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News & Information

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Tracking the Great Return: Real Estate and the Investment Case in Late 2021

News broke in mid August that Apple was pushing back its ‘return to the office’ expectations to January 2022. CEO Tim Cook had previously flagged September as a likely date for the majority of its office-based staff to resume in-person, on-site work – based largely on the availability of the vaccinations.

Now Bloomberg – citing unnamed sources – says the technology giant is feeling less confident in this push to return as many in the US remain unvaccinated and new variants continue to plague health services.

This is a blow to the “return to the office” rhetoric which has dominated the news in recent months and may have knock-on effects for the commercial real estate (CRE) industry – in terms of development planning, new builds and investor sentiment.

Mask Up Orders

This decision is informed by government mandates, according to the sources. Drawing from the New York Times stats, Bisnow writes: “The average number of new daily coronavirus cases in California, where Apple is headquartered, has tripled in the past two weeks”. In addition, they report, Cupertino – Apple’s ‘home city’ – and the Santa Clara County in which it sits has issued a statement calling for the return to mandatory mask-wearing.

The county’s collective statement reads: “[we] recommend that everyone, regardless of vaccination status, wear masks indoors in public places as an extra precautionary measure for those who are fully vaccinated, and to ensure easy verification that all unvaccinated people are masked in those settings.”

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Markets React

This, as well as news on the effect of the Delta variant of Covid-19, has seemingly subdued sentiment on the markets, with the S&P500 taking a knock – dropping the most it has in two months, according to an additional Bloomberg report.

Despite this, many real estate investment trusts (REITs) and related investment vehicles are rallying. A contributor on the Nasdaq website takes a look at this counter-intuitive trend, pointing out that: "Vanguard Real Estate Index Fund ETF Shares (VNQ) added about 24.1% this year compared with 16.1% gains in the SPDR S&P 500 ETF (SPY)". They argue that inflation, housing price increases and "booming cloud business" are among the factors underpinning this resilience.

High Yields

Finally, the relatively high yields of real estate are setting them apart from other investments, writing: "The benchmark U.S. 10-year Treasury yield was 1.38% on July 1. Against such a low-yield backdrop, dividends offered by real estate ETFs are quite sturdy."

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