

Post-Covid-19 Real Estate Market Recovery: Implications for Property Valuation (2022)

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ABSTRACT

The COVID-19 pandemic caused significant disruptions to global real estate markets, affecting property values, rental yields, and investor confidence. This study examines the recovery trends in residential and commercial real estate markets post-COVID-19 and their implications for property valuation. Data were collected from 250 property transactions across Africa, Asia, and Europe between January and December 2022. Descriptive statistics and regression analyses were employed to assess changes in property prices, rental yields, and market demand. Findings indicate an average property price recovery of 6% compared to 2021, with residential markets recovering faster than commercial markets. Regression results reveal that liquidity, location desirability, and occupancy rates significantly predict property valuation post-pandemic ($R^2 = 0.54, p < .01$). The study concludes that real estate valuation methodologies must incorporate pandemic-induced market shocks and recovery patterns, recommending adaptive appraisal techniques and scenario-based forecasting.

Keywords: Post-COVID-19 Recovery, Real Estate Market, Property Valuation, Residential Property, Commercial Property, Market Dynamics, Investment Analysis

Introduction

The COVID-19 pandemic created unprecedented challenges for global real estate markets. Lockdowns, remote work policies, and economic uncertainty led to declining property transactions, rental reductions, and temporary devaluation of assets (Ling & Naranjo, 2022; Geltner et al., 2022).

As markets recover in 2022, understanding the implications for property valuation is critical for investors, developers, and policymakers. Recovery trends vary between residential and commercial properties, influenced by factors such as liquidity, location, occupancy rates, and investor confidence.

This study investigates post-pandemic real estate market recovery and its effect on property valuation, providing insights for adaptive appraisal methodologies.

Statement of the Problem

In an ideal real estate environment:

- Property valuations reflect market fundamentals and investor expectations
- Market stability ensures consistent transaction volumes and rental yields

However, post-pandemic conditions introduced volatility:

- Temporary declines in property prices and rental rates
- Uneven recovery between residential and commercial sectors
- Challenges for investors, lenders, and appraisers in assessing fair market value

Without incorporating pandemic recovery dynamics, property valuation may misrepresent market reality, potentially leading to misinformed investment and financing decisions.

Objectives of the Study

- i. To analyze post-COVID-19 recovery trends in residential and commercial real estate markets.
- ii. To assess the impact of recovery trends on property valuation.
- iii. To recommend adaptive strategies for property appraisal in post-pandemic markets.

Research Questions

- i. How have real estate markets recovered following the COVID-19 pandemic?
- ii. What is the effect of market recovery on property valuation?
- iii. Which factors are most significant in predicting property value post-pandemic?

Statement of Hypotheses

- i. H_{01} : Post-COVID-19 market recovery does not significantly affect property valuation.
- ii. H_{02} : Residential and commercial property markets do not show differential recovery patterns.
- iii. H_{03} : Market factors such as liquidity, location, and occupancy rates do not significantly predict post-pandemic property valuation.

Literature Review

Conceptual Review

Concept of Real Estate Market Recovery

Market recovery refers to the process by which property prices, transaction volumes, and rental yields return to pre-crisis levels or stabilize following a market shock (Ling & Naranjo, 2022). Recovery dynamics are influenced by economic activity, employment rates, and investor confidence.

Concept of Property Valuation

Property valuation is the process of estimating the market value of real estate assets based on comparable sales, income generation potential, and market trends (Geltner et al., 2022). Accurate valuation requires incorporating macroeconomic conditions, market volatility, and sector-specific recovery trends.

Theoretical Review

This study is informed by the **Efficient Market Hypothesis (EMH)** and **Real Estate Market Adjustment Theory**, which posit that:

- Property prices reflect available market information, including economic shocks
- Market participants adjust expectations based on recovery trends and risk assessment
- Post-crisis pricing reflects both short-term volatility and long-term fundamentals

Applying these frameworks, post-COVID-19 recovery patterns must be considered in property appraisal and investment decisions.

Empirical Review

Ling and Naranjo (2022) observed that residential property markets in North America and Asia recovered faster than commercial office markets post-COVID-19. Geltner et al. (2022) reported that occupancy rates, liquidity, and location desirability significantly influenced valuation outcomes during the recovery phase. These findings underscore the need to incorporate dynamic market data into valuation methodologies.

Methodology

Research Design

Quantitative research design using transaction data and appraisal records.

Dataset

- 250 property transactions across Africa, Asia, and Europe
- Property types: Residential (60%), Commercial (40%)
- Data collection period: January–December 2022

Data Collection

- Property transaction prices
- Rental yields and occupancy rates

- Appraisal reports and market indicators

Data Analysis

- Descriptive statistics for price and yield changes
- Regression analysis to identify predictors of property valuation post-pandemic
- Comparative analysis between residential and commercial sectors

Data Presentation and Analysis

Table 1: Average Post-COVID-19 Property Price Recovery

Property Type	2021 Average Price	2022 Average Price	% Change
Residential	\$250,000	\$265,000	6%
Commercial	\$520,000	\$543,000	4%

Source: Transaction Dataset, 2022

Residential properties exhibited faster recovery (6%) compared to commercial properties (4%).

Regression Analysis: Predictors of Post-Pandemic Property Valuation

Predictor	Beta	p-value
Liquidity	0.38	<.01
Location desirability	0.35	<.01
Occupancy rate	0.29	<.01

- $R^2 = 0.54, p < .01$

Liquidity, location desirability, and occupancy rates significantly predict property valuation post-pandemic.

Hypothesis Testing

- H_{01} rejected: Market recovery significantly affects property valuation
- H_{02} rejected: Residential and commercial markets exhibit differential recovery patterns
- H_{03} rejected: Key market factors significantly predict post-pandemic property valuation

Summary of Findings, Conclusion and Recommendations

Summary of Findings

- Residential real estate markets recovered faster than commercial markets post-COVID-19.
- Property valuation is significantly influenced by liquidity, location, and occupancy rates.
- Adaptive appraisal techniques are necessary to account for pandemic-induced market volatility.

Conclusion

Post-pandemic recovery significantly affects property valuation. Accurate appraisal requires integrating recovery trends, market liquidity, and sector-specific dynamics. Residential markets demonstrate stronger resilience, while commercial sectors remain sensitive to occupancy and economic fluctuations.

Recommendations

- i. Incorporate scenario-based forecasting in property valuation models to account for post-crisis recovery.
- ii. Monitor liquidity, occupancy rates, and location desirability as key valuation indicators.
- iii. Implement flexible investment strategies and adaptive risk management in commercial real estate portfolios.
- iv. Use real-time market data to enhance appraisal accuracy during periods of economic recovery.

References (APA 7th Edition)

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