Guest editorial: A global housing affordability upheaval after Covid-19

1. Introduction

What impacts has the Covid-19 pandemic had on global housing markets? At first, the pandemic led to a freezing of global housing markets, reflected in a temporary cessation in housing transactions, construction and mortgage approvals. As the pandemic continued, unemployment rates increased as many businesses were forced to shut down or downsize their operations due to lockdowns and social distancing measures. For those who managed to keep their jobs, for many, the pandemic has led to reductions in working hours and pay, especially in industries such as hospitality, retail and travel, which were particularly hard hit by the pandemic. These factors have made it more difficult for many households to afford housing of comparable quality and at similar price level in their markets.

On the other hand, the disruptions of the global supply chains led to a slowdown in housing supply, especially in the construction industry. There was also a sudden surge in demand for larger, more spacious homes due to the work-from-home conditions. Indeed, many economies have also implemented extraordinary policy measures and government practices to maintain income and cushion economic shocks during the pandemic. A combination of factors, including highly liberalised mortgage credits, quantitative easing and the reduction of interest rates by central banks, in addition to strong income support measures, temporary assistance and wage subsidies, together with finance sector support, are staged to stimulate the global housing markets.

Since each economy has reacted to its own pandemic circumstance differently, the housing market outcomes are similarly context-specific. This special issue, titled "Covid-19 and International Housing Markets" offers a better understanding of the polymorphy of international housing markets during the pandemic. The next section summarises the findings from different housing markets and identifies two emerging trends across economies. Firstly, house prices have indeed risen in many economies, especially the higher-income ones, although the pandemic is still far from over. Secondly, housing has become less affordable since the beginning of the Covid-19 pandemic, as house prices have grown much faster in relation to incomes on average. The last section concludes by calling for further research on any "long Covid" effects on housing markets even after the pandemic is over.

2. Global housing market response to Covid-19

This special issue collects 10 studies of the impacts of Covid-19 on international housing markets. They include studies from Australia (Melbourne), China (Beijing), China (Hong Kong), India (national), New Zealand (Auckland), New Zealand (national), Turkey (national) and the USA (Texas cities). The broad geographic coverage, from developing economies to more advanced economies, provides an excellent overview of housing market responses based on different economic development conditions.

They cover the impacts of the pandemic on house prices in Beijing, Hong Kong, India, Turkey and the USA. They also investigated new market trends, such as Airbnb in Melbourne, work-from-home in Auckland and retirement homes in New Zealand.

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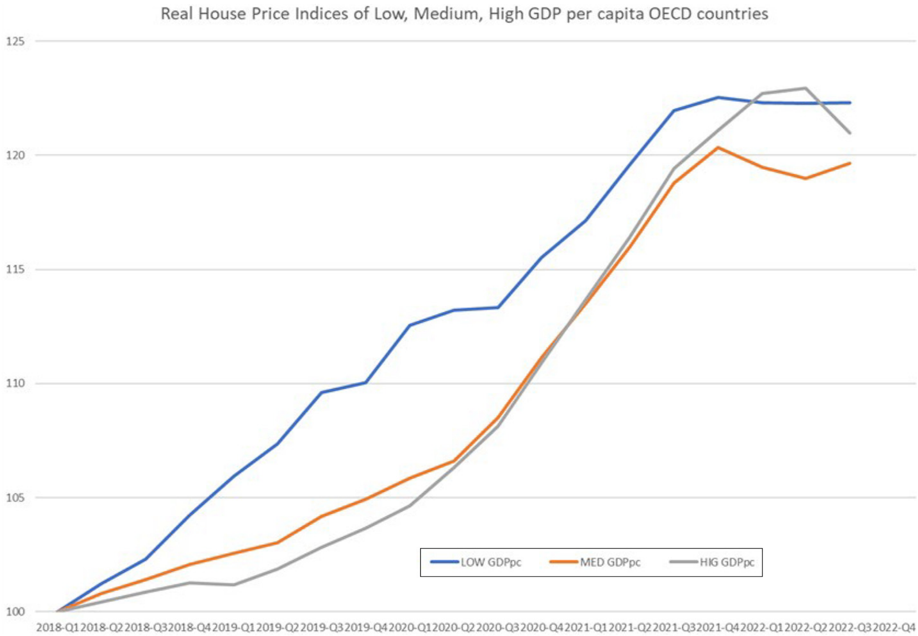
These 10 studies have used a variety of analysis methods. Scopes of analyses include: (1) national aggregate level, (2) city-specific, (3) city comparative and (4) individual perception-based evaluation. Nine are quantitative studies, and one is a qualitative study on senior housing. Qin *et al.* (2023) found a spatially asymmetric impact of the pandemic on housing prices in Beijing, whereas Mehta *et al.* (2023) revealed the temporal asymmetric impact of the pandemic on housing prices in India. Lu *et al.* (2023) compared the impacts of SARS and Covid-19 on housing prices in Hong Kong. Kartal *et al.* (2023) showed, among others, the importance of the pandemic and the monetary policy on Turkish housing prices, and Salami *et al.* (2023) found the influence of foreign house acquisitions on Turkish house price increases during the pandemic. Bhat *et al.* (2023) and Jiao *et al.* (2023) studied the impact of Covid-19 on home value and the house price movements under tech industry expansion during Covid-19 in some US cities. On the other hand, Li *et al.* (2023) and Yiu *et al.* (2023) examined the impacts of the pandemic on the short-term rental markets in Melbourne and the urban rental gradient in Auckland, respectively. James (2023) explored functional housing design supporting seniors' resilience in New Zealand.

Abstracting from the housing market specificity of each study, we identify two emerging patterns across different economies.

Firstly, there has been a global real house price surge during the pandemic. Figure 1 shows the average real house price indices of 32 Organisation for Economic Co-operation and Development (OECD) countries with lower, medium and higher gross domestic product (GDP) per capita from 2018 Q1 to 2022 Q3. All of them show a price hike during the pandemic (2020–2021). The housing markets of higher GDP per capita countries show the



Notes: Lower 1/3, Medium 1/3 and Higher 1/3 GDP per capita 2021 refer to GDP per capita < = US$25,000, 25,000 < GDP per capita < = US$51,500, and GDP per capita > US$51,500, respectively
Source: OECD (2022) data, author's

Figure 1.
Real house price indices of lower, medium and higher GDP per capita countries

strongest growth rate (19.6% from 2018 Q4 to 2021 Q4), in comparison with 17.9% and 17.6% in medium and lower GDP per capita countries, respectively, if we focus on the rates of change of real house prices after 2020 Q1.

Secondly, there is prima facie evidence that the housing affordability problem is worsened, especially in high-income countries. Figure 2 shows a larger increase of housing price-to-income ratio changes from 2018 to 2021 in countries of higher GDP per capita in 2021. The grand average price-to-income ratio change of all OECD countries in this period was about 11%. Only four countries improved in affordability: Bulgaria, Chile, Ireland and Romania.

The two emerging trends probably reflect that, at the macro level, lower and higher-income countries adopted different housing market responses to the pandemic. Many governments of developed countries, including the European Union (EU), responded to the Covid-19 pandemic by implementing various measures to support the housing market, such as a moratorium on evictions, financial support for tenants and homeowners and tax breaks for landlords. These temporary redistributive measures, targeted at maintaining household resilience during the pandemic upheaval, may have contributed to an increase in inflation and house prices.

Central bank intervention is arguably another major driver of rising house prices across advanced economies (Yiu, 2023). To prevent a surge in mortgage arrears and foreclosures, "mortgage holidays" were introduced to allow mortgagees to defer their payments. In the USA, take-up of such mortgage deferrals was sustained. Moreover, central banks maintained interest rates at very low levels in response to the pandemic shock. The low-interest rate environment

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Source: OECD (2022) data and World Bank (2022) data, author's

Figure 2. Housing price-to-income ratio changes 2018–2021 of OECD countries of lower, medium and higher GDP per capita 2021 in US$

increased the appetite of institutional investors and private individual investors. Owner-occupiers contributed significantly to driving house price inflation during the pandemic, backed cheap credit (low-interest rate loans) and income assistance initiatives.

3. What next?

This special issue represents a concerted effort to form a polymorphy of international housing markets in a period impacted by the Covid-19 pandemic. From global experiences, it is certainly too simplistic and abstract to consider Covid-19 as a single, homogeneous shock to housing markets. Rather, it is better to understand it as a process consisting of a series of interactive supply and demand shifts, partly as a result of market adjustments and partly as a result of government intervention. Perhaps the global pattern of the house price surge during the pandemic is largely driven by similar policies adopted across countries to stimulate their economies and prevent the risk of a housing price downturn.

The long-term effects are more unpredictable, as the policy could have induced wealth and income redistributive effects at national and urban scales, which underpin affordability and social inequality concerns. The situation and complexity of housing markets and affordability in developing countries and cities are less clear, and hence, deserve deeper investigation. Looking forward, further research is needed to examine whether there is likely to be any "long-Covid" post-pandemic effects on housing markets. Some changes to housing markets could be structural if the Covid-19 experience changes our fundamental housing preferences. For example, some people may prefer living in suburban areas to city centres if work-from-home arrangements are going to continue. This requires rethinking how households optimise their residential and workplace locations at different spatial and sectoral levels.

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