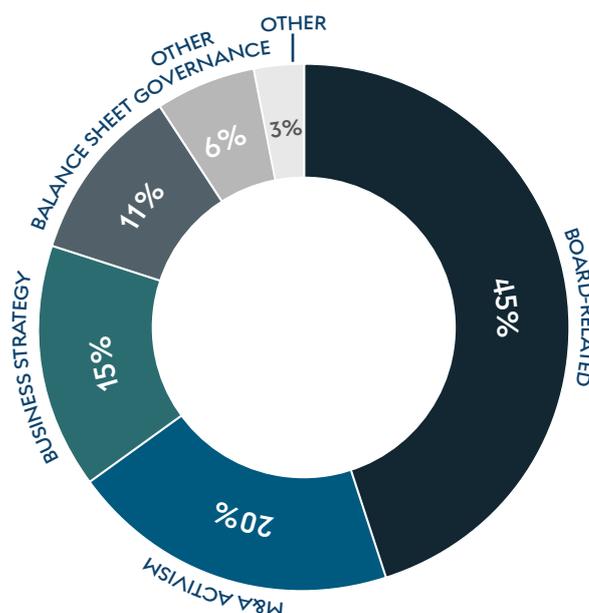
Because of this limitation (and the fact that Litt doesn’t target consumer stocks), Land & Buildings has not gained the “same brand of recognition” that its peers attained. Litt’s fund takes smaller positions in its portfolio companies, with

an average investment size of 1.8% at the time of making its initial demand at a company, according to *Activist Insight Online*.

“HE’S PROBABLY ONE OF THE MOST SUCCESSFUL ACTIVISTS IN TERMS OF THE SIZE OF HIS POSITIONS.”

Though that’s not to say Litt is underestimated. “He’s a force to be reckoned with,” the source continued. Like other dedicated activists, Land & Buildings gained an average of approximately one board seat per year since 2013, *Activist Insight Online* data show. Litt’s tenacity in part makes up for Land & Building’s size, enabling the activist to maintain influence even with a relatively small stake. “He’s probably one of the most successful activists in terms of the size of his positions,” Klein added. 🏢

LAND & BUILDINGS ACTIVIST DEMAND TYPES



DEMAND TYPE BREAKDOWN OF LAND & BUILDINGS’ PUBLIC ACTIVIST DEMANDS MADE AT COMPANIES SINCE 2012. SOURCE: ACTIVIST INSIGHT ONLINE