

Legal Implication of Restriction on Developing Economist on International Real Estate as A Result of Delta Variant of COVID- 19

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Abstract- This paper examines legal implication of restriction on developing economist on international real estate as a result of delta variant of COVID- 19. The paper also examined the effect of delta variant of COVID- 19 on international real estate investments. The real estate sector is a vital part of any economy. COVID-19 has become a global pandemic affecting many countries as reported by the World Health Organization. International real estate investment has been greatly affected by the emergence of Delta variant of COVID-19 such that investors are scare of investing in international real estate. The paper recommends that developing economists and international investors should be allow to invest in international real estate provided that Delta variant of COVID-19 measures are followed. Government should provide a better legal framework that guide real estate investment.

Indexed Terms- Legal, Developing, Economist, Real Estate, Delta Variant, Covid-19.

I. INTRODUCTION

Real estate transactions are profitable activity needed for the actualization of all human activities. Repanic (2005) corroborated this assertion by emphasizing the socio-economic significance of real estate transactions. The ranges of real estate products being transacted in the property market are; lands, residential properties, commercial properties, industrial properties, recreational properties and agricultural properties. Real estate is an irremovable asset or property that is fixed permanently to one position. This includes land and anything that is erected on the land. It also includes anything that is growing on the land or that exists under the face of the land” (Badmus, Yusuff & Alli, 2017). Real estate is property consisting of land and the buildings on it, along with its natural

resources such as crops, minerals, or water; irremovable property of this nature; an interest vested in this, an item of real property; buildings or housing in general.

International real estate investment is needed by real estate investors seeking to diversify pitfalls essential in similar investments in their domestic markets. Pitfalls here encompass both variability in anticipated returns from investment (Byrne and Cadman, 1985) and expected uncertainties (unknown occurrences) inherent in such investments (Kalu, 2001). Some of the pitfalls are specific to the class of investment while others are in the macro economy of the country or the area where the investment is accepted. Specific pitfalls can be diversified while threats essential in the macro economy (the systematic risks) cannot be diversified. Most investors are compensated by the market for bearing systematic risks but not unsystematic risks. Some foreign investors hope to diversify their domestic market risks and tap into the benefits of going international (Solnik, 1993). Nevertheless, investors must seek to enter countries with low systematic risks. Christner (2009) and Solnik (1993) and other erudite scholars advised that there live certain factors the foreign investors must note in the destination market they intend to explore and acceptable precautions taken in order to avoid risks and failure. The country and continent chosen for investment matter so much as expected returns can be affected either negatively or positively (Christner, 2009).

Real estate investments are widely traded in private, non-centralized market, with an inaccessible private data and mostly poor quality data. Nevertheless, the recent developments in global economy has implied that real estate investment decision needs to be duly informed (Oyewole, 2019). In Nigeria, real estate

investment was earlier seen as a means to gain security and regular income, thus some decisions were mostly made on the premise of intuition and past experience (Ajayi & Fabiyi, 1984). The appraisal of portfolio performance was limited to financial holdings, while limited interest was shown on the level of performance achieved by real estate investments. Again, location and sound management were recognized as the only important factors influencing the return on real estate investment. Such considerations as premise of investment decision sufficed for the period of the economic boom (Oyewole, 2019). However, the recent happenings in the global world and national economy require thorough investigation of all forces that influence real estate performance including the impact of COVID-19 on international real estate investment.

The international real estate investments are made in a foreign country's property market in order to reduce the investor's portfolio threat. Therefore, similar investment risk reduction is possible because real estate markets of different countries generally have low levels of correlation (Chua, 1999; Conover et al, 2002; and Baum, 1999 among others). Again, real estate investments overseas may help investors increase returns. Nonetheless, investing in real estate markets overseas means venturing into the unknown, where you meet unfamiliar political and economic environments, unstable currencies, strange cultures and languages, and so the edge of international diversification might appear attractive, the risks of international portfolio investment must not be overlooked (Sirmans and Worzala (2000); and Kateley (2002). Nonetheless, capital markets are becoming global markets and commercial real estate markets are no exception so despite the difficulties posed by venturing overseas, no investor can overlook the potential international real estate investment holds out. As a result of the constant rapid increase of coronavirus cases and the application of social distancing to curb the spread of the virus, real estate has been affected greatly because of restriction of developing economist in international real estate investment. However, the recent happenings in the global and national economy require thorough investigation of all forces that influence real estate performance including the impact of Delta variant of COVID-19 on real estate investment.

Delta variant is the dominant variant of COVID-19. Coronavirus disease (COVID-19) is a contagious disease caused by a recently discovered coronavirus. Majority of people infected with the COVID-19 Virus will witness mild to moderate respiratory illness and recover without taking special treatment. The COVID-19 is a respiratory disease caused by SARS-CoV-2, also known as the new coronavirus. The delta variant of the new coronavirus continues to launch through the United States, and details about symptoms continue to emerge (Hayk, 2021). The COVID-19 pandemic has hit the housing sector particularly hard, but governments have swiftly responded with an array of measures to alleviate the negative consequences of the crisis for tenants, borrowers, builders and lenders. Similarly, some of these measures, unless they are temporary, can stand in the way of a robust recovery and/or impair the responsiveness of the housing market to the evolving needs of society.

Delta variant of COVID-19 is a humanitarian challenge that will have lasting effects on how people live, work, and play. Most real estate leaders can best serve end users and ensure their own viability. This study therefore, examine the legal implication of restriction on developing economist on international real estate as a result of delta variant of COVID- 19.

II. LITERATURE REVIEW

2.1 Delta Variant of COVID-19

The World Health Organization (WHO) had earlier declared COVID-19 a global health exigency in January 2020; on March 11 it announced the viral outbreak was officially a pandemic, the highest level of health emergency (Bill, 2020). Since then, the emergency evolved into a global public health and profitable extremity that affected the \$90 trillion global economy beyond anything experienced in nearly a century. By mid-September 2021, the further malign COVID-19 Delta variant was announced which had become the more encyclopedically dominant strain of the virus and prompted various national leaders to call for additional health measures, including reintroducing travel restrictions. (Ang, 2021).

The Delta variant of SARS-CoV-2 initially detected in India in September 2020 and had spread subsequently

to 115 countries globally (Li, Lou and Fan, 2021). The emergence of the Delta variant in India was followed by a significant increase in the cases and in the positivity rate to reach 30% at the end of April 2021 (Dhar, et al, 2021). The Delta variant, spread rapidly throughout a mostly unvaccinated country and caused massive numbers of cases, hospitalizations, and deaths. In the UK, the Delta variant also spread fleetly despite high vaccination coverage, although there was a reduced rate in hospitalizations and deaths. Some public health experts had earlier suggested that this rapid spread was at least partially explained by the country's decision to delay second doses of vaccine. In the US, the Delta variant was first identified in March 2021. Nevertheless, Delta has become the predominant variant in the US and has caused an expansive wave of new infections, especially in the Southeastern US in places where community vaccination rates are low. In fact, the spread of Delta is largely a reflection of the uneven vaccination coverage in the US, with substantially higher numbers of cases, hospitalizations, and deaths amongst states with low vaccination rate and limited public health mitigation measures. Ang, (2021) stated that the Delta variant is highly contagious, estimated to be more than two times as contagious as previous variants, and some data suggest that the Delta Variant might cause more severe illness than other strains in unvaccinated persons globally.

Coronavirus disease 2019 (COVID-19) pandemic has become a major global health crisis (Adam, 2021), it is evidence that Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-CoV-2) could mutate over time mounted; at present and multiple SARS-CoV-2 variants are circulating globally (NCDC, 2021).

2.2 COVID-19 and the Nigerian Economy

Gondwe (2020) suggested an estimated regional average of about 5% in public revenue losses in Africa, with total merchandise exports contracting by about 17%. There was a shrink in the Nigerian economy at the second quarter of 2020 by 6.1% compared to 1.9% growth in the first quarter period (Trading Economics, 2020). Thus, this has been the first recorded contraction of the Nigerian economy since the first quarter of 2017 and the steepest in sixteen years, acknowledged to be induced by world crude oil price fall and nationwide lockdown to contain COVID-19

pandemic. There is a decline of 6.6% in the oil sector of Nigeria in the second quarter of 2020 after rising in the first quarter by 5.1% (Ozili, 2020). Furthermore, non-oil sectors also declined since the third quarter of 2017 (-6.1% vs 1.6%), and -49% vs 2.8% in first quarter, in transportation and storage; -40.2% vs -3% in accommodation and hospitality; -31.8% vs 1.7% in construction; -16.6% vs -2.8%. Also, the GDP of Nigeria shrank by 5% after a 14.27% increase in the previous year (Trading Economics, 2020). Millions of Nigerians observing the COVID-19 lock-down lack the food and income that their families need to survive. However, people providing essential services such as food, medical supplies and the media were exempted from total lockdown to operate for four hours daily, other formal and informal sector workers were in total lockdown. Real estate sector was not left affected.

2.3 The Effect of Delta Variant of COVID- 19 on International Real Estate

According to Udobi, Otty and Nwosu (2021), COVID-19 pandemic have an impact on real estate supply, demand, sale value and rental value in Nigeria. It is correct to state that the real estate sector of the Nigerian economy has been greatly affected by the outbreak of COVID-19 so much so that investors are very scared to invest in the sector. Again, the emergence of Delta Variant of Covid- 19 has confined developing economist and investors in engaging in international real estate investment and this has also affected real estate sector negatively.

The pandemic has really disrupted life and performance in most sectors globally. Some have been lucky to have the capacity to repel the shocks. The telecommunications sector has been the bright spot during the pandemic as business owners and individuals rely on technology for meetings and milestone celebrations. Other sectors, such as aviation, education, and trade, have crashed under the weight of the pandemic. The social distancing guidelines has affected the ability to conduct business which resulted in a significant loss of revenue. Unfortunately, the real estate sector is seen among the significant losers of the current pandemic. The impact of the pandemic on the real estate sector is very unique such that it is not felt immediately by key stakeholders. The sector is a lagging indicator which apparently means that it can confirm long term trends but not predict them. The

fragmentation of the sector implies that different sub-sectors will feel the pinch of the virus differently than others. Yet, one common factor is that all sub-sectors will be negatively affected.

Okafor and Keke (2020) stated that marketing and prices of real estate have remained stable despite the emergence of the coronavirus, however demand for some specific classes of property, such as recreational may drop, while demand for some others such as medical and agricultural are on the increase. Nevertheless, investors as well as all individuals are likely to put their scarce resources only to necessities due to the uncertainties of the global economic situation and this can affect the real estate sector activities indirectly in the long run. Marketing of real estate for sale or rental is going virtual in order to reduce personal contact and observe the required social and physical distancing rules. The agricultural real estate sector is predicted to remain stable as the demand for agricultural products both for food and export will always be on the rise. This makes the agricultural sector relatively inelastic, thereby giving it the potential of growing, particularly in the manufacturing of medical and herbal products which are believed to help fight against the virus. Overall, investing in real estate remains a safe investment.

III. LEGAL IMPLICATION OF RESTRICTION ON DEVELOPING ECONOMIST ON INTERNATIONAL REAL ESTATE

Ugonabo, Igwe and Kalu (2019) stated that Sound legal structures and the protection of property rights influence the attractiveness of countries for any kind of investment activity. It follows therefore that the quality of extant laws and government regulations governing real estate investments together with implementation and enforcement machinery impact international real estate investment. As argued by La Porta et al (1997) of the four world legal systems (English, French, German and Scandinavian), the English common law system is the most suitable for enhancing capital market development. Nigeria being a former colony of Britain, practices common law system. However, the common law principles are applied in areas where there is no local legislation or judicial authority that governs the area or particular transaction. In Nigeria there are three levels of

government namely Federal, State and Local Government. Similarly, the 1999 constitution of the Federal Republic of Nigeria provides for Exclusive, Concurrent and Residual Legislations. The Federal Government has exclusive power to make laws respecting items in the exclusive legislative list like power, railways, companies etc. while both Federal and State Governments make laws respecting items in the concurrent legislative list. State Governments have powers to make laws with respect to items on the residual list similarly the local governments have powers to enact local government Bye-Laws and edicts relating to street naming, refuse disposal, registration of births, marriages etc.

Sound legal structures and protection of real estate ownership influences the attractiveness of most countries for any kind of investment exertion, Chin, Dent and Roberts (2006) and Lim, McGreal and Webb (2006) discovered via surveys that exacts aspect of the legal framework and legal regulation are veritably sensitive for real estate investors' market perceptions. They relate this finding to the immobility of landed property and to the complexity of real estate transactions. La Porta et al (1997) affirmed that the legal terrain explosively determines the scale and extent of a country's capital market and local company's ability to receive outside financing. They emphasize the difference between laws on books and also the quality of enforcement. La Porta et al (1997) argued that the world's four legal systems (English, French, German and Scandinavian), the English Common Law system are the most suitable for enhancing capital market development, while the French system is the least attractive. Glaser et al (2001) and Djankor et al (2003) suggested that parties in common-law countries have greater ease in enforcing their rights arising from commercial contracts. Even so, Knack and Keefer (1995), Mauro (1995), and Svensson (1998), demonstrated that property rights significantly affect investments and economic process. Majorly conditioned amongst other things, by landlord and tenant law, planning law and urban policy. Hence, the burden of doing Real Estate transactions and taxation are considered to directly affect the operational efficiencies of such transactions. Webb (1984), Worzala (1994) and Adair et al (1999) noted that this significantly affects foreign investors at three times: when investing, operating or exiting a

market. McGreal, Parsa and Keivani (2001) argued that regulatory limitations, exchange controls and also the repatriation of capital restrain international capital flows and hence, are a significant source of concern for investors. The host governments are observed to impose penalties on overseas investors when market conditions deteriorated, creating adverse effects on investment returns.

IV. CONCLUSION AND RECOMMENDATIONS

Real estate investment is one in all the most effective and easiest investment products available in any economy. Real estate investment can be seen as a fluid industry that adapts and evolves quickly. However, there will always be a handful of pitfalls in such a dynamic sector that investors have to navigate. The challenges that investors face within the real property market can impact their business significantly. There are legal framework and legal regulation that are very sensitive to real property investments. The impact of the pandemic on the real estate sector is exclusive therein and it is not felt immediately by key stakeholders. Delta variant of COVID-19 restricted developing economist and international investors from investing in international real estate and this affect country's economy. International property investment has been greatly plagued by the emergence of Delta variant of COVID-19 most in other that investors are very scared to invest their money in the sector.

The paper suggests that Delta variant of COVID-19 vaccines should be provided and safety measures should be applied to curb the spread of the virus. Developing economists and international investors should be allow to speculate in international real estate sector provided that Delta variant of COVID-19 measures/guidelines are strictly followed. Government should implement a better legal framework that would guide real estate investment. Nigeria foreign real estate investment terrain should be safer for investors to attain their diversification benefits.

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