

IMPACT OF COVID -19 PANDEMIC ON REAL ESTATE PRACTICE IN LAGOS METROPOLIS.

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ABSTRACT

The impact of pandemic on economic activities has not been fully studied to a great extent. This informed the reason for this study which is to contribute to the body of literature that examines COVID-19 and real estate practice and transactions in Lagos metropolis . Systematic random sampling technique was employed on the firms of estate surveying valuation as listed in NIESV directory that gives a sample size of one hundred and seventy six (176) firms. One hundred and thirty two (132) questionnaires were duly completed and found adequate for the study. The data was analysis using descriptive statistics of frequency tables and weighted mean score. The findings revealed lack of access to property development finance, inability to carryout routine inspection as well as not being able to show prospective tenants or buyers the prospective property for inspection have highest weighted mean score of 5.0. This was followed by rent default and reduction of landlords ' income of weight means score of 4.6. In order to mitigate the pandemic effect on real estate transactions there is need for more investment in information and communication technology (ICT) in real estate industry in Lagos metropolis.

INTRODUCTION

Society has been hit by several pandemic in the past but it is difficult to estimate the long term economic as well as societal consequences as these aspects have not been fully studied to a great extent in the past (Donthu, N. and Gustafsson, A., 2020). The coronavirus pandemic led to the lockdown of economic activities expects grocery and pharmaceutical. The pandemic was described to have impact on real estate investment plans by OECD (2020). The consequential impact of the pandemic on every aspect of human being in Nigeria became more pronounced after the first index case in February 2022 and by March 2020 the country lockdown commenced and quarantine exercises were observed in line with medical and scientific guideline and advice.

The policy guidelines for lockdown by the Nigerian Presidential Task Force on COVID-19 stipulate among other things that citizen should stay at home and practice the habit of

social distancing to stop the spread the pandemic. This gave birth to the idea of working from home which gradually has become part of the “new normal” trend in the service industry and a primary source for the decline in the demand for office space.

This paper emphasis is to contribute to the body of literature that examines COVID-19 and real estate practice and transactions in Lagos metropolis. The paper is divided into the following sections: section one is the introduction of and section two reviews the related literature on COVID-19 on real estate transactions. Section three presents the methodology; section four is the data analysis and discussion while the conclusion and recommendations were presented in section five.

LITERATURE REVIEW

Deloitte (2020) opined that the impact of COVID-19 on real estate companies are differently felt globally as the intensity of the effects depend mainly on the regime and the type of property. Furthermore, the pandemic resulted in challenges of liquidity and value

preservation, the safety of visitors, and tenant issues and the problem of complying with government directives on COVID-19. The study further revealed that while the investors/landlords face the challenges mentioned above, tenants and other property users may be facing liquidity pressure that could bring an abrupt end to the contractual lease agreement. The leisure and hospitality industries, retail outfits and developers or real estate investors experienced serious drop in their business transaction volume.

Oyedeji (2020) evaluates the impact of COVID-19 on real estate transaction in Lagos, Nigeria stated that real estate transactions are relatively static compared to the pre-COVID-19 era with banking rating the most problematic transaction era. In another vein, Hurun (2020) study shows that restrictions and total ban on domestic and foreign tour reduces the expected revenue, the volume of real estate transactions and increases businesses operating cost. Olanrele and Thontteh (2020) reported sale contract suspension which was supposed to be sealed by clients due to the outbreak of pandemic and lockdown.

Ankeli et al (2021) study reveal that real estate is a significant industry and one of the most flourishing sectors of the Nigerian economy. The pandemic outbreak resulted in measures such as lock down quarantine, social distancing, work from home, travel ban among others. Hence, real property investors and owners were faced with nose diving urban rental income. Most tenants could barely pay their rent due to job loss, salary cut and the nature's hyper inflammatory trend. Operators of leisure and hospitality, a subsector of commercial real estate development counted their loss as tourism facilities, guest houses and hotels recorded low patronage, leading to income loss due to cancellation of tourism activities, air travel ban and other similar restrictions imposed by the federal government. Other adverse effects of covid-19 on real property market in Nigeria is the creation of void and

the loss of rent, litigations resulting from a breach in rental agreements and the work from home syndrome that is recently having the effect of reduction on the accommodation spaces required by service industries. This study examined twelve effects of the pandemic on property transactions in Lagos Metropolis as against fewer effects examined by previous studies.

The studies above, revealed the following impact of Covid-19 on real estate transactions as creation of void, income loss from rent and reduce expected revenue, reduced demand for office accommodation, breach of tenancy agreement and attendant litigation, reduce in real estate business transaction volume, relative static property transaction, abrupt end of lease agreement and inflationary trend of property price and rent.

METHODOLOGY

The target population is the practicing estate surveying and valuation firms that are conversant with the practice of estate surveying and valuation in Lagos metropolis. There are 352 registered firms of Estate surveyors and valuers in the study area according to the 2017 Directory of Nigerian Institution of Estate Surveyors and Valuers (NIESV). Systematic random sampling technique was employed where every second firm on the NIESV directory was considered which give a sample size of 176 estate surveying valuation firms. Data for the study were gathered through questionnaire administered to this study population. A 5-point Likert Scale of 1- least impact and 5-highest impact was employed in the questionnaire. Data was gathered through questionnaires administered to the study population in the study area between November and December 2021. The assembled data were analysed using descriptive statistics such as frequency tables, weighted sum, percentages and weighted mean score (WMS). Out of the 176 administered questionnaires 132 (75%) were correctly completed and retrieved. They were considered adequate for analysis.

ANALYSIS AND DISCUSSION

Table I depicts the general information about the respondents estate surveyors and valuers in Lagos metropolis.

Table 1: General Information about the Respondents

Profile	Frequency	Percentage
Rank		
Managing Director	12	9.1
Principal Partner	48	36.4
Head of department	24	18.2
Senior Estate Surveyor	48	36.4
Total Percentage %		100
Highest Academic Qualification		
B.Sc./HND	84	81.8
M.Sc.	48	36.4
Total Percentage		100
Professional Qualification		
Associate	108	81.8
Fellow	24	18.2
Total Percentage		100
Year of Practice		
1-5 Years	36	27.3
6-10 Years	48	36.4
11-15 years	36	27.3
Over 15 years	12	9.0
Total Percentage		100%

Source: Field Survey, 2021

Managing

partners/ principal partners/ heads of department constitute 53.8% of the respondents, they are all associate members of the Nigerian Institution of estate surveyors

and valuers, of which 18.2% are in the fellow's grade. Moreover, 36.6% have eleven years of professional experience and 36.4% have 6 to 10 years professional

experience. The respondents have academics qualification in the field of estate surveying and valuation. In view of the above profile of real estate transactions during the lockdown.

the respondents, the data provided can be relied upon.

Table II reveals the effect on COVID-19 on

Table II: Effect of COVID -19 on Real Estate Transactions

Effect of Covid-19	Weighted Sum	Mean Score
Delay in rent payment	502	3.8
Failure to pay rent/ Rent default	607	4.6
Financial Challenge for property repairs	304	2.3
Inability to carryout maintenance/ repairs	409	3.1
Inability to carryout routine inspection	660	5.0
Landlord reduction in income	6.07	4.6
Inability to take prospective rent/buyer for inspection	6.60	5.0
High decline in the supply of housing	328	4.0
Low demand for property (letting and sales)	396	3.0
Suspension of property construction	328	4.0
High cost of construction	328	4.0
Lack of access to property development finance	660	5.0

Source: Field Survey, 2021

Lack of access for property development finance, inability to carryout routine inspection as well as not being able to show prospective tenants or buyers the prospective property have the highest weighted mean score of 5.0. This was followed by rent default and reduction of landlords' income of weight means score of 4.6. Next are the high decline in the supply of housing, suspension

of property construction and high cost of construction with 4.0 weighted mean score. The study findings revealed that the pandemic profoundly impacted real property transaction in the study area as observed in previous studies of Lagos Metropolis.

CONCLUSION AND RECOMMENDATIONS

The study has evaluated the opinion of estates surveyors and valuers on COVID-19 in Lagos metropolis. The pandemic forced aggressive consumers to shop online because of closed malls and shopping centres thus permanently adjusting their buying habits for certain categories of products toward e-commerce. In order to mitigate the pandemic effect on real estate transactions there is need for more investment in information and communication technology (ICT).

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