

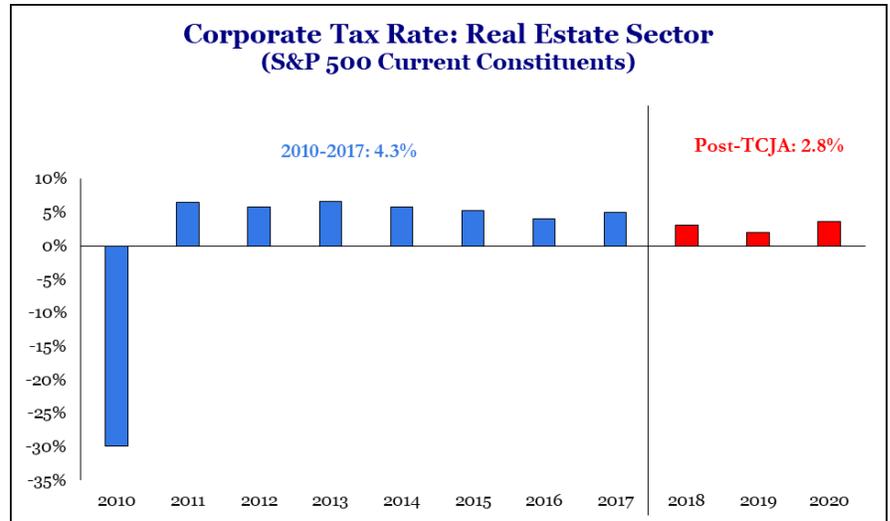
# Strategas Daily Macro Brief

April 22, 2021

Prepared by Strategas Securities, a Baird Company

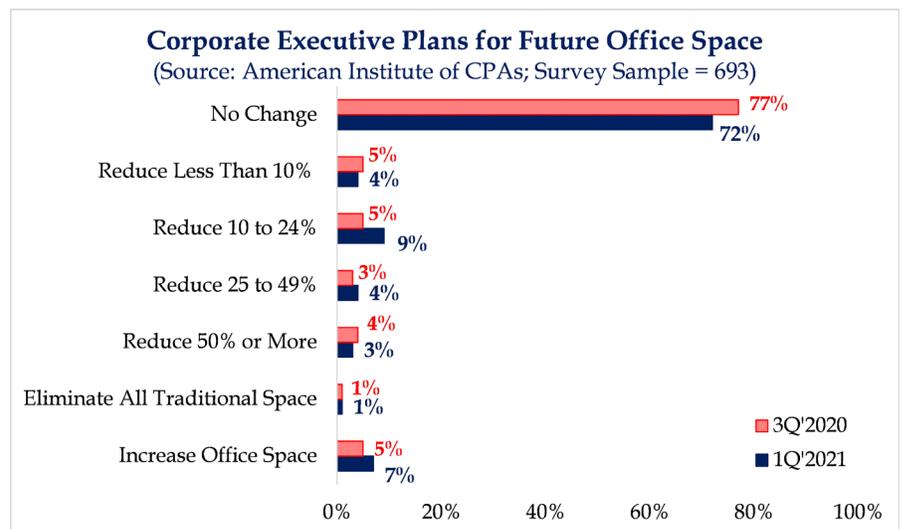
## REAL ESTATE SECTOR A RELATIVE WINNER FROM HIGHER CORPORATE TAXES

Despite the fact that Biden’s tax plan calls for an increase in the corporate tax rate, the real estate sector will likely be a relative winner since REITs are generally not subject to corporate taxes. Simultaneously, non-REIT dividends are likely to see a larger tax increase than REIT dividends, making REITs a better after-tax rate of return on the margin should the Biden tax increase go through. Although there has been some apprehension about expanding REITs, the real estate sector could benefit if bills related to infrastructure expand the assets that are eligible to be put into a REIT structure.



## MORE EXECUTIVES CONSIDERING REDUCTION IN OFFICE SPACE

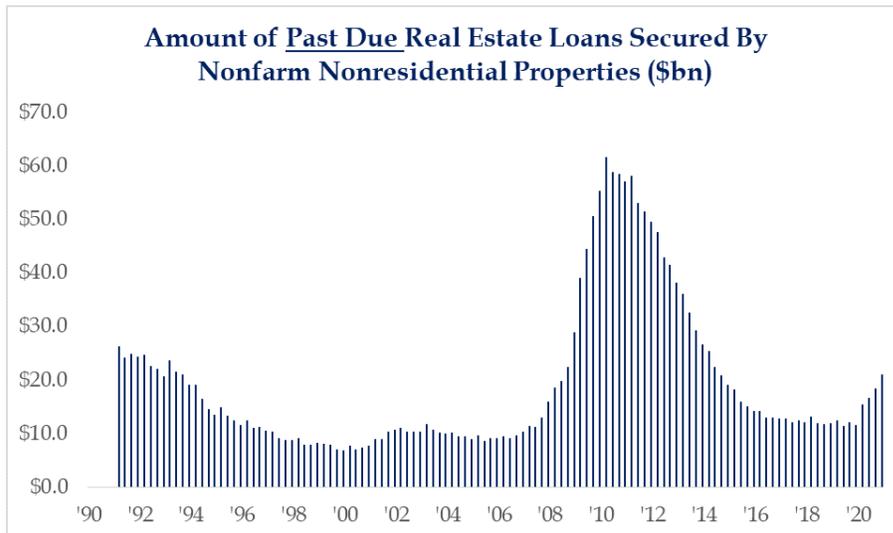
According to a survey from the American Institute of CPAs, more corporate executives are considering reducing office space in the future, with the percent of respondents planning to reduce office space increasing from 17% to 20% now. That being said, there was also a 2% increase in plans to increase office space. While not drastic yet, increased momentum for office space reduction would become a serious headwind for the CRE space.



Please see the Appendix on page 3 for important disclosures.

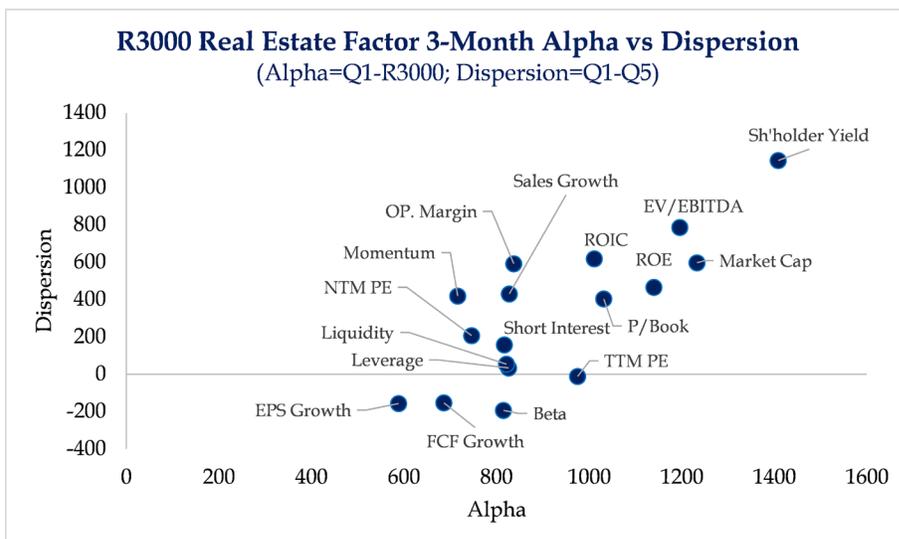
### PAST DUE COMMERCIAL REAL ESTATE LOANS CONTINUE TO RISE

We continue to notice a rise in the amount of past due commercial real estate loans. As of the end of the fourth quarter, the data shows that almost \$21bn of loans are past due. We suspect these figures will continue to rise over the coming quarters as the economy deals with the fallout from shutting down economic activity. It is worth noting that the levels remain well below the financial crisis figure up to this point given the abundance of stimulus companies have received, but it may occur with a lag.



### ALL REAL ESTATE FACTOR QUINTILES OUTPERFORMING

Impressively, all factor quintiles within the Real Estate sector have outperformed the broader market over the last three months. Investors gave the strongest bids for high-quality names within the sector, with high shareholder yield, large-caps, and high ROE/ROIC among the best alpha and dispersion factors. While this is the first sign of broad-based alpha exhibited from the sector in quite some time, it has caught our attention and is worth monitoring going forward.



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