COVID Has Shown Real Assets Are Not Immune to Economic Collapse, But It's Not All Doom and Gloom?

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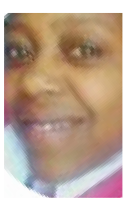
By **Nyambura Tabitha**
Markets Reporter



The COVID 19 pandemic is by far the worst health and economic crisis we have seen in our lifetime. The devastation has just been unfathomable. As we speak, the United States is edging closer to record 10 million infections. Over 230, 000 Americans have also died from the virus.

The economic devastation of this pandemic has also been felt all across the country. Although there are signs the US economy is starting to rebound, fueled by unprecedented third-quarter growth, there are still a lot of businesses that are yet to get to full capacity. Some may never open their doors again.

The Impact of COVID on Investment Assets

The economic collapse that we have seen during this pandemic has affected nearly all asset classes. However, it is clear liquid assets like stocks and indices have been hit the most. For instance, 2020 was probably one of the most volatile years in the financial markets in recent decades.

October 2020, almost ten months

into the US pandemic, was the **worst month** ever recorded for the Dow Jones. Even bullish investors are now bracing themselves for massive turmoil in the market as the prospect of a contested US election adds more uncertainty. It is also clear that **recent surges** in new infections and hospitalizations in the US have rattled most investors. So, stock markets have seen the worst of COVID.

Real assets have also faced several challenges, but not nearly as extreme as liquid assets. We know that with people huddled up in homes to avoid the virus, real estate agents are of course not showing new homes. As a result, new sales are down. Besides, people don't often make a massive investment like buying a property in uncertainty. There are also massive numbers of Americans facing the prospect of evictions due to rent arrears. Commercial space is closed all over the country. With these factors, the prospect of rental income is very low right now.

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The Real Asset Silver Lining

But despite this turmoil, there is one interesting trend to note. For starters, property prices have remained relatively steady even during the pandemic. Secondly, the cost of financing is also low. These are two of the main factors used to gauge the health of the property sector. If property prices are low and financing is cheap, then it means investment conditions are good.

To put it simply, even with the pandemic turmoil, the real estate sector remains an economically sound investment option for anyone. We have also seen a lot of banks in collaboration with the federal and state governments implement mortgage holidays during the pandemic. This went a long way in reducing uncertainty in the property market. The mortgage holidays also went a long way in allying any fears we could see a housing collapse like the one we saw in 2008.

As the US economy continues to rebound, there is no doubt the property market will see a lot of positive impetus. But there is still the small matter of the US election and the possible chaos that may ensue should there not be a definitive winner.

Investing in Real Assets

Investing in real assets, especially during a pandemic, seems like a very wise move. Even with current economic uncertainty, the property market still looks healthy and has good potential for long term capital appreciation. In case you'd like to invest in real assets through a managed portfolio, you can visit The **Brookfield Infrastructure Income Fund** and learn more.