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Research

Sector Article

Real estate

The COVID-19 crisis will

speed up the transformation of the real estate sector

The current crisis is triggering changes in many aspects of our lives, a large number of them related to our residential preferences. For example, working from home can transform how and where we live. The pandemic has also boosted the digitisation of the real estate sector and could speed up certain changes in other areas such as house modernisation, supporting the transition to a more sustainable economy.

Content available in
Spanish Catalan



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The crisis as a promoter of telework

Beyond a short-term analysis of how the economy and real estate sector will evolve this year and next, it is important to ask whether, once this pandemic is over, we will return to a situation similar to before the shock or whether there will be substantial changes in our society and in the way we live and relate to each other. These changes can permanently affect our consumer habits and preferences and cover a wide spectrum, from how we are educated or work to how we shop and play sports, for example. Although it is difficult to provide any definitive answers to this question, some transformations were already underway before the pandemic which may have been speeded up by the crisis and precipitate a permanent change.¹

The crisis has boosted working from home. During the pandemic, those with the opportunity to do so have preferred to work from home to enable social distancing and avoid unnecessary travel. However, even before the pandemic an increasing number of companies were encouraging their employees to work from home by creating the necessary infrastructure for remote connections, providing workers with mobile devices and offering them the necessary training in digital tools. A recent study by CaixaBank Research estimates that, at present, 32.6% of all employees in Spain could potentially carry out their work remotely, a percentage similar to that of most advanced economies.² In this respect, it is very likely that working from home was one of the changes that were already taking place and will accelerate as a result of the crisis.

1. See the Dossier «The world after COVID-19» in MR05/2020 available at <https://www.caixabankresearch.com/en/monthly-report/445/may-2020/world-after-covid-19>, which comments on the changes the pandemic will bring to the economy and society.

2. See the article «La COVID-19 outbreak boosts remote working» available at <https://www.caixabankresearch.com/en/economics-markets/labour-market-demographics/covid-19-outbreak-boosts-remote-working>. And Dingel, J. and Neiman, B. (2020), «How many jobs can be done at home?». NBER Working Papers.

Telework influences the preferences of buyers when choosing a home

The increase in remote working has important implications for the real estate market as it directly affects buyer preferences regarding the location of the property (people can live further away from their workplace if they have to commute fewer days a week) and the size and layout of the home (with demand for larger, more versatile homes, with different uses of the space, for instance).³ This transformation has an impact that goes beyond the real estate sector itself, seeing as urban, transport and public service planning will also have to adapt to the new situation.

Changes in the way we work will affect our way of life and can help to speed up the economic transition to a more sustainable, environmentally friendly system. Buyers are increasingly paying attention to issues related to the sustainability of homes and their energy efficiency, a change that was already taking place but may accelerate in the wake of the pandemic. The crisis has also exposed the shortcomings in some housing that does not meet the minimum health requirements. In this respect, the modernisation of existing housing may become more important, as such properties tended to be built based on very different sustainability standards to those now required for new builds.

3. Likewise, the long lockdown has made consumers more appreciative of having a terrace or some outdoor space for private use, although it is not yet clear whether this change in preference is temporary or a more persistent phenomenon, should it be necessary to reintroduce some lockdown measures due to outbreaks, for example.

The crisis has also shown that the most digitised companies are coming out stronger

Firms that had already invested in adopting new digital technologies have been able to continue offering their services remotely, for example through virtual tours of properties. Potential buyers have also been offered better conditions, for instance by being able to book an apartment for longer than usual during the state of emergency and with no cancellation charge. In many cases, the client's experience may have improved. Once the pandemic is over, this could lead to further client demands for greater flexibility and more personalised services.

Another aspect the coronavirus crisis has exposed is the huge difficulty of building houses while complying with social distancing measures on site. This is partly due to the very nature of the activity. But it also highlights the fact that the construction sector is lagging behind in adopting new digital technologies and robotisation. For example, the number of workers could be reduced on sites with more industrialised production processes, where many of the specialised jobs are more automated and performed at another location.

The rental market and accessibility to housing

The crisis has also brought about changes in the rental market. In recent years the number of flats used for short-term tourist rental has grown exponentially. With the collapse of tourism, these properties have become vacant and many private investors have decided to transfer them to conventional rentals. This process is likely to alter as international tourism recovers but it may not be completely reversed if investors perceive greater risk in the short-term market (e.g. more

volatile returns).

On a more negative note, the crisis has also exposed problems of housing affordability, especially among the most vulnerable people who tend to live in rented accommodation.¹⁴ The government has adopted several measures to support renters in the face of the COVID-19 crisis, such as suspending evictions until the end of the year, the automatic renewal of six-month rental contracts and the provision of micro-credit to cover rent payments. Such measures will help to address the current social emergency. However, the rental market suffers from structural problems which require stable regulations that encourage investment. One of the priorities in this respect should be the creation of a significant amount of accommodation at affordable rents.

In short, COVID-19 has not only brought us a profound economic crisis. Once we get over this calamity, and we will, the resulting economic and social changes may be far-reaching with a huge impact on the real estate market in the long term. There's no turning back.

4. The next article «To buy or to rent? A question of income but particularly of savings capacity» in this Sector Report analyses to what extent those renting a property can afford to buy.



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