



Active Perspectives on Global Real Estate

October 22, 2020

Global real-estate stocks have performed poorly given uncertainty surrounding the dependability of cash flows as we navigate the COVID-19 pandemic. But as crisis forces adaptation, we look for innovation from well-capitalized and thoughtful real-estate operators as well as consolidation across property types.

Watch the video or read the recap below.

Global real estate stocks have been one of the worst-performing sectors given uncertainty surrounding the dependability of those cash flows as we navigate the COVID-19 pandemic.

You can imagine it's costly to retrofit real-estate assets for the current environment, which likely requires more distance and privacy rather than openness and accessibility.

As crisis forces adaptation, we look for innovation from well-capitalized and thoughtful real-estate operators as well as consolidation across property types.

Within retail real estate, in the near term we expect owners of retail real estate to look to preserve cash; in the intermediate term, we would expect them to invest with their tenants to deliver an omnichannel experience for shoppers while continuing to consolidate space.

Logistics real estate has been resilient and in this time of dislocation has seen increased importance as a key component of the e-commerce supply chain. As we all consume more goods off premise in this time of isolation,

logistic operators who own the right locations, have the right tenant base, and have invested in technology will continue to thrive.

As we contend with quarantine globally, multifamily property has remained quite stable. Some operators have had to and will have to manage rent holidays for tenants, as well as new investments related to health and hygiene.

Student housing, however, has been hard hit, and the outlook is uncertain given lower expected international student arrivals in the U.S. and in the U.K. and general uncertainty around the delivery of instruction on college campuses.

Alaina Anderson, CFA, partner, is a portfolio manager and research analyst on William Blair's Global Equity team.

Disclosure:

This content is for informational and educational purposes only and not intended as investment advice or a recommendation to buy or sell any security. Investment advice and recommendations can be provided only after careful consideration of an investor's objectives, guidelines, and restrictions.

Information and opinions expressed are those of the authors and may not reflect the opinions of other investment teams within William Blair Investment Management, LLC, or affiliates. Factual information has been taken from sources we believe to be reliable, but its accuracy, completeness or interpretation cannot be guaranteed. Information is current as of the date appearing in this material only and subject to change without notice. Statements concerning financial market trends are based on current market conditions, which will fluctuate. This material may include estimates, outlooks, projections, and other forward-looking statements. Due to a variety of factors, actual events may differ significantly from those presented.

Investing involves risks, including the possible loss of principal. Equity securities may decline in value due to both real and perceived general market, economic, and industry conditions. The securities of smaller companies may be more volatile and less liquid than securities of larger companies. Investing in foreign denominated and/or domiciled securities may involve heightened risk due to currency fluctuations, and economic and political risks. These risks may be enhanced in emerging markets. Different investment styles may shift in and out of favor depending on market conditions. Individual securities may not perform as expected or a strategy used by the Adviser may fail to produce its intended result.

Investing in the bond market is subject to certain risks including market, interest rate, issuer, credit, and inflation risk. Rising interest rates generally cause bond prices to fall. High-yield, lower-rated, securities involve greater risk than higher-rated securities. Sovereign debt securities are subject to the risk that an entity may delay or refuse to pay interest or principal on its sovereign debt because of cash flow problems, insufficient foreign reserves, or political or other considerations. Derivatives may involve certain risks such as counterparty, liquidity, interest rate, market, credit, management, and the risk that a position could not be closed when most advantageous. Currency transactions are affected by fluctuations in exchange rates; currency exchange rates may fluctuate significantly over short periods of time. Diversification does not ensure against loss.

There can be no assurance that investment objectives will be met. Any investment or strategy mentioned herein may not be appropriate for every investor. References to specific companies are for illustrative purposes only and should not be construed as investment advice or a recommendation to buy or sell any security. Past performance is not indicative of future returns.

Copyright © 2020 William Blair & Company, L.L.C. "William Blair" is a registered trademark of William Blair & Company, L.L.C. No part of this material may be reproduced in any form, or referred to in any other publication, without express written consent.