

## Remote Work and Housing Demand

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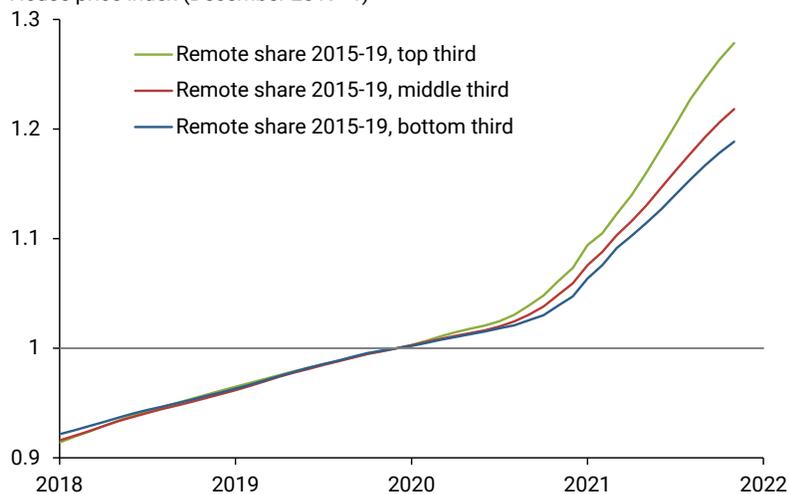
The U.S. labor market has seen a large and apparently persistent shift to working from home in response to the COVID-19 pandemic. At the same time U.S. house prices have grown extremely rapidly. Working from home may increase a worker's housing demand, because activities that used to be done in offices now take up space and time at home. We study how the shift to remote work has affected housing markets through migration and housing demand in the cross section of U.S. cities.

### More remote work leads to higher house prices and rents

For this study, we consider a measure of cities and towns known as core-based statistical areas (CBSAs). Using survey data we find that CBSAs with more remote work before the pandemic saw larger increases in remote work during the pandemic and these pre-pandemic shares of remote work are uncorrelated with other factors. We use this pre-pandemic remote work to identify the causal effect of remote work on local housing markets. We find that remote work had large and robust effects on house price growth and rents, while we find no effect on non-housing prices and possibly even a negative effect on commercial rents.

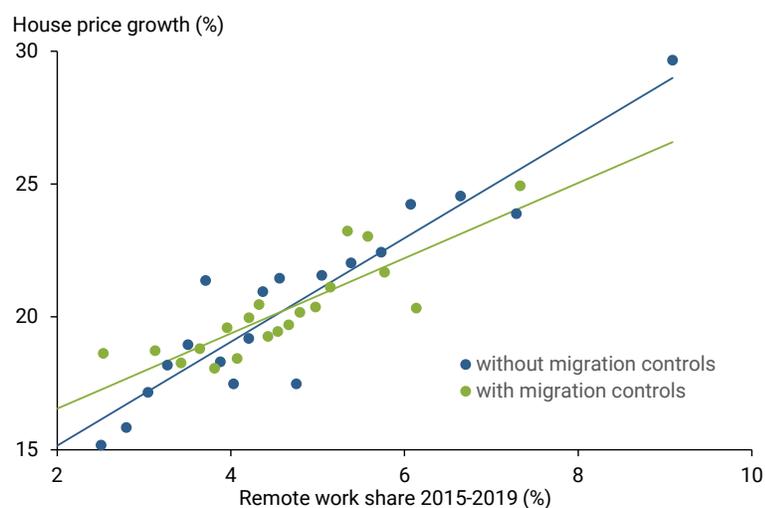
These estimates suggest remote work had a large effect on house prices in the cross section, but they are not directly informative about the effect of remote work on aggregate house prices. As workers shifted to remote work in the pandemic, they were able to relocate to cities with cheaper housing or more attractive amenities. Therefore, we need some additional analysis to isolate the effect of remote work on housing demand as distinct from the effect of migration.

House price index (December 2019=1)



## Remote work, not migration, drove most of house prices

We show that if we have an accurate measure of migration across CBSAs then we can isolate the effect of remote work on housing demand. This estimate can then be extrapolated to give a lower bound for the true effect of remote work on overall house prices. We use consumer credit bureau data to construct an accurate measure of migration across CBSAs. After controlling for migration, we find that most of the effect of remote work on house prices arises from its direct effect on housing demand.



## Implications

- Because a shift in housing fundamentals caused by remote work explains most of the increase in house prices, the future of house prices will depend in part on the future of remote work.
- To the extent that remote work arrangements persist, the effect of increased housing costs on inflation are also likely to be sticky.

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