



# COVID-19 AND PROPERTY VALUES: A GLOBAL SURVEY OF PROPERTY PROFESSIONALS

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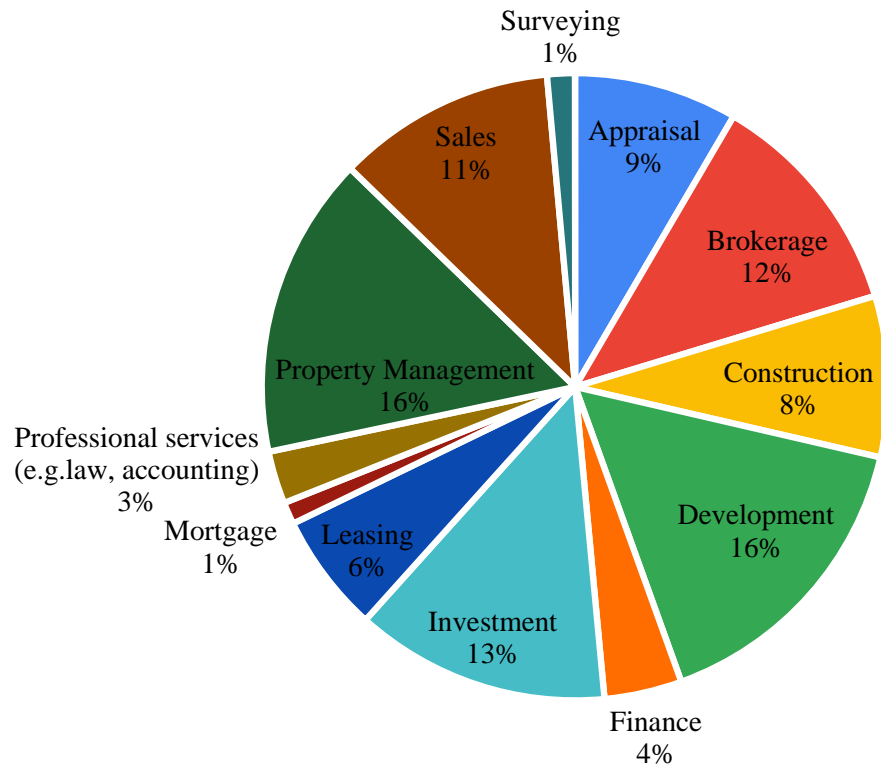


# SURVEY COVID-19 IMPACT ON PROPERTY VALUES

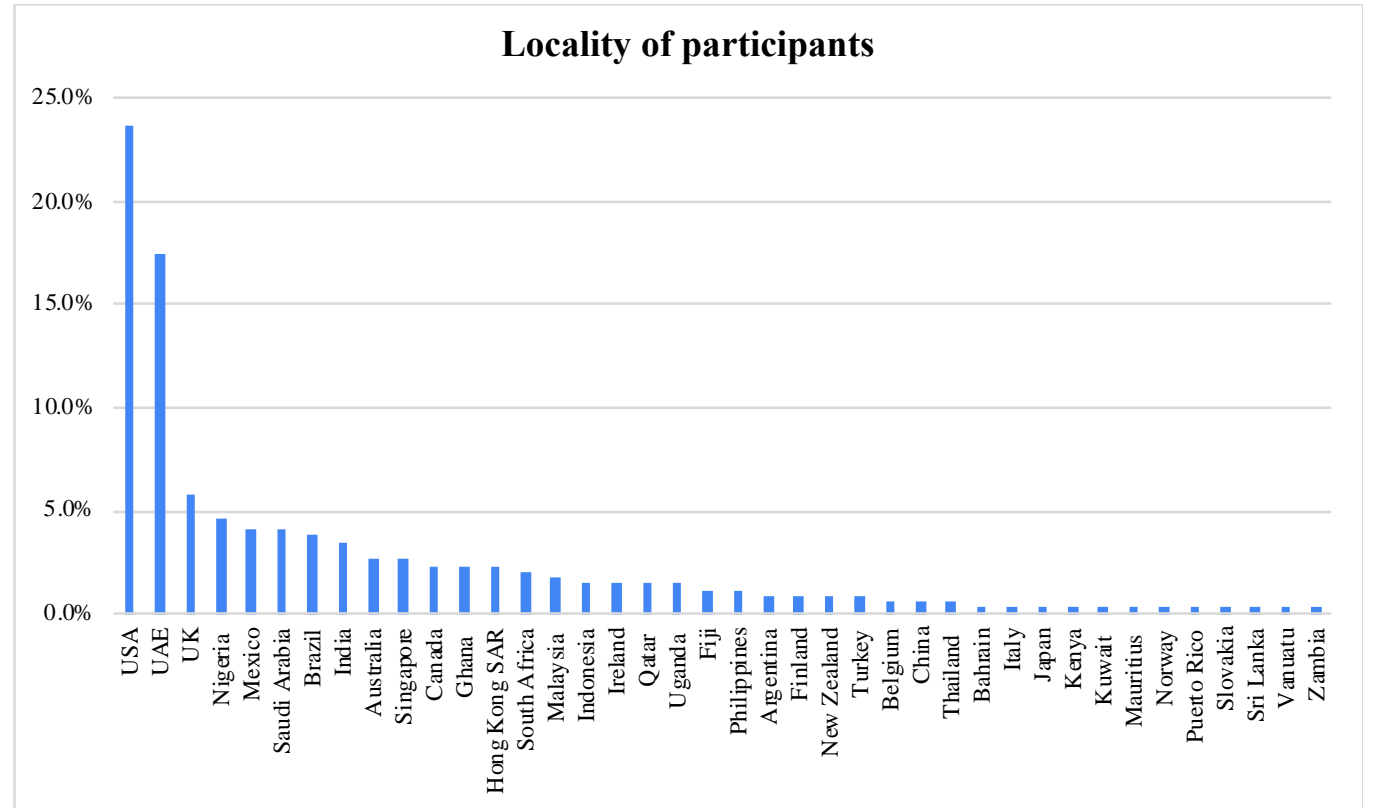
## Demographics

Examination of the business area depicts that that Property Management and Development account for 16% each, followed by Investment 13%, Brokerage 12%, Sales 11%, Appraisal 9%, and Construction.

### Industry of doing business



### Locality of participants



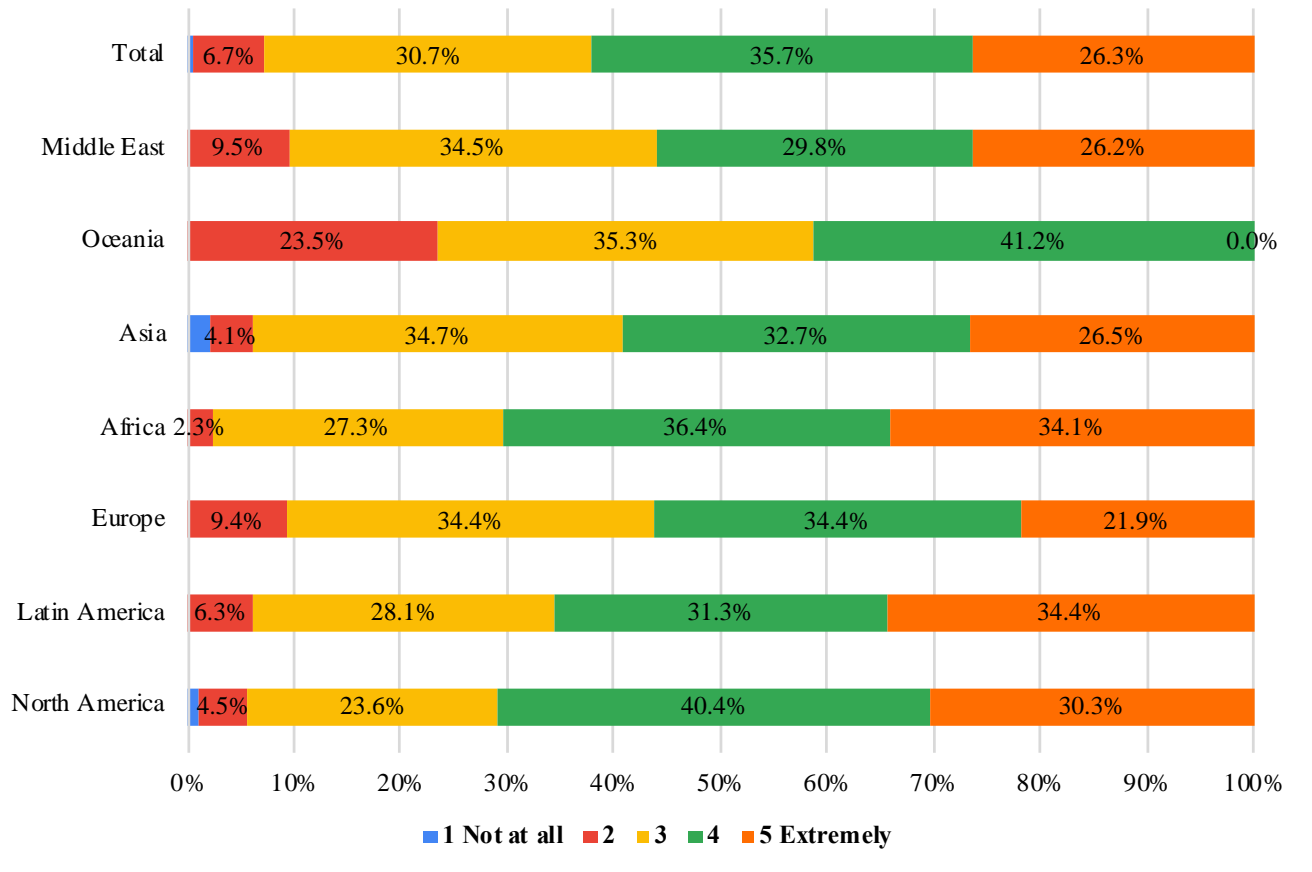
In total people from 40 countries participated in the survey, the USA accounts for 23.6% and the UAE for 17.5% of the total respondents. Besides, countries like the UK, Nigeria, Mexico, Saudi Arabia, Brazil, and India are among the most contributed ones. In general, interviewees from each continent joined the survey, however, it would have been valuable to have more results from European countries which are among the top countries concerned with the virus.

## Covid-19 impact by region

The Covid-19 virus rages across the entire world, affecting economies and human life. The majority of 92.7% declares that the epidemic is affecting its country's real estate industry.

In total, the principal portion (62%) declares that the Covid-19 is significantly affecting their country's real estate industry, in particular 35.7% giving score 4 and 26.3% expressing an extreme impact. The same can be seen in all other regions where the scores 4 and 5 have roughly the greatest share. Asia and North America are the only countries where 2% and 1.1% express no impact, respectively, also score 2 accounts for sub-10% in all countries apart from Oceania.

**Degree of impact on property industry by region**



- Appraisal, Leasing, Professional Services, and Sales with an average of roughly 11% are rated with 2 on the scale
- The majority rates 4 as the second-highest point from the scale
- Mortgage (71.4%) and Surveying (60%) sectors are primarily highly affected compared to other industries with a mean of 36.7%
- The Surveying segment (30%) is experiencing the highest impact of scale 5 as opposed to an average of 24.3%, whereas Appraisal (17.2%) and Mortgage (14.3%) are facing less of the largest impact

## Government strategies and corporate actions

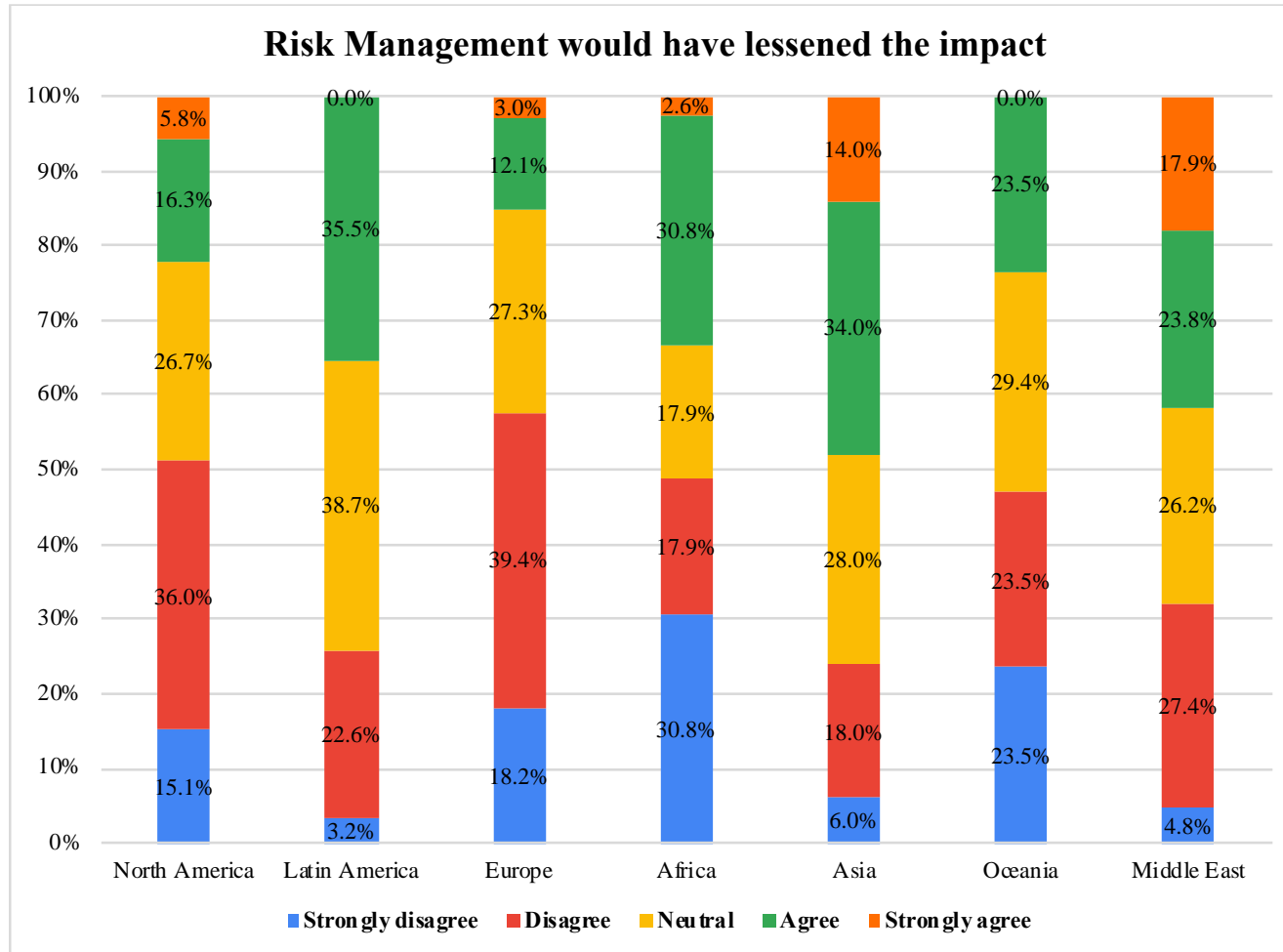
Nearly 39% agree and 20% strongly agree to favor government incentives. In contrast, respondents mainly oppose any restrictions by the government to stabilize the market, but there is also an agreement to do so. Concerning project cancellations or suspensions, a total of 61.2% disagree on that.

The major part of 55.1% combined has a clear conviction that pandemics damage property values. Remediation costs are part of the detrimental conditions and linked with property values, with many respondents agreeing that these will upsurge to handle the outcome of the pandemic.

Only a minor part strongly agrees that proper risk management would have lessened the pandemic impact, a greater part is either unsure or convinced that it wouldn't even prevent it. A relatively high proportion selected the "neutral" option in each category, whether favoring or opposing any of the mechanism.

Statement	Strongly agree	Disagree	Neutral	Agree	Strongly agree
There should be government incentives against market resistance (ongoing risk)	8.5%	15.5%	17.2%	38.5%	20.4%
The government should impose restrictions (e.g. property developments) to stabilize the market	19.3%	34.5%	19.3%	19%	7.9%
Internal projects (e.g. investments, property developments) should be canceled or postponed to avoid long-term damages	24.2%	37%	22.7%	13.4%	2.6%
Pandemics damage property values	3.8%	15.7%	25.4%	37%	18.1%
The remediation cost measures at my company will increase during or after the pandemic	4.4%	13.3%	25.1%	46.9%	10.3%
Proper risk management at my company would have lessened the impact	12.6%	27.6%	27.1%	24.1%	8.5%

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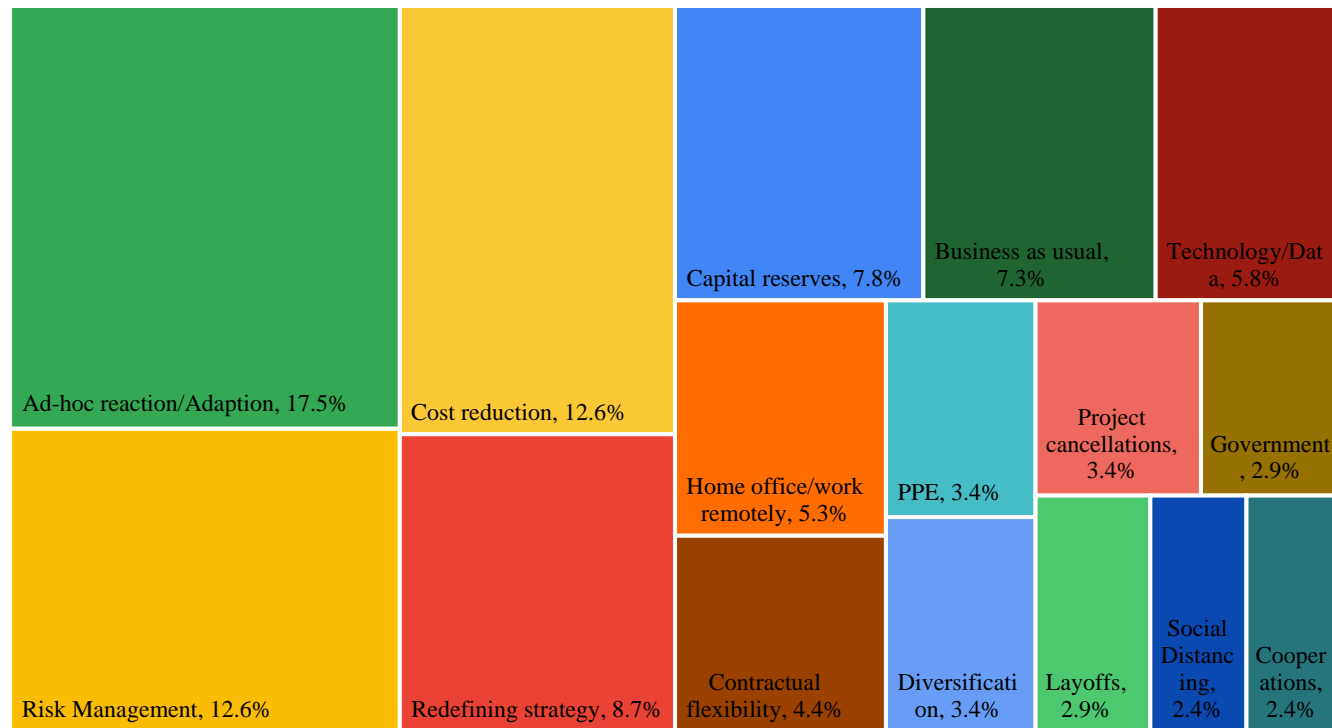


## Risk Management

Predominantly the two regions Asia and the Middle East strongly agree that risk management strategies would have lowered the pandemic impact on its real estate business, contrarily largely Africa and Oceania strongly oppose.

With 74.2% (Latin America) and 62% (Asia), the majority part is either impartial or convinced that appropriate mechanism would have reduced the effect, oppositely the largest part of the participants with 51.2% (North America), 57.6% (Europe), 48.7% (Africa) and 47.1% (Oceania) oppose any positive outcome in case of proper risk management. Oceania is the only region where the approval regarding risk management is almost identical.

**Measurement of black swan events**



## Risk Management

Ad-hoc reaction and adaptivity is with 17.5% the most significant approach to measure black swan events. Using an effective risk management system and cost reductions are the next highest-ranked mechanism followed by refining strategies and ensuring enough capital reserves. Using accurate data, applying home office or remote work, allowing contractual flexibility, or just doing business as usual, is in the middle range, showing that these types of instruments are utilized but are not of the same importance as the former ones.

- 70% outline risk management as very important and approx. 28% important, none of the participants rate the non or little existence of those policies as central
- All seven region unanimously agree that assessing risks in the property sector is essential
- 33% mention that proper planning as a part of a risk management system is vital to manage black swan events
- 19% highly value government support such as incentives or fiscal stimulus packages, another 19% argue the difficulty to predict these events, and 11.9% consider acquiring cash flow and good occupiers are critical
- A minor part believes that risks are regularly ignored (7.1%) in the real estate industry and that no comparable situation has ever been experienced (9.5%)

## Risk Management

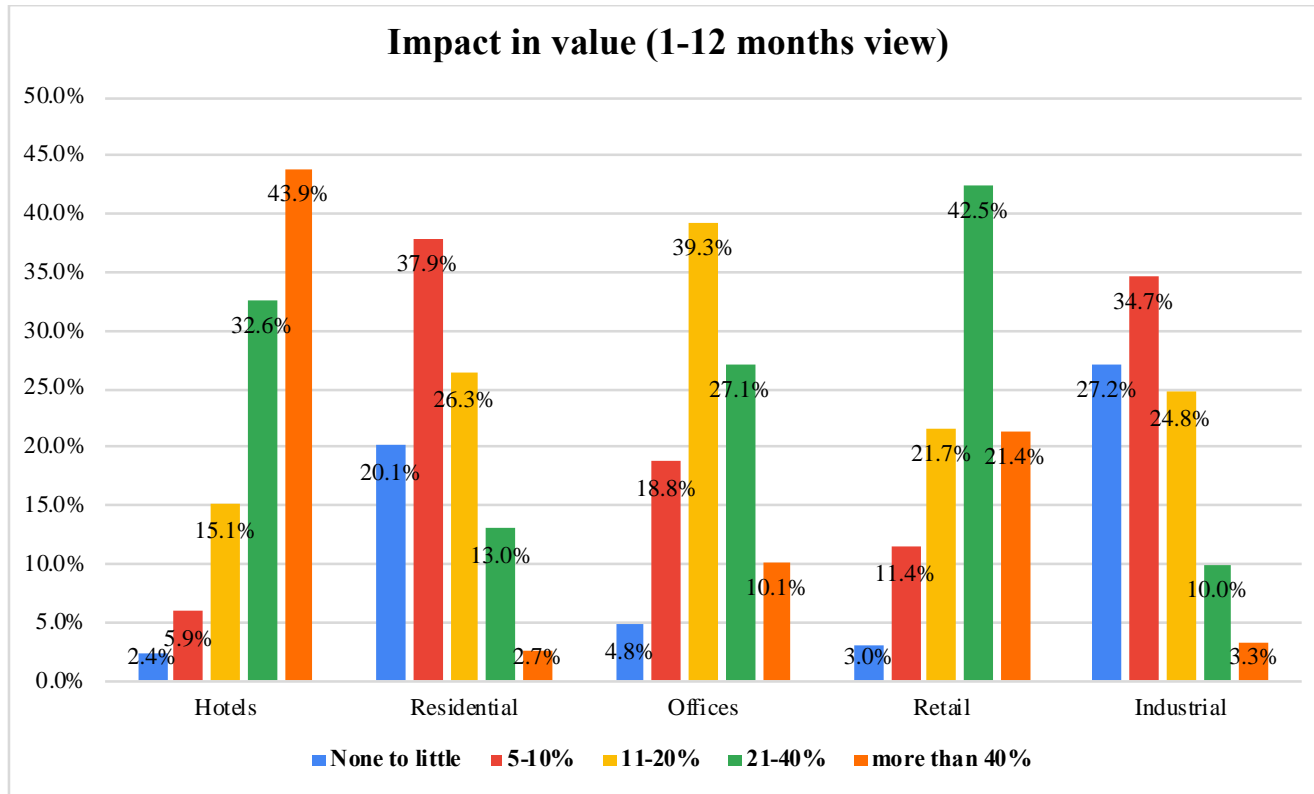
Based on the results each instrument is critical to cope with the pandemic, sharing knowledge mainly ranked as very important. Whether having transnational operating teams or adjusting procedures according to the different situations, every aspect plays a major role in the companies. It is unmistakably apparent that a small fraction rates the approaches as less imperative, making clear the importance of being aware of black swan events in the property industry.

- For most of the participants (33.3%) sharing knowledge and having transnational teams is a major tool for risk management, another 27.5% technological solutions with worst-case scenarios is key
- 22.2% favor international standards that give greater transparency as a proper risk management instrument, 5.6% support business decentralization
- 11.1% state that being cautious is essential to manage black swan events

Statement	1 Not important	2	3	4	5 Very important
<b>Change of policy in response to the change in condition</b>	1.5%	8%	16.8%	45.1%	28.6%
<b>Rearrangement of global real estate organizations structure (e.g. workplace flexibility)</b>	2.6%	9.1%	27.4%	34.7%	26.2%
<b>Standardizing terminology, language and reporting process</b>	4.7%	11%	29.4%	35.3%	19.6%
<b>Partnerships with real estate service providers (IT)</b>	3.9%	8.6%	28.3%	37.8%	21.4%
<b>Creating transnational operational teams</b>	8%	9.5%	30.3%	33.5%	18.7%
<b>Sharing knowledge</b>	3.6%	3.6%	11.5%	29.6%	51.8%

# SURVEY COVID-19 IMPACT ON PROPERTY VALUES

## Impact on property values (1-12 months)



A mean of 11.5% believes almost none impact across the industry whereas a mean of 25.4% and 25% assume an impact on property values by 11-20% and 21-40% respectively. It is visibly that the majority is expecting hotel values to decline by more than 40%, roughly 33% predict a drop in values by 21-40%.

On the contrary, residential values are predicted by the largest proportion of 38% to fall by 5-10%, in the same range the interviewees disagree whether prices will plummet by 11-20% or only a little. Besides, retail values are expected to decrease significantly, nonetheless, respondents being unsure if above 40% or in the mid-range of 11-20%.

The greatest proportion expects office prices to crash between 11-40%. The industrial sector is dissimilar to most other sectors, merely residential shows a comparable tendency. The vast majority believes prices to drop by a maximum of 20%, the largest proportion assumes either 5-10% or even less.



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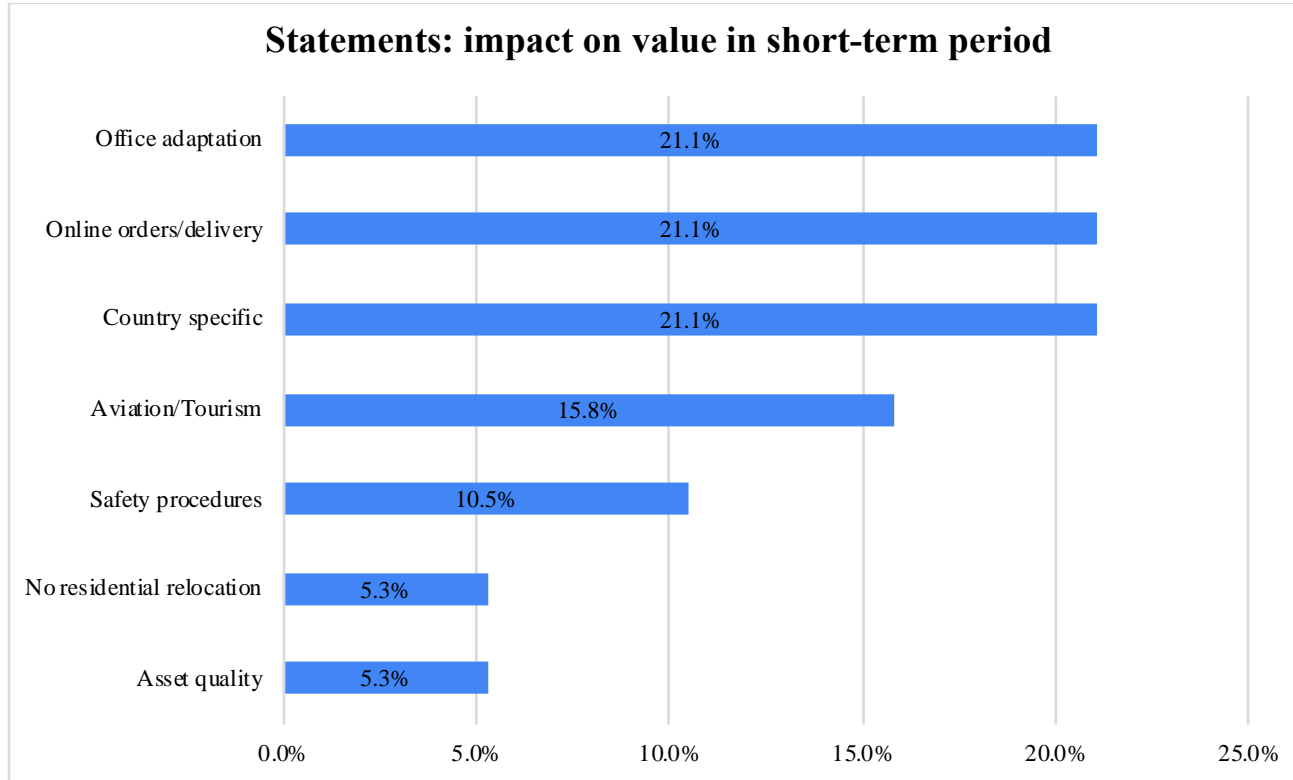
## Impact on property values (1-12 months)

Considering the short-term impact on property values, there is an almost universal response across all regions. The value of the hotel industry is mostly considered to record the biggest decrease by more than 40%, in North America and Europe, a slight majority predicts a decline of 21-40%.

The retail sector shows an alike trend in most of the regions, though in Latin America, Europe, Africa, and the Middle the second biggest part assumes a drop in property value by 11-20%, and Africa and Oceania a big part expects prices to decline by 5-10%.

Regarding the residential and industrial business, the participants largely see a reduction of less than 20%, predominantly lower than 10%. In some regions office values are expected to drop principally between 11-40%, Europe and Oceania see mainly a decline of 5-10%.

	North America	Latin America	Europe	Africa	Asia	Oceania	Middle East
<b>Hotels</b>							
None to little	2.27%	0%	0.00%	2.63%	2.00%	6.25%	4%
5-10%	4.55%	10%	15.63%	5.26%	0.00%	12.50%	5%
11-20%	14.77%	0%	18.75%	15.79%	14.00%	31.25%	17%
21-40%	42.05%	23%	34.38%	28.95%	32.00%	12.50%	31%
more than 40%	36.36%	67%	31.25%	47.37%	52.00%	37.50%	43%
<b>Residential</b>							
None to little	27.59%	26.67%	31.25%	15.38%	12.00%	23.53%	12.05%
5-10%	43.68%	40.00%	40.63%	28.21%	34.00%	35.29%	37.35%
11-20%	21.84%	20.00%	28.13%	20.51%	36.00%	23.53%	30.12%
21-40%	5.75%	6.67%	0.00%	23.08%	18.00%	17.65%	19.28%
more than 40%	1.15%	6.67%	0.00%	12.82%	0.00%	0.00%	1.20%
<b>Offices</b>							
None to little	5.75%	3%	6.25%	2.63%	6.00%	0.00%	5%
5-10%	13.79%	10%	37.50%	5.26%	20.00%	43.75%	20%
11-20%	51.72%	33%	31.25%	42.11%	34.00%	31.25%	35%
21-40%	24.14%	37%	18.75%	31.58%	30.00%	18.75%	28%
more than 40%	4.60%	17%	6.25%	18.42%	10.00%	6.25%	12%
<b>Retail</b>							
None to little	2.30%	0.00%	0.00%	10.53%	2.00%	0.00%	3.80%
5-10%	6.90%	3.33%	9.38%	23.68%	6.00%	37.50%	12.66%
11-20%	18.39%	26.67%	21.88%	31.58%	20.00%	6.25%	22.78%
21-40%	50.57%	46.67%	53.13%	23.68%	38.00%	31.25%	41.77%
more than 40%	21.84%	23.33%	15.63%	10.53%	34.00%	25.00%	18.99%
<b>Industrial</b>							
None to little	32.18%	33%	43.75%	10.53%	22.00%	43.75%	21%
5-10%	31.03%	37%	34.38%	36.84%	32.00%	43.75%	37%
11-20%	27.59%	20%	18.75%	34.21%	26.00%	6.25%	24%
21-40%	8.05%	7%	3.13%	7.89%	16.00%	6.25%	14%
more than 40%	1.15%	3%	0.00%	10.53%	4.00%	0.00%	4%



## Impact on property values (1-12 months)

21.1% describe that prices are influenced by the change of office use (less space needed, a trend to home office and staff reduction), another 21.1% think that retail values are affected due to the increase of online orders and delivery.

Also, 21.1% opine that the impact on property values varies by country. 15.8% argue that the hotel sector and hence its real estate values are affected by the halt of aviation and tourism, another 10.5% believe that especially office, residential and retail premises will have difficulties with safety procedures which will negatively affect its value.

With 5.3% each the quality of asset is a factor and secondly, residents will rather prefer to stay at their home, keep safe and wait until the situation improves.

## Impact on property values (1-2 years)

The largest proportion assume a plunge in values by 11-20% (mean 29.3%) and 5-10% (mean 27.4%), whereas the participants are divided whether values will drop by 21-40% (mean 18.7%) or even less than 5% (mean 18.4%).

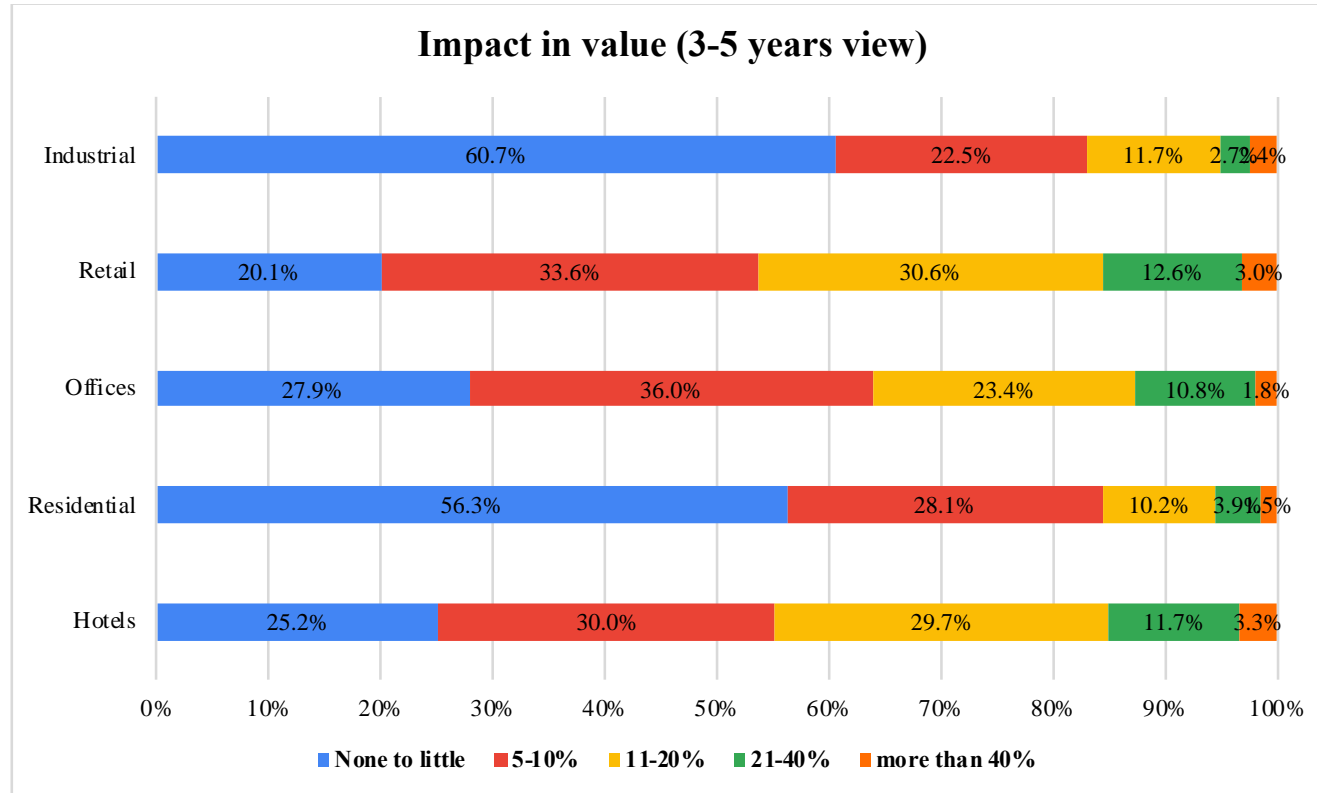
In all sectors a value shrinkage by more than 40% is very unlikely, the same can be observed for hotel, office and retail values. Forecasting one to two years, hotel values are projected almost equally to fall either by 11-20% or 21-40%, regarding residential values the vast majority believes a decline by a maximum of 20%. Office values are forecasted to drop in a range of 5-20%, whereas industrial prices are anticipated to have no or slight impact. Concerning retail 37% of the respondents foresee the values to be lowered by 11-20%, the remaining 24.20% and 27.90% predict a downfall in retail property values by 5-10% or 21-40% respectively.

Sector	None to little	5-10%	11-20%	21-40%	More than 40%
<b>Hotels</b>	4.20%	18.50%	33%	31.50%	12.70%
<b>Residential</b>	31.30%	36.90%	22.40%	7.30%	2.40%
<b>Offices</b>	9.40%	29.40%	34.50%	19.40%	7.30%
<b>Retail</b>	3.90%	24.20%	37%	27.90%	7%
<b>Industrial</b>	43.50%	28%	19.80%	7.30%	1.50%

Apart from the hotel industry in Africa, Oceania, and the Middle East, less than 10% of the participants expect a crash in property values by more than 40% in the medium-term perspective. In those three regions, a mean of 16.5% as the third-largest group predicts a plummet in value above 40%. Largely all countries (apart from Oceania) expect a fall in office and retail values by 11-20% and Oceania by 5-10%. The regions Oceania, Asia, Europe, Latin, and North America assume a reduction in residential values less than 10%, the remaining regions either mainly 5-10% or 11-20%.

- 25% believe that the industrial sector is less affected than other sectors due to the upsurge of online orders and deliveries that will lead to more industrial investment to cater to third-party logistics (3PL)
- Another 25% assume that residential prices will have an only marginal impact and will benefit since households are likely seeking spaces that can accommodate a home office set up
- 20% of the respondents assume that office values are going to plummet since less space will be needed due to home office trends which will increase the vacancy rates
- 10% expect difficulties in hotel values as this industry is largely dependent on tourism and travel comeback
- 10% predict that retail values will drop as a result of increased e-commerce. The remaining part either thinks that the property values will gradually improve or is highly affected by social unrest

## Impact on property values (3-5 years)



The weighting of the value impact is declining with increasing time. A mean of 38% assumes roughly none impact on values across all sectors followed by 30.1% (5-10% impact) and 21.1% (11-20% impact). Only a marginal proportion expects a significant value decline like in the shorter period. In particular, the industrial and residential sectors are forecasted to have very little impact caused by the epidemic, while the remaining three sectors are believed by more than 50% of the respondents to decrease by less than 10%.

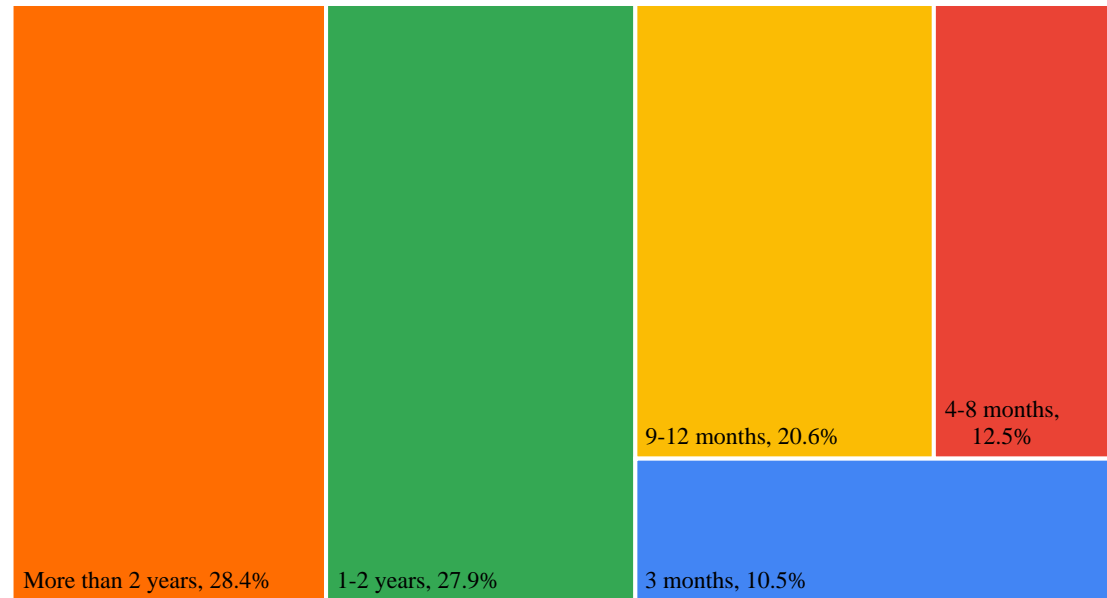
In a long-term perspective, the respondents of Africa and Asia are slightly divided if residential and industrial values are going to plunge either by 5-10% or less whereas the remaining ones expect none to little decrease. The hotel, office, and retail sector homogenously vary between none to 10%.

- The majority (50%) of the participants expect that the pandemic will lead to a downgrade of office space for three reasons: companies are going to lay off staff, there is a continued shift to home office and closure of companies
- 25% each suppose that the rise of e-commerce during lockdown will reduce retail space and secondly, people will make personal adjustments like cost limitations, hence will relocate to less expensive accommodations.

## Duration of recovery prior Covid-19 level

The respondents are somewhat divided about the timeframe whether values will recover within one to two years or even longer. The period of nine to twelve months received also a high response with 20.6%, only a minor part considers values to recover faster.

**Duration of values to return to prior virus**



Sector	3 months	4-8 months	9-12 months	1-2 years	More than 2 years
Hotels	1.2%	4.9%	13.1%	34.9%	45.9%
Residential	16.4%	18.5%	23.9%	26.4%	14.8%
Offices	4.9%	9.5%	20.8%	33.6%	31.2%
Retail	2.8%	9.5%	16.9%	31.6%	39.3%
Industrial	27.2%	20.2%	28.4%	13.1%	11.0%

Apart from the residential and industrial sectors the recovery will take at least nine to twelve months, the largest proportions predict one to two years or even above. In contrast, industrial values are likely to return to pre-Covid-19 level in less than twelve months, residential values mainly between four months and two years.

From a regional perspective, nearly every region predicts hotel and retail values to recover within one to two years or even longer, only Africa expects a shorter period of retail values within the next twelve months. Office values range in nearly every territory between nine months to more than two years, whereas only a minority in North America, Asia, Oceania, and the Middle East assume industrial value recovery to take longer than one year, primarily each region assumes less than twelve months. Residential values vary, Europe, Africa, Asia, and the Middle East assume a period of four months to two years, Oceania is expected between nine months and more than two years whereas North and Latin America are almost uniformly divided between three months and more than two years.

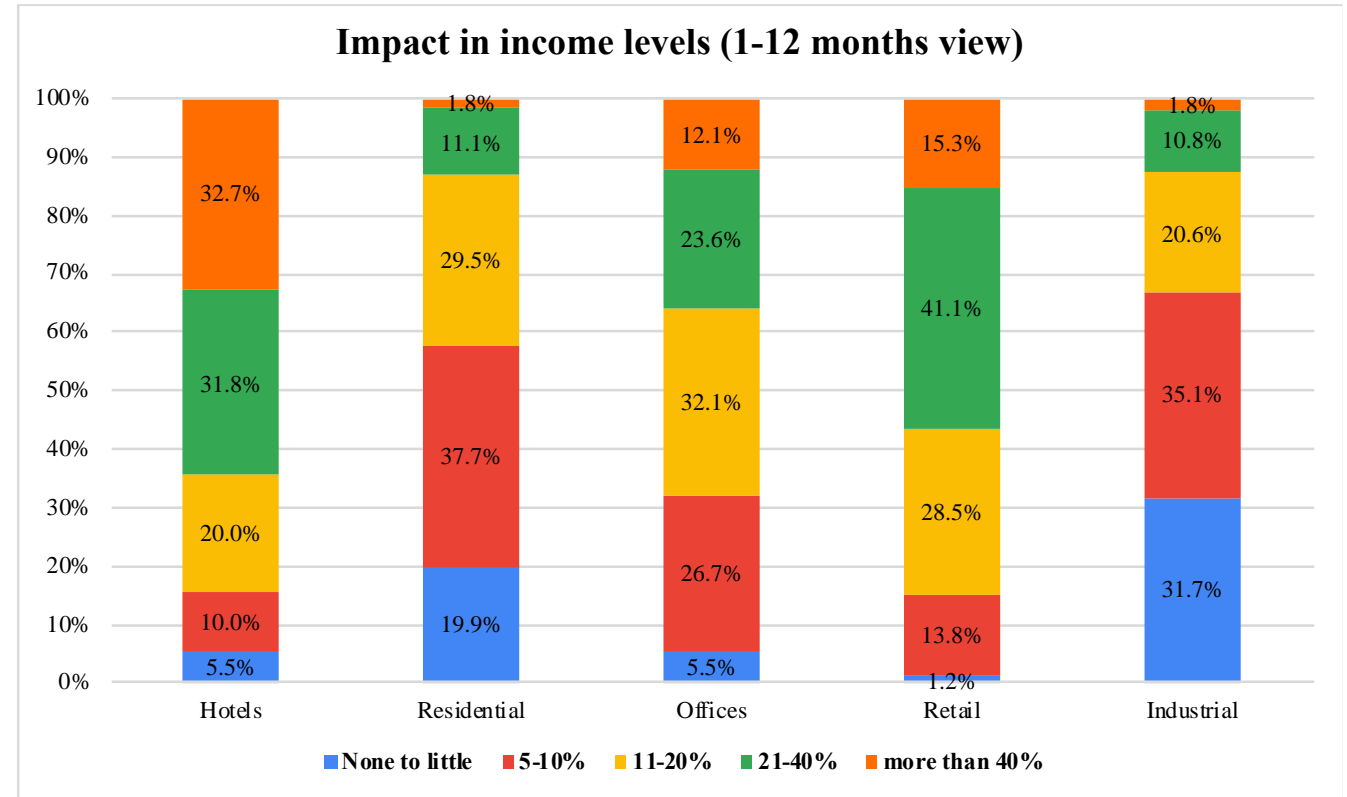
## Impact on income levels (1-12 months)

The expected impact on income levels vary. A mean of 26.2% foresee an impact of by 11-20%, followed by 5-10% (mean 24.6%) and 21-40% (mean 23.7%). An equal portion expects either above 40% or none to little impact.

In terms of hotels, roughly 65% of the respondents foresee room rates to crash by more than 21% in the near-term view and 56.4% combined assume retail rents to decline by the same amount. Offices have a more unified response predicting rents to drop between 5-40%.

In contrast, residential and industrial rents are predicted to have less impact, nearly a total of 58% and 67% respectively assume rents to plummet by less than 10%.

- With 28.6% the majority believe that room rates of hotels are mainly influenced by safety policies in the building
- Evenly 14.3% argue that the impact on rents depends on the duration of the pandemic, the degree of recession and government support, also rental cuts, and waivers influence rental income



# SURVEY COVID-19 IMPACT ON PROPERTY VALUES

	North America	Latin America	Europe	Africa	Asia	Oceania	Middle East
<b>Hotels</b>							
3 months	4.71%	4%	12.50%	0.00%	6.38%	12.50%	1%
4-8 months	2.35%	0%	6.25%	10.81%	10.64%	12.50%	5%
9-12 months	20.00%	18%	21.88%	24.32%	14.89%	0.00%	23%
1-2 years	31.76%	32%	28.13%	35.14%	40.43%	31.25%	33%
More than 2 years	41.18%	46%	31.25%	29.73%	27.66%	43.75%	38%
<b>Residential</b>							
3 months	28.92%	27.59%	28.13%	5.41%	21.28%	11.76%	7.59%
4-8 months	33.73%	13.79%	18.75%	37.84%	10.64%	11.76%	17.72%
9-12 months	20.48%	41.38%	28.13%	29.73%	36.17%	23.53%	29.11%
1-2 years	7.23%	17.24%	12.50%	21.62%	25.53%	29.41%	34.18%
More than 2 years	9.64%	0.00%	12.50%	5.41%	6.38%	23.53%	11.39%
<b>Offices</b>							
3 months	5.95%	3%	9.38%	0.00%	12.77%	6.25%	6%
4-8 months	9.52%	14%	15.63%	13.51%	19.15%	31.25%	14%
9-12 months	26.19%	31%	21.88%	37.84%	21.28%	12.50%	22%
1-2 years	29.76%	31%	34.38%	24.32%	31.91%	31.25%	33%
More than 2 years	28.57%	21%	18.75%	24.32%	14.89%	18.75%	25%
<b>Retail</b>							
3 months	3.57%	0.00%	3.13%	0.00%	6.38%	6.25%	3.80%
4-8 months	3.57%	13.79%	3.13%	27.78%	14.89%	18.75%	7.59%
9-12 months	16.67%	27.59%	15.63%	36.11%	21.28%	6.25%	25.32%
1-2 years	29.76%	37.93%	28.13%	22.22%	44.68%	43.75%	29.11%
More than 2 years	46.43%	20.69%	50.00%	13.89%	12.77%	25.00%	34.18%
<b>Industrial</b>							
3 months	37.04%	45%	36.67%	11.11%	23.40%	37.50%	17%
4-8 months	23.46%	31%	10.00%	25.00%	36.17%	37.50%	23%
9-12 months	20.99%	14%	33.33%	38.89%	19.15%	6.25%	32%
1-2 years	12.35%	10%	10.00%	22.22%	14.89%	18.75%	19%
More than 2 years	6.17%	0%	10.00%	2.78%	6.38%	0.00%	9%

## Duration of recovery prior Covid-19 level

Respondents mainly predict income levels to recur after more than one year, primarily after two years. A great proportion assumes the medial duration, though industrial rents are likely to recover in less than twelve months and residential rents in a shorter timeframe at mainly in nine to twelve months.

Statement	3 months	4-8 months	9-12 months	1-2 years	More than 2 years
<b>Hotels</b>	4.6%	5.9%	19.4%	33.3%	36.7%
<b>Residential</b>	18.8%	22.5%	28.7%	20.7%	9.3%
<b>Offices</b>	6.5%	14.5%	25.0%	30.9%	23.1%
<b>Retail</b>	3.4%	10.5%	22.0%	32.2%	31.9%
<b>Industrial</b>	27.8%	25.6%	25.2%	15.5%	6.0%

- Nearly every region predicts hotel and retail incomes to recover within one to two years or even longer, only Africa expects a shorter period of retail rents within the next twelve months
- Office rents range in nearly every territory between four months to more than two years
- Industrial rents will likely return to the pre-Covid-19 level in less than twelve months, only in Africa, Asia, Oceania, and the Middle East, a larger proportion expects even one to two years
- Residential rents vary, in Europe, Africa, North, and Latin America the majority consider rents to recover in less than a year while Asia, Oceania and the Middle East tend to a longer period