

Evolving reshaped residential landscape: A Comprehensive look at COVID-19's impacts

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Abstract-The crisis generated by the COVID-19 pandemic has affected the sectors of the economy differently, if we compare the present events with those that generated the recession in the past. The real estate market and related fields traditionally react with a gap of about 3-6 months. The "shocks" produced in the past by the pandemics have resulted in economic slowdown, leading to changes in real estate prices. The rhythm of construction execution has changed to a lesser extent than in 2008-2009. Trading fell in number in the second quarter of this year. As a result of the measures taken by the authorities, there was a sudden change in the activities of the whole economy, but also a sudden change in the lifestyle of the population.

Keywords: *Economic Slowdown, Recession, Crisis, COVID-19 Pandemic, Real Estate Assets, Construction Execution, Real Estate Market.*

I. INTRODUCTION

The Coronavirus pandemic affected the Romanian real estate market differently, depending on the analyzed segment.

On the residential field, the clients want bigger houses; concerning of this aspect of pandemic event, the demands for backyard houses have increased. And this was possible because the house had to be transformed into both an office and a school, or a place to spend free time.

According to the estimates of real estate specialists, the situation in this field is much better compared to the period 2008-2009.

II. CONTENT

The effects of the Coronavirus pandemic have not significantly changed the price of real estate in Romania. After the financial crisis from 2008, house prices underwent corrections in the EU: in some countries they fell by up to -50% (Romania, Ireland), but in other countries they underwent minimal or no corrections: Belgium, Luxembourg or Sweden.

Along with the economic recovery, the demand registered an increase and thus, from 2016, the house price started to increase faster. A basic indicator is the number of building permits issued during a calendar year. This represents the ongoing investment projects.

According to data published by National Institute of Statistics (I.N.S.) regarding the evolution of the number of authorizations for the interval 2008-2019 for residential buildings in Romania, the situation is as follows shown in table 1:

Table 1. (Source: INS's Annual Statistical Yearbooks)

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
No. of authorization	61029	48833	42189	39424	37863	37776	37672	39112	38453	41603	42694	42541

It is found that compared to the number of authorizations issued in 2008, the decrease of its in 2014 reached -39%. The largest decrease, of -20%, was registered in 2009, compared to 2008.

Starting with 2015, the trend is increasing, on a much smoother slope than the decrease. The number of building permits issued at the country level in 2019 is 42,541, + 1% higher than in 2010. The state policy in the field of housing with an impact on social protection and cohesion also had a special influence.

The year 2020 is foreshadowed as a year with many construction works and investments in the field. The appearance of the pandemic with COVID-19, as a disruptive element in everything that means social, economic, cultural life, also influenced the entrepreneurial activity in the field of constructions.

Even if the construction work continued, the costs increased, taking into account that it was invested in protective equipment, measures were implemented to protect the employees. These costs will be included in the final cost.

The International Federation of Consulting Engineers (IFCE), established in 1913, has developed a guide for construction consulting during the COVID-19 pandemic; the guide contains recommendations that construction companies should take into account for the continuation of projects.

Due to demand, the construction sector had a + 22% increase in the volume of works in months I-IV of 2020 (according to INS).

However, the number of permits for residential buildings decreased by -25% for the first 6 months of the year (according to INS) (table 2).

Table 2. (Source: INS)

YEAR	Jan.	Febr.	March	Apr.	May	June	TOTAL/6 month
2019	2020	2853	3792	3665	4133	3874	20345
2020	2321	3100	3224	2290	3062	3881	17978

According to the INS, at national level, the permits issued in the first semester of 2020 were 17.978, decreasing by 11,5% compared to 2019, when 20.345 building permits were issued.

There were decreases in the Bucharest-Ilfov region -146, the South-East region -47, and the South Muntenia region -25.

In the North-West development region, the number of permits issued in the first semester of 2020 was 17.978, increasing by 104 permits compared to 2019.

At the beginning of 2019, there were fears related to the evolution of the real estate market, the limitation of the degree of indebtedness, crisis predictions based on the cyclicity of the economy.

By the end of 2019, the market had stabilized and housing continued to rise in price.

Romania has registered the largest advance in this regard in the EU, according to Eurostat. The number of completed homes has also increased.

The emergence of the COVID-19 pandemic has affected the entire economy locally and globally.

Bihor County, as an integral part of the North-Western development region, has in recent years had a steady increase in building permits, however, with a decrease - in 2018 - of -14,5% compared to 2017 (table 3).

Table 3. Authorizations issued for calendar months in Bihor County
(Source: Economic and social status of Bihor County, 2019)

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
2017	44	58	129	139	167	147	122	100	181	186	109	56
2018	44	47	114	100	128	120	108	123	140	145	88	72
2019	41	96	137	125	149	112	120	151	136	161	112	110

It is found that in 2017 a number of 1,438 building permits were issued, in 2018 - 1,228 building permits and in 2019 - 1,450 building permits.

According to the data contained in the Statistical Bulletin of Bihor County, no. 5/2020, the current year started on an upward trend until the COVID-19 pandemic (table 4, fig. 1).

Table 4. Building permits / 2019 and the first 5 months of 2020
(Source: The statistical bulletin of Bihor County no. 5/2020)

	I	II	III	IV	V
2019	41	96	137	125	149
2020	73	96	141	85	120

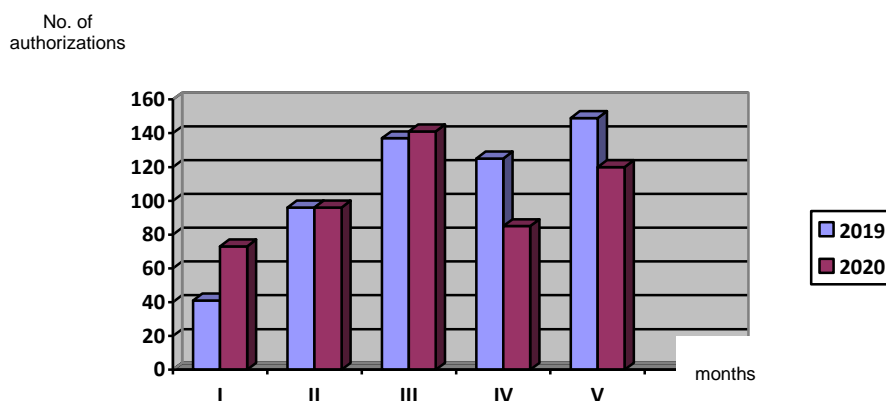


Fig.1. Graph of the variation of building permits for 5 months, 2019 and 2020

It is found that in April 2020 the decrease was -32% compared to April 2019.

According to the analysis made by the site www.imobiliare.ro, based on ANCPI data - in 2020 residential spaces were sold, as follows (table 5):

Table 5.

	January	February	March	April	May	June	July
Number of residential spaces sold	35231	49571	48379	27021	32089	46818	50153

Based on the same statistics of ANCPI, by counties the situation related to the same period of 2019 is the following:

1. Bucharest, 9.017, with +146 compared to 2019.
2. Cluj, 3.484, with +260 compared to 2019.
3. Ilfov, 3.395, with -427 compared to 2019.
4. Brasov, 2.942, with +648 compared to 2019.

5. Timis, 2.433, with -254 compared to 2019.
6. Constanta, 2.279, with +974 compared to 2019.
7. Suceava, 1.592, with +307 compared to 2019.
8. Dolj, 1.382, with +101 compared to 2019.
9. Mures, 1.228, with +268 compared to 2019.
10. Bihor, 1.215, with -170 compared to 2019.

In the first half of 2020, 50.153 properties were sold nationally compared to 50.890 in the same period of 2019. The decrease is insignificant, given the pandemic crisis that affected the world and, implicitly, our country.

At the beginning of the second quarter of 2020, due to the COVID-19 pandemic, the demand for real estate decreased, as well as their price.

In June-July, there was an increasing trend, both in offers and real estate prices. In the case of old buildings, the prices have not decreased because the owners are not obliged to sell. In this segment of properties, the demand may at some point be higher than the supply.

At the constructions in finalization stages, with purchase contracts and determined buyers, the activity continued, and the prices remained relatively the same.

In Oradea, in 2019, a remarkable evolution was registered, completing 2.161 homes, according to the data provided by ANCPPI. The area is experiencing a constant economic development. Demand for housing is also growing.

There are ongoing projects, with a sales rate of up to 70%.

According to official data, in 2020, in Bihor County, the number of real estate transactions decreased by 5,7% compared to 2019. This decrease may be the effect of the economic crisis, following COVID-19.

Prices fell by -1,7%, -1% monthly in March, April, and then began to rise gradually. The demand for residential properties in the vicinity of Oradea is also growing.

III. CONCLUSIONS

Romania's residential market was at a time with demand and supply at a balanced level and reasonable prices kept under control, which were far from the prices of 2008. Although prices increased steadily, after 2014 the properties had well-founded values.

The effects of the pandemic with COVID-19 on the residential market are seen with a gap compared to the economic impact.

However, in the western part of Romania there is a tendency to increase the number of transactions and a positive evolution of the property price.

There is a growing trend in the number of potential customers buying new homes. The return trend after March-May 2020 materializes through real estate transactions comparable in number to those of June-July 2019.

Compared to the crisis of 2008, house prices in Romania are lower, on average by 23%, according to Eurostat data.

The real estate market will change following COVID-19. Thus: the costs will increase as a result of the needs of the technologization of the production processes, of the risk protection, of the modification of the crediting conditions of the banks. It will adapt to the new conditions for a progressive, coherent recovery and under the conditions imposed by the new restrictions.

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