

Dustin Rennie Discusses Inflation and Global Economies Impact on Belize Real Estate Market

Dustin Rennie with RE/MAX Belize is one of the region's top real estate & investment professionals. Covering Belize real estate and current market conditons.

SAN PEDRO TOWN, BELIZE, July 5, 2022 /EINPresswire.com/ -- A recession and inflation are not new things, they are part of any economy. The US just came off a long bullish market.

Just because inflation and recessions happen, doesn't mean investment stops, strategic investors look to new avenues and leverage cost-effective ways to place capital.



Dustin Rennie in San Pedro Belize

When economies turn, people no longer look for Return on Investment, they look for Return of Investment.

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Belize real estate provides a unique opportunity to diversify an investment portfolio. An appreciating asset that also has cash flow potential in a growing market.”

Dustin Rennie

When looking at a real estate investment, there are generally 2 elements cash flow and appreciation. [Dustin Rennie](#) says that savvy real estate investors tend to dive a little deeper and that there are essentially 4 pillars strategic real estate investors look for; Capital Protection, Capital Growth, Yield (Cash Flow), Favorable Taxation.

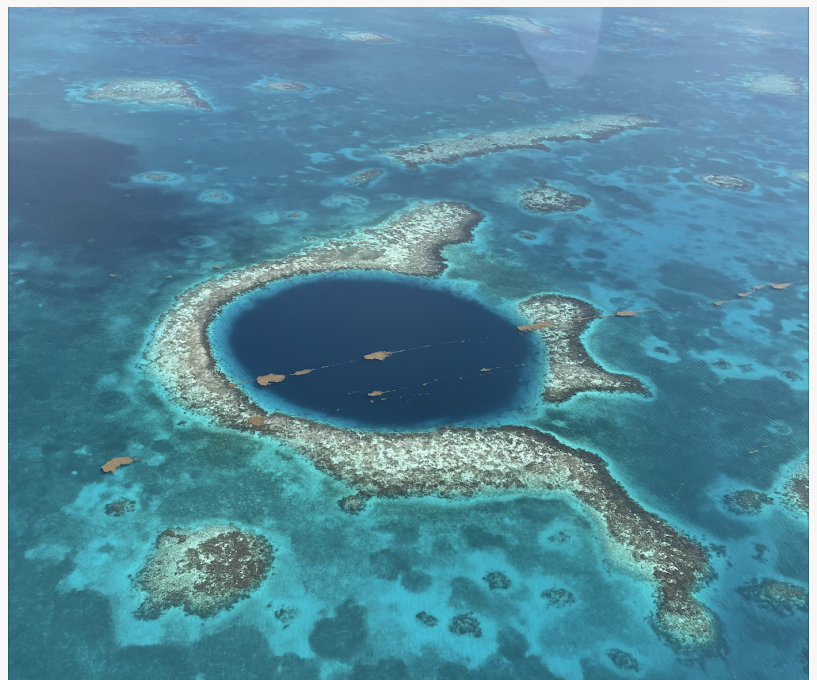
Luckily, when you invest in Belize, you are in a position to check all 4 boxes. You also have the added benefit of limited supply and scarcity, in a market with growing demand.

When looking at a strategic investment strategy, it is important to remember that money doesn't just "go away" it moves. A recession, by definition, "is a macroeconomic term that refers to a significant decline in general economic activity in a designated region. It had been typically recognized as two consecutive quarters of economic decline, as reflected by GDP." In times of globalization, markets are more dependent on each other, but they are also still independent. What happens in one country, does not mean the same will happen in another. Just because one region is experiencing economic decline does not mean that another region will see the same effects.

Right now, the US economy is seeing the highest inflation rates in over 40 years. This is largely fueling a lot of what is happening in the global economy. Real estate, however, is one of the only assets and investments that is pegged against inflation. When looking at an investment that is more resilient to inflation, you want something that has price adjustments that meet or are pegged with the rate of inflation. If you have an investment asset that adjusts with inflation, while still producing cash flow, you are well-positioned and diversified.

Typically, the more inflation-resistant investments are able to pass price increases along to their customers. This remains true in Belize. I am not by any means saying we are recession-proof, but Belize (especially real estate) is well situated, all things considered.

One important thing to note is that property values and rental income both tend to keep up with inflation over time, and the investors that invest in real estate tend to outperform the market during inflationary periods. For example, in 2021, inflation reached its highest level in 40 years,



Fly over image of the Belize Great Blue Hole.



West Coast of Ambergris Caye Belize from Mahogany Bay Beach Club

and real estate (both rental income and asset appreciation) outperformed the S&P.

Generally, real estate assets and investments perform their best when inflation rates exceed 7% (which they do now). The inflation hedging capability of real estate stems from the relationship between GDP growth and the demand for real estate. As economies expand, and people relocate or reallocate, the demand for real estate drives rents higher. When you have a combination of residents looking for rentals combined with the vacation rental market, you are able to adjust. Higher rents with better occupancy, in turn, translate into higher capital values. Therefore, real estate tends to maintain the buying power of capital by passing some of the inflationary pressure on to tenants and by incorporating some of the inflationary pressure in the form of capital appreciation.

When compared to other investments, real estate tends to hold up well against inflation. But it's important to realize that there are many different types of real estate investments, and not all have the same inflation resistance. When looking for more inflation-resistant real estate assets it is important to look for;

1. Short-term lease durations: This allows you as an investor to quickly adjust rents (market rent and net rent) to meet the demand and inflation. A primary vacation rental market is perfect for this. Typically, the average rental on Ambergris Caye is 6 days, and prices can very quickly be adjusted. You can also offer monthly rental rates, which avoid locking in at below-market rent for a year.
2. Price powering: Can you control and quickly adjust the price when needed to match inflation? Vacation rentals give you high control as you can continuously adjust rates to meet inflation and/or demand. A lot of other rental markets have vacation rental restrictions (controls), or rent controls in place. Belize does not, which makes it a great investment when it comes to ownership control.
3. Resilient or increasing demand: Belize has seen double-digit tourism growth every year except in 2020 (COVID restrictions). The country has just entered the world's radar and has frequently been among the top of the list when it comes to emerging vacation destinations.
4. Fewer Regulations: Belize does not have rent controls. This allows you to manage your rentals as needed. We are also one of the very few "pro-landlord" countries in the region. We do not recognize squatters, and as the owner of the property, you can dictate who stays there and for how long.
5. Favorable Taxation: Belize is a tax haven. We have very low property taxes. Low corporate tax. No capital gains tax. And no estate tax.

Recessions and inflation are not permanent. Real estate investors make money through rental income and appreciation.

Good real estate investments offer passive income, stable cash flow, tax advantages, diversification, and leverage.

During economically slow times, many investors look at tangible assets like real estate and gold. During periods of uncertainty and economic stress, it is important to look at getting not only Return on Investment but also Return of investment.

Property in Belize is a cost-effective way to get both. Real Estate on Ambergris Caye provides investors a means to own a finite commodity that is a tangible real asset with future demand.

Dustin Rennie

RE/MAX Belize

+1 650-653-2088

[email us here](#)

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