

Where the lawns are greener

How the pandemic has changed American homebuyers' preferences

WILLIAMSON COUNTY, Texas, stretches north from bustling Austin through hills and prairies. It is home to Dell, a computer firm, and looks nothing like Florida's Collier County, a swampy haven for golfing pensioners. But both reflect American homebuyers' shifting tastes. Compared with the two years before the covid-19 pandemic, house-price growth has risen more in Williamson than anywhere else, from 2.6% a year to 32.3%. Collier ranks fifth.

American house prices have risen by 33% since March 2020. Beyond increasing appetites for property, covid has changed where Americans want to live. The biggest winners have been warm suburbs, with the right combination of affordable housing and industries friendly to remote work.

To detect these patterns, we used a monthly home-price index from Zillow, a website, for 2,563 of America's 3,006 counties since 2018. We then built a statistical model to find what places with similar recent price-growth rates have in common.

Covid itself has hurt the market mainly in hard-hit areas. In the 100 counties with the highest official death rates from covid, price changes were four percentage points lower than you would otherwise expect.

Lifestyle changes had bigger effects. Because city dwellers could not meet face-to-face, they dispersed, mostly to the suburbs. Holding other factors constant, price changes were 10-15 percentage points greater in middling-density counties like Williamson than in big cities or rural areas.

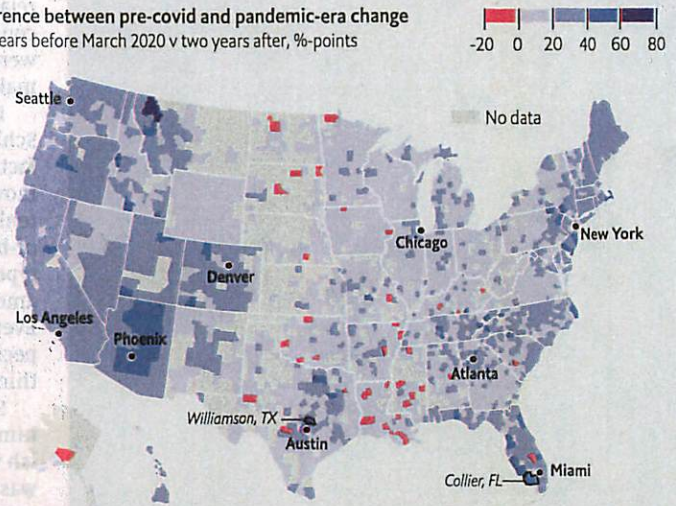
Covid has also led people to spend more time outdoors. In turn, buyers have bid up homes in areas where it seldom rains, summers are balmy or, like Collier, winters are mild. Weather explains 16 percentage points of the gap in price gains between sunny California and frigid Minnesota.

A final factor is remote labour. Before the pandemic, geographic inequality had been rising: areas that were already expensive saw the biggest price gains. In counties that rely on industries, like construction, in which people have to turn up to work, this trend has continued since 2020.

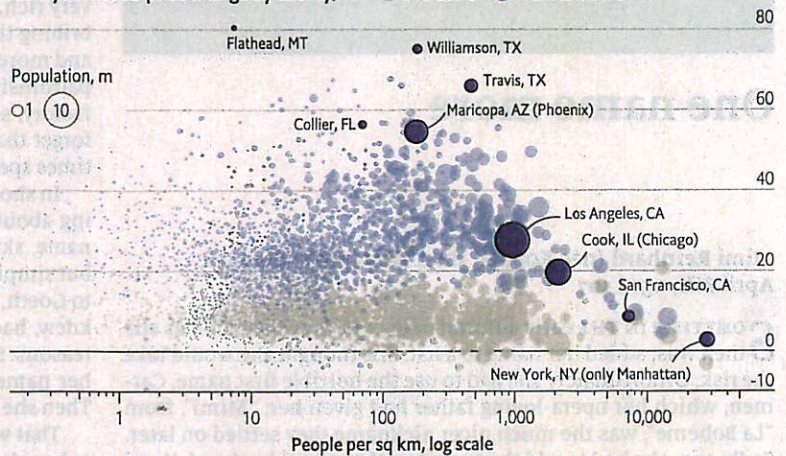
However, the pattern has reversed in areas dominated by industries amenable to remote work, such as finance. Since covid emerged, price gains have been large where housing was previously cheap, and smaller elsewhere. This supports recent research showing that remote workers tend to move to reduce their cost of shelter. ■

→ House prices in the Midwest have lagged behind during the pandemic

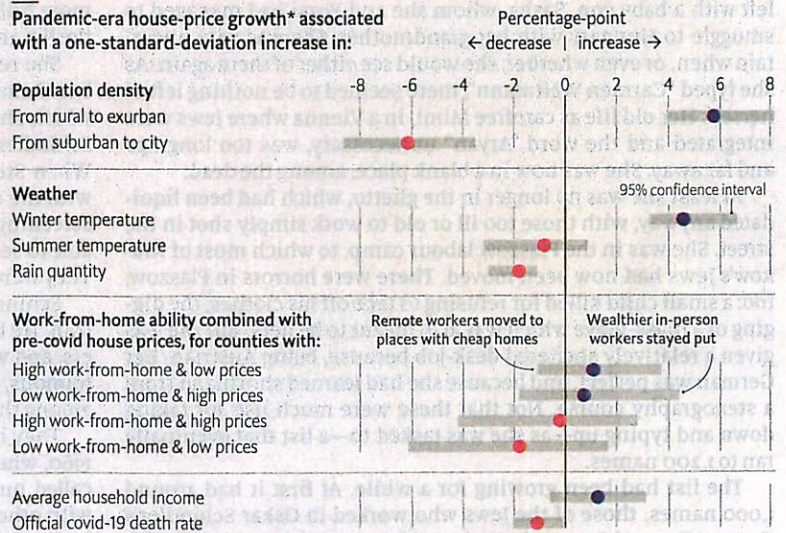
Difference between pre-covid and pandemic-era change
Two years before March 2020 v two years after, %-points



Two-year house-price change by county, % ● Pre-covid ● Pandemic era



→ Buyers flocked to warm, dry suburbs. Remote workers sought cheap housing



*Above expected price change based on pre-pandemic price levels and trends
Sources: "How many jobs can be done at home?", by J. Dingel and B. Neiman, *Journal of Public Economics*, 2022; NOAA; US Census Bureau; Zillow Home Value Index; *New York Times*; *The Economist*