

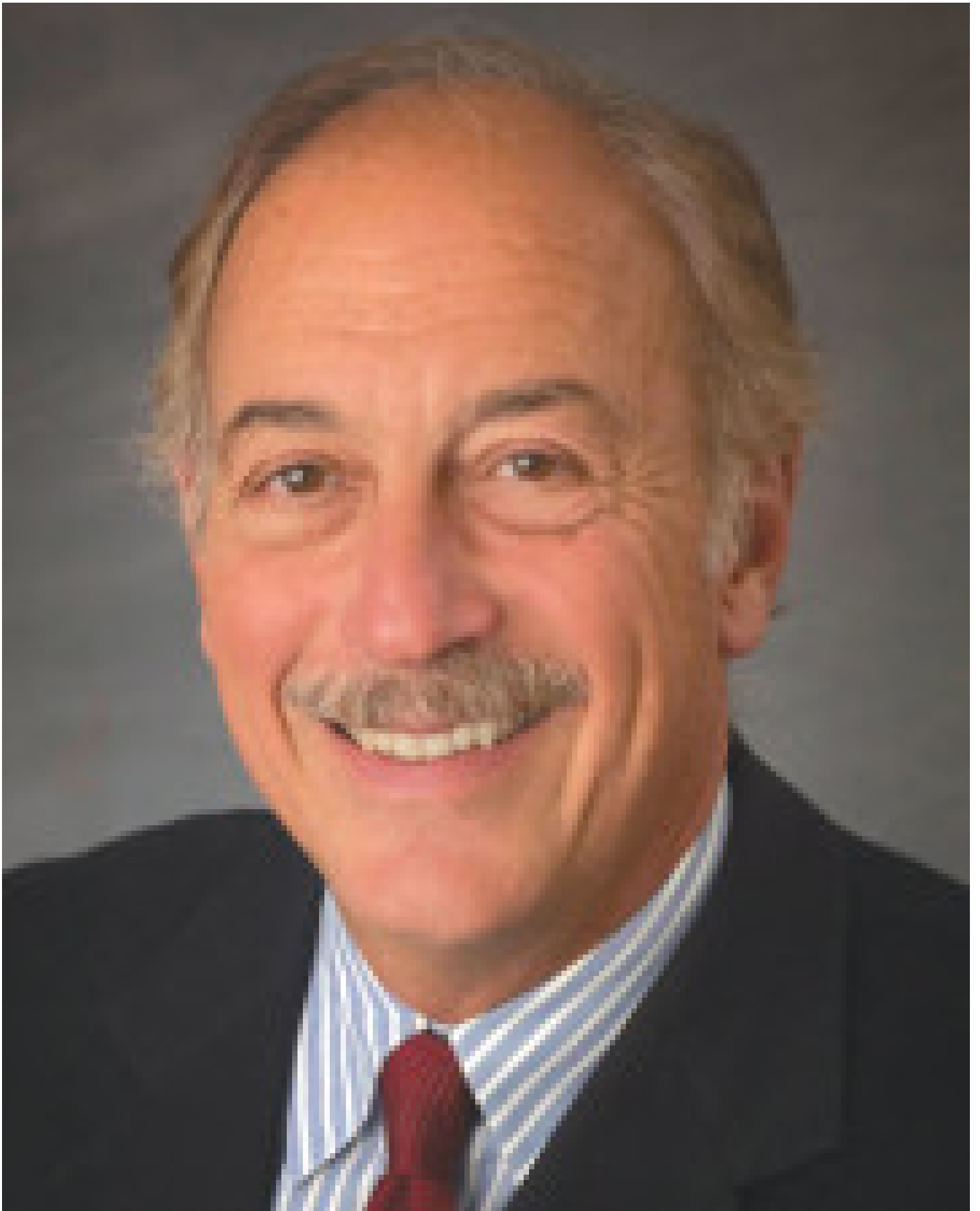


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Real estate futures? Look to the stock market - by Daniel Calano

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There are a lot of questions, and many opinions, regarding real estate in a post COVID life. Journalists opine; analysts study statistics; pollsters take samples; developers hire supply demand consultants, and so on. In my opinion, we can all learn something from the stock market. There, you have hundreds of millions of people showing you the way, every day, by the simple action of buying and selling stocks. No need for random polls here. Let me demonstrate.

Take the residential market. We all know that some people have left the cities and move to the suburbs. The question pondered is whether this is permanent, temporary, or hybrid for the future. If you look to the top suburban residential builders like D.R. Horton, Pulte, Lennar, their stocks are up dramatically. Pulte is at an all-time high, up over 100% since the beginning of the pandemic. On the other hand, multi-family REITs like Equity Residential have not returned to their 2019 highs. What does this tell you? This clearly is a hybrid situation, but for the moment suburban builders are ahead, with potential urban oversupply yet to be absorbed.

Office use is another big question. CEOs across the country are planning for everything from work at home, to return to the office, to hybrid. Boston Office developers are facing these questions, even as they are increasing supply, with flat or declining rents. Stocks of those which are public companies are tell-tails of the situation. In addition, there are other non- real estate stocks giving us signals. Tech stocks such as the poster child Zoom have had a field day during COVID, but now are off 20 to 25% from their highs, implying return to office life. Some tech companies existed only because COVID, while others are strong enough to grow post COVID. Zoom is one survivor that is down now, but showing signs of coming back again. Other companies like DocuSign also are providing clues to real estate use in a post COVID life.

Retail has been suffering prior to COVID. Mom and pop shops have disappeared as big-box grew. Now, big-box is under pressure due to Internet retail. Mall REITS have typically not done well previously, and very poorly during COVID. Many stores have shuttered. Others, particularly large department store anchors like Macy's, have lost value in the market. Also, look to stocks of restaurants, movie theaters, and entertainment for clues to the future. Some are thinking creatively and bode better for the future. As restrictions decline and people emerge from isolation, certain retail stocks are climbing back, providing hopeful signs for some malls.

Industrials stocks are the big winners. A variety of United States companies like Deere, US steel, Boeing, U-Haul and so on are having resurgence. Money is being spent to support US industry. Stock prices in all of these companies have had relative increases, commensurate with or better than pre-COVID stock growth. Warehousing and manufacturing is in high demand. Supply is limited and demand is high, making for a perfect wave in this end of real estate.

So, trying to predict the post Coved future, by all means read real estate stories, hire the analysts, study the statistics. But, while you are at it, check out the ups and downs of the stock market. Those fluctuations are not opinion or guesses. They represent hundreds of millions of people betting every

day, putting their money where their mouth is. They are doing us a big favor in showing us the way. And, as they say in the investment world, the stock market is reflecting a future at least six months out. If you watch the market, you'll be ahead of the game.

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