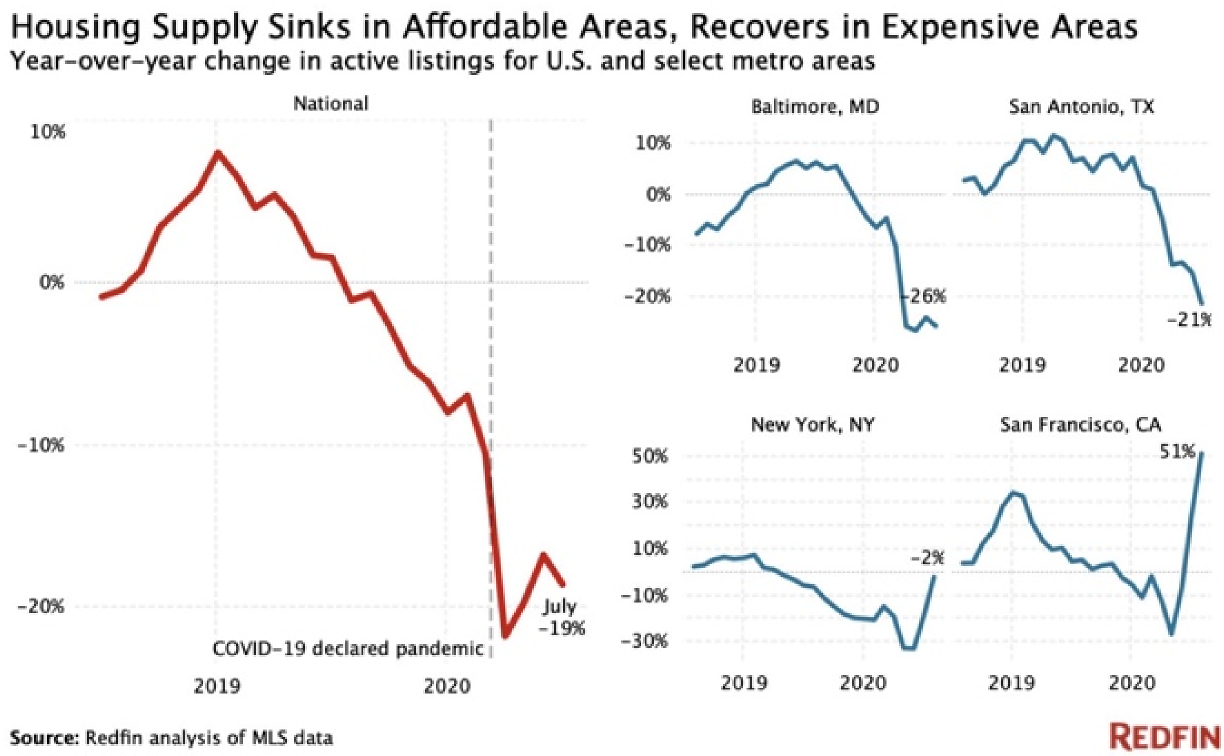
**Example Paper: this paper is a good example of how to use various and creative data to analyze economic issues and support arguments. Paper organization can be improved, for example, by showing housing price changes first and then analyze how supply and demand contribute to it.**

# Discussion Paper 1: The Effect of COVID-19 on the Housing Market

The housing market in the United States has taken a recent dive in supply, while demand skyrockets due to the effects of the COVID-19 pandemic. This has resulted in a trend that hasn't been seen in the recent past in the United States; the middle class is being priced out of the housing market. As prices rise, due to the increase in demand and lack of supply, only the upper class can afford to buy a house these days. The pandemic has made people more cautious about their finances meaning that less people are selling their real estate, and that ultimately less real estate is on the market in general. However, the current ongoing conflict between Russia and Ukraine may help to reverse this trend in the supply ever so slightly. Conversely, the demand within the housing market has only continued to grow despite the pandemic, and in some cases is fueled by it.

To begin to discuss the recent changes in the housing market, due to the pandemic, we must first take a look at the average supply of houses in the market over the last few years as compared to today, and the changes that have resulted in this shift. The supply of homes for sale since the pandemic began has dramatically decreased in many U.S. cities such as Baltimore, Maryland the supply has decreased by 26% between 2019 and 2020, in other such as San Antonio, Texas supply has decreased by 22% from 2019 to 2020. (Friedman 2022). This trend can be seen in most major cities across the United States and has continued since 2020.

According to the Wall Street Journal “Households earning between $75,000 and $100,000 could afford to buy 51% of the active inventory in December, NAR said, down from 58% in December 2019. That 7-percentage-point drop was the second-biggest decline among all income brackets, behind households earning between $100,000 and $125,000, where earning affordability slipped 8 percentage points to 63%.” (Friedman 2022). This means that the middle class is being completely priced out of the market. Due to this  decrease in supply in the price ranges that are inaccessible to the middle class, it means price for these houses are being pushed up, resulting in the middle-upper, and upper class being the main recipients of these homes, as they can afford the increase in price. This will be a really interesting trend to continue to monitor in the future, as the affordability and quantity of homes will determine if at some point I, like many others my age, will be able to afford buying a home like those of older generations have been able to.



Some of this increase in price can be attributed to the changing preferences of families and individuals in light of the covid pandemic but is not directly responsible for the entirety of the supply issues that the pandemic has brought about. The market supply fortunately, will not be greatly impacted by the recent events surrounding the Russian invasion of Ukraine, despite having worldwide economic impact. According to the National Association of Realtors “Russian foreign buyers account for less than 1% of foreign buyer purchases” and that furthermore “the decline in foreign demand will ease supply constraints for domestic buyers” (Cororaton 2022). So, unlike most industries, the housing market is most likely going to react positively to the conflict in Europe.

With all that said, demand plays a large role in the shift in the housing market as well. The demand in the United States housing market has skyrocketed unlike the supply. The pandemic has forced people to quarantine for long periods at a time since the spring of 2020, and so many people are spending unprecedented amounts of time in their homes, with nowhere else to go, and no time away. This in and of itself has resulted in many people looking to buy new real estate to have somewhere to go that is a more preferable location than where the currently reside, or a larger area to be occupying throughout their time in quarantine. The White House has noted that people have been shifting their location preferences due to the pandemic, and that in these locations this has heavily contributed to the demand in the housing market skyrocketing. Additionally, much of the government policy that was put into place due to the pandemic, such as the stimulus packages, has helped to keep the housing market afloat as it gave people a source of income when they otherwise may have had none or not as much as they would have been originally anticipating for the year. (U.S. Government 2021). Furthermore the “S&P/Case-Shiller seasonally adjusted national home price index rose by an amazing 19.7% during the year to July

2021 (13.6% inflation-adjusted), a sharp acceleration from the previous years 4.85% growth" (Delmendo 2021). Furthermore, the "U.S. homebuilder sentiment stood at 76 in September 2021, up slightly from 75 the previous month, according to the National Association of Home Builders (NAHB)/Wells Fargo Housing Market index (HMI)." (Delmendo 2021). This index is measured between zero and a hundred, with fifty being the midpoint so the sentiment among home builders in terms of demand within the market has been quite positive, and during the pandemic only continued to increase until November of 2021.

**Figure 1: Housing supply and prices**


Source: Federal Reserve Economic Data; National Association of Realtors Monthly Supply Data

Similar to that of the supply within the housing market, the effects of the Russian invasion of Ukraine on the demand appear to be very minimal if noteworthy at all within any larger observable trend.

In conclusion, the United States housing market has been heavily impacted due to the COVID-19 pandemic. The effects of this pandemic have mainly hurt the supply half of the market as it has created a market that is far less accessible to the middle class and has homes that have increased enormously in price due to the lack of overall supply all across major United States cities. The demand has done the opposite of the supply. Rather than decrease, the demand within the housing market has skyrocketed. The pandemic has created a demand for homes particularly in specific locations across the United States which has only furthered the issues seen within the supply. The middle class are the primary losers within this situation as they make up a large portion of the increasing demand, but due to the sharp decline in the supply are being priced out left and right by the upper class. Homes that used to be affordable to this sector of the population no longer is. Fortunately, the current issues abroad, with the Russian invasion of Ukraine, and the conflict that has continued since then, and looks as though it shall continue appears to have very little effect on the United States housing market. In fact, although it appears to have no impact on demand, this conflict may contribute to a marginally better supply situation.

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