The Potential Effects of COVID-19 on Land and Housing Values in the Short and Long term: Direct vs Indirect Real Estate Markets and Economic Crises

F. T. C. Manning
PhD Candidate, Geography, City University of New York Graduate Center

fmanning@gc.cuny.edu

3. The last several decades has witnessed enormous boom in markets for land and housing, both in direct and indirect real estate investment. Much of this growth is predicated on the assumption of a continued increase in land value, an assumption barely thwarted even by the 2007/8 subprime crisis. However, today we face the potential of an economic crisis which some suspect may outpace even that of the Great Depression of the 1930s and 40s.

Several studies over the last three decades have attempted to disaggregate real estate markets from other assets and investments in order to analyze the specific dynamics of land-based investment; many have shown the importance also of disaggregating direct and indirect real estate investment, and how the relationship between direct and indirect investment correlates with financial crises.

This study brings together historical economic data about the behavior of land-based markets during economic downturns, alongside a meta-analysis of extant studies on direct vs indirect real estate market behavior, while rooting itself in a heterodox and historical theoretical approach to land and capitalism, in order to offer a general theory of land markets behavior in relation to crisis and what we can forecast for the immediate and long-term future of land markets in the wake of the COVID-19 economic crisis.

4. Data includes meta-analysis of extant studies on direct and indirect real estate markets in comparison with other investments. Studies used here mobilize major data sources such as: NAREIT, NCREIF Property Index (NPI), USDA TOTAL survey, and international equivalents.

5. JEL Codes: B5, G01, G10, N20, P160, Q15, R31, R33

6. Keywords: COVID-19, House Price, Rent, Land Value, Real Estate, Economic Crisis