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Post-Covid-19 Pandemic and the Emerging Rental Housing Market in Nigeria

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Abstract. The novel coronavirus (Covid-19) was first notice in Wuhan, China, the epicentre of the dreaded disease, in December 2019 but was declared a pandemic in 2020 by the World Health Organization (WHO). Its spread went beyond local and national boundaries to intercontinental levels. Attempt to curtail its further spread has led to measures as partial or total lockdown by nations, quarantine, work from home, social distancing, among others. These measures have, in one way or the other, adversely impacted businesses and other human activities across the globe. One of the worst-hit sectors by the pandemic is the built environment, in which the rental housing market is a subsector. Therefore, the paper evaluates post-Covid-19 pandemic and the emerging rental housing market in Osogbo, an emerging state capital in Nigeria. To achieve this, twenty-five top estate surveyors and valuers practising in Osogbo were randomly selected, and their opinions analysed and ranked. Findings of the study revealed that while the demand for residential rental accommodations is on the increase despite the outbreak of coronavirus pandemic, the demand for office and hospitality accommodations are fast declining due to the effect of the pandemic. The study, therefore, recommended the extension of people friendly palliative measures, proactive and sagacious policy formulation and implementation by the government.
Keywords: Post-Covid-19, Emerging Rental Housing, Housing Market, Nigeria

Introduction

The coronavirus pandemic's consequential impact on the global economy is a bitter peal for many to swallow as it led to the lockdown of economic activities and every other aspect of human activities. The worst-hit sector in Nigeria is the real estate/construction sector. Though the pandemic's impact in the real estate/construction sector was not immediate as the sector is highly fragmented; hence stakeholders in the sector usually feel the negative impact of the pandemic differently. Like the economic recession of 2015 and 2016 with its consequential adverse effect on the real property sector of the Nigeria economy, the money market volatility, the problem of insecurity, and the recent addition of coronavirus pandemic (Covid- 19) has tremendously affected transactions in the property market. Proshare (2020) argued that the real estate subsector of the Nigeria economy contracted by an average of -4.48 in the previous four years, hence making the subsector to be facing the challenges of housing demand and supply.

The effect of the Covid-19 pandemic has been described in the literature as brutal. Construction efforts have been disrupted and real estate investment plans distorted, making it challenging for numerous families to pay for housing, thus hurting the housing sector (OECD, 2020). The array of measures used by the Nigerian government to protect her citizen from catching Covid-19 in a way contributed to the current volatility experienced in the real property market transaction. The trend has affected Nigeria's property ownership by about 25%, while South Africa and Kenya share 56% and 75%, respectively (Chiwetu, 2020). The possibility of the drastic decline in the real estate market transaction could be associated with the dwindling property users' disposable income, which has invariably affected their demand capability. The deteriorating property user's disposable income and the weaken naira has negatively disrupted the property market's demand chain, leading to depression in property supply and project abandonment.

Though the suddenness and consequential impact of the pandemic on every aspect of human being became more pronounced after the first index case in February 2020 in Nigeria, by March the same year, the country commenced lockdown and quarantine exercises in line with medical and scientific guideline and advice. The Policy Guidelines for lockdown by the Nigerian Presidential Task Force Team on Covid-19 stipulate, among other things, that citizens stay at home and practice the habit of social distancing to stop the spread of the Covid-19 virus. The exercise gave birth to the idea of Working from Home (WFH), which is gradually becoming part of the 'new normal' trend in the service industry and a primary source for the decline in the demand for office space. Thontteh (2013) opined that factors that affect transactions in the real estate market are diverse but have connections with the property's demand and supply characteristics and the resultant value effects. Hence, Oyedeji (2020) concluded that the crux for property market evaluation, analysis, and valuation is to fill the probable gap of paucity of information observed, which is a significant cause of the property market's imperfection destructively affects stakeholder's decision making. Olanrele and Thontte (2020) reported the declining demand for commercial and residential properties and the sale contract suspension, which was supposed to be sealed by clients due to the pandemic's outbreak. They further observed that most construction sites were shut down during the period as building and construction materials prices skyrocketed and the Federal government's lockdown order.

The paper's emphasis is to contribute to the body of literature that examines post-Covid-19 and real estate market transactions in emerging and transition rental markets in Nigeria. Thus, the study examines the effect of Covid-19 on residential real estate transactions in Osogbo, the Osun state capital. The literature reviewed confirmed the consequential adverse effects of Covid-19 on most cities' rental market in Nigeria. The paper is, therefore divided into the following sections. Section one is the introduction. Section two reviews the related literature on the Covid-19 and real estate market. Section three presents an overview of the effect of the Covid-19 pandemic on real estate transactions from the Nigeria context. Section four present the methodology, and section five is the data analysis and discussion, while the conclusion and recommendations were presented in section six.

The Review of Related Literature

Previous literature has shown that economic downturn is not new in Nigeria, but the causes of each of the downturns are unique. Ozili (2020) examined the Covid-19 pandemic and economic crisis using Nigeria experience and structural causes. The economic recession in Nigeria was caused by the combination of the dwindling oil price, the spillover effects of the Covid-19 pandemic and the End SARS protest across cities in Nigeria. It led to the current free fall in demand for oil products and the stoppage of every other economic activity due to the lockdown and social distancing policies enforcement. The study, however, concluded that growth and development reforms are needed in Nigeria. However, the country was plunged into its second recession in a decade in 2016 due to its high debt burden profile and the massive balance of payment deficit resulting from the crash in oil price and the dipping of oil revenue (Adeniran & Sidiq, 2018).

Deloitte (2020) opined that the impact of Covid-19 on real estate companies are differently felt globally, as the intensity of the effects depends mainly on the region and the assert class. The pandemic brought about the 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 observed that, while the executives face the challenges mentioned above, tenants or other property users may also 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 as well experienced serious drop in their investment performances due to the impact of Covid-19 pandemic impact, which decreases their business transaction volume.

Oyedeji (2020) evaluates the impact of Covid-19 on real estate transaction in Lagos, Nigeria. The study, apart from revealing the readily availability of warehouses in the study area for occupation; hence commanding the fastest and highest rental and sale values within the current period of the pandemic, stated that real estate transactions are relatively static compared to the pre-Covid-19 era with banking rating the most problematic transaction area. Ankeli et al. (2019) observed that the major challenge of cities in the emerging nations are the effective and efficient management of the extraordinary population explosion, land use infiltration and contestation, rental vivacity, criminal tendencies of the youths and the sudden emergence of the new normal which is gradually changing the face of the world.

Hurun (2020) examined the possible effects and impacts of the COVID-19 pandemic on real estate development and management processes through the evaluation and intuition on administrative and media records. The study shows that the introduction and implementations of policies and preventive measures (restrictions and total ban on domestic and foreign tour) adversely impacted the tourism sector. It reduces the expected revenue, the volume of real estate transactions and increases businesses operating cost. It concluded that the Turkish governments' intent to save the real property market from collapse seems inadequate. Insead, the government increased the sale of available companies and residences and use tourism-oriented measures for radical change in the future.

Effect of Covid-19 Pandemic on Real Estate Market: The Nigeria Context

Real estate is a significant industry and one of the most flourishing sectors of the Nigerian economy. The sector is controlled and regulated by the Nigeria land tenure systems and various land laws like the Land Use Act and other similar laws operating in Nigeria. The pandemic outbreak has adversely impacted the nations' economy as measures adopted to curtail the pandemic's spread (lockdown, quarantine, social distance, work from home, travel ban, among others) have reduced the income of the oil-rich and emerging tourism-dependent nations.

In Nigeria, it has been observed that investment in the construction industry almost come to a halt, with investment in the real estate sector fast declining. Trade and movement restrictions negatively affected building materials cost and significantly reduced transactions in the property sale and leasing market. The Nigeria economy was quite unfortunate in 2020 that besides the vacillating problem of insecurity, kidnapping and the dwindling oil price at the international oil market, the country experienced the Covid-19 outbreak and #EndSARS# protest, which are occurrences associated with unrest and uncertainties.

The real estate industry, hospitality and leisure subsectors were not left out as they were the worst hit. Real property investors/owners were faced with nosediving urban rental income. Most tenants could barely pay their rent due to job loss, salary cut and the nation's hyperinflationary trend. Operators of leisure and hospitality, a subsector of commercial real estate development, are counting their loss as tourism facilities, guest houses, and hotels recorded low patronage, leading to income loss due to the cancellation of tourism activities, air travel ban and other similar restrictions imposed by the government. Other adverse effects the pandemic exerted on the real property market in Nigeria is in the creation of void and the loss of rent, litigations resulting from a breach in rental agreements and the work from home syndrome, which is gradually becoming the new normal but having the effect of reduction in the accommodation spaces required by service industries. It has come to the realisation of business operators that businesses can operate within a sizeable office space, thus making most operators relinquish part of the previous spaces acquired for their business operation. The resilient adaptation of the current style of working from home to avoid the pandemic's further spread is the 'new normal' the world over (Nigeria inclusive). The long-run effect of the new normal on the property rental market will be devastating, as there will be a decline in the demand for office and hospitality property uses and a probable increase in the demand for residential accommodation with ample spaces and infrastructural facilities suitable for working from home that may become competitive. Olanrele and Thontteh (2020) anticipated the tendency of losses in income as potential property purchasers may end up in leasing with even the likelihood of default in rent payment.

Methodology

The study's target populations are the practising Estate Surveyors and Valuers (ESV) in Osogbo, Nigeria. Twenty-five (25) Estate Surveyors and Valuers that are vast and conversant with the practice of Estate Surveying and Valuation in the study area were randomly selected base on their track records. Data for the study were gathered through questionnaires administered on this study population. Data collected and used for the analysis were based on the respondents' responses based on their experience in property management and agency practice in the study area between March 2020 and February 2021. The data collected were analysed using a descriptive statistical tool as frequency tables, Likert type scale, relative importance index and ranking. Twenty-three out of the twenty-five questionnaires administered were correctly filled, retrieved and considered adequate for analysis.

Data Analysis, Presentation, and Discussion

Data collected from the field are analysed, presented and discussed in this section. To adequately prioritise the most available property type for occupation, the Relative Importance Index (RII) was considered a suitable tool and used to rate and rank the Likert-type scale variables. The equation used for the calculation of the RII is presented below.

$$RII = \frac{\sum W}{A*N} = \frac{5n_5 + 4n_4 + 3n_3 + 2n_2 + 1n_1}{5N}$$

The weighting value W attached to each of the factors by the respondents range from 1 to 5, that is n_1 = number of respondents assigned to option 1, n_2 = number of respondents assigned to option 2, n_3 = number of respondents assigned to option 3, n_4 = number of respondents assigned to option 4, n_5 = number of respondents assigned to option 5, while the highest weight is A which in this case is 5. The total number of samples is N.

Table 1. Likert type scale for demand for real estate during the pandemic

Property Type	Very High Demand	High Demand	Moderate	Low Demand	Very Low Demand
Residential	19(82.6)	2(8.7)	1(4.3)	1(4.3)	0
Office	8(34.8)	7(30.4)	3(13.0)	2(8.7)	3(13.0)
Retail	12(52.2)	7(30.4)	1(4.3)	2(8.7)	1(4.3)
Hospitality	0	0	2(8.7)	3(13.0)	18(78.3)

Source: Field data (2021)

Table 2. Relative Importance Index (RII) of demand for real estate during the pandemic

Property Types	5	4	3	2	1	∑w	RII	Ranking
Residential	19	2	1	1	0	108	0.92	1st
Office	8	7	3	2	3	84	0.70	3rd
Retail	12	7	1	2	1	96	0.81	2nd
Hospitality	0	0	2	3	18	30	0.26	4th

Source: Field data (2021)

Table 1 presents the Likert type scale for the demand for real estate during the Covid-19 pandemic in the study area. The relative importance index (RII) was calculated from the Likert scale, as presented in table 2. Demand for residential property was highest in the study area during the period with RII of 0.92. Demand for retail properties ranked second with an RII of 0.81, while hospitality property has the least demand rate of 0.26. The reason for the high demand for residential, retail and office property use may not be far from the lockdown, stay at home and work from home order of the federal government to curtail the spread of the virus. The policy force people to stay and work from home. The order, in a way, encourages retail businesses and discourages the demand for large office spaces. The findings of the study are congruent with Oyedeji (2020).

Table 3. Likert type scale for assessment of rental performance during the pandemic

Property Type	Very High	High	Moderate	Low	Very Low
Residential	20(87.0)	02(8.7)	01(4.3)	0	0
Office	03(13.0)	02(8.7)	03(13.0)	05(21.7)	10(13.0)
Retail	09(39.1)	07(30.4)	01(4.3)	01(4.3)	05(21.7)
Hospitality	0	0	01(4.3)	02(13.0)	20(87.0)

Source: Field data (2021)

Table 4. Relative Importance Index (RII) of assessment of rental performance during the pandemic

Property Types	5	4	3	2	1	∑w	RII	Ranking
Residential	20	02	01	0	0	111	0.97	1st
Office	03	02	03	05	10	52	0.45	3rd
Retail	09	07	01	01	05	83	0.72	2nd
Hospitality	0	0	01	02	20	27	0.23	4th

Source: Field data (2021)

Tables 3 and 4 further present the Likert type scale and relative importance index of rental performances of each of the selected property types in the study area. The tables revealed better rental performances of residential and retail property classes compare to office and hospitality properties during the Covid-19 pandemic as residential and retail properties ranked first and second.

Table 5. Likert type scale of the challenges of real estate transactions

Challenges	Mostly serious	More serious	Moderately	Less serious	Rarely serious
Product Marketing	03(13.0)	01(4.3)	01(4.3)	09(39.1)	09(39.1)
Property Inspection	15(65.0)	07(30.4)	01(4.3)	0	0
Accessing Banks	12(52.2)	07(30.4)	04(17.4)	0	0
Financial Difficulties	18(78.3)	2(8.7)	01(4.3)	02(13.0)	0

Rent Default	20(87.0)	03(13.0)	0	0	0

Source: Field data (2021)

Table 6. Relative Importance Index (RII) of the challenges of real estate transactions

Variables	5	4	3	2	1	∑w	RII	Ranking
Product Marketing	03	01	01	09	09	49	0.43	5th
Property Inspection	15	07	01	0	0	106	0.92	2nd
Accessing Banks	12	07	04	0	0	100	0.87	4th
Financial Difficulties	18	02	01	02	0	105	0.91	3rd
Rent Default	20	03	0	0	0	112	0.97	1st

Source: Field data (2021)

Tables 5 and 6 revealed the fundamental challenges of real estate transactions during the pandemic. The challenges listed and assessed by the respondents are product marketing, physical inspection of the property, accessing banking hall difficulties, financial difficulties and default in rent payment. From the respondents' ranking of the variables, the default in rent by tenants ranked first with an RII of 0.97 among the other variables. Also, would-be clients' inability to physically inspect properties is a serious challenge and ranked second with an RII of 0.92. The Covid-19 preventive measures of social distancing, lockdown, and work from home order have led to cut down or downsizing of workers by many establishments and salary cut by others, the rising inflationary trend in the country rent payment difficult and life hard for so many families.

Table 7. The pre- and post-Covid-19 real estate transactions in the study area

Transaction Rate	Frequency			
	Pre-Covid	**%**	**Post-Covid**	**%**
Letting	12	52	08	35
Sales	06	26	03	13
Supply of property to market	05	22	12	52
Total	23	100	23	100

Source: Field data (2021)

Table 7 depicts the pre- and post-Covid-19 real estate transactions in the study area. Twelve (12) of the respondents representing 52% and six (6), representing 26% of the respondents, believe that property letting and sales were common and in high trend in the pre-Covid-19 compared to the post-Covid-19 era. It was observed that the supply of property tends to increase during the post-Covid-19 period due to void resulting from the pandemic. However, it translates to decline in real property transaction during the pandemic, which could be tied to the effect of the Covid-19 preventive measures and the current economic crunch in the country.

Conclusion and Recommendations

The study has evaluated the opinions of estate surveyors and valuers on post-Covid-19 and the emerging residential housing market in an emerging state capital in Nigeria. The study's findings revealed that the pandemic profoundly impacted real property transactions in the study area, especially the housing rental subsector. It shows a decreasing real estate transaction in the post-pandemic era compare to the pre-pandemic period. It, however, negates the assertions of Oyedeji (2020) that the rate of real estate transactions remains static during the COVID-19 pandemic. Nevertheless, the performances of residential housing rental prices were exceptional while office rental nosedive within the period. To mitigate the pandemic's adverse effect on real estate transactions, there is a need for the government at all levels to extend the period of palliative measure and make it more friendly to all, be more proactive and sagacious in policies formation and implementation. There is a need for more investment in information and communication technology (ICT) development, aggressive public enlightenment campaigns, revamping the nation's economy and the total overhauling of the nation's infrastructural facilities to flatten the curve or stop it resurgence in the country.

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