

COVID-19: an opportunity to digitise property transactions



Private property rights facilitate greater access to credit. Using data on Russian businesses, [a recent study](#) finds that private land rights increase access to external financing by 40 per cent and promote larger investment by as much as 60 per cent.

When property rights are not secure, fear of expropriation may drive entrepreneurs to delay or rescind investment decisions. [Researchers](#) analyse the benefits of strengthening land property rights in rural Benin by examining the link between land demarcation and investment. They find that the land tenure security improvements of demarcation induce a 23–43% shift toward long-term investment on demarcated land parcels. They also find that improved tenure security leads households to shift their investment decisions from subsistence to perennial cash.

It would then make sense that governments strive to make property registration as simple and cheap as possible, in order to incentivise investment. Until recently, some governments did but many did not. For example, in 2019 it took [three days in the Netherlands](#) and four days in Lithuania to re-register property; it cost 0.5 percent of the value of the property in Estonia and 0.6 per cent in Denmark. In comparison, it took 135 days to re-register private property in Poland and 271 days in Bangladesh. Also, it took 9 per cent of the value of the property in registration fees in Albania, and [12.7 per cent](#) in Belgium.

Come the COVID-19 pandemic. The number of property transactions in the United Kingdom, for example, is projected to [fall by 80 per cent](#) in March-June relative to the same period in 2019. This collapse is understandable during the lockdown to stave off the pandemic. Will transactions, however, pick up during the post-pandemic recovery?

Transactions may pick up if governments make them easier to conclude. In Europe, Belgium, Estonia and France have passed laws to allow notaries to sign contracts electronically without physically meeting with their clients. Turkey also made online property registration services mandatory to ensure the real estate market would not collapse further. This virtual process would have been unthinkable just a few months ago.

The COVID crisis is an opportunity for developing economies to move towards online property registration services. For example, it costs on average [7.5 per cent](#) of the property value in the Africa region to re-register properties, one of the most expensive regions for real estate transactions. The road to post-COVID recovery is to reduce the costs so as to increase investment in that sector. Delays and costs plummet, and with them the administrative burden on African businesses.

Research suggests that [these measures](#) may be sufficient to fuel the recovery. Land registries need not go fully online all at once. They can start by shifting from paper to digital record keeping and then move to fully online registration. Economies around the world have successfully made the transition — including England and Wales, where [24 million titles](#) were digitised over the past decade, and Ireland, where about [1.7 million individual titles](#) representing 32,000 paper map sheets were digitised in the same period. A similar process has had an impact on increased access to credit in some urban areas of India.

Digitising property transactions yields benefits beyond speed and cost efficiency. Once transactions are available online, the real estate market expands. Business owners from other regions and countries can buy property and set up shop, without going through a burdensome administrative process.



Notes:

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