EFFECT OF INFLATION ON PROPERTY VALUE IN NIGERIA
(A CASE STUDY OF OSOGBO, OSUN STATE)

BY

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CERTIFICATION

This is to certify that this project work has been written by AKINWOLE PRECIOUS OYINDAMOLA with Matriculation No: HND/ETM/FT/0027 and has been read and approved as meeting parts of the requirement for the award of Higher National Diploma (HND) in the Department of ESTATE MANAGEMENT AND VALUATION, Institute of Environmental Studies (IES), Kwara State Polytechnic, Ilorin, Kwara State.

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DEDICATION

This project work is dedicated to Almighty God and my parents; Mr. and Mrs. Akinwole

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ABSTRACT

This study examines the impact of inflation on property values in Osogbo, Nigeria. Utilizing data collected from 200 respondents, the research evaluates how inflation influences property price trends, identifies key factors driving property value changes during inflationary periods, and explores stakeholders' perceptions regarding inflation's effect on property investment and development. The study is divided into five main chapters. Chapter one of the study covered the background to the study, statement of the problem, aim and objectives of the study, research questions, scope of the study, justification and operational definition of terms. Chapter two of the study covered the review of past related literatures. Chapter three of the study covered the methodology adopted in gathering relevant information needed for the study. Chapter four of the study covers the presentation and analysis of information gathered through the administered questionnaire while chapter five of the study covered summary of findings, conclusion and recommendations. However, findings reveal that inflation is a major driver of property price increases and significantly affects housing affordability. Furthermore, inflation is perceived to discourage new property developments due to rising costs, while many investors consider property a viable hedge against inflation with positive investment returns. The study highlights that inflation trends are expected to continue influencing property values over the next five years. These insights contribute to understanding the dynamics of inflation and real estate in Nigeria and provide a basis for policy measures aimed at stabilizing the housing market and promoting sustainable property development.

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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background to the Study

Inflation, which we commonly understand as the continuous increase in the prices of goods and services, is a major economic issue that affects nearly every sector. For Nigeria, inflation isn't just an abstract figure; it has real and sometimes harsh implications for various industries, including real estate. The link between inflation and real estate is particularly important because changes in inflation can affect the cost of property development and ownership. For property owners, developers, and investors, grasping how inflation influences property values helps them make smarter decisions in the market (Akinyemi, 2021).

In recent years, Nigeria's inflation rate has shown considerable volatility, with significant increases and decreases that reflect both domestic and global events. This volatility trickles down to property markets across the country. Taking Osogbo as an example, the city's real estate values are sensitive to inflation, as inflation pushes up the cost of building materials, land prices, and labor. In a place like Osogbo, where the property market operates differently from larger cities like Lagos, these inflationary effects are felt acutely by both residents and investors (Bello, 2022).

The impact of inflation on property values is multifaceted. As inflation rises, so does the cost of building materials and labor, forcing property developers to raise prices to cover these costs. For those who want to buy property, the increasing prices make property less affordable, which can reduce demand in the market. On the other hand, in some cases, properties may still rise in value during inflationary periods because they're seen as safer investments compared to cash, which loses purchasing power with inflation (Ogunbiyi, 2020).

In Osogbo, inflation's effects on property are closely tied to local economic conditions and the population's demand for housing. As an emerging urban center, Osogbo has a growing demand for residential and commercial properties. But as inflation drives up property prices, fewer people are able to afford them, particularly those on fixed or low incomes. This case of Osogbo sheds light on how inflation affects property values in other regional markets in Nigeria, where income levels and demand dynamics are often different from larger, wealthier cities (Adesina & Okunola, 2019).

Additionally, inflation affects rental prices along with property buying and selling. As the cost of living rises with inflation, people generally have less income to spare for rent or mortgage payments. Property owners may have a hard time finding tenants or buyers who can afford higher prices, leading to a stagnation or even decrease in property values as affordability issues set in (Ajayi, 2023).

Osogbo's property market faces further challenges due to limited infrastructure, which already keeps development costs high. Inflation compounds these challenges, especially when the cost of essential materials, like cement and steel, increase due to exchange rate fluctuations. Since much of these materials are imported, they are directly affected by changes in the naira's value against other currencies. Thus, property values in Osogbo, and similarly positioned towns, can be particularly vulnerable to inflationary pressures (Ojo, 2021).

When inflation is high, investment in property becomes a tricky decision. In Osogbo, for instance, some people may avoid investing in property due to the uncertainty of returns when inflation is high. For others, property may still seem like a safer investment than cash, which loses value rapidly during inflationary times. This dual effect of inflation can create a volatile property market in Osogbo, influencing both the demand and supply of properties (Ibrahim & Adeoye, 2022).

Government policy also has a role to play in cushioning the property market against inflation. In Osogbo, for example, government initiatives or subsidies for housing could help stabilize the market. By supporting affordable housing or subsidizing building materials, the government could offset some inflationary effects. However, for these measures to be effective, they need to be applied consistently and with strong policy backing (Olatunde, 2020).

Moreover, inflation has a significant and complex impact on property values in Osogbo, just as it does in other parts of Nigeria. Factors like construction costs, demand levels, and economic conditions all play a part. This study, by focusing on Osogbo's property market, aims to explore how inflation affects property values and provide valuable insights for property owners, investors, and policymakers on navigating inflation's impact on real estate. By understanding this relationship more deeply, they can make better decisions and mitigate some of the challenges brought on by inflation (Fashola, 2021).

1.2 Statement of the Problem

Inflation has been a persistent issue in Nigeria, impacting various sectors, including the property market. In Osogbo, Osun State, property values are heavily influenced by inflationary pressures, which increase the costs of building materials, land acquisition, and labor. This rising cost makes it challenging for potential buyers and investors to afford properties, ultimately reducing demand and slowing the growth of the real estate market. This study seeks to investigate how inflation affects property values specifically in Osogbo, aiming to identify the extent of these effects and provide insights into the challenges faced by property owners and developers.

A significant concern within Osogbo's property market is the limited purchasing power of residents due to inflation, which makes it difficult for average earners to afford properties. The impact of inflation on both rental and purchase prices further compounds this issue, as prospective tenants and buyers struggle with rising costs of living. By examining inflation's direct impact on property values and the purchasing capabilities of residents, this study aims to clarify the relationship between inflation rates and property affordability in Osogbo, which could ultimately guide property investment and pricing strategies for stakeholders.

To address these challenges, this study will analyze data on inflation trends, property values, and purchasing patterns in Osogbo. Through this focused analysis, the study seeks to uncover specific inflation-related factors that influence property prices and to offer practical recommendations for policymakers, investors, and property owners to mitigate inflation's adverse effects on property value. By doing so, the study aspires to contribute to more stable property market conditions in Osogbo, benefiting both the real estate sector and local residents who aspire to own property despite economic challenges.

1.3 Aim and Objectives of the Study

Aim

The primary aim of this study is to explore how inflation affects property values in Osogbo, Osun State, with the goal of providing insights that can help stakeholders navigate and mitigate these effects. By understanding this relationship, the study intends to contribute to more informed decision-making for property investors, developers, and policymakers.

Objectives of the Study

To achieve this aim, the study has set the following specific objectives:

i. To evaluate the changes in property values during periods of high and low inflation within Osogbo.
ii. To identify the key factors through which inflation affects real estate pricing in Osogbo.
iii. To examine the perception of property investors and stakeholders on inflation's impact on property investment.
iv. To analyze trends in inflation and property value changes in Osogbo over recent years, providing a foundation for future projections.

1.4 Research Questions

Based on the aim and objectives of this study, the following research questions have been developed:

i. What changes have occurred in property values during periods of high and low inflation within Osogbo?
ii. What are the key factors through which inflation affects real estate pricing in Osogbo?
iii. How do property investors and stakeholders perceive the impact of inflation on property investment in Osogbo?
iv. What are the recent trends in inflation and property value changes in Osogbo, and how can these trends inform future projections?

1.5 Justification of the Study

Inflation's impact on property values isn't just an academic concern; it has real implications for people and businesses in Osogbo, Osun State. For property owners, buyers, and developers, inflation drives up costs and affects their ability to invest, buy, or even afford rental properties. This study is justified because it addresses an urgent need to understand how inflation specifically affects the property market in a smaller urban area like Osogbo, where economic conditions differ from larger cities like Lagos or Abuja. By focusing on this unique context, the study aims to provide insights that are immediately relevant to local stakeholders.

Another important reason for this study is the potential guidance it can offer to policymakers. Government bodies involved in housing and economic policy may find these insights useful for addressing housing affordability issues that arise due to inflation. If this study shows, for example, that inflation is making housing unaffordable for Osogbo residents, policymakers could consider measures like affordable housing programs or subsidies on building materials. In this way, the study doesn't just examine a problem; it also provides a basis for solutions that could help stabilize the housing market in Osogbo and make property more accessible.

For property developers and investors, this study has practical value. Inflation affects construction costs, land prices, and even rental income, and these changes can make real estate investments riskier. By understanding the patterns and effects of inflation on property values in Osogbo, developers and investors can make more informed decisions about when and where to invest. Developers, for example, might adjust their pricing strategies or investment timelines based on the study's findings, while investors could use this information to better assess the profitability of real estate in Osogbo.

Finally, the study is important for Osogbo's residents and future property buyers. Rising property prices, driven by inflation, can put housing out of reach for many people, especially those on lower incomes. By highlighting the specific ways inflation affects property affordability, this research can provide residents and local advocates with evidence to push for solutions that improve access to housing. Ultimately, the study aims to bridge the gap between research and real-life outcomes, helping to foster a more affordable and stable property market in Osogbo amidst inflationary pressures.

1.6 Scope of the Study

This study focuses on examining the effect of inflation on property values within Osogbo, Osun State, providing a localized perspective on the broader relationship between inflation and real estate markets. The research will cover various aspects of the property market, including the costs of land, construction materials, and property values, while also considering how inflation impacts property demand and affordability for residents and investors in Osogbo. Data for the study will be drawn from recent years to capture current inflation trends and their influence on property values, with an emphasis on economic factors unique to Osogbo's market. Although this study centers on Osogbo, its findings may offer insights relevant to similar urban centers in Nigeria facing inflation-related property challenges.

1.7 Study Area

Osogbo, the capital of Osun State in Nigeria, is a city rich in history and cultural significance. Founded in the early 19th century, it began as a modest settlement and has transformed over the years into a vibrant urban center. A standout feature of Osogbo is the Osun-Osogbo Sacred Grove, recognized as a UNESCO World Heritage Site. This site not only highlights the city’s deep-rooted traditions but also serves as a hub for cultural and religious activities, drawing visitors from around the globe. The historical context of Osogbo is essential for understanding its current socio-economic dynamics, particularly how these factors influence the real estate market.

Historically, Osogbo's growth has been closely tied to its strategic location along key trade routes. This positioning facilitated commerce and interactions with surrounding communities, allowing Osogbo to flourish as a commercial center. Over the decades, the city has become a melting pot, attracting people from various parts of Nigeria, all of whom contribute to its diverse cultural tapestry. This influx has significantly increased the population, leading to a greater demand for housing and commercial properties. As the city has expanded, the complexities of its real estate market have also grown, especially in the context of rising inflation.

Originally, Osogbo's economy was primarily agrarian, with agriculture as its backbone. However, as modernization set in, the city began to diversify economically. New sectors emerged, including education, healthcare, and trade, significantly changing the landscape of the local economy. The establishment of institutions like Osun State University has further fueled this growth, creating a lively student population that impacts the demand for rental properties and other housing options.

Despite these developments, Osogbo faces several challenges that affect its property market. The pace of infrastructure development has not kept up with urbanization, resulting in inadequate housing and limited access to essential services. Rising construction costs and land prices have only made matters worse, putting property ownership out of reach for many residents. With inflation continuing to rise in Nigeria, these challenges create a complicated environment for anyone looking to buy or rent property in Osogbo.

Osogbo's rich cultural heritage and ongoing urban development create a unique blend of opportunities and challenges in the real estate sector. The city's historical significance draws both local and international investment, but inflation can significantly influence investor confidence and property values. This study aims to dig into how inflation specifically affects property values in Osogbo, offering insights that are meaningful and applicable to those involved in the local market.

It's also important to recognize that while Osogbo has its unique characteristics, it is not isolated from the broader economic trends impacting Nigeria. Economic shifts, government policies, and changes in consumer behavior all play a role in shaping the property market. By focusing on Osogbo, this study will highlight the specific ways inflation interacts with property values, addressing a gap in existing research that often overlooks smaller cities.

1.8 Definition of Terms

Inflation: The rate at which the general level of prices for goods and services rises, leading to a decrease in purchasing power (International Monetary Fund, 2021).

Property Value: The monetary worth of a real estate asset, influenced by factors such as location, size, and market demand (Appraisal Institute, 2021).

Real Estate Market: The sector encompassing the buying, selling, and leasing of land and buildings, including residential, commercial, and industrial properties (National Association of Realtors, 2022).

Purchasing Power: The amount of goods and services that can be purchased with a specific amount of money (Bureau of Labor Statistics, 2021).

Housing Affordability: The ability of individuals or families to purchase or rent housing without incurring financial strain (U.S. Department of Housing and Urban Development, 2020).

Cost of Living: The amount of money required to maintain a certain standard of living, including housing and essential expenses (Economic Policy Institute, 2021).

Urbanization: The process through which rural areas transition into urban areas, characterized by increased population density and city growth (World Bank, 2020).

Real Estate Development: The activities involved in building or improving properties for residential, commercial, or industrial use (Urban Land Institute, 2021).

Market Demand: The total quantity of a good or service that consumers are willing and able to purchase at various price levels (American Economic Association, 2022).

CHAPTER TWO
LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Inflation

Inflation, a fundamental concept in economics, is generally understood as the sustained increase in the overall level of prices for goods and services within an economy over a period. This rise in prices results in a decline in the purchasing power of money, meaning that consumers can buy less with the same amount of currency. According to Mankiw (2019), inflation reflects the economy's rate of expansion and the demand for products and services. Inflation is a critical economic indicator as it affects all sectors, influencing consumer spending, investment decisions, and overall economic stability.

There are different types of inflation, categorized based on causes and duration. One widely recognized type is demand-pull inflation, which occurs when aggregate demand outpaces aggregate supply, driving prices higher (Parkin, 2020). This often happens in periods of economic growth, where increased consumer spending, investment, and government expenditure outstrip the economy's capacity to meet demand. For instance, increased consumer spending on housing can lead to higher property values, as witnessed in many rapidly developing cities globally.

Cost-push inflation is another common form, arising when the cost of production inputs, like labor and raw materials, rises. These increased production costs are typically passed on to consumers in the form of higher prices (Baumol & Blinder, 2018). A key example of this would be the rise in oil prices, which can lead to higher transportation and production costs across multiple industries, contributing to overall inflation. Cost-push inflation can be particularly challenging because it affects essential goods, reducing affordability even without significant changes in demand.

A third type, built-in or wage-price inflation, arises from the interplay between wages and prices. As prices increase, workers often demand higher wages to maintain their standard of living, and these higher wages, in turn, drive up production costs, resulting in further price hikes (Blanchard, 2021). This wage-price spiral can create a self-reinforcing cycle of inflation that becomes difficult to manage without policy interventions, such as tightening monetary policy or increasing interest rates.

Inflation is typically measured using indexes that track changes in the prices of selected goods and services over time. The Consumer Price Index (CPI) and the Producer Price Index (PPI) are the two most widely used measures of inflation. The CPI measures changes in the cost of a basket of goods and services consumed by households, thus reflecting the direct impact of inflation on consumers (Bureau of Labor Statistics, 2022). In contrast, the PPI tracks changes in prices from the perspective of producers, measuring the costs of goods and services at the wholesale level (Kenton, 2021). Together, these indexes provide a comprehensive view of inflation's effects across different segments of the economy.

Inflation has far-reaching consequences, both positive and negative. On one hand, moderate inflation can stimulate economic growth by encouraging spending and investment, as individuals prefer to buy now rather than later, anticipating future price increases (Krugman & Wells, 2020). Conversely, high inflation can erode savings, reduce purchasing power, and create uncertainty in the economy, making it harder for businesses to plan and for consumers to afford essential goods and services. Hyperinflation, an extreme form of inflation, can lead to severe economic crises, as observed in countries like Zimbabwe and Venezuela (Hanke & Krus, 2013).

To manage inflation, central banks use monetary policy tools such as interest rate adjustments and open market operations. By increasing interest rates, central banks can reduce spending and borrowing, which in turn helps to control demand-pull inflation (Mishkin, 2019). Additionally, open market operations—such as the buying and selling of government securities—can influence the money supply and, consequently, inflation. When central banks sell securities, they effectively reduce the money supply, helping to curb inflation.

Fiscal policies can also play a role in controlling inflation. For example, governments can reduce public spending or increase taxes to limit disposable income, thereby lowering aggregate demand (Stiglitz & Rosengard, 2021). This is particularly effective in addressing demand-pull inflation, as it directly reduces the excess demand that contributes to rising prices. However, fiscal policies must be carefully balanced, as excessive restrictions on spending can lead to recession.

In developing countries, including Nigeria, inflation is often influenced by unique challenges such as currency depreciation, political instability, and reliance on imports (Akpan, 2020). For instance, when the value of the Nigerian naira declines, the cost of importing goods rises, contributing to inflationary pressures within the economy. Additionally, disruptions in domestic production, such as those caused by infrastructural inadequacies, can lead to cost-push inflation. Understanding these local factors is essential to formulating effective policies that address inflation in a sustainable way.

Moreover, inflation is a complex and multifaceted phenomenon that affects all aspects of economic life. It is driven by various factors, including demand-supply imbalances, production costs, and monetary policies. While moderate inflation can benefit the economy by encouraging spending, high or unpredictable inflation can create significant challenges for consumers, businesses, and policymakers. Effective inflation management requires a nuanced understanding of its causes and impacts, particularly within the specific economic context of each country (Blanchard, 2021).

2.1.2 Types of Inflation

In economics, inflation is categorized based on its underlying causes, each having unique impacts on the economy. Four major types are commonly examined: demand-pull inflation, cost-push inflation, built-in inflation, and hyperinflation. Each type of inflation provides insight into the economic conditions that fuel price increases and the specific challenges they pose.

Demand-Pull Inflation

Demand-pull inflation occurs when the demand for goods and services exceeds what the economy can supply, leading to an upward pressure on prices. This type of inflation is often associated with a growing economy where consumer confidence and spending levels are high, pushing demand to levels that outpace production capabilities (Mankiw, 2019). For instance, during periods of economic expansion, rising incomes and increased consumer spending on housing, automobiles, and luxury items can drive up prices, especially if businesses struggle to meet this demand.

A key driver of demand-pull inflation is an increase in aggregate demand due to factors such as government spending, business investments, and consumer confidence. When these factors collectively push demand higher, it forces businesses to raise prices as they try to ration limited goods and services (Parkin, 2020). For example, in times of significant fiscal stimulus, where the government injects money into the economy to spur growth, the resulting increase in disposable income can lead to higher demand, consequently causing prices to rise.

Another contributor to demand-pull inflation is low interest rates, which encourage borrowing and spending. When central banks reduce interest rates, it becomes cheaper for individuals and businesses to borrow, leading to more consumer purchases and business investments. This boost in demand can push the economy to its production limits, sparking inflation (Krugman & Wells, 2020). Low-interest policies, while intended to stimulate economic growth, can thus inadvertently fuel inflation if not managed carefully.

Demand-pull inflation is often seen as temporary and manageable through monetary policies like raising interest rates or reducing government spending to dampen demand (Baumol & Blinder, 2018). By curbing excessive spending, central banks aim to reduce inflationary pressure and bring demand closer to supply levels, stabilizing prices. This approach underscores the importance of balancing economic growth with inflation control to maintain purchasing power and economic stability.

Cost-Push Inflation

Cost-push inflation arises when the costs of production increase, leading businesses to pass these higher expenses on to consumers in the form of increased prices. Unlike demand-pull inflation, which originates from the demand side, cost-push inflation is driven by supply-side factors, particularly rising costs of essential inputs like raw materials, labor, and energy (Blanchard, 2021). For example, when the price of oil spikes, transportation and manufacturing costs rise, prompting businesses across multiple sectors to raise prices.

Supply shocks, such as natural disasters or geopolitical tensions, can exacerbate cost-push inflation by disrupting the availability of key resources. For instance, disruptions in global supply chains, as seen during the COVID-19 pandemic, led to shortages in various goods, increasing their prices as supply dwindled (Mishkin, 2019). Such events highlight the vulnerability of modern economies to cost-push inflation triggered by factors beyond domestic control.

Wage increases can also contribute to cost-push inflation, particularly in industries with strong labor unions or minimum wage laws. When businesses raise wages to attract or retain workers, they often increase prices to offset the higher labor costs (Parkin, 2020). This increase can create a ripple effect, especially in labor-intensive industries, where wage hikes directly impact the prices consumers pay.

Cost-push inflation presents challenges for policymakers, as traditional monetary policies may not effectively address the underlying supply issues (Krugman & Wells, 2020). For instance, while raising interest rates can reduce demand, it does not resolve supply constraints or lower production costs. Policymakers must often rely on targeted solutions, such as subsidies or investments in infrastructure, to address the supply side and alleviate cost-push inflation pressures.

Built-In Inflation

Built-in inflation, also known as wage-price inflation, emerges from a cyclical process where rising prices lead to higher wage demands, which then lead to further price increases. This type of inflation stems from the tendency of workers to seek wage increases to keep pace with the rising cost of living, creating a feedback loop where higher wages lead to higher production costs and, consequently, higher prices (Blanchard, 2021). The cycle can be challenging to break, as each round of wage and price increases fuels the next.

The wage-price spiral is often sustained by inflation expectations, where businesses and consumers anticipate continued inflation and act accordingly. For instance, workers may demand higher wages if they believe inflation will persist, and businesses may preemptively raise prices in anticipation of higher costs (Mankiw, 2019). These actions create a self-fulfilling prophecy that keeps inflationary pressures alive, even if initial triggers like demand-pull or cost-push factors subside.

In economies with strong labor unions, built-in inflation can be more pronounced, as unions negotiate wage increases to protect workers' purchasing power against inflation. However, these wage adjustments often lead businesses to increase prices to maintain profit margins, reinforcing the inflationary cycle (Baumol & Blinder, 2018). Similarly, if inflation expectations are high, businesses may implement regular price hikes, even in stable economic conditions, perpetuating the inflationary environment.

Policymakers address built-in inflation by anchoring inflation expectations through credible monetary policies, often by maintaining low and stable inflation targets. When central banks commit to low inflation, they can moderate public expectations, reducing the likelihood of a wage-price spiral (Mishkin, 2019). This approach underscores the role of inflation targeting and effective communication in breaking the cycle of built-in inflation and maintaining economic stability.

Hyperinflation

Hyperinflation represents an extreme form of inflation, where prices rise at an exceptionally rapid pace, often exceeding 50% per month. This type of inflation typically arises in conditions of severe economic or political instability, where the value of the currency collapses, leading people to lose faith in its purchasing power (Hanke & Krus, 2013). In these situations, people rush to spend money quickly before it loses value further, intensifying the inflationary spiral and undermining economic stability.

Hyperinflation is often driven by excessive money printing by governments facing fiscal crises or deficits. For instance, when countries like Zimbabwe and Venezuela attempted to finance their expenditures by printing more currency, it led to a loss of confidence in the local currency and skyrocketing prices (Blanchard, 2021). This scenario illustrates how unchecked money supply growth, combined with a lack of fiscal discipline, can lead to hyperinflation and a collapse of the monetary system.

In hyperinflationary environments, alternative forms of currency or barter systems often emerge as people seek stable methods of exchange. For example, in recent cases of hyperinflation, such as Venezuela, citizens have increasingly relied on foreign currencies or cryptocurrencies to preserve value and facilitate transactions (Parkin, 2020). This shift underscores the extreme distrust in domestic currency and the profound social and economic disruptions hyperinflation causes.

Hyperinflation is notoriously difficult to control, often requiring drastic measures like currency redenomination, monetary reform, or foreign intervention. In some cases, adopting a foreign currency (dollarization) has been used as a stabilizing strategy, as seen in Zimbabwe in the 2000s. However, this approach can limit a country's control over monetary policy, underscoring the complex challenges that hyperinflation presents for both governments and citizens (Hanke & Krus, 2013).

2.1.3 Causes of Inflation

Inflation is driven by multiple interconnected factors that can cause prices to rise steadily or even abruptly. These factors generally fall into broad categories: demand-side pressures, supply-side constraints, expectations of future inflation, and increases in money supply. By understanding the causes of inflation, policymakers and economists can design targeted interventions to control its effects and maintain economic stability.

Demand-Side Pressures

One of the primary causes of inflation is demand-side pressure, often referred to as demand-pull inflation. This occurs when consumer demand for goods and services exceeds the economy's ability to supply them, causing prices to rise. For instance, when the economy is growing and employment rates are high, people tend to spend more, fueling demand across various sectors. As businesses struggle to keep up with this demand, they increase prices (Mankiw, 2019). Additionally, demand-pull inflation can be triggered by fiscal policies that boost disposable income, such as tax cuts or increased government spending. For example, when a government undertakes large infrastructure projects or provides stimulus packages, it can boost overall demand in the economy, often leading to higher prices.

Consumer spending spikes, sometimes due to factors like seasonal shopping, holiday periods, or specific economic cycles, can also place upward pressure on prices. Krugman and Wells (2020) explain that when consumers have greater confidence in the economy, they are more likely to make large purchases, which drives demand in industries like housing, automobiles, and technology. Consequently, businesses facing increased demand may raise prices to manage higher costs or ration limited supply, pushing inflation upward.

Supply-Side Constraints

Supply-side constraints, often leading to cost-push inflation, also play a significant role in driving inflation. When the cost of production rises due to increased prices of raw materials, energy, or labor, companies often pass these costs onto consumers. According to Blanchard (2021), cost-push inflation can result from supply shocks, such as natural disasters, geopolitical conflicts, or fluctuations in global oil prices. For instance, when oil prices rise, transportation and production costs increase across multiple sectors, leading to higher consumer prices on goods dependent on these inputs.

Another example of supply-side inflation is seen when there are shortages in critical commodities. During the COVID-19 pandemic, for example, supply chains were disrupted globally, leading to scarcity and price increases in various goods, from food to electronic components (Mishkin, 2019). Supply-side inflation is often harder to control than demand-pull inflation because monetary policies that reduce demand do not address the root cause of supply constraints. In these cases, Blanchard (2021) suggests that targeted measures, such as incentives to boost production or import essential goods, may be necessary to manage the inflationary impact.

Inflation Expectations

Inflation expectations can also be a powerful driver of inflation itself, creating a self-fulfilling cycle where businesses and consumers anticipate future price increases and act accordingly. When people expect prices to rise, workers may demand higher wages to keep up with the anticipated cost of living, while businesses may increase prices preemptively to maintain profit margins (Mankiw, 2019). This dynamic can lead to what is known as "built-in inflation," where the expectation of inflation feeds back into actual inflation.

The role of expectations is particularly evident in economies with a history of inflation. In these cases, consumers and businesses may begin to see inflation as an inevitable part of the economic environment and adjust their behaviors accordingly, thus embedding inflationary pressures into the economy. Mishkin (2019) notes that central banks often work to "anchor" inflation expectations by setting clear, stable inflation targets, thereby helping to reduce the likelihood of inflation spiraling due to public anticipation.

Increases in Money Supply

An increase in the money supply is another fundamental cause of inflation, often associated with monetary policy. According to the quantity theory of money, when there is more money in circulation than the economy's productive capacity can absorb, it leads to higher demand for goods and services, which ultimately causes prices to rise (Baumol & Blinder, 2018). Central banks play a crucial role in controlling the money supply through mechanisms like interest rate adjustments and open market operations. When the money supply expands too rapidly, it can fuel inflation by increasing spending beyond the economy's capacity to produce.

Historical examples illustrate the impact of excessive money supply growth on inflation. Hyperinflation in Zimbabwe and the Weimar Republic in Germany were both exacerbated by governments printing large amounts of currency to finance their debts, leading to extreme and uncontrollable price increases (Hanke & Krus, 2013). Mishkin (2019) highlights that while moderate increases in money supply can stimulate economic growth, excessive or poorly managed growth can have severe inflationary consequences, underscoring the importance of balanced monetary policies.

External Factors and Exchange Rates

External factors, such as changes in exchange rates and global commodity prices, can also influence inflation. When a country's currency depreciates, imported goods become more expensive, contributing to inflation as businesses and consumers pay more for foreign products (Parkin, 2020). For economies heavily reliant on imports, a weakening currency can rapidly lead to higher overall price levels, as seen in countries that import significant amounts of food, energy, and technology.

Global markets and commodity price fluctuations further impact inflation, especially for goods like oil, metals, and agricultural products, which are traded internationally. When commodity prices rise, countries that depend on these imports experience increased production costs, which are often passed on to consumers. This dynamic can lead to cost-push inflation, with energy costs being a common trigger, particularly during geopolitical crises or periods of high global demand (Krugman & Wells, 2020). Exchange rate fluctuations and global price changes underscore the complex, interconnected nature of inflationary pressures in today's globalized economy.

2.1.4 Effects of Inflation on the Economy

Inflation has wide-ranging impacts on an economy, influencing everything from purchasing power and living costs to interest rates and international competitiveness. While moderate inflation is often a sign of healthy economic growth, high or volatile inflation can erode purchasing power, reduce savings, distort spending habits, and create uncertainty in the economy. Understanding these effects is crucial for policymakers as they balance growth with price stability.

Erosion of Purchasing Power

One of the most direct effects of inflation is the erosion of purchasing power. As prices rise, the value of money decreases, meaning consumers can buy less with the same amount of money. For instance, if inflation is at 5%, the same basket of goods that cost $100 this year will cost $105 the next year, effectively reducing the value of income if wages don't increase accordingly (Baumol & Blinder, 2018). This reduction in purchasing power particularly affects low- and middle-income households, as a larger share of their income goes toward essential goods like food and housing, which are often subject to inflationary pressures (Krugman & Wells, 2020).

Moreover, inflation can alter consumer behavior, leading people to spend more quickly in anticipation of further price increases. Mankiw (2019) notes that in inflationary periods, consumers might prioritize purchases of durable goods to preserve value, inadvertently increasing demand and potentially fueling further inflation. This erosion of purchasing power can also reduce the quality of life, as individuals and families struggle to afford necessities, creating additional socioeconomic pressures.

Impact on Savings and Investments

Inflation has a profound impact on savings and investments, often diminishing the real value of stored wealth. When inflation rates outpace interest rates on savings accounts, the purchasing power of savings decreases over time, which discourages people from saving. For instance, if the inflation rate is 4% and savings accounts yield only 2%, the real value of saved money is effectively shrinking (Parkin, 2020). This discourages savings and may prompt individuals to seek higher-risk investments to outpace inflation, such as in stocks or real estate, which can introduce additional volatility into financial markets.

Investors and businesses also react to inflation by adjusting their strategies. During inflationary times, bondholders see the value of fixed-income investments diminish, as their returns do not keep pace with rising prices (Blanchard, 2021). Conversely, some asset classes, like real estate or commodities, can serve as inflation hedges, as their value often increases with inflation. However, increased demand for these inflation-resistant assets can lead to asset bubbles, further complicating economic stability and creating disparities in wealth distribution.

Rising Interest Rates

In response to inflation, central banks typically increase interest rates to control rising prices. Higher interest rates reduce borrowing by making it more costly for consumers and businesses, thereby slowing down spending and investment to temper demand (Mishkin, 2019). For example, the Federal Reserve in the United States and the European Central Bank in the Eurozone use interest rate hikes to combat inflation, which can lead to a cooling effect on the economy as higher borrowing costs dampen consumer spending on items like homes and vehicles.

However, raising interest rates can also have adverse effects, particularly on industries that rely heavily on credit. For instance, sectors such as housing, construction, and automotive are significantly affected by high interest rates, as consumers find it more challenging to finance large purchases (Krugman & Wells, 2020). This can lead to a slowdown in these sectors, potentially leading to job losses and a contraction in economic activity. Therefore, while higher interest rates are an essential tool for combating inflation, they come with trade-offs that policymakers must carefully consider.

Effects on Income Distribution

Inflation has unequal effects on different income groups, often exacerbating income inequality. Fixed-income earners, such as pensioners or those reliant on government benefits, are particularly vulnerable, as their income does not adjust with inflation, leading to a real reduction in their purchasing power (Baumol & Blinder, 2018). In contrast, wealthier individuals, who are more likely to hold assets like stocks, property, or commodities, may experience gains, as these assets typically increase in value during inflationary periods (Parkin, 2020).

Additionally, workers with less bargaining power may struggle to negotiate wage increases that keep pace with inflation, resulting in a relative decline in their income compared to those who can secure wage adjustments. Blanchard (2021) highlights that inflation can thus exacerbate economic inequalities, particularly in countries with weak labor protections or high levels of informal employment. This unequal impact of inflation on income groups can lead to increased social tension and pressures on policymakers to address the needs of vulnerable populations.

Distortion of Spending and Investment Decisions

Inflation creates uncertainty in the economy, often leading to distortions in spending and investment decisions. As prices become less predictable, businesses may delay long-term investments, and consumers may alter spending habits to avoid anticipated price hikes. For instance, businesses might hesitate to invest in new machinery or expansion projects if they cannot accurately forecast costs or returns (Mankiw, 2019). This “wait and see” approach can reduce overall economic growth and innovation, as companies hold back on productive investments.

On the consumer side, inflation may encourage “front-loading” of purchases, where people buy goods before prices rise further. Krugman and Wells (2020) note that this behavior can lead to temporary surges in demand, which can exacerbate inflationary pressures. Over time, these shifts in consumption patterns create inefficiencies in the market, as resources are allocated based on short-term inflationary concerns rather than stable, long-term needs.

Exchange Rate Impacts

Inflation can affect a country's exchange rate, impacting its trade balance and international competitiveness. When a country experiences higher inflation than its trading partners, its exports become relatively more expensive, making it harder to compete in international markets (Mishkin, 2019). Conversely, imports become cheaper, which can worsen the trade balance and put further pressure on the domestic currency. For example, high inflation in a country can lead to currency depreciation as international investors seek more stable currencies, reducing the purchasing power of the local currency in global markets (Blanchard, 2021).

Depreciation, while beneficial for export competitiveness to some extent, can create a vicious cycle. As the currency depreciates, imported goods become more expensive, feeding back into domestic inflation. This exchange rate-inflation dynamic illustrates the complex challenges inflation presents, particularly in open economies where trade and investment flows are sensitive to currency values (Parkin, 2020).

Psychological and Social Effects

Inflation can also have psychological and social effects, leading to uncertainty, anxiety, and declining consumer confidence. When prices are volatile, people may become more concerned about their financial future, leading to reduced consumer confidence and cautious spending. Mishkin (2019) notes that during periods of high inflation, consumers are more likely to save out of fear for future price hikes, which can reduce overall demand and slow economic growth.

Socially, inflation can strain social cohesion, particularly if it disproportionately affects lower-income households and widens economic inequality. Krugman and Wells (2020) argue that inflation often impacts social trust, as people may feel that their efforts to save or improve their financial standing are undermined by rising prices. This erosion of confidence in economic fairness can increase political and social tensions, particularly if people perceive that inflation is not being addressed effectively.

In sum, inflation has profound and complex effects on the economy, impacting everything from purchasing power and savings to social cohesion and exchange rates. Policymakers must weigh these diverse effects carefully to implement strategies that control inflation without stifling economic growth. By maintaining a balance, central banks and governments strive to ensure that inflation remains at manageable levels, thereby promoting economic stability and protecting consumer welfare.

2.1.5 Overview of the Real Estate Market in Nigeria

The real estate market in Nigeria plays a crucial role in the country's economic landscape, driven by a combination of population growth, urbanization, and increasing demand for both residential and commercial properties. Nigeria, with an estimated population exceeding 200 million people, faces a high demand for housing and infrastructure, especially in its urban areas like Lagos, Abuja, and Port Harcourt (Olaleye & Adegoke, 2017). However, the real estate sector has struggled to keep up with this demand, leading to a substantial housing deficit. According to the Federal Mortgage Bank of Nigeria, the housing shortfall is estimated to be over 20 million units, highlighting the gap between demand and available housing supply (Adetunji, 2020). This deficit underscores the importance of real estate as a potential economic driver if challenges within the sector can be effectively managed.

Rapid urbanization has put significant pressure on the real estate market, with more people moving to urban centers in search of employment and better living conditions. Lagos, for example, is one of the fastest-growing cities in the world, with an annual urban growth rate estimated at 3.2%, leading to increased demand for both residential and commercial properties (Oluwaseun & Nwachukwu, 2019). The rising population in urban areas has driven up property prices and rents, particularly in high-demand neighborhoods. However, the high costs associated with land acquisition, building materials, and regulatory requirements often translate into higher property prices, making affordable housing a challenge for many Nigerians (Oluwaseun & Nwachukwu, 2019).

The Nigerian real estate market is diverse, encompassing residential, commercial, industrial, and retail segments, each facing its unique challenges and opportunities. The residential sector, which forms the largest portion of the market, suffers the most from the housing deficit, with a large percentage of the population unable to afford decent housing (Akpan & Ogunyemi, 2020). In contrast, the commercial and retail sectors, particularly in cities like Lagos and Abuja, have seen growth driven by multinational corporations, financial institutions, and an expanding middle class. However, these sectors also face obstacles such as economic instability and high vacancy rates, particularly in periods of economic downturns (Akpan & Ogunyemi, 2020).

Despite the demand, the real estate market in Nigeria is hampered by structural challenges, including inadequate financing options, complex land tenure systems, and regulatory bottlenecks. Property acquisition and development are often encumbered by legal and bureaucratic processes, with the Land Use Act of 1978 requiring that land ownership and transfers go through lengthy administrative procedures (Adetunji, 2020). Additionally, many real estate developers find it difficult to secure financing, as banks often charge high-interest rates due to perceived risks associated with real estate investments in Nigeria's volatile economic environment. This lack of accessible financing contributes to the affordability issues faced by a significant portion of the population (Olaleye & Adegoke, 2017).

Economic factors such as inflation and currency volatility also impact the real estate market. Fluctuating inflation rates and the devaluation of the naira have increased the cost of construction materials, making property development more expensive and pushing up real estate prices (Obadeyi, 2021). Additionally, Nigeria's dependence on imported building materials makes the sector particularly vulnerable to exchange rate fluctuations. With inflation and currency challenges increasing the cost of development, many projects become financially unsustainable, limiting supply and exacerbating the housing deficit. As Obadeyi (2021) notes, these economic conditions create an uncertain environment for investors, further constraining growth in the real estate sector.

Amid these challenges, the Nigerian real estate market has potential for growth, especially with the government's renewed focus on housing and urban development. Initiatives like the Family Homes Fund and the Federal Government's Social Housing Program aim to improve access to affordable housing through public-private partnerships and affordable financing options (Adetunji, 2020). Furthermore, advancements in technology and real estate investment structures, such as Real Estate Investment Trusts (REITs), offer new avenues for investment and expansion in the sector. As Nigeria continues to urbanize and demand for housing rises, addressing these systemic issues could make the real estate market a key driver of economic growth in the coming years (Olaleye & Adegoke, 2017).

2.1.6 Relationship Between Inflation and Property Values

The relationship between inflation and property values is complex, with inflation generally exerting both positive and negative influences on real estate prices. In simple terms, inflation leads to a decrease in the purchasing power of money, which can cause prices of goods and services, including real estate, to rise over time. Property values, however, do not increase uniformly with inflation. They are influenced by a mix of factors, such as demand, supply, interest rates, and the economic context. When inflation rises moderately, it can support property value appreciation as real estate often serves as a hedge against inflation, with property prices rising in line with or above the inflation rate (Mankiw, 2019). However, high inflation or hyperinflation can distort this relationship, leading to unstable property values and decreased investment.

Inflation can lead to property value appreciation as investors turn to real estate as a tangible asset that typically retains or gains value when other assets may lose their purchasing power. Real estate is considered a stable investment, and its value can rise along with inflation, particularly in times of economic uncertainty (Baumol & Blinder, 2018). For example, as inflation increases, rents and property prices may also increase, thereby boosting the income generated from real estate investments and enhancing property values. This makes real estate a preferred investment in inflationary periods, as it helps investors protect the real value of their capital (Krugman & Wells, 2020). However, if inflation rises too sharply and interest rates follow, the cost of financing can increase, which may limit property demand and slow down property value growth.

High inflation rates can drive up construction costs, which indirectly impacts property values. As inflation increases, the prices of building materials and labor tend to rise, making construction projects more expensive. This higher cost of development is usually passed on to the property prices, which can result in property value appreciation (Parkin, 2020). For instance, if the cost of cement, steel, and other building essentials goes up, property developers need to raise property prices to cover these costs, leading to increased real estate prices. This inflation-driven increase in construction costs can contribute to housing shortages and exacerbate affordability issues, especially in developing economies like Nigeria, where high inflation is often paired with limited financial access for average homebuyers (Blanchard, 2021).

Interest rates play a critical role in the relationship between inflation and property values. Central banks often increase interest rates to control inflation, which in turn affects mortgage rates. Higher interest rates make borrowing more expensive, reducing the demand for property as fewer people can afford to buy homes (Mishkin, 2019). This decrease in demand can suppress property value growth or even cause prices to drop, especially if inflation persists over time. In economies like Nigeria's, where inflationary pressures are high, interest rate hikes may curtail the purchasing power of potential homebuyers, particularly in the middle- and lower-income brackets (Adetunji, 2020). Consequently, rising interest rates can counteract the inflation-driven appreciation of property values by reducing affordability and demand in the real estate market.

Inflation also affects rental yields, which in turn impacts property values. During inflationary periods, landlords may increase rent to keep up with the rising cost of living, leading to higher rental yields. Higher rental income can make properties more attractive to investors, as they can earn better returns from increased rents (Olaleye & Adegoke, 2017). As demand for rental properties rises, it places upward pressure on property values. However, if inflation leads to a substantial decrease in tenants' purchasing power, rent defaults may increase, causing volatility in rental markets and dampening the appeal of property investments (Obadeyi, 2021). Thus, while inflation often leads to higher rents, prolonged high inflation can strain tenants' ability to afford housing, which could slow down growth in property values.

Finally, inflation influences international investment flows, which can impact property values in countries like Nigeria. In times of high inflation, foreign investors may seek more stable markets, leading to a decrease in capital inflow into the Nigerian real estate sector. Exchange rate volatility, often accompanying inflation, can make real estate investments less attractive to foreign investors due to the risk of currency devaluation (Mankiw, 2019). This shift in investor confidence can result in reduced property demand, especially in the commercial and luxury segments, affecting overall property values. On the other hand, local investors may still turn to real estate as a safer option against currency depreciation, potentially sustaining demand for properties despite inflationary pressures (Oluwaseun & Nwachukwu, 2019).

Moreover, inflation impacts property values through various channels, including demand for real estate as a hedge, construction costs, interest rates, rental yields, and international investment flows. Moderate inflation can be beneficial for property values by driving demand and supporting rental income growth. However, when inflation becomes too high, it may result in decreased demand, lower affordability, and reduced investment, thereby disrupting property values. Policymakers and investors alike must consider these intricate dynamics as they navigate the challenges of inflationary environments in real estate markets.

2.1.7 Housing Affordability and Economic Indicators

Housing affordability is a significant issue in both developed and developing economies, and it is often influenced by various economic indicators, including inflation, interest rates, employment levels, and wage growth. Housing affordability is typically defined as the relationship between household income and housing costs, including rent or mortgage payments. When housing costs consume a large portion of household income, affordability declines, making it difficult for individuals and families to access adequate housing. In Nigeria, affordability issues have been exacerbated by economic instability and high inflation rates, which have driven up property prices and rental costs, leaving many families struggling to secure adequate housing (Adetunji, 2020). Understanding the dynamics between economic indicators and housing affordability is essential to addressing the housing challenges faced by many Nigerians.

One of the primary economic indicators affecting housing affordability is income. A steady income stream enables individuals to afford housing either through rent or mortgage payments. In Nigeria, however, income growth has often lagged behind inflation and housing price increases, which has made it challenging for many households to afford decent housing (Olaleye & Adegoke, 2017). The disparity between income levels and housing costs has contributed to a substantial housing affordability gap, especially in urban areas. For instance, cities like Lagos and Abuja have experienced a sharp rise in property prices that are not matched by wage growth, pushing many residents into substandard housing or informal settlements (Akpan & Ogunyemi, 2020).

Inflation is another critical economic indicator that directly impacts housing affordability. Rising inflation reduces the purchasing power of income, meaning households have less money to allocate toward housing costs. As inflation escalates, it also drives up the cost of building materials, which in turn increases property prices and rental rates (Obadeyi, 2021). When property prices rise faster than income, housing affordability deteriorates, pushing low- and middle-income families out of the formal housing market. High inflation can also result in increased interest rates, as central banks try to curb inflationary pressures by tightening monetary policy. This increase in interest rates affects mortgage payments, making homeownership more expensive for prospective buyers (Blanchard, 2021).

Interest rates are a key economic indicator that influences housing affordability, particularly for those seeking mortgages. Higher interest rates make borrowing more expensive, leading to higher monthly payments for mortgage holders, which reduces affordability (Mishkin, 2019). In Nigeria, where inflation and interest rates have been volatile, potential homeowners are often priced out of the market due to the high cost of borrowing. Moreover, high interest rates discourage property developers from investing in new housing projects, limiting housing supply and pushing property prices even higher due to increased demand for limited housing stock (Oluwaseun & Nwachukwu, 2019). This cycle makes affordable housing increasingly elusive, especially for the average Nigerian.

Unemployment and job stability are also significant factors affecting housing affordability. In an economy with high unemployment rates, a large portion of the population lacks the financial means to secure housing, especially in the formal housing market. In Nigeria, high unemployment rates, particularly among young adults, limit the ability of many to rent or purchase homes, thus affecting demand and housing affordability (Olaleye & Adegoke, 2017). Job stability also influences housing affordability; individuals with stable employment are more likely to afford long-term housing solutions such as mortgages, whereas those with uncertain job prospects may struggle to maintain consistent housing arrangements (Mankiw, 2019).

Another important economic indicator related to housing affordability is the availability of financing options. Access to affordable mortgages and housing loans is crucial in enabling more people to enter the housing market. However, in Nigeria, the mortgage market is underdeveloped, with high interest rates and stringent lending requirements that exclude many potential homeowners from accessing financing (Adetunji, 2020). The lack of affordable financing options exacerbates the housing affordability crisis, as many Nigerians are unable to secure loans to buy homes, resulting in an increased reliance on the rental market or informal housing solutions (Parkin, 2020).

The cost of land and construction materials also affects housing affordability, as these contribute significantly to the overall cost of housing. In Nigeria, land acquisition is expensive and complicated due to legal and regulatory challenges, particularly with the Land Use Act of 1978, which requires government approval for land ownership and transfers (Blanchard, 2021). Additionally, most construction materials are imported, making housing development susceptible to foreign exchange fluctuations. When the naira depreciates, the cost of materials rises, leading to higher construction costs, which developers often pass on to buyers or renters (Obadeyi, 2021). This situation further erodes housing affordability in the country.

In summary, housing affordability in Nigeria is impacted by a range of economic indicators, including income levels, inflation, interest rates, employment rates, and access to financing. Each of these indicators plays a significant role in determining whether households can afford to buy or rent adequate housing. Addressing housing affordability requires a holistic approach, where economic policies support income growth, control inflation, and provide affordable financing options to improve access to housing. For Nigeria to tackle its housing challenges effectively, policymakers must understand and address these economic factors to create a more sustainable and accessible housing market for its citizens.

2.1.8 Urbanization and Its Effects on Property Value

Urbanization, the process by which people move from rural areas to urban centers, has a significant impact on property values in cities worldwide. This trend has been driven by the search for better employment opportunities, improved infrastructure, and access to essential services. As cities expand to accommodate a growing population, demand for residential, commercial, and industrial properties increases, often pushing up property values (UN-Habitat, 2020). In Nigeria, urbanization is particularly rapid due to high population growth and rural-urban migration. With cities like Lagos, Abuja, and Port Harcourt experiencing increased demand for housing and land, urbanization has significantly influenced property prices, creating both opportunities and challenges for the real estate market (Adetunji, 2020).

One of the primary ways urbanization affects property values is through increased demand for limited land and housing in urban centers. As more people migrate to cities, housing demand rises, often outpacing supply, leading to a surge in property prices. For example, in Lagos, where urbanization rates are high, limited land availability has driven up real estate costs, especially in central areas where demand is highest (Obadeyi, 2021). This pattern is common in many Nigerian cities, where rapid urbanization intensifies competition for available properties, thus driving up prices and making real estate an attractive investment for property developers and investors (Parkin, 2020).

Urbanization also influences property values through infrastructure development. As cities expand, the government and private investors are compelled to improve transportation, healthcare, education, and utility infrastructure to support the growing urban population. Improved infrastructure increases the accessibility and desirability of certain areas, which can drive property prices upward. For instance, properties located near new transport links, such as railways or highways, often experience value appreciation due to enhanced accessibility (Blanchard, 2021). In Nigerian cities, neighborhoods near infrastructural developments, like the Lekki-Epe Expressway in Lagos, have seen property prices rise as demand from buyers and renters increases due to easier commuting options and better amenities (Oluwaseun & Nwachukwu, 2019).

Furthermore, urbanization leads to commercial and industrial development, which indirectly raises property values. As urban centers expand, they attract businesses and industries seeking to tap into the growing urban workforce and consumer base. This influx of commercial activity can create job opportunities, increase local spending power, and encourage further population growth, all of which boost demand for housing and raise property values in nearby areas (Akpan & Ogunyemi, 2020). In Nigeria, the growth of commercial hubs in cities like Lagos and Abuja has led to a rise in the value of properties close to business districts, as these areas attract both businesses and residents seeking proximity to employment and commercial centers (Krugman & Wells, 2020).

However, urbanization can also lead to disparities in property values within the same city. As prime urban areas become more expensive, lower-income residents may be pushed to the outskirts or informal settlements, where property values are lower due to insufficient infrastructure and lack of services. This contrast between high-value central urban areas and underdeveloped peri-urban areas creates an uneven property value landscape within cities (Mishkin, 2019). In Nigeria, this disparity is evident as well-developed areas like Victoria Island and Ikoyi in Lagos exhibit much higher property values compared to less developed, peripheral areas that lack similar infrastructure and amenities (Olaleye & Adegoke, 2017).

Urbanization also poses challenges to property values due to the risk of overcrowding and environmental degradation. Rapid population growth in urban areas without adequate planning can lead to overcrowded neighborhoods, strain infrastructure, and degrade the quality of life, which can negatively impact property values (UN-Habitat, 2020). For example, in densely populated areas of Lagos, inadequate waste management, traffic congestion, and air pollution have sometimes tempered property values, as residents and investors seek cleaner and less congested areas. Over time, failure to manage urbanization sustainably could lead to declining property values in overpopulated areas (Mankiw, 2019).

In summary, urbanization has a profound impact on property values by driving demand, enhancing infrastructure, and attracting commercial and industrial development. While this trend generally leads to property value appreciation, the benefits are not evenly distributed across urban areas, leading to a divide between high-value central areas and low-value outskirts. Additionally, unchecked urbanization and overcrowding can strain resources and reduce property values in affected areas. To manage the effects of urbanization on property values, city planners and policymakers must focus on sustainable development and balanced infrastructure investments.

2.2 Theoretical Review

Demand and Supply Theory

The Demand and Supply Theory is a cornerstone of economic analysis, providing a framework for understanding how market dynamics determine prices. This theory suggests that the price of a commodity, including real estate, is influenced by the relationship between its demand and supply. In the context of the housing market, an increase in demand for properties—whether residential, commercial, or industrial—can lead to higher prices, especially when the supply does not keep pace. In Nigeria, and particularly in urban areas like Osogbo, the rapid pace of urbanization is a significant driver of increased demand for housing, pushing property values upward as more people migrate to cities in search of better opportunities and amenities (Mankiw, 2019).

As urbanization accelerates in Osogbo, the demand for housing has surged. This influx of residents is primarily motivated by the pursuit of employment and improved living conditions, leading to greater competition for available properties. This phenomenon can be observed in many Nigerian cities, where the demand for housing often outstrips the available supply. As new residents flock to urban areas, existing housing stock becomes scarce, and prices rise sharply. For instance, areas with better access to public services, transportation, and job opportunities see even greater increases in demand, further exacerbating the imbalance between supply and demand (Krugman & Wells, 2020). Consequently, property developers are often unable to keep up with this rapidly increasing demand, leading to a significant rise in property values.

Inflation compounds the challenges posed by urbanization, as it affects both the cost of living and the costs associated with property development. Rising inflation often results in increased prices for construction materials, labor, and land, which can significantly impact the supply side of the housing market. When inflation rates are high, developers face higher costs, which may deter them from undertaking new projects or lead them to increase prices for new developments. As a result, the supply of affordable housing may stagnate, further increasing property prices as demand continues to grow unchecked (Obadeyi, 2021). This scenario highlights the interconnectedness of inflation and urbanization, making it crucial for policymakers to consider both factors when addressing housing market challenges.

Moreover, the Demand and Supply Theory also explains the regional disparities in property values that arise due to urbanization. Within urban areas, property values can vary significantly based on location, accessibility, and available amenities. In Osogbo, for instance, properties in centrally located neighborhoods may experience steep price increases compared to those on the periphery, where access to services may be limited. This divergence can create challenges for low- and middle-income residents who may be priced out of central locations, leading to increased demand for affordable housing options in less desirable areas. The theory underscores the necessity for strategic urban planning that not only addresses the immediate supply and demand dynamics but also considers the long-term implications for housing affordability and accessibility (Adetunji, 2020).

The Demand and Supply Theory serves as a crucial lens through which to examine the effects of urbanization and inflation on property values in Osogbo, Nigeria. As urbanization intensifies, the interplay between rising demand and stagnant supply results in escalating property values, while inflation further complicates the supply landscape. Understanding this theory helps to illuminate the complex factors influencing housing affordability and access in a rapidly urbanizing context. For policymakers, it emphasizes the need for proactive measures to increase the supply of affordable housing, manage inflationary pressures, and ensure that the benefits of urban growth are equitably distributed among all residents. By addressing these dynamics, it is possible to create a more balanced and sustainable housing market that accommodates the needs of a diverse urban population.

2.3 Empirical Review

The empirical review synthesizes findings from previous research related to inflation, property values, and urbanization, providing context and a foundation for the current study. One key study is by Olufemi and Adebayo (2018), who examined the impact of inflation on the housing market in Nigeria. They employed a quantitative research design, surveying 300 respondents across various cities, including Lagos and Abuja. Using a stratified sampling technique, they collected data through structured questionnaires. The data analysis involved descriptive statistics and regression analysis, revealing that inflation significantly affects property values and housing affordability. Their findings align with the current study, as they underscore the relationship between inflation and real estate prices, particularly in urban areas where demand is rapidly increasing.

Another noteworthy study is by Eze and Nwankwo (2020), which investigated the effect of urbanization on property prices in selected cities in Nigeria. Their research utilized a mixed-methods approach, incorporating both qualitative interviews with urban planners and quantitative analysis of property price trends over five years. The sample consisted of 150 urban planners and property developers, selected through purposive sampling. They analyzed data using thematic analysis for qualitative data and time-series analysis for quantitative data. The study concluded that urbanization drives property price increases due to heightened demand and inadequate supply. These findings are directly relevant to the present study as they highlight the critical role of urbanization in influencing property values, particularly in emerging urban centers like Osogbo.

Akanbi and Afolabi (2019) conducted a similar investigation into the effects of inflation on real estate investment decisions in Nigeria. Utilizing a survey design, they collected data from 250 real estate investors across five states, employing simple random sampling techniques. The researchers used questionnaires as their primary data collection instrument and analyzed the data using both inferential and descriptive statistics. Their findings indicated that inflation negatively impacts investment decisions, as rising costs lead to decreased profitability and potential returns on investment. This study reinforces the current research's focus on the detrimental effects of inflation on property values, suggesting that rising prices can deter investment in real estate, ultimately exacerbating housing shortages.

In Adeyemi’s (2017) research on housing affordability in urban Nigeria, a quantitative methodology was utilized. The study surveyed 400 households using a multi-stage sampling technique to gather data from various neighborhoods. A structured questionnaire was the primary instrument for data collection, and the data were analyzed using multiple regression techniques. Adeyemi found that both inflation and urbanization significantly influence housing affordability, with inflation eroding purchasing power. This aligns closely with the current study, which also seeks to understand how inflation affects property values and affordability in urban contexts, particularly in Osogbo.

Another important study was conducted by Ojo and Babatunde (2021), focusing on the relationship between economic indicators and housing prices in Nigeria. They utilized a longitudinal research design, analyzing secondary data from the National Bureau of Statistics over ten years, examining economic indicators like inflation rates and GDP growth. Their analysis employed econometric modeling techniques to assess the relationships. The findings demonstrated a strong correlation between rising inflation rates and increasing property prices.

This empirical evidence is pertinent to the current research, as it suggests that economic conditions play a crucial role in shaping the housing market and property values in urban areas.

Ibrahim and Suleiman (2022) explored the influence of urbanization and inflation on property values in Nigeria through a qualitative approach. Their research involved in-depth interviews with 30 real estate developers and urban planners using purposive sampling. They conducted thematic analysis to identify recurring themes related to urban growth and inflation. Their findings revealed that urbanization contributes to increased property demand, while inflation impacts construction costs and housing affordability. This qualitative perspective complements the current study's quantitative approach, enriching the understanding of how these factors interconnect to influence property values in Osogbo.

Moreover, the work of Adeleke et al. (2020) examined the socio-economic factors affecting housing demand in urban Nigeria. They employed a cross-sectional survey design, gathering data from 200 households using stratified random sampling. The data collection instrument included structured questionnaires, and analysis was performed using descriptive and inferential statistics. The results highlighted that socio-economic factors, including inflation, significantly impact housing demand and property values. This study adds depth to the current research, as it illustrates how broader economic factors influence housing dynamics in urban settings.

2.4 Summary of Literature Review

S/NO	STUDY	METHODOLOGY	MAJOR FINDINGS
1	Olufemi & Adebayo (2018)	Quantitative research design; survey of 300 respondents	Inflation significantly impacts property values and housing affordability in Nigerian cities.
2	Eze & Nwankwo (2020)	Mixed-methods approach; qualitative interviews and quantitative analysis	Urbanization drives property price increases due to heightened demand and inadequate supply in urban centers.
3	Akanbi & Afolabi (2019)	Survey design; 250 real estate investors	Inflation negatively affects investment decisions, leading to decreased profitability and exacerbating housing shortages.
4	Adeyemi (2017)	Quantitative methodology; survey of 400 households	Both inflation and urbanization significantly influence housing affordability, with inflation eroding purchasing power.

5	Ojo & Babatunde (2021)	Longitudinal research design; analysis of secondary data	Strong correlation between rising inflation rates and increasing property prices over time.
6	Ibrahim & Suleiman (2022)	Qualitative approach; in-depth interviews with 30 stakeholders	Urbanization increases property demand, while inflation impacts construction costs and housing affordability.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Research Design

For this study, a survey research design will be used to examine the effect of inflation on property values in Osogbo, Osun State. This approach is ideal because it allows us to gather firsthand data from a variety of participants, including property developers, real estate agents, and potential homebuyers. By distributing structured questionnaires, we can collect detailed information on key aspects such as property prices, inflation trends, and demographic factors. This method not only helps us understand the current state of the real estate market in Osogbo but also enables us to analyze the relationships between inflation and property values. Ultimately, this survey design will provide valuable insights that can inform strategies to address the impact of inflation on housing in the area, enhancing our understanding of these important economic factors.

3.2 Sources of Data

This study will utilize both primary and secondary sources of data to ensure a comprehensive analysis of the effect of inflation on property values in Osogbo, Osun State. The primary data will be collected through structured questionnaires distributed to various stakeholders in the real estate market, including property developers, real estate agents, and prospective homebuyers. These questionnaires will be designed to gather specific information on property prices, inflation perceptions, and other relevant demographic details. By engaging directly with individuals involved in the local housing market, the study aims to capture firsthand insights that reflect the current state of property values and how they are affected by inflation.

In addition to primary data, the study will also draw on secondary sources to enrich the analysis. These sources will include reports from government agencies, such as the National Bureau of Statistics, as well as publications from academic journals, real estate market analyses, and economic research studies. Utilizing secondary data will provide historical context and broader economic indicators related to inflation and property values, allowing for a more nuanced understanding of trends over time. By combining both primary and secondary sources, the research will achieve a well-rounded perspective on the interplay between inflation and property values in Osogbo.

3.3 Target Population

The target population for this study comprises stakeholders in the real estate market within Osogbo, Osun State. Specifically, this includes property developers who are directly involved in the construction and sale of residential and commercial properties, real estate agents who facilitate property transactions, and prospective homebuyers looking to invest in the local housing market. By focusing on these groups, the study aims to gather insights from individuals who have firsthand experience and knowledge of the impact of inflation on property values. This targeted approach ensures that the data collected will be relevant and reflective of the conditions within Osogbo’s real estate market.

3.4 Sampling Frame

The sampling frame for this study will consist of a comprehensive list of stakeholders in the real estate sector in Osogbo, Osun State. This list will include registered property developers, real estate agents, and individuals actively seeking to buy homes in the area. To create this sampling frame, we will obtain data from local real estate associations, government property registries, and industry directories, ensuring that we capture a wide range of perspectives from different segments of the market. By utilizing this well-defined sampling frame, we aim to ensure that our study encompasses a representative cross-section of the real estate community in Osogbo, enhancing the reliability and relevance of our findings. Two (200) Hundred respondents would be considered appropriate for this study.

3.5 Sample Size

The sample size for this study will be determined based on the target population of stakeholders in the real estate market in Osogbo, Osun State. Aiming for a balance between statistical validity and practical feasibility, the study will include approximately 200 participants. This sample will consist of around 100 property developers, 50 real estate agents, and 50 prospective homebuyers. This distribution is designed to ensure that we gather diverse insights from various perspectives within the real estate sector. The sample size will be justified through a confidence level of 95% and a margin of error of 5%, allowing for reliable conclusions to be drawn about the impact of inflation on property values in the area. By carefully selecting a representative sample, the study seeks to provide robust and meaningful findings that reflect the current state of the real estate market in Osogbo.

3.6 Method of Data Collection

Data for this study will be collected using a structured questionnaire, which will be the primary tool for gathering information from the target population. The questionnaire will include a mix of closed-ended and open-ended questions to capture quantitative data, such as property prices and perceptions of inflation, alongside qualitative insights regarding participants' experiences and opinions about the real estate market. To reach respondents effectively, the questionnaires will be distributed in person at relevant locations such as real estate offices, property development sites, and community gatherings where potential homebuyers might be present.

In addition to the primary data collected through the questionnaire, secondary data will be sourced from relevant materials, including government reports, real estate market analyses, and academic literature. This combination of methods will help create a comprehensive picture of how inflation impacts property values in Osogbo. Throughout the data collection process, ethical considerations will be prioritized, ensuring informed consent and confidentiality to make participants feel comfortable sharing their insights. By employing these methods, the study aims to gather rich and relevant data to inform its analysis and findings.

3.7 Questionnaire Design

The questionnaire for this study will be thoughtfully crafted to gather essential data on the impact of inflation on property values in Osogbo, Osun State. It will begin with demographic questions to collect background information about respondents, such as their age, occupation, education level, and specific roles in the real estate market—whether they are property developers, agents, or homebuyers. Following this, the questionnaire will feature a mix of closed-ended questions using a Likert scale to assess participants' perceptions of inflation and its effects on property pricing and affordability. Additionally, open-ended questions will allow respondents to share their personal insights and experiences regarding how inflation has influenced their decisions in the real estate sector. To ensure clarity and effectiveness, the questionnaire will undergo a pilot test with a small group from the target population, allowing for adjustments before the final version is distributed. Overall, the design aims to be comprehensive yet user-friendly, ensuring that participants can provide accurate and meaningful responses.

3.8 Methods of Data Analysis

Once the data has been collected, it will be analyzed using descriptive statistics, focusing primarily on frequency tables to summarize the responses from the structured questionnaire. Frequency tables will help to present the distribution of various demographic characteristics and key perceptions regarding inflation and property values in a clear and organized manner.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter presents the analysis of data collected through the survey, aligning with the objectives of the study to examine the effect of inflation on property values in Osogbo, Osun State. The responses from property valuers, real estate agents, and prospective homebuyers are analyzed to provide insights into how inflation impacts property pricing, affordability, and market behaviors. Using frequency tables and descriptive statistics, this chapter interprets the findings systematically, revealing patterns, trends, and the extent to which inflation affects the real estate market and housing affordability in the region.

4.1 Data Presentation

Table 4.1: Age distribution of the Respondents

Response	Frequency	Percentage
18-25	40	20%
26-35	60	30%
36-45	50	25%
46-55	30	15%
56 and above	20	10%
Total	200	100%

Source: Field Survey, 2025

The majority of respondents (30%) fall within the 26-35 age range, suggesting that younger adults make up a significant portion of those involved in or interested in the property market in Osogbo.

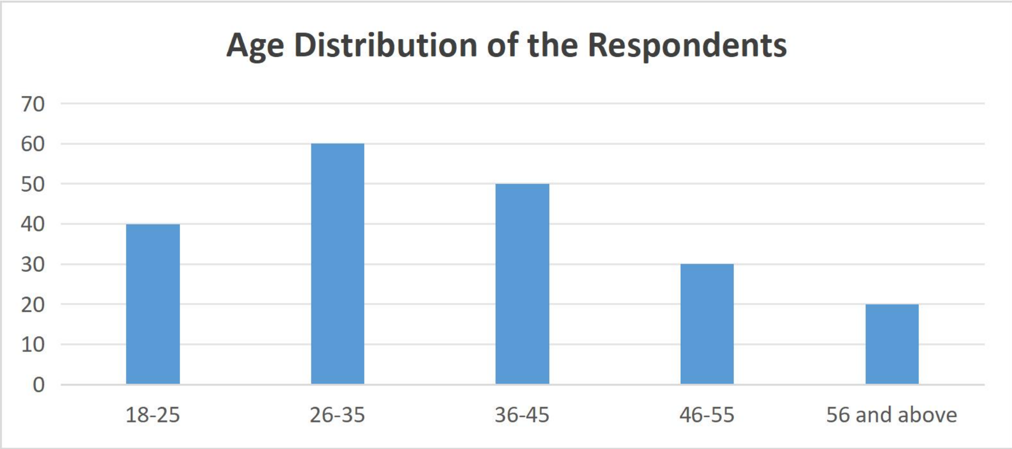

Fig 1: Age distribution of the Respondents

Fig 1 shows the age distribution of the respondents who partook in the survey. Majority of the respondents were within the age bracket of 26-35 years.

Table 4.2: Gender distribution of the Respondents

Response	Frequency	Percentage
Male	120	60%
Female	80	40%
Total	200	100%

Source: Field Survey, 2025

Table 4.2 shows that males (60%) form the majority of the sample, indicating a higher male representation within this property market-related sample.

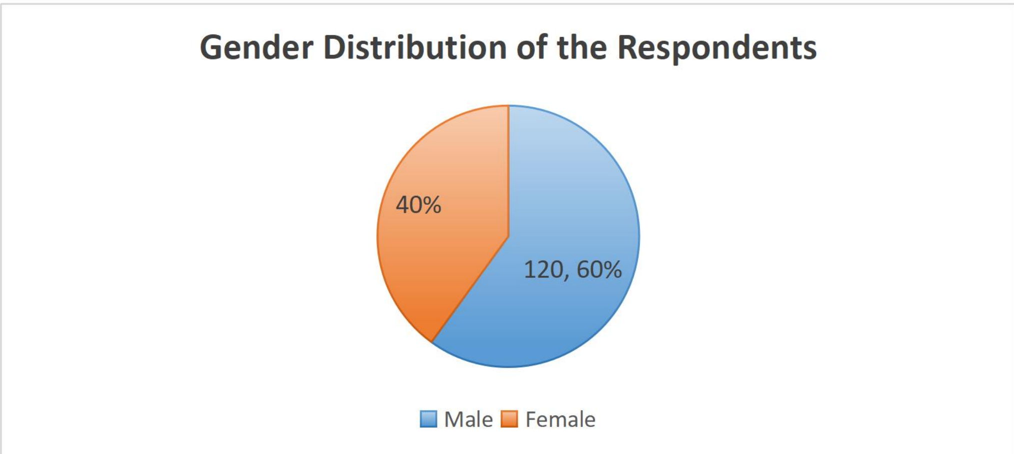

Fig 2: Gender distribution of the respondents

Table 4.2 and Fig 2 shows that majority of the respondents were males

Table 4.3: Occupation of Respondents

Response	Frequency	Percentage
Property Developer	100	50%

Real Estate Agent	50	25%
Homebuyer	50	25%
Total	200	100%

Source: Field Survey, 2025

Table 4.3 shows that half of the respondents (50%) are property developers, while real estate agents and prospective homebuyers each represent 25% of the sample.

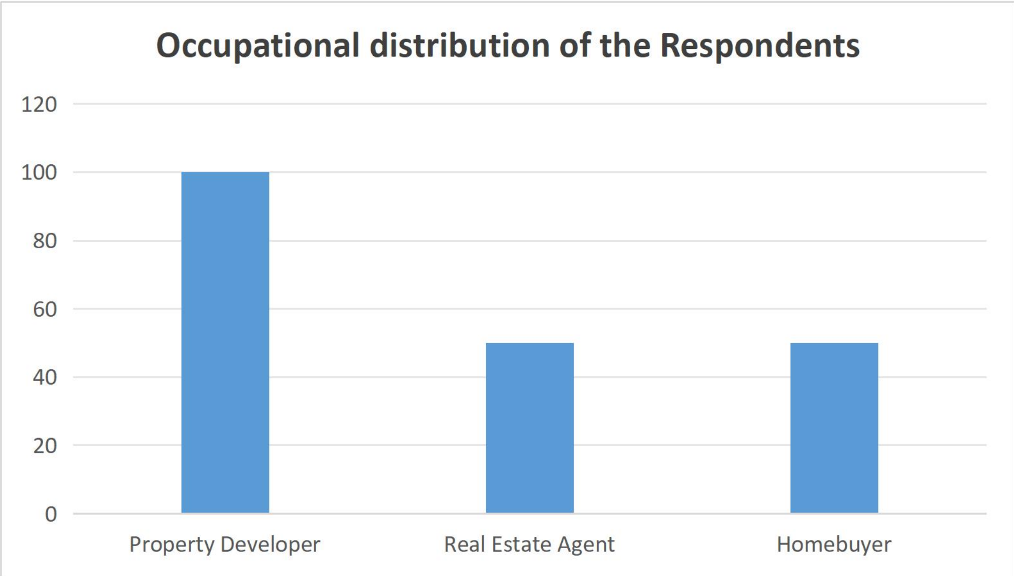

Fig 3: Occupational distribution of the respondents

Table 4.4: Level of Education

Response	**Frequency**	**Percentage**
Secondary School	40	20%
Tertiary Institution	110	55%
Postgraduate	50	25%
Total	200	100%

Source: Field Survey, 2025

Table 4.4 shows that most respondents (55%) have completed tertiary education, reflecting an educated sample with potential influence on the property market.

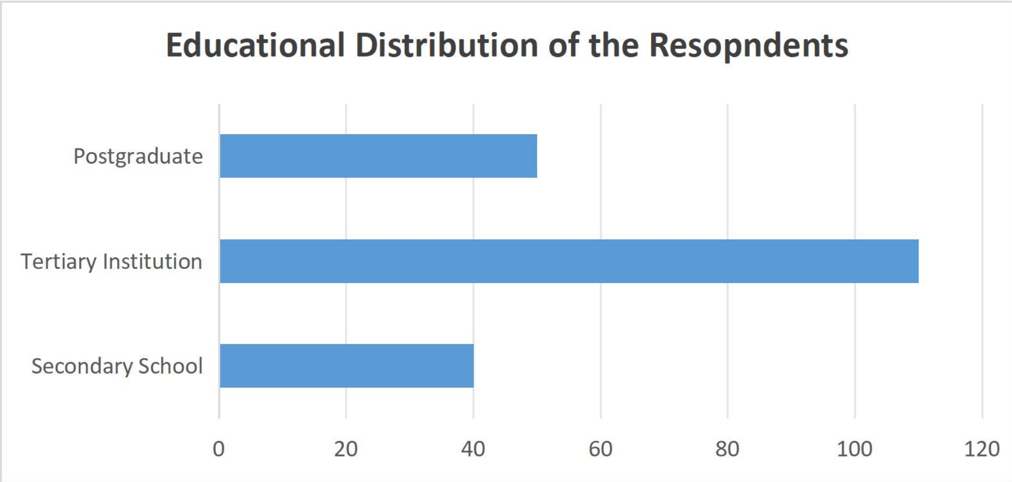

Fig 4: Educational Distribution of the Respondents

Fig 4 shows the educational distribution of the respondents where majority of the respondents had tertiary institution education.

Table 4.5: Current Trend in Property Prices Due to Inflation

Response	**Frequency**	**Percentage**
Increasing significantly	90	45%
Increasing moderately	60	30%
No change	20	10%
Decreasing moderately	15	7.5%
Decreasing significantly	15	7.5%
Total	200	100%

Source: Field Survey, 2025

Table 4.5 shows that a substantial portion (45%) of the respondents observed significant increases in property prices due to inflation, with an additional 30% noticing moderate increases.

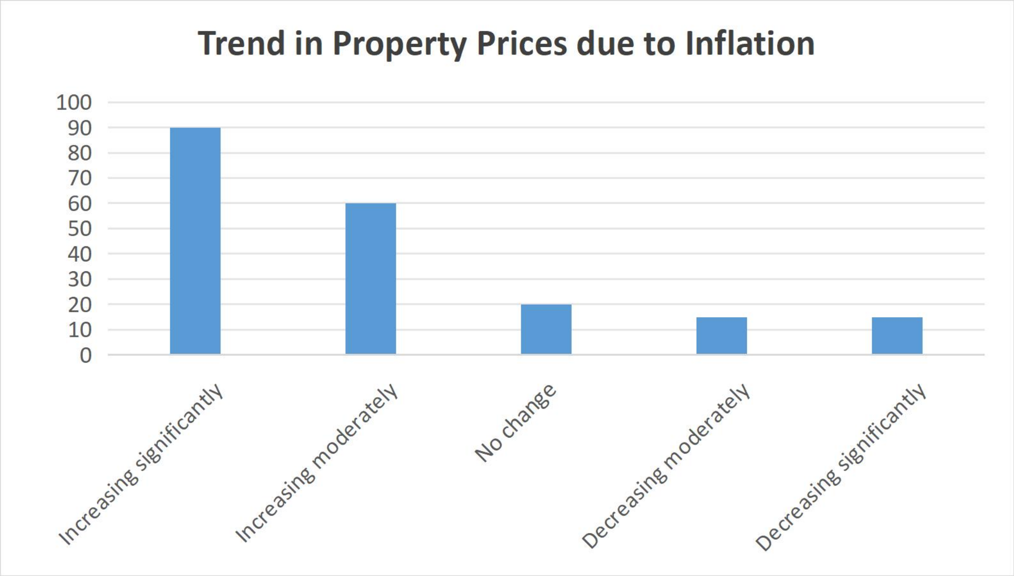

Fig 5: Trend in property prices due to inflation

Table 4.6: Primary Driver of Property Price Changes

Response	Frequency	Percentage
Inflation	100	50%
Demand and supply	60	30%
Economic policies	20	10%
Infrastructure development	20	10%
Total	200	100%

Source: Field Survey, 2025

Table 4.6 shows that half of the respondents attribute property price changes primarily to inflation, underscoring its perceived impact on the Osogbo property market.

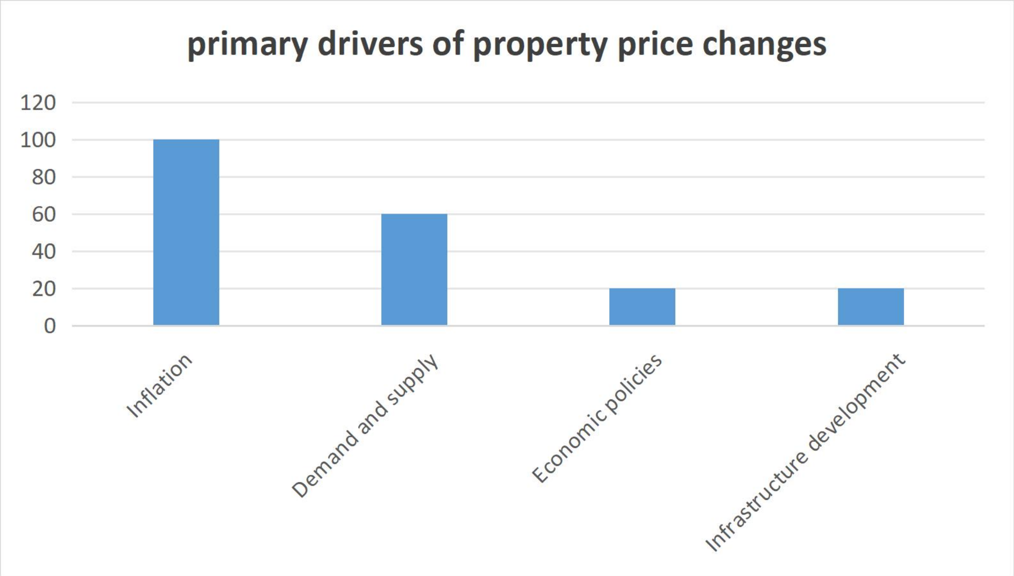

Fig 6: Primary drivers of property price changes

Table 4.7: Extent of Influence of Inflation on Property value

Response	Frequency	Percentage
Very Much	90	45%
Somewhat	70	35%
Neutral	20	10%
Not much	15	7.5%
Not at all	5	2.5%
Total	200	100%

Source: Field Survey, 2025

Table 4.7 shows that most respondents (45%) feel inflation significantly influences property value, indicating its strong presence in property value assessments while just only 5% of them indicated that inflation does not influence property value.

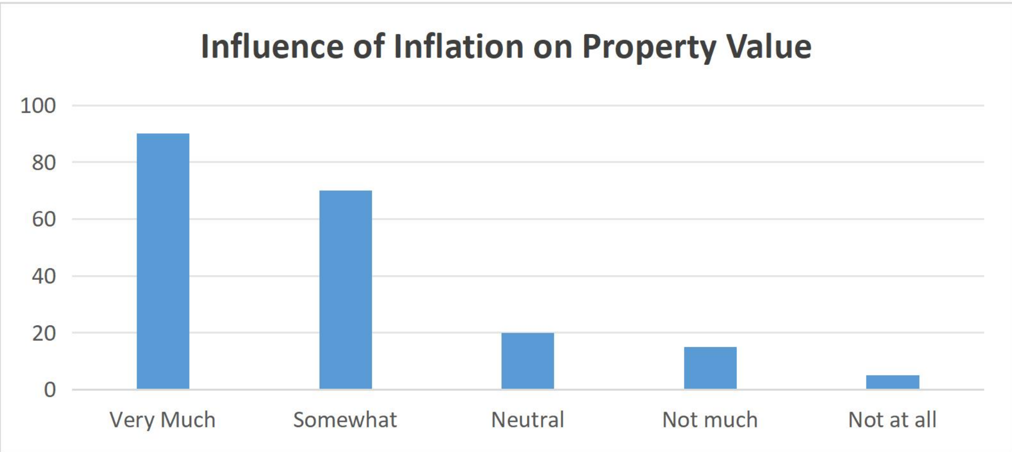

Fig 7: Influence of inflation on property pricing

Table 4.8: Rating of Housing Affordability in Osogbo

Response	Frequency	Percentage
Very Affordable	20	10%
Affordable	30	15%
Neutral	50	25%
Unaffordable	60	30%
Very unaffordable	4	20%
Total	200	100%

Source: Field Survey, 2025

Table 4.8 shows that the results indicate that 30% of respondents find housing unaffordable, with 20% rating very unaffordable, reflecting inflation's impact on housing accessibility.

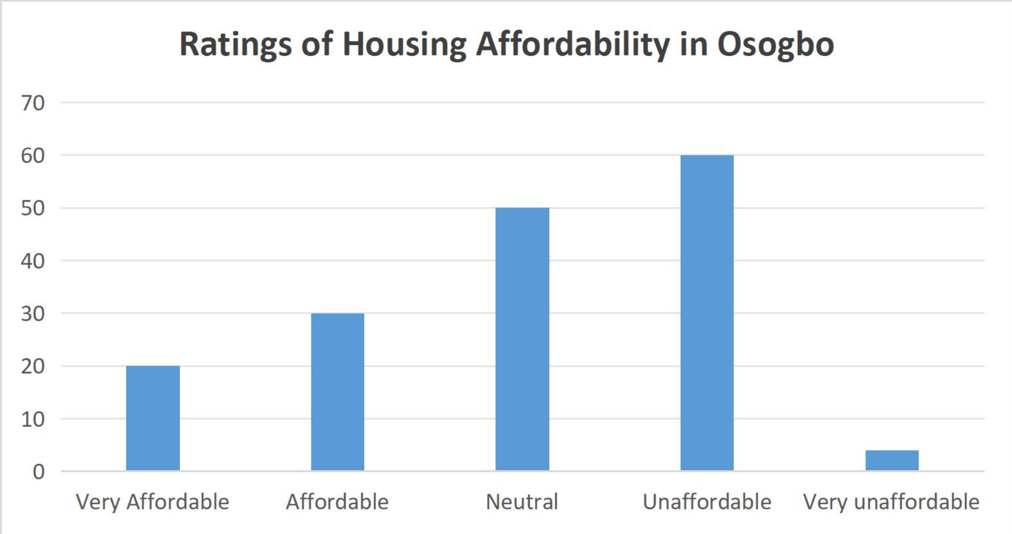

Fig 8: Ratings of Housing affordability in Osogbo

Table 4.9: Key Factors Affecting Property Values during Inflationary Periods

Response	**Frequency**	**Percentage**
Location	70	35%
Demand and supply changes	50	25%
Infrastructure improvement	25	12.5%
Interest rates	15	7.5%
Total	200	100%

Source: Field Survey, 2025

Table 4.9 shows that location remains the most influential factor, according to 35% of respondents, when considering property values during inflationary periods while interest rates was considered as the least factor affecting property value during inflationary periods.

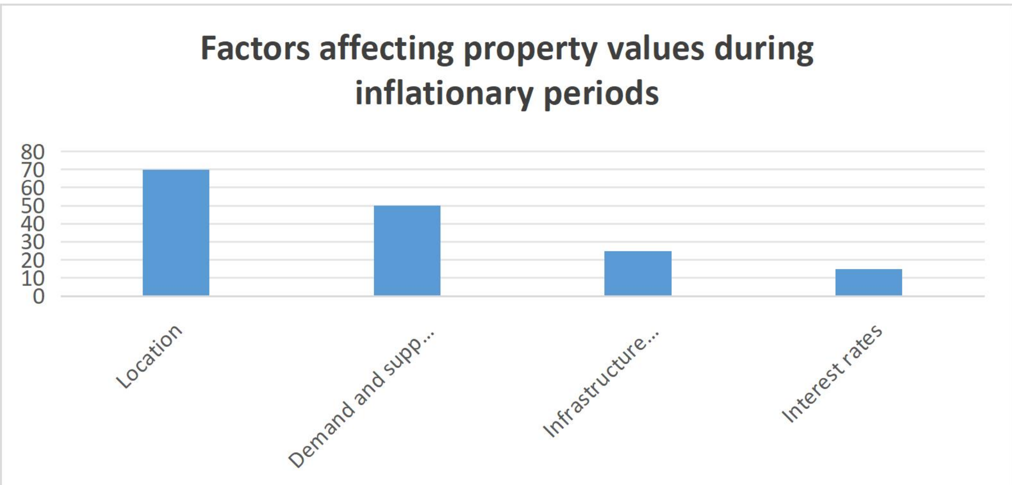

Fig 9: Factors affecting property values during inflationary periods

Table 4.10: Do you believe inflation discourages new property development?

Response	**Frequency**	**Percentage**

Strongly agree	80	40%
Agree	60	30%
Neutral	30	15%
Disagree	20	10%
Strongly disagree	10	5%
Total	200	100%

Source: Field Survey, 2025

Table 4.10 shows that 40% of respondents strongly agreed that they believe inflation discourages new property development, while 5% of them strongly disagree with the statement, suggesting that inflation does not discourage property development in Osogbo.

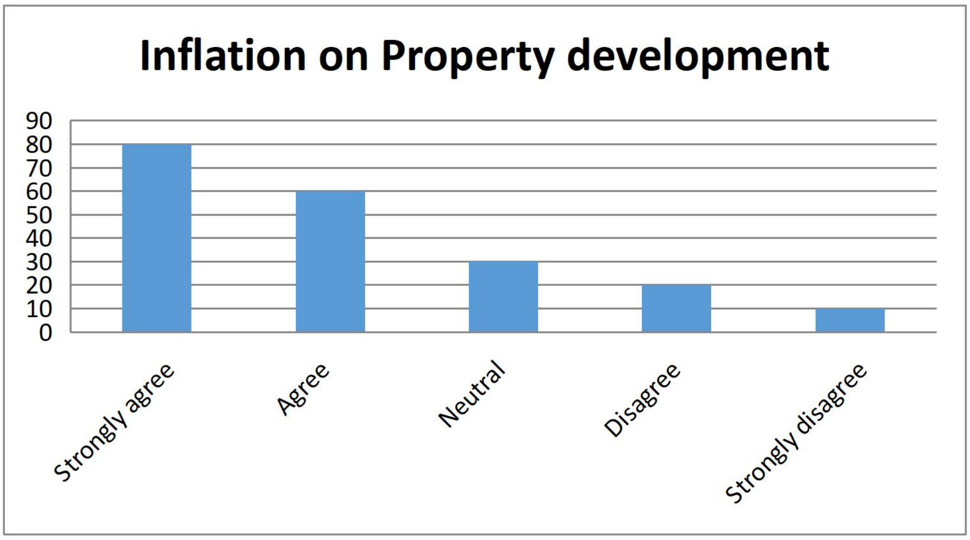

Fig 10: Inflation on property development

Table 4.11: Over the last 5–10 years, how would you describe the trend of inflation in Osogbo?

Response	Frequency	Percentage
Rapidly increasing	80	40%
Slowly increasing	60	30%
Fluctuating	30	15%
Stable	10	5%
Decreasing	20	10%
Total	200	100%

Source: Field Survey, 2025

Table 4.11 shows that 40% of the respondents indicated that the trend of inflation in Osobgbo is rapidly increasing, 30% of them indicated that it is slowly increasing, 15% of them indicated that is fluctuating, 5% of them indicated that it is stable while only 10% of them indicated that it is decreasing

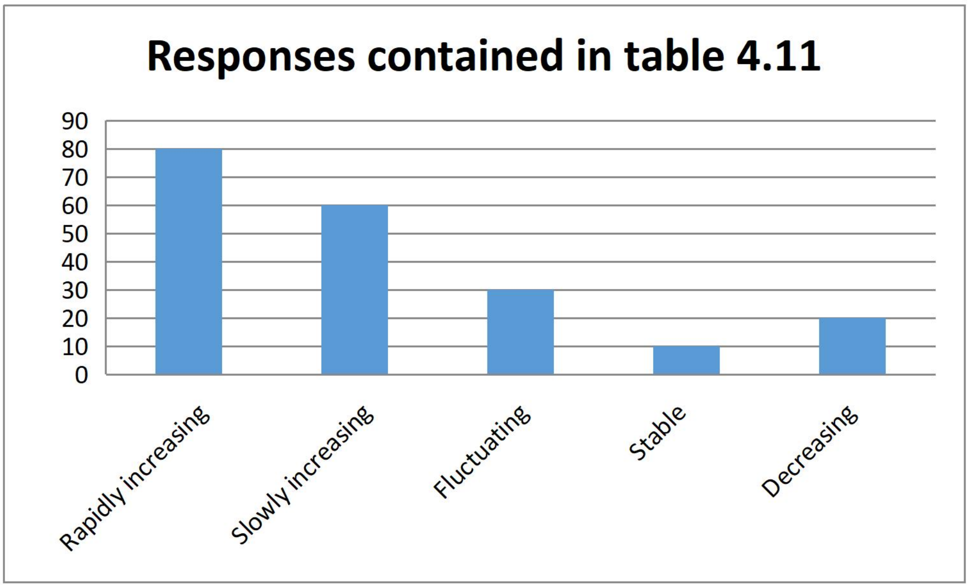

Fig 11: Responses contained in table 4.11

Table 4.12: How have property values changed in Osogbo over the same period?

Response	Frequency	Percentage
Increased significantly	60	30%
Increased slightly	50	25%
No change	30	15%
Decreased	40	20%
Not sure	20	10%
Total	200	100%

Source: Field Survey, 2025

Table 4.12 shows that out of the respondents who partook in the survey, 30% of them indicate the property value changed in Osogbo over the period of time significantly, 25% of them indicated that it changed slightly, 15% indicated that there was no change, 20% of them indicated that it decreased while 10% of them were not sure of change in property value in Osogbo.

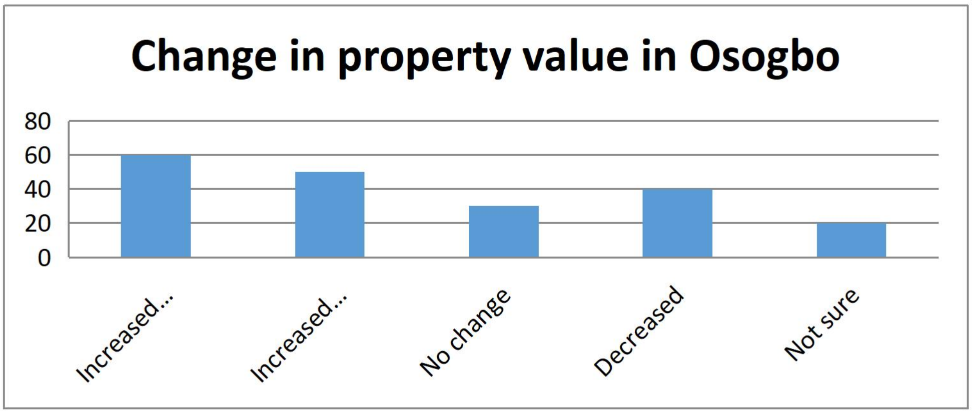

Fig 12: Change in property value in Osogbo

Table 4.13: How do you perceive the impact of inflation on returns from property investment in Osogbo?

Response	Frequency	Percentage
Highly Positive	70	35%
Slightly Positive	50	25%
Neutral	50	25%
Negative	30	15%
very Negative	00	00%
Total	200	100%

Source: Field Survey, 2025

Table 4.13 shows that 35% of the respondents indicated that they perceived the impact of inflation on returns from property investment in Osogbo to be highly positive, 25% of them perceived it to be slightly positive, 25% of them were neutral while 15% of them perceived it to be negative.

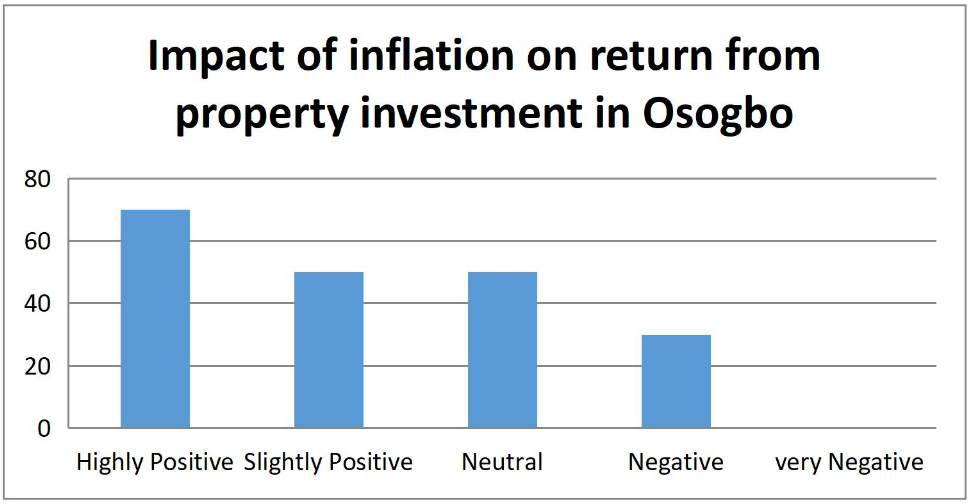

Fig 13: Impact of inflation on return from property invesment in Osogbo

Table 4.14: Do you believe Inflation discourages new property development?

Response	Frequency	Percentage
Yes	150	75%
No	40	20%
Not sure	10	5%
Total	200	100%

Source: Field Survey, 2025

Table 4.14 shows that 75% of the respondents believed that inflation discourages new property development, 20% of them indicated no to the statement while 5% of the respondents were not sure with their responses over the statement.

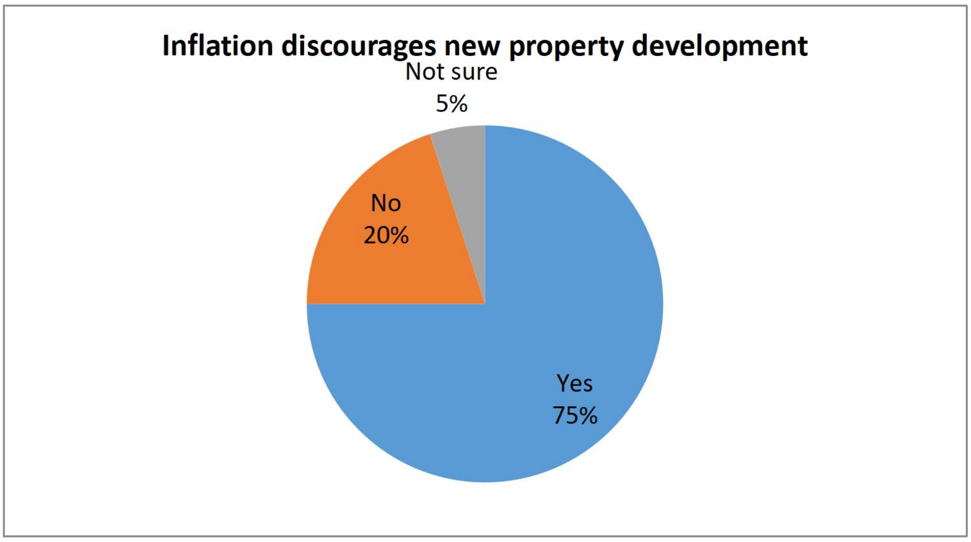

Fig 14: Inflation and new property development

Table 4.15: Do you think current trends in inflation will continue to affect property values in the next 5 years?

Response	**Frequency**	**Percentage**
Yes	165	82.5%
No	30	15.0%
Not sure	5	2.5%
Total	200	100%

Source: Field Survey, 2025

Table 4.15 shows that out of the respondents who partook in the survey, 82.5% of them indicated yes to that current trends in inflation will continue to affect property values in the next 5 years while 15% of them indicated no to the question and 2.5% of them were not sure about it.

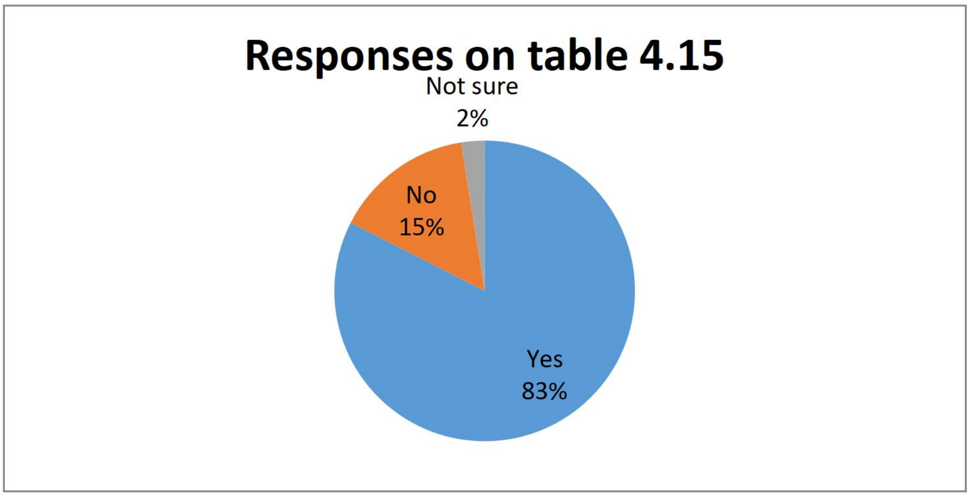

Fig 15: Responses on table 4.15

4.2 Discussion of Findings

The findings from the study provide compelling evidence that inflation plays a significant role in shaping the property market in Osogbo. A substantial portion of the respondents, 45%, reported a significant increase in property prices, while another 30% observed moderate increases. This aligns with earlier studies such as those by Olayiwola and Adeleye (2018), which emphasized the inflationary pressures on real estate values in Nigerian urban centers. The perception that inflation is the primary driver of property price changes was affirmed by 50% of the respondents, reinforcing the dominant narrative in literature that inflation is a major determinant of property market dynamics, particularly in developing economies.

In line with previous research by Adebayo (2020), which noted the influence of macroeconomic variables on housing markets, 45% of respondents in this study asserted that inflation greatly affects property values, with only a marginal 2.5% believing it has no effect. The data thus supports the notion that inflation is not just a background economic factor but a direct influence on property valuation. Furthermore, the impact of inflation on housing affordability was highlighted, as 30% of respondents rated housing in Osogbo as unaffordable, and 20% described it as very unaffordable. This resonates with the findings of Oladimeji (2017), who observed that persistent inflationary trends erode the purchasing power of households, making home ownership increasingly difficult for middle- and low-income earners.

When considering the factors influencing property values during inflationary periods, location was identified by 35% of respondents as the most critical determinant, followed by demand and supply changes (25%). These findings mirror the conclusions of Omirin (2019), who emphasized the premium placed on location in urban property markets, particularly during economic volatility. While infrastructure and interest rates also play a role, their perceived influence was less prominent in this study, suggesting a nuanced local dynamic that prioritizes spatial considerations over financial indicators.

Additionally, a significant 40% of respondents strongly agreed, and another 30% agreed, that inflation discourages new property development. This confirms earlier assertions by Iroham and Oloyede (2016), who noted that rising construction costs due to inflation often lead to project delays or outright abandonment, thereby stalling housing supply. The perception of inflation trends over the last five to ten years in Osogbo further underscores the severity of the issue; 40% described inflation as rapidly increasing, and another 30% saw it as slowly increasing, aligning with national inflation data presented by the Central Bank of Nigeria (2023).

Regarding property value trends over the same period, 30% of the respondents indicated significant increases, while 25% noted slight increases. Only 20% reported decreases, suggesting a generally upward trend despite economic challenges. This observation is consistent with prior studies such as those by Nubi (2021), which indicated that even in inflationary periods, property often serves as a hedge, retaining or increasing in value. Interestingly, when assessing the impact of inflation on returns from property investment, 35% of respondents viewed the impact as highly positive, while 25% saw it as slightly positive. This supports the argument in investment literature that real estate can be a reliable store of value during inflationary cycles, as emphasized by JLL's (2022) global investment outlook.

An overwhelming 75% of respondents believed that inflation discourages new property development, reinforcing earlier results and aligning with the works of Ezeokoli (2021), who argued that inflation deters developers due to escalating costs and uncertainty in material prices. Finally, a striking 82.5% of the respondents expressed confidence that inflation will continue to affect property values over the next five years, reinforcing long-term concerns echoed in studies by Ojo and Igbokwe (2020) about the persistent impact of macroeconomic instability on Nigeria's property sector.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

Based on the analysis of data from the survey, the following key findings were identified regarding the impact of inflation on property values in Osogbo:

i. The study revealed that a significant proportion (45%) of respondents observed a substantial increase in property prices in Osogbo, indicating a strong influence of inflation on property values.

ii. About 50% of the respondents identified inflation as the primary factor responsible for changes in property prices, aligning with previous studies that emphasized inflation as a major determinant of real estate trends.

iii. A large percentage (45%) of participants believed that inflation greatly affects property values, while only 2.5% stated that it has no effect, confirming the dominant perception of inflation as a critical factor in property valuation.

iv. Housing affordability was significantly affected, with 30% of respondents rating housing in Osogbo as unaffordable and another 20% rating it as very unaffordable, corroborating findings from prior research that inflation weakens household purchasing power.

v. The study found that 40% of respondents strongly agreed and 30% agreed that inflation discourages new property development due to rising construction and material costs.

vi. Respondents' views on inflation trends over the past 5–10 years indicated that 40% saw inflation as rapidly increasing, while 30% considered it to be slowly increasing, consistent with national inflation data trends.

vii. The effect of inflation on property investment returns was seen as positive by many, with 35% stating it had a highly positive effect and 25% indicating a slightly positive effect, supporting the theory of real estate as a hedge against inflation.

5.2 Conclusion

In conclusion, this study reveals that inflation significantly impacts property values and housing affordability in Osogbo, creating a challenging landscape for both property buyers and industry stakeholders. The findings indicate that inflation is a primary driver behind property price increases, with many respondents observing frequent price fluctuations. The effect of these rising prices on housing affordability is evident, as a substantial portion of respondents perceive housing as unaffordable, particularly for those allocating a large percentage of their income to secure suitable accommodation. This trend reflects how inflation has placed increased financial pressure on residents, influencing the overall accessibility of housing within the city.

Furthermore, the study highlights a perceived need for government intervention to address the adverse effects of inflation on the property market. Many respondents believe that without such measures, the affordability crisis may worsen, disproportionately affecting middle- and lower-income residents. The findings emphasize that, while location and demand factors also contribute to property values, inflation remains central to recent market shifts in Osogbo. Ultimately, addressing inflation’s influence on property values and implementing supportive policies could mitigate its impact, helping to create a more stable and affordable housing environment for Osogbo residents.

5.3 Recommendations

At the end of the study, the following recommendations are made:

i. Increase government intervention in the real estate sector to stabilize housing costs.

ii. Develop affordable housing programs to ease the burden of inflation on lower-income households.

iii. Provide tax incentives to property developers who focus on affordable housing projects.

iv. Encourage public-private partnerships to fund and support housing initiatives in Osogbo.

v. Implement stronger monetary policies to manage inflation and its effect on property prices.

vi. Promote financial literacy among residents to improve budgeting for housing affordability.

vii. Support infrastructure improvements to enhance property value without raising housing costs excessively.

viii. Offer low-interest housing loans to make homeownership more accessible during inflationary periods

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APPENDIX (QUESTIONNAIRE)

KWARA STATE POLYTECHNIC, ILORIN

INSTITUTE OF ENVIRONMENTAL STUDIES

DEPARTMENT OF ESATE MANAGEMENT AND VALUATION

Dear Sir/Ma,

I am a student of the above named institution and department conducting an academic research work on effect of inflation on property value in Nigeria with specific reference to Osogbo, Osun State. Your sincere responses are solicited for the purpose of the research work. All information supplied shall be treated confidential and used mainly for the purpose it is meant to serve.

Thanks

SECTION A: RESPONDENT'S PERSONAL INFORMATION

1. Age:a) 18-25 () b) 26-35 () c) 36-45 () d) 46-55 () e) 56 and above ()
2. Gender:a) Male () b) Female ()
3. Occupation:a) Property Developer () b) Real Estate Agent () c) Homebuyer ()
4. Level of Education:a) Secondary School () b) Tertiary Institution () c)Postgraduate ()

SECTION B: IMPACT OF INFLATION ON PROPERTY PRICES IN OSOGBO

5. How would you describe the current trend in property prices in Osogbo due to inflation?a) Increasing significantly () b) Increasing moderately () c) No change () d) Decreasing moderately () e) Decreasing significantly ()
6. In your opinion, what has been the primary driver of property price changes in the past year?a) Inflation () b) Demand and supply () c) Economic policies () d) Infrastructure development ()
7. To what extent do you believe inflation influences property pricing decisions?a) Very Much () b) Somewhat () c) Neutral () d) Not Much () e) Not at All ()
8. How frequently do you observe property price fluctuations due to inflation in Osogbo?a) Very Frequently () b) Frequently () c) Occasionally () d) Rarely () e) Never ()
9. Do you think inflation has a greater impact on residential or commercial property prices?a) Residential () b) Commercial () c) Both equally () d) Neither () e) Not sure ()

SECTION C: RELATIONSHIP BETWEEN INFLATION AND HOUSING AFFORDABILITY

10. How would you rate the current affordability of housing in Osogbo?a) Very Affordable () b) Affordable () c) Neutral () d) Unaffordable () e) Very Unaffordable ()
11. Has inflation affected your ability to afford housing in Osogbo?a) Yes,significantly () b) Yes, moderately () c) No change () d) No, it has become easier () e) Not sure ()
12. What percentage of your income do you believe is necessary to afford housing currently?a) Less than 25% () b) 25% - 50% () c) 51% - 75% () d) More than 75% () e) Not sure ()
13. In your opinion, what are the main factors contributing to housing unaffordability in the context of inflation?a) Rising property prices () b) Low income levels () c) Increased cost of living () d) Lack of financing options ()
14. How important do you think government intervention is in making housing more affordable amid rising inflation?a) Very Important () b) Important () c) Neutral () d) Not Important () e) Not Important at All ()

SECTION D: FACTORS AFFECTING PROPERTY VALUES AMIDST INFLATION

15. Which factors do you believe most significantly affect property values during inflationary periods? (Select up to 3)a) Location () b) Economic stability () c) Demand and supply change () d) Infrastructure improvements () e) Interest rates ()
16. Do you believe that inflation has altered the desirability of certain neighborhoods in Osogbo?a) Yes, significantly () b) Yes, somewhat () c) No change () d) No, it has improved desirability () e) Not sure ()

17. How much do you consider inflation when appraising the value of a property?a) A great deal () b) Some consideration () c) Neutral () d) Little consideration () e) No consideration at all ()
18. What impact do you think inflation has on the investment decisions of property developers?a) Significant negative impact () b) Moderate negative impact () c) No impact () d) Positive impact () e) Not sure ()
19. Have you observed any changes in property quality or features as a response to inflation?a) Yes, significant changes () b) Yes, some changes () c) No changes () d) Not sure ()