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Should you invest in property before and during a recession?

Economists and real estate agents are mixed about the impact the next recession will have on housing

BY
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The last recession saw [housing prices plummet](#) and foreclosures boom. As more and more economists [forecast a recession in the next year](#), there are likely scads of potential buyers wondering if now is a good time to invest in property.

Is investing during a recession a good bet?

The Great Recession of the late aughts was unique, according to [Matthew Gardner](#), the chief economist at [Windermere Real Estate](#). Housing prices typically stay pretty static through a recession, Gardner told Inman.



Matthew Gardner | Photo credit: Windermere Real Estate

“Housing was the reason why we had a recession in the first place (in 2008),” Gardner said. “I went back and looked at median home values through every recession since the 1950s and what happens is, other than the last one, housing values just plateau, they flatline.”

Despite believing that housing prices won’t collapse – meaning you won’t be able to find stellar deals on the market – Gardner thinks that housing is a pretty good investment during a recession.

“Everyone is chasing any kind of return for their cash,” Gardner said. “Given that borrowing is remarkably cheap, yeah it can be [a great investment] because where are you going to get any other form of return?”

“Equity markets are likely to get pummeled as is generally happens, money markets are going to make you a tenth of a point, that’s going nowhere and the yield on 10-year treasuries isn’t going to break 2 percent, that’s less than inflation,” Gardner added.



George Case | Photo credit: Warburg Realty

If you opt to go the route of investing in a property during a recession, it's important to target the right markets, according to George Case, a real estate agent at Warburg Realty.

“Purchase in areas that are consistently in demand, regardless of market fluctuations,” Case said. “While those prices do fluctuate, they are the first to rebound as the economy strengthens and is the first to experience spikes in pricing in seller’s markets.”

“Team with a reliable realtor and keep an eye on the pricing of buildings you have been historically interested in,” Case added. “Your realtor can provide a thorough analysis of pricing year over year and in comparable markets. A discussion of current economic conditions with a firm understanding of pricing history will allow you to ‘strike while the iron is hot.’”



Svetlana Choi | Photo credit: Warburg Realty

Svetlana Choi, a broker also with Warburg Realty, believes a recession is a great time to invest in property.

“If you are willing to hold onto it then it will gain in value,” Choi said.

“Properties that are not overpriced and considered good value, even now, will not drop in value as much.”

“But properties that are ambitiously priced, and particularly the high end, will see even greater reductions,” Choi said. “There will be NO appetite for over-paying on any level.”

Will short-term rentals continue to be profitable?

Recessions typically impact the hospitality industry significantly – as more people are afraid to part with discretionary income and opt to save, rather than travel – but short-term rental operators like [Airbnb](#) and [Vrbo](#) are both relatively nascent with the former launching right as the last recession hit.

Conventional wisdom would lead us to believe that these short-term rentals would still be a decent investment as they’re typically cheaper than a hotel stay.

[Tendayi Kapfidze](#), the chief economist at [LendingTree](#), said the impacts would be localized to the specific markets and that, as is always the case, individual management will be important to ensure the property isn't a money pit during a recession.



Tendayi Kapfidze | Photo credit: LendingTree

“It’s likely travel spending will decline in both frequency and price point and lower cost lodging may steal some share from higher-priced alternatives,” Kapfidze said. “As with most property investments, individual management and execution would be key.”

One potential issue could be hotels and hospitality companies lobbying even further to crack down on short-term rentals, to protect their assets during a recession. Gardner said

“Hoteliers do not like the fact that they could be losing business,” Gardner said. “They are fighting massively at the legislative level. They’d love to eviscerate them. It won’t happen, but they’re going to try as much as they can to limit the losses the hoteliers are seeing.”

Could there be more profit in investing and renting?

With so much economic uncertainty and lower market growth, many people will likely not have the means to come up with a down payment for a home, which will create a lot of forced renters. Conversely, many will just be afraid to make a significant investment and will be in a wait-and-see mode.

Kapfidze believes renting will increase as a result of the recession, which could lead to more competition for renters and ultimately more revenue for rental properties.

“Low rates will definitely benefit those who are financially prepared to own or invest in a home but renting will increase as incomes are constrained and become more volatile for others,” Kapfidze said. “For investors, there could be benefits on both the cost and revenue sides of the equation.”

Gardner echoed Kapfidze’s sentiments, noting that consumers usually suffer from a bit of paralysis during times of economic uncertainty. Given that, some existing renters will wait to buy until they see the economy starting to grow again, or they become more confident in their employment situation.