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Surveying the real estate investment trust landscape - by Louis Monti

March 25, 2022 - Front Section

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Two years into the pandemic, restrictions have been relaxed and we are settling into a new normal. However, rising inflation and the situation in Ukraine are bringing an additional round of uncertainty to the markets. In spite (or partially because) of these challenges, REITs (real estate investment trusts) remain a savvy investment choice. REITs are designed to allow for investment in a diversified pool of real estate managed by real estate professionals.

The past nine months have seen one of the busier cycles when it comes to general real estate and REIT transactions. Whether caused by pent up demand following a lull during the early stages of the pandemic or the stability of real estate investments, many real estate investors are looking to increase their allocations to an asset class which provides for stable dividends and lower-volatility growth, and this should continue into the foreseeable future. Most REITs focus their investment attention in a particular real estate asset class and not all asset classes are created equal. Therefore, it is helpful to review some of the more popular REIT asset classes and see how they fared during the pandemic and what the future looks like for them.

Industrial and Logistics

While e-commerce had been booming for years, the pandemic accelerated the growth of this asset class. Even the technologically-challenged learned to order everything from office supplies to groceries to toilet paper on-line over the past two years. Industrial and logistics real estate are key components to e-commerce and this segment of the economy doesn't appear to be slowing down anytime soon.

Retail

While the rise in e-commerce has naturally coincided with a dip in retail, the demise of retail may have been exaggerated. If the early days of the pandemic taught us anything, it was not to take in-person interactions for granted. Seeing a product in person before purchasing it or going on a date night dinner has real value. This, combined with the way forward-thinking developers have been reimagining retail, may set this asset class up for a comeback.

Office

The way the business world pivoted in March, 2020, seemingly overnight, to a remote work environment created concerns with this asset class. However, the flood of rent defaults and bankruptcies that were projected have not come to fruition. While the hybrid model of work appears here to stay for many industries, the need for in person training and collaboration, as well as the desire for personal space following two years of social distancing, should offset the urge for companies to reduce their footprint significantly and keep office as a solid investment choice.

Senior Living

The senior living industry was hit hard during the early stages of the pandemic given its position as the epicenter of many COVID infections and deaths. However, as the owners and operators of these communities became more adept at dealing with COVID infections, the industry rebounded nicely and is better positioned today to provide for the aging Baby Boomer population. However, it remains to be seen what impact, if any, President Biden’s recent promise for further regulations in the nursing home space will have on the continuing rebound of the industry.

Hospitality

Travel was almost non-existent during the early stages of the pandemic. Therefore, the hospitality industry took one of the biggest hits as a result of the pandemic. However, leisure travel has bounced back quite a bit during the past year, and business travel should follow suit. While the ability to host virtual meetings and conferences remain, the desire for in-person connection is real. The current increased activity in this area validate optimism for the hospitality industry.

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