Impact of coronavirus pandemic on the property market and valuation purposes

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SUMMARY

The Covid-19 pandemic met the property markets in Europe 2020 in its respective situations. The former years’ trends had been an evolving development of housing prices and stabilized office markets in many countries. Residential property prices e. g. in Germany have been rising steadily since around 2010 and result in unaffordable housing prices in many German cities. The question is whether the crisis would stop the real estate boom.

In a theoretical part the paper will summarize impacts of economic shocks on real estate markets. The changes of important general market conditions within the model of property market functioning is emphasized. The changes of the economically relevant aspects caused by the Corona pandemic will be analyzed (demand and supply).

Many publications on impacts of Covid pandemic are based on expert knowledge and individual market experience. Unfortunately, there were very few data-driven findings and it became clear how important the correct and data-based analysis of the real estate market is. In an empirical part of the paper we try to document the impacts based on available market data, e. g. number of transactions and price development, registered by the German Expert Valuation Committees (Gutachterausschüsse). The impacts will differ between submarkets of housing, office, retail, or logistics.

Finally the paper will discuss the consequences for reliable property valuation and different spatial priorities in the development of property markets, on the one hand within urban areas and on the other hand in urban-rural interrelations.