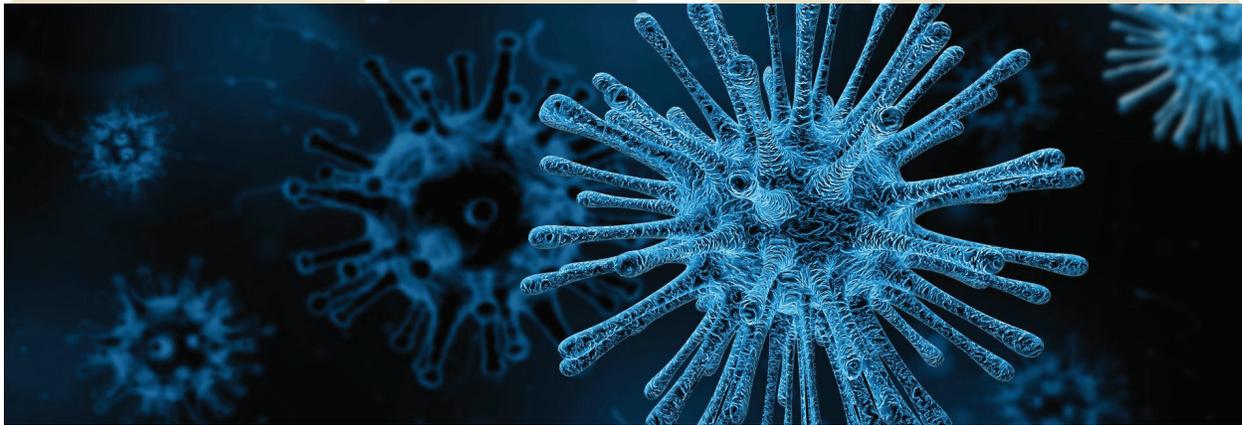


COVID-19 VIRUS & THE REAL ESTATE MARKET

Much has already been written about the Covid-19 virus (also called the Coronavirus) and its possible outcomes. It is a situation that is changing daily. As of the date of writing this, there were over 100,000 confirmed cases with over 3,400 deaths. Locally there have been four confirmed cases and all indications are that this number can be expected to increase as time goes by.



One of the main questions being asked is what will the likely effect be if any on the local economy and by extension, the real estate market. Already, many foreign stock markets have experienced large drops although this does not include our local stock market so far. Unfortunately, the simple answer is we simply do not know as yet as we are in uncharted territory.

Nevertheless, we can look at what we do know or can be expected logically. The first thing to realize is that a major factor will be how long it will take to contain the spread of the virus. If it is not quickly controlled, here are some of the things that could and would likely result, some of which are already occurring.

1. It will come as no surprise to state that our economy will be adversely affected. This has already been exacerbated by the drastic drop in energy prices caused to a large extent by the oil price war between Russia and Saudi Arabia. These two elements can have a snowball effect of negative consequences as will be seen below.

2. Some industries will obviously be more affected than others. Examples of these would be airlines, hotels, restaurants and entertainment.

3. As a result of 2 above, retail businesses will also be adversely affected and even more so as shoppers begin avoiding crowded places for fear of contracting the virus.

4. The closing of schools and perhaps non-essential government offices which in turn will affect the livelihood of people in the transportation and food businesses.

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5. All of the above will lead to employers losing income and might result in lay-offs in a fragile economy already experiencing this.

6. As citizens in almost all walks of life then have less money, they will be unable to buy new homes nor invest in commercial property. Even the ability to pay rent and service mortgages will be negatively affected.

7. This could cause an increase in vacancy rates and a corresponding decline in rental rates.

8. Once this happens, there will be downward pressure on real estate prices. However, an investment in real estate is traditionally a long-term investment with somewhat low liquidity. Any decline in prices therefore takes a little time before it is seen. This is in contrast to other investments like stocks and bonds that can be sold almost immediately and so often suffer adversely due to irrational, emotional market sentiment.

Just as the 2008 US financial crisis affected global markets, it seems that the Coronavirus pandemic, if allowed to get out of control, could

to the effects of a sustained contraction in the price of oil as well as any possible exponential spread of the virus.

Despite the 'bit' of doom and gloom mentioned above, it is always best to have an optimistic outlook, so let us all hope for a speedy end to these highly unpleasant circumstances so that life can return to a state of normalcy.



have a similar, global effect. For now, its impact on our local economy is speculative as the above-described double whammy is still at an early stage. As a nation we have no control over the oil price but as citizens we can do all that is reasonable to stave off the proliferation of Covid-19 by practicing hygiene regimes, as publicised by recognised media sources. In addition, we hope that property owners/investors have been prudent in the management of income by ensuring that reserves are sufficient to cover any unforeseen voids and/or loss of income due

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