



## EDITORIAL

### Possible effects of the COVID-19 pandemic on our housing markets

The most serious effect of the COVID-19 pandemic on national housing markets is, without any doubt, the growing awareness of the need for adequate living and working conditions in our homes. This will have an impact on several related issues. First, it means that healthy family life and good conditions for working from home require houses to be more spacious, and preferably be surrounded by green and sustainable environments. A second effect is people's willingness to spend a larger part of their income on housing. Thirdly, the way we use our homes and even the way we live in our everyday environment might change. I need to stress that these are not only positive effects. Domestic violence, especially during lockdowns, will probably increase due to the pandemic too. Health issues and conflicts in public space can also be expected to increase.

Even before the COVID-19 outbreak, there were signs in some industrialised countries that more households than usual were thinking of leaving the cities. Take the Netherlands, for example. After the recovery of the housing market in the Netherlands in 2014, the internal migration figure in Amsterdam was negative. The growth of the city was caused entirely by foreign migration. Since the pandemic, the city has experienced a drop in population, more specifically families with young children. Research outcomes suggest that this out-migration can be explained by a lack of affordable housing in the cities and/or the attractiveness of suburban environments. Figures also show that during the pandemic in the Netherlands an extra 15% to 20% of home seekers are especially interested in housing that includes outdoor spaces and gardens located in a suburban environment.

More and more people are working from home and experience the convenience of a separate workspace and outdoor space for relaxation. Many large companies have already indicated that after the pandemic working from home will be the standard. This opens up possibilities for urban households to move to a more desired environment, further away from their office location. Another effect of the COVID-19 pandemic, especially in the short term, are growing unemployment rates, resulting in income drops for many households. This means that the demand for affordable and social housing will grow. In many countries, waiting lists for social housing have already grown in the past few years, and will continue to do so in the near future. Moreover, because of the COVID-19 crisis, in the private housing market, investments in multiple properties (i.e. additional houses for the purpose of residential lettings, tourist accommodation, or holiday homes) are decreasing. COVID-19 might put an end to the growth of private and institutional investments alike; on the supply side it appears that mortgage lending by banks for (further) property investments has come under more scrutiny, while increasing unemployment rates and income drops on the demand side increase the risk of rent arrears and rising vacancy rates.

#### What effects can be proven?

In most countries, the COVID-19 pandemic has not greatly affected the housing markets. This is remarkable when compared to how housing markets reacted during the 2008 General Financial Crisis (GFC): a big recession versus almost no effects until now. This can be explained by the following facts: the housing markets (and more particularly the mortgage market in the US) were responsible for the GFC, whereas the COVID-19 pandemic has until now, thanks to massive government support for the economy, infected the life and work of most European households to a lesser degree. In the Netherlands for instance, the foreclosure rate of companies in the last eight months was lower than in 2019. Unemployment rates are only rising moderately and some

industries, like convenience stores, care, hardware stores and delivery stores are even booming.

Although some banks and scholars predicted house price declines during the coronavirus outbreak, in most European countries demand did not drop dramatically but instead increased. In the Netherlands it is still increasing by between 6-8% and even 11% in Q3 of 2020. Many of the larger households of which one or both partners now work from home to a greater or lesser degree are confronted with a lack of space, especially when schools are closed. In some cases, this leads to stress and even psychological problems. Especially poor families with less desirable housing conditions are suffering from a lack of space. This can even have effects on the school performance of their children. Home education during the lockdowns has put children from low-income families in less favourable housing conditions at a disadvantage. Educational professionals expect that these educational arrears will be difficult to make up and could have a lasting effect on these underprivileged children.

### **Lessons for the future**

The COVID-19 crisis clearly shows us that decent housing is an absolute prerequisite for the well-being of households. It also shows that housing is related to an array of external effects. People's health, school performance, work performance, general welfare and mental well-being are all closely connected to adequate housing. Against this background, government politics should not keep low and middle-income households dependent on a market that fails to deliver, as is now the case in many urban areas in Europe. National governments should act adequately when the market does not deliver as it should. Governments could instead cooperate with intermediate and socially inclined housing providers to achieve this goal.

Against this background, housing issues will probably assume an increasingly dominant place on the political agenda in the near future. Housing has already become one of the most important social issues of our time. From this perspective, COVID-19 can become a game changer for our European and national housing systems, embedding them in a welfare system that is less dominated by neo-liberal principles, but instead based on growing government responsibility and influence, and a more empowered social/collective rental sector.

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