

What's in Store for 2021?

March 2021

Nobel Laureate and physicist Niels Bohr is widely credited for the phrase "Prediction is very difficult, especially if it's about the future". In some respects trite, the accuracy of this phrase has been proven by events such as the GFC and the current COVID pandemic, neither of which were predicted to any meaningful extent - if that proposition is accepted are predictions important?



In the real estate world predictions are of course critical in the decision-making process. Investments are made, or at least should be made, based upon views of risks that might affect future performance, and there are many. Basic risks such as supply, demand, tenant strength and location are well understood, but there are many other risk factors at play in real estate markets.

Some risks are obvious, such as the structural changes to retailing, or the way we buy things, which has led to a phenomenal increase in demand for warehousing pushing returns in that sector, across the globe, to historical lows. Other risks are less observable, but they're equally important - legislative and regulatory changes, new business methodologies, such as the whole WFH debate and the impact on occupancy, population growth and infrastructure are just a few of the risks relevant to the NZ market.

There are also the less mentioned fundamental risks such as capital allocation, interest rates and inflation. The latter two of those risks are very much on our radar at present given debt to yield spreads, recent inflation surprises, bond yields moving to a 4yr high and the undoubtedly stimulatory effects of monetary support to the COVID crisis.

The festive and holiday season are traditionally the time for prophecies so this month, in our [Resources](#) section, we have collated some of what we've read and what we think are a range of fascinating and informative research reports, articles and podcasts from NZ and further afield. The research not only looks at what's ahead but also provides insights into the thinking behind decision making processes of some of the largest investors in the world. An even greater range of research is more regularly available on our [Linkedin](#) page.

Niels Bohr also said "*an expert is a man who has made all the mistakes that can be made, in a narrow field*" - not many of those about with that level of self-reflection, so beware!

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