Effects of the Covid-19 pandemic on the economy and on housing markets

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Effects of the Covid-19 pandemic on the economy
COVID-19 & economic activity

One hard hit ... ?

- Most severe recession since World War II
- Many countries imposed lock-downs to fight the pandemic in spring
- Pronounced rebound in the summer
- Winter is coming

The trough seems to have been weathered: Global production is expected to grow again significantly in 2021 and 2022.
COVID-19 & economic activity
...or long lasting damage?

We don’t know yet – in general:
- Epidemic diseases cause long lasting losses of economic activity
- Put pressure on production and trade
- Lower levels of employment & income
- and cause deflationary pressure

Literature: Recovery from pandemic crises can last for years

Epidemics & economic activity – Evidence from SARS, Swine Flu etc.

Effects of the Covid-19 pandemic on housing markets
Short run effects on housing markets

Housing markets appear resilient to the crisis
- Rents and house prices rise in many countries, despite the economic impact of the Corona-Pandemic
- Housing markets appear stable due to expansive fiscal and monetary policy as well as regulatory interventions in many countries

House prices in selected OECD countries

Source: OECD House Price data base
Policy Response

Despite short-time work schemes, transfers to households and fiscal stimulus packages, many countries introduced rental housing market regulations

- **Most frequently: Eviction bans**
- Mortgage reliefs
- Rent subsidies
- Rent freezes

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Housing policy in the COVID-19 crisis: Mortgage reliefs

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Conclusions

1. The economic impact of the Corona-pandemic is enormous – households and firms suffer from lockdowns, lower demand for capital goods and services and from substantial economic uncertainty.

2. In general, pandemics cause long lasting economic effects, lowering income, employment and aggregate demand.

3. Housing markets appear to be resilient to the crisis so far – fiscal policy and housing market regulations appear to be effective to prevent large scale disruptions, particularly on rental housing markets.

4. The long run effects of the crisis will come:
   - Lower income will result in less demand for housing services, c.p. pressure on rents and prices.
   - Changes in preferences on housing service consumption and changing working models will result in demand shifts from core urban centers to the periphery.