

# Covid-19 and global city residential markets

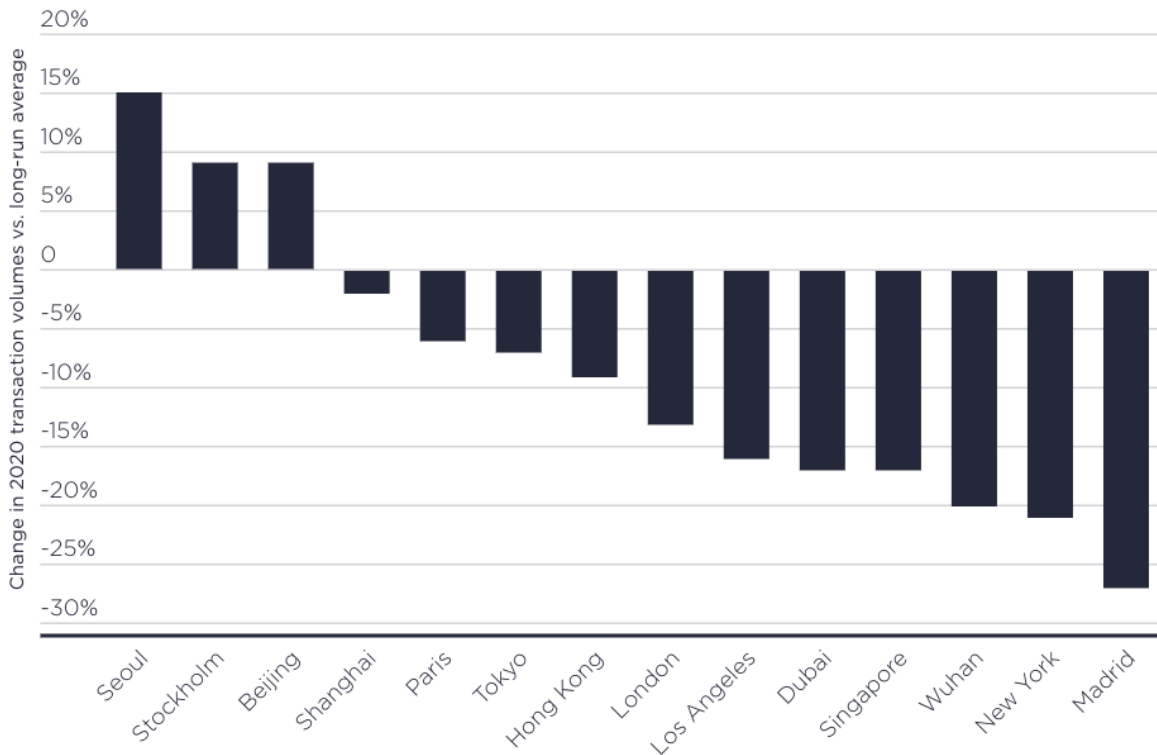


## Exploring residential transaction volumes and prices since Covid-19

Covid-19 has disrupted the global economy and few sectors have been unaffected, with leisure, hospitality and retail being particularly hard hit by lockdowns and social distancing measures. Residential real estate has also been impacted by the pandemic, but has so far proven one of the more resilient sectors.

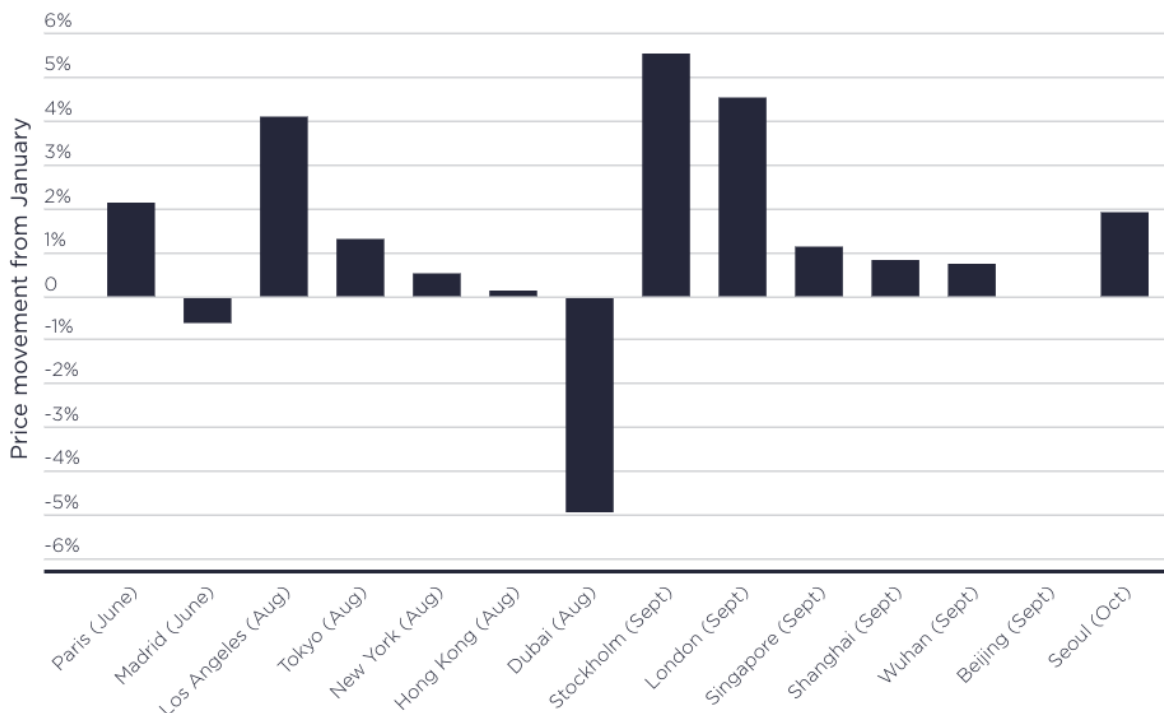
While transactions fell in some markets between February and May, they have largely rebounded to pre-pandemic levels in September and October, buttressed by stimulus measures, pent-up demand and low interest rates. So far, prices have also largely avoided falls. Current distress levels are much lower than compared with the previous downturn. Unlike the global financial crisis, this recession is not rooted in the banking sector. Interest rates remain at record lows and are likely to remain low for some time. This makes mortgage debt affordable.

## Change in 2020 transaction volumes vs. long-run average, selected global cities



Note: Chart shows average monthly transactions in 2020 compared to the long run average. For each city, we have used the latest monthly data available and compared the same period over the previous three years. China, Singapore, New York, Los Angeles, London, Dubai (Oct), Hong Kong, Tokyo, Seoul, Stockholm (Sep), Madrid and Paris (Aug). China sales are in the primary market and are therefore impacted by the launch of new projects. Transactions long-run average: 2017, 2018 and 2019 average. Source: Savills Research

### Change in price movements from January 2020, selected global cities



Source: Savills Research using Macrobond

Transaction recovery has been seen in global cities. Wuhan has grown from zero transactions in February as a result of its lockdown to more than 22,000 in the month of October. Shanghai, Beijing, New York City, Singapore and Los Angeles have all seen triple-digit increases in transactions since the low points in their outbreaks. Other cities are also on the increase and positive transaction trends are likely to continue for the near term.

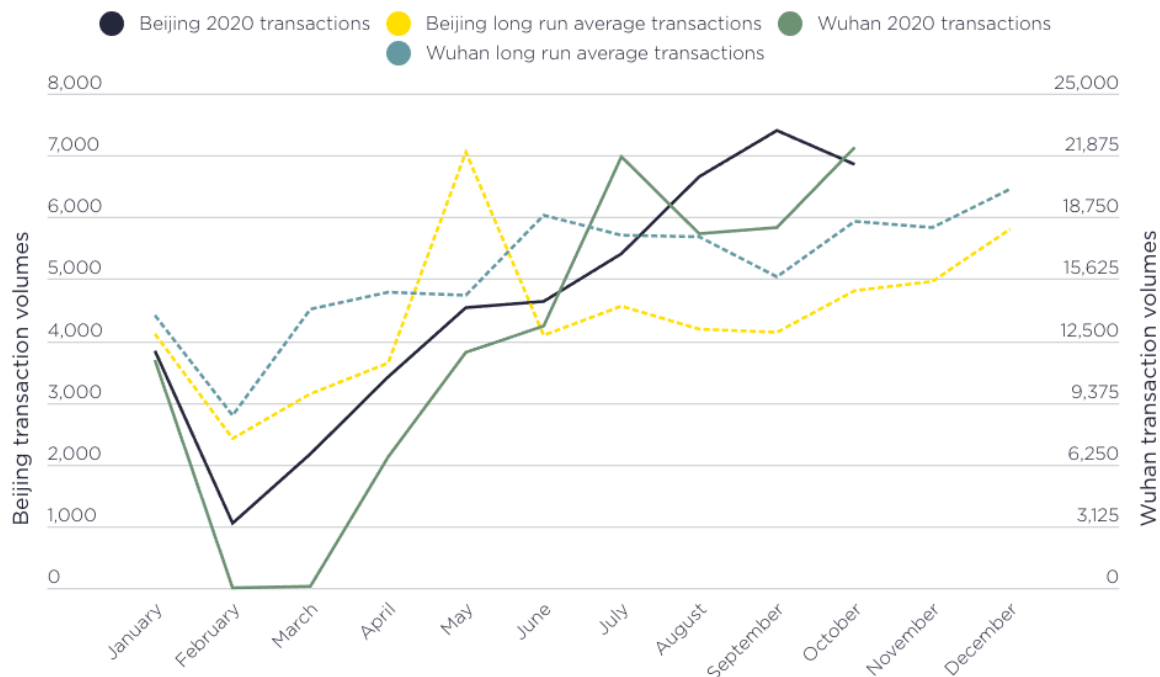
### China

Many governments in the Asia-Pacific region reacted swiftly to the pandemic. In China, the government's lockdown policies ranged from a severe shutdown in Wuhan, where the virus began, to a lower level of restrictions in Shanghai. Beijing sat somewhere in the middle with residents limited from travelling to other regions and non-essential businesses being closed - though these restrictions were in place longer than many other parts of the country.

This bears out in the transaction volumes data from both cities. These figures are from the primary market (new-build) and are therefore driven by the launch of new projects. Wuhan, with its complete closure of all businesses, saw no primary market transactions during the month of February. Monthly transaction volumes have since recovered, though the city is still below its annual trend. Beijing also saw a decline in transactions. However, pent-up demand and new launches saw a pickup in activity from June helping the city to exceed the low volumes recorded in the three previous years.

Prices in these Chinese cities have remained largely flat. As of September, prices in Beijing were level to January, while Wuhan has seen a slight (+0.7%) rise.

### Chinese residential transaction volumes – Beijing and Wuhan



Note: China sales are in the primary market and are therefore impacted by the launch of new projects. Transactions long-run average: 2017, 2018 and 2019 average. Source: Savills Research using SouFun-CREIS

### Transaction volumes in Europe

The approach of European governments to prevent the spread of the virus varied by country, from an early and strict lockdown in Spain to no lockdown at all in Sweden.

As part of initial lockdown measures in some countries, property viewings and home moves were halted in an effort to minimise contact between people, reducing transaction volumes. Although the markets have reopened, in some locations transactions have yet to rebound to previous levels.

Spain’s extended lockdown has dampened its property market. Transaction volumes in Madrid fell 34% in March, coinciding with the implementation of the lockdown, and have remained depressed in the subsequent months.

In Sweden, business in the capital Stockholm continued largely unabated. Though the lack of lockdown wasn’t sufficient to eliminate a drop in GDP, it did ensure that the property market remained open and that transactions were able to continue. Transactions in Stockholm largely remained in line or even above their long-term average, standing 56.8% higher than normal in July.

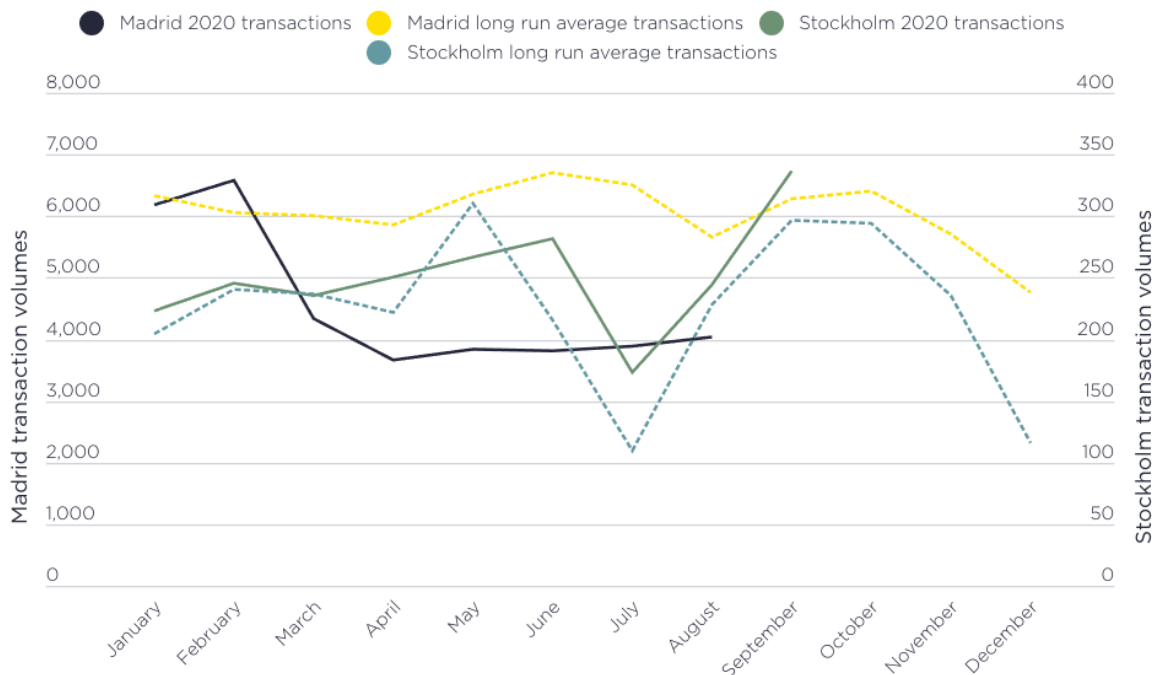
### How have house prices in Europe reacted?

Since the start of the year, house prices in European cities have also proven fairly resilient. Prices in Paris and London have so far avoided a fall. The market in Paris had been performing well prior to Covid-19. As of June, prices stood 3.7% above where they were in January.

In the UK, pent-up demand and a stamp duty holiday introduced in July has helped support the market. As of September, London house prices stood 4.5% above where they stood in January (according to data from Nationwide).

As one of the worst impacted cities by lockdown measures, house prices in Madrid have proven less resilient, down 0.6% in July from January.

### Residential transactions in Madrid and Stockholm



Note: Transactions long-run average: 2017, 2018 and 2019 average. Source: Savills Research using Svensk Mäklarstatistik and Instituto Nacional de Estadística

### The US market: measures and response

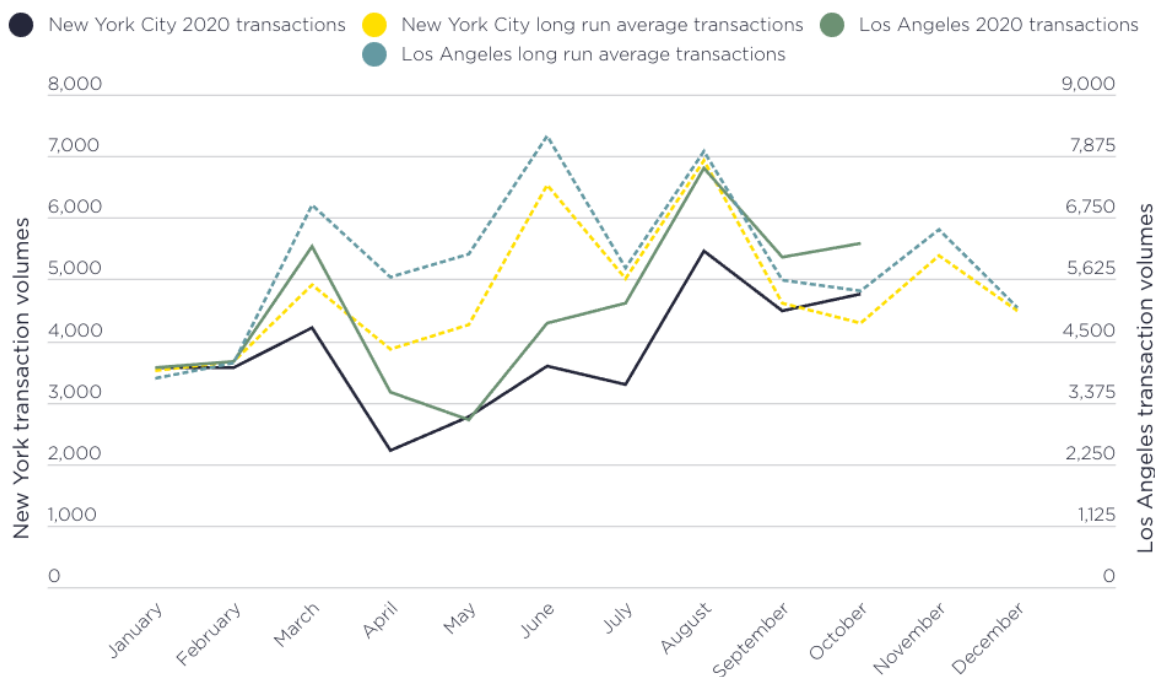
The USA took a regionalised approach to managing the coronavirus outbreak. Both California and New York state took comparatively stringent measures early in the pandemic. In both New York City and Los Angeles, these measures resulted in sharp falls in transaction activity, particularly at the start of the lockdowns.

In keeping with the regionalised approach, counties and states lifted lockdown measures at different times. Nationally, however, interest rates have been lowered as a result of the pandemic, which has boosted the housing market across the country.

Some residents who left New York City at the start of the lockdown have yet to return, but transactions are climbing in the densely populated city. Transactions have grown by 114% from an April low.

Los Angeles appears to be benefiting from a growing demand for space. Transactions returned to historic average levels in July and began to exceed their long-term average by October. This can also be seen in price movements. From January to August, average prices in Los Angeles have increased 4.1% compared with just 0.5% in New York.

## New York and Los Angeles residential transactions



Note: Transactions long-run average: 2017, 2018 and 2019 average. Source: Savills Research using Redfin

## Looking ahead

Second waves of the virus do pose a risk and government approaches continue to vary around the world. Regardless of policy changes during any subsequent waves, governments recognise the role that the property markets have and will continue to play in any economic recovery and are ensuring that the market can remain open.

Changes in buyer preferences seen in some markets as a result of the pandemic (notably in the West) – more space and access to green space – will also continue to have an impact in the short to medium term.

Prices have so far proven resilient. Property prices usually lag transaction volumes, however, so it is likely too soon to have realised the full impact. As unemployment rises and stimulus measures end, this could put pressure on prices. Low distress levels mean substantial price falls are unlikely.

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