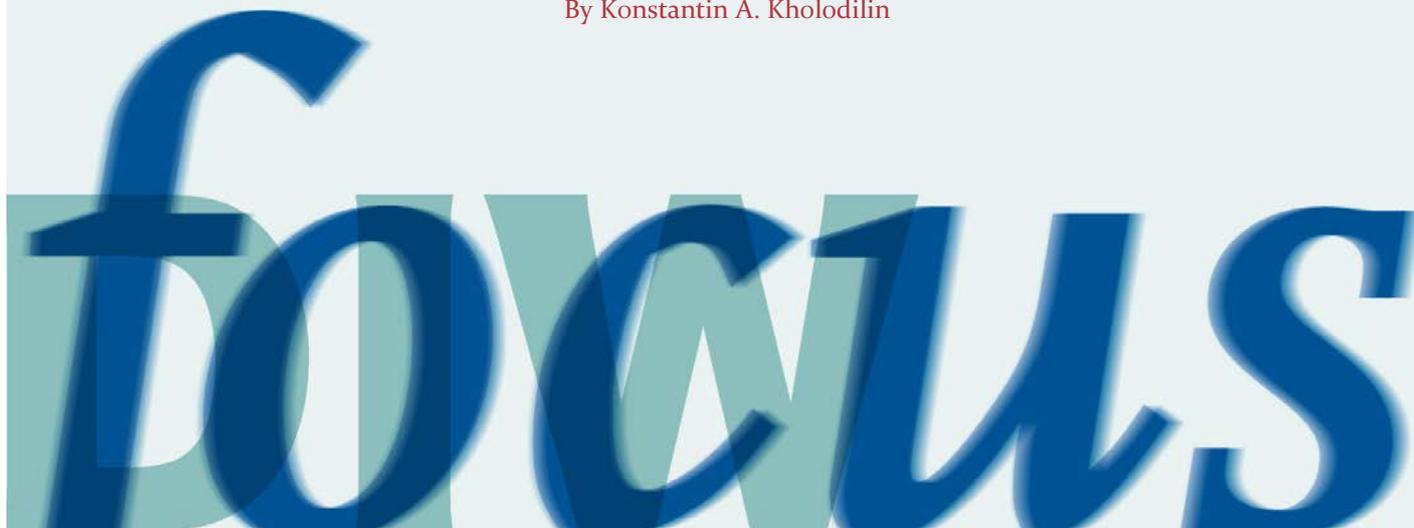


Housing Policies Worldwide during Coronavirus Crisis : Challenges and Solutions

By Konstantin A. Kholodilin



The coronavirus pandemic, which began in December 2019 and is currently spreading rapidly around the world, is having a noticeable impact on the economy and thus also on the real estate market. Since the measures to curb the spread are causing economic activities to decline massively, small and medium-sized companies in the service, hospitality, and transport sectors in particular, but the self-employed as well, are often unable to meet their short-term obligations, such as rents, loan interest, and labor costs, and are thus existentially at risk. Private tenants are also affected if they receive no or significantly less income due to the containment measures. Suggested and implemented measures aim to help commercial and private tenants and property owners in these difficult times as unbureaucratically as possible. Here, we present in detail the plans and actual measures undertaken worldwide.

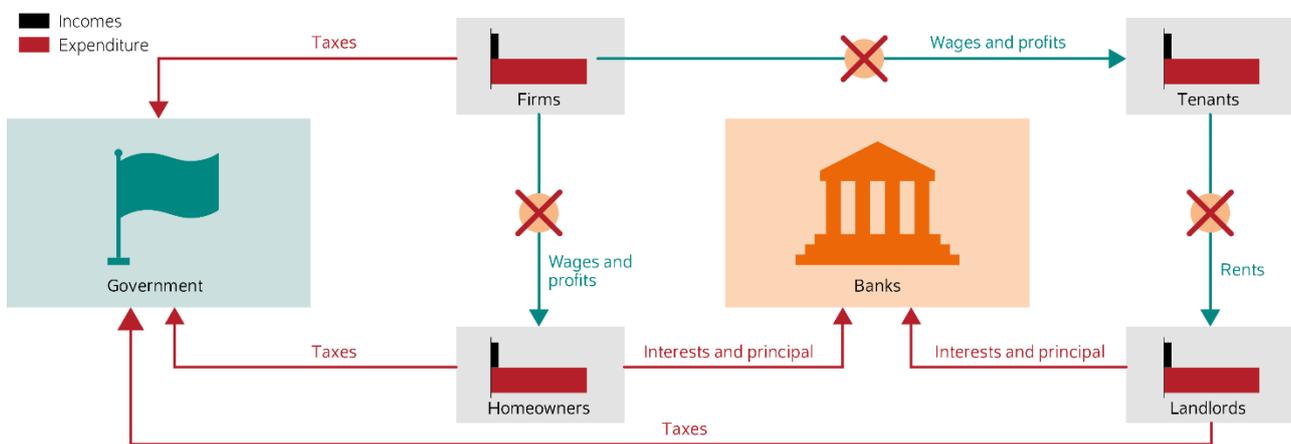
When the German Federal Government passed protection against dismissal for tenants in the last week of March 2020 due to the coronavirus pandemic, large corporations felt this applied to them as well. Companies like Adidas, Deichmann, and H&M announced they would no longer pay their commercial rents as a preventative measure beginning in April. “Indecent and unacceptable,” said Federal Justice Minister Christine Lambrecht; the regulation to defer rent for up to three months was aimed primarily at private and commercial tenants with little reserves who, because of the shutdown since March 23, either no longer generate income or hardly any, and not at large corporations.

There is no question that the shutdown poses great problems for many private and commercial tenants, and not only in Germany. Rent arrears are one of the few reasons that give landlords the right to give notice to their

tenants. In light of the fact that containment measures may last many weeks, the risk of a large number of tenants being evicted is very high.¹

The measures hit retail, aviation, and the hospitality industry particularly hard. Small businesses and their employees, as well as the self-employed and freelancers, are often threatened as they usually have little reserves. While people with low incomes are often provided with benefits such as unemployment and housing benefits, or wages remain unchanged for those working in the public sector, those with low-middle incomes who are employed in the private sector are the most affected. Their incomes drop or vanish, making them often unable to service their rents or mortgage rates (Figure 1). For the real estate market, this means a negative demand shock if the purchasing power of tenants and owners decreases.

Figure 1
Circular flow of housing market during crisis without government support

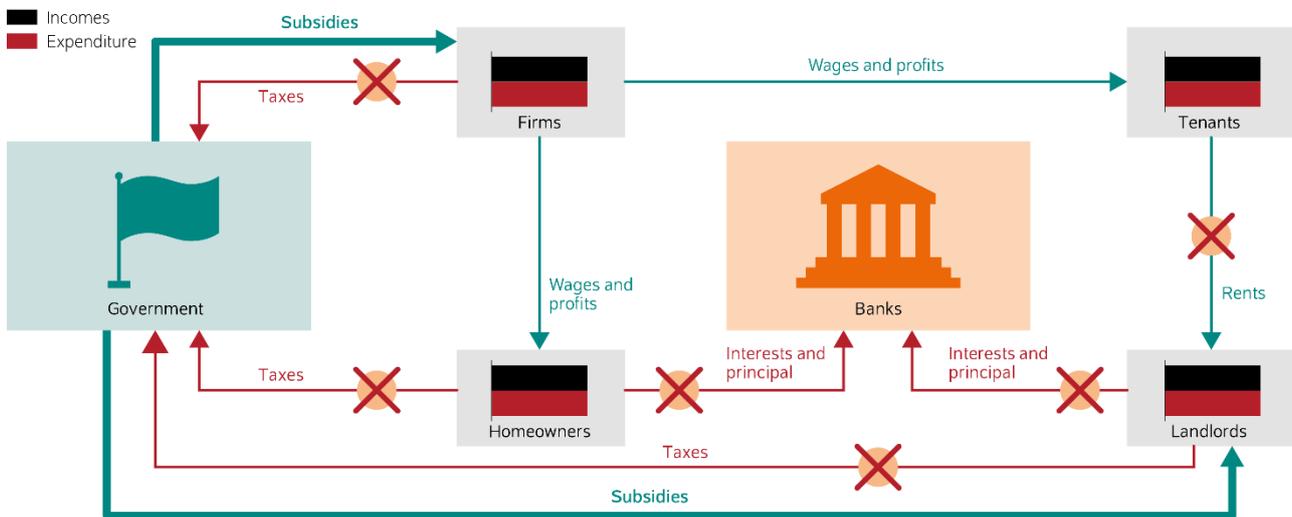


Source: Authors' own depiction.

In the face of these threatening developments, governments in various countries are looking for ways to dampen their impact. Four protective measures are used: protection against dismissal for tenants, mortgage relief, rent freezes, and rent subsidies (Figure 2). The ways in which the different countries choose to do this will be presented below.

¹ According to rough estimates, in Germany, it could affect between 1.3 and 2.7 million households, if one assumes that five to ten percent of the rental households and property owners could get into difficulties with mortgage loans. The 3.7 million households that receive housing benefit or unemployment benefits are excluded.

Figure 2
Circular flow of housing market during crisis with government support



Source: Authors' own depiction.

Many countries have committed themselves to protective measures

The protection of tenants from eviction is the most popular measure. Since mid-March 2020, many countries have suspended or are planning to ban evictions of tenants whose incomes have fallen particularly sharply due to the coronavirus pandemic because of rent arrears. These countries include Argentina, Australia, Canada (Quebec and Ontario), Colombia, Cyprus, El Salvador, Germany, Ireland, Italy, Luxembourg, Mexico (Baja California), the Netherlands, New Zealand, Portugal, Spain, the United Arab Emirates (Abu Dhabi and Dubai), the United Kingdom, and the USA.² Most of the time, the regulations refer to private residential property. In Germany and

² See for Argentina: DECNU-2020-320-APN-PTE Alquileres, *Boletín oficial de la República Argentina* (March 29, 2020); for Australia: Australian Government, *Coronavirus (COVID-19) Essential Information* (March 29, 2020) ([available online](#), accessed on March 30, 2020. This applies to all online sources in this report); for Canada: *Arrêté No. 2020-005 de la ministre de la Santé et des Services sociaux en date du 17 mars 2020* (in French; [available online](#)) and Government of Ontario, *Ontario Protecting Critical Front-Line Justice Services in Response to COVID-19, Newsroom* ([available online](#)); for Colombia: Tikitakas, *Arriendos en Colombia: cuáles son las medidas y los cánones de arrendamiento* (April 1, 2020) (in Spanish; [available online](#)); for Luxembourg: Gouvernement Luxembourgeois, *Covid-19: les mesures en matière d'aides au logement* (March 27, 2020) (in French; [available online](#)); for Cyprus: Offsite Team, *Which tenants the eviction suspension order applies to?* (March 2020) (in Greek; [available online](#)); for El Salvador: *Redacción Coronavirus en El Salvador: el ambicioso plan de Bukele para reforzar la economía del país amenazada por el covid-19* (March 25, 2020) (in Spanish; [available online](#)); for Germany: Gesetz zur Abmilderung der Folgen der COVID-19-Pandemie im Zivil-, Insolvenz- und Strafverfahrensrecht, *Bundesgesetzblatt* (March 27, 2020): 569; for Ireland: Joe Brennan, "Coronavirus: Irish banks offer relief to borrowers hit by coronavirus," *The Irish Times*, March 10, 2020 ([available online](#)); for Italy: "Decreto-legge 17 marzo 2020, n. 18 Misure di potenziamento del Servizio sanitario nazionale e di sostegno economico per famiglie, lavoratori e imprese connesse all'emergenza epidemiologica da COVID-19," *GU Serie Generale n.70* (March 17, 2020) (in Italian; [available online](#)); for Mexico: Ana Gómez, *Congreso de Baja California suspende pagos de arrendamientos de vivienda y negocios; se tendrían que pagar después* (March 26, 2020) (in Spanish; [available online](#)); for the Netherlands: National Government of The Netherlands, *Geen huishuizingen in verlenging tijdelijke huurcontracten* (March 26, 2020) (in Dutch; [available online](#)); for New Zealand: Amelia Wade, *Coronavirus Covid-19 lockdown: Rents frozen and evictions banned under emergency legislation* (March 25, 2020) ([available online](#)); for Portugal: Filomena

Portugal, however, tenants of residential and commercial properties are protected as well. France, on the other hand, has so far only protected small and medium-sized companies, while Romania generally plans to protect companies against dismissal.

A second measure is designed to help homeowners avoid losing their property. If they are unable to service their mortgage loans and are in arrears with interest payments due to coronavirus-related income losses, some countries help with a kind of protection against dismissal for homeowners. Sometimes no formal regulations are passed, but the banks themselves decide to grant their customers a mortgage break. The following countries have made use of such funds: Argentina, Belgium, Canada, Colombia, El Salvador, Germany, Ireland, Italy, Mexico, Portugal, Russia, Spain, the United Kingdom, and the USA.³

The least widespread protective measure is rent freezes. Some governments have prohibited rent increases during the state of emergency, and sometimes rents are even supposed to be reduced (Greece and Spain). In extreme cases, rent payments are completely suspended (Venezuela). Countries that have implemented such policies include Argentina, Canada (British Columbia), Colombia, El Salvador, Greece, Ireland, Mexico (Baja California), New Zealand, Spain, and Venezuela.⁴ The freeze sometimes differs according to the size of the landlord. In Spain, for example, rents are reduced by 50 percent or suspended only with large landlords (with more than ten apartments or built-up areas of more than 1500 m²). Small landlords are spared.

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³ See for Argentina: Hipotecas. *Boletín oficial de la República Argentina* (DECNU-2020-319-APN-PTE), (March 29, 2020); for Belgium: Mathilde Ridole, “Les banques autorisent le report de remboursement des crédits hypothécaires,” *L’echo* (March 19, 2020) (in French; [available online](#)); for Canada: Government of Canada, *Canada’s COVID-19 Economic Response Plan* (March 2020) ([available online](#)); for Colombia, *Covid - 19: Gobierno anuncia medidas frente a desempleo, hipotecas y servicios públicos* (March 25, 2020) (in Spanish; [available online](#)); for Ireland: Joe Brennan and Harry McGee, “Coronavirus: Banks agree mortgage breaks and repossession deferrals,” *The Irish Times* (March 18, 2020) ([available online](#)); for Italy: Nicoletta Cottone, “Coronavirus, scopri come difenderti dalla sospensione del mutuo prima casa alle garanzie per le imprese,” *Il Sole 24 ore* (March 23, 2020) (in Italian; [available online](#)); for Mexico: Herald de México, “Infonavit cubrirá pagos de hipotecas y apoyos a PyMes por contingencia COVID-19” (March 31, 2020) (in Spanish; [available online](#)); for Portugal: Elisabete Tavares, “Portugal vai seguir o exemplo de países como Espanha e Itália e permitir uma pausa no pagamento da prestações dos créditos à habitação,” *Dinheiro vivo* (March 23, 2020) (in Portuguese, [available online](#)); for Russia: Vladimir Putin: *Обращение к гражданам России* (*Appeal to the citizens of Russia*) (March 25, 2020) (in Russian; [available online](#)); for Spain: Real Decreto-ley 8/2020, de 17 de marzo, de medidas urgentes extraordinarias para hacer frente al impacto económico y social del COVID-19 (in Spanish; [available online](#)); for the USA: HUD, *Mortgagee Letter 2020-04, Foreclosure and Eviction Moratorium in connection with the Presidentially-Declared COVID-19 National Emergency* ([available online](#)); for the UK: Ministry of Housing, Communities & Local Government and The Rt Hon Robert Jenrick MP, *Complete ban on evictions and additional protection for renters* (March 18, 2020) ([available online](#)).

⁴ See for Argentina: Alquileres. *Boletín oficial de la República Argentina*; for Canada: Ministry of Municipal Affairs and Housing of the British Columbia Government, *Supporting renters, landlords during COVID-19* (March 25, 2020) ([available online](#)); for Greece: Legislative Act of 20.03.2020: Urgent measures to address the consequences of the spread of the COVID-19 coronavirus, to support society and entrepreneurship, and to ensure the smooth functioning of the market and public administration ([available online](#)); for Ireland: Aisling Kenny, “Covid-19: Temporary ban on evictions and rent increase pause,” *RTE* (March 19, 2020) ([available online](#)); for Venezuela: Alba Ciudad, *Maduro decreta la inamovilidad laboral y la supresión del pago de alquileres por el coronavirus* (March 23, 2020) ([available online](#)).

In some countries (for example in the Canadian province of British Columbia, Luxembourg, and Spain), it is planned to flank the protection against evictions and the rent freeze with compensation for landlords, for example in the form of subsidies or interest-free loans. This is to avoid losses due to the freeze on rents.

So far, at least 25 countries have introduced or announced measures at national or regional level worldwide to protect tenants and property owners who have been badly affected by the coronavirus pandemic (Figure 3). The most popular measure is the suspension of evictions (19 countries), followed by the suspension of mortgage interest and principal payments (15 countries). In 12 countries, the moratorium on evictions is accompanied by mortgage approvals. Rental stops are only available or planned in nine countries. Subsidies to tenants or landlords are granted in four countries.

Figure 3
Protective measures in individual countries



Source: Author’s own depiction.

Conclusion: Don't push the burden to one side

Governments around the world are aware of the precarious situation many tenants and property owners find themselves in and were able to quickly and creatively cope with the special burdens. In Germany, the government's plans to suspend evictions due to non-payment of the rent sparked lively discussion, especially as large companies attempted to claim this protection.

Some critics claim this measure could pose serious financial problems for small landlords in particular because the law from March 27, 2020, to mitigate the consequences of the coronavirus pandemic in civil, bankruptcy,

and criminal procedure does not yet regulate how the lost rent should be compensated. They propose to create a special fund that would either buy the rent directly from the landlords or grant interest-free loans to tenants and property owners. It is important to consider both the demand and the supply side of the market and not to shift the entire burden to one side.

Rents will only decrease for a short period, if at all. The situation is different with housing prices. If landlords and property owners are in financial difficulties due to these measures and are not supported by the government or the banks, this can lead to emergency sales of property. This could trigger a chain reaction on the market from property owners to banks, thus exacerbating the economic crisis that is already beginning. It will be important to spend more financial aid on all actors concerned to avoid even greater losses in the near future.

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