

HULT Private Capital Sees Full Real Estate Recovery by 2022

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HULT Private Capital sees a new change in the global real estate market, starting with Google's latest plans to purchase a New York City office building, even with most of its workforce remaining remote. Alphabet, Google's holding company, [announced the purchase](#) of the \$2.1 billion property at the end of September. HULT Private Capital sees this purchase as a turning point. According to Real Capital Analytics, this purchase has been the highest price for any single US office building since the start of the pandemic. The search engine giant already leased the building, and they said they were exercising an option to purchase the property. In the blog post, CFO Ruth Porat said the St. John's Terminal building in Hudson Square, Manhattan, was the anchor of the new Google campus of the area.

HULT Private Capital's Chris Bland said, "Even as several major employers, Google included, have postponed their dates for a return to the office (Google has informed its employees that the office return day is [delayed until January](#)), we at HULT see this purchase as a positive sign for both New York and the wider global real estate market as it heals from the pandemic. It is a change that can not be denied. Google sees the value of the high-end property and wants to get the option price while the market is still depressed."

According to Bland, HULT Private Capital, the London-based property fund that focuses on investment class properties in Prime Central London (PCL), Greater London, and the Home Counties, has found several encouraging signs in the office market as it is finally overcoming its disruption due to the coronavirus pandemic.

In a recent interview, HULT Private Capital's Bland said that "in April and May of 2020, the US lost about 2.9 million office jobs. Since, they have recovered about 75% of those jobs, about 2.2 million. We expect a full recovery of US office employment by the middle of next year and likely sooner for London. Summer 2022 would be two years since the pandemic took hold, and for reference it the 2008 financial crisis took six years to recover."

In London and New York, office building tours are up 80%; tours are considered a leading indicator of leasing revenue. Commercial real estate brokerage firm Cushman & Wakefield's CEO [recently said](#) that 75% of their leases are signed for four years or more while the remaining quarter is signing 10-year leases.

Google's CEO, Sundar Pichai, had [previously relaxed its remote working plan](#), saying that he expects 20% of Google's employees to still telecommute after the reopening. Like other tech businesses, Google has thrived through the pandemic, still able to bring in substantial revenue, allowing it to invest in real estate and several other initiatives.

The London market had been depressed during the pandemic with the flight of office workers out of the capital to properties that had more space for home offices, home schooling, and away from others. From that time, consumers relied more heavily on internet services during the shutdowns to conduct activities of work, school, and leisure. Manhattan saw a similar shift, with New York City being one of the most ravaged areas in the US.

Google's purchase of the St. John's Terminal building is a good sign as it adds to their already large Manhattan footprint. Alphabet (Google's holding company) had previously [announced](#) plans to invest about \$250 million in New York this year, expanding its headcount in Manhattan from 12,000 to 14,000 over the coming few years. According to Alphabets CFO Ruth Porat, the St. John's Terminal site on Washington Street will be open by 2023. It will be Google's most prominent office outside their main campus in California. The New York campus will total about 1.7 million square feet and be the home of Google's sales and partnership teams. The final deal for St. John's is expected to close in Q1 2022.

Chris Bland says that "major central business districts, like our properties in central London, should see an increase of office occupancy levels to about 88% or 89% within the next couple of years. The US jobs market is already seeing an increase in knowledge-based jobs which are offsetting the covid fueled rise in jobs of people who are working from home permanently and hybrid workers."

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According to Bland, before the pandemic, the average office floorspace had about 65% occupancy on a given day; not every desk is going to be filled with someone working in it every day. "The newest office job employment data is now showing us is that we are finally moving back to an environment of reasonably stable and regular office occupancy within the next few years." Bland continued, "The single most influential determinant for a company's employees returning to office plans is vaccines. Vaccines affect the overall health of the office and the mindset of both employees and company executives. Vaccines are a priority for a safe office environment."

Bland said that several companies are in a wait-and-see position, with return-to-work, watching how the delta variant and new highly transmissible [Delta Plus variant](#) will affect the trajectory of the pandemic. The US has seen a viral case surge that first moved plans from after Labor Day to October and further away for some companies. The case count for the UK has stayed between 30 to 40 thousand new cases daily for months.

Image courtesy of [wordometers.info](#)

HULT Private Capital's Bland said, "We finally see a fundamental overall shift back to normal. It is not going to be overnight with some hiccups along the way. The offices will be slightly different with the planning of health concerns added in, but the hope is that offices will also be more fun environments with better technology. HULT sees a future where we will finally feel that the pandemic is behind us a year from now. This is the time to be picking up undervalued properties and profit from them. "

HULT Private Capital and the other firms playing in the office space market are certainly optimistic about the return to offices, even if it is in an altered form. It will undoubtedly be a relief to have the pandemic behind us. Until then, we can only do the right thing by following medical advice and exercising continued vigilance to get us there as soon as possible.

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