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**Impact of Rise in Cost of Living on Real Estate Market in Ikeja, Lagos state**

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**Abstract**

*This study examines the impact of the rising cost of living on the real estate market in Ikeja, Lagos State, a major urban area in Nigeria. By focusing on both the residential and commercial real estate sectors, the study explores how economic pressures are altering consumer preferences and shaping market behavior. A total of 50 copies of a structured questionnaire were distributed to real estate stakeholders in Ikeja, including property developers, investors, and consumers, with 48 completed responses successfully retrieved. Data were analyzed using both descriptive and inferential statistical methods to explore the relationship between the rise in living costs and changes in the real estate market dynamics in Ikeja. The findings indicate that the increasing cost of living has led to a greater demand for affordable housing, while transactions in the luxury real estate market have slowed. This highlights the need for policy interventions to ensure sustainable growth in the Ikeja real estate market amidst economic challenges.*

**Keywords:** Cost of living, Real estate market, Affordable.

**Introduction**

Rising cost of living has been a great worry for many individuals, families, organizations among others with an impact on their quality of life. Chinedu (2022) and Ighakpe (2023) observed that basic things for a man such as food, housing and other household necessities are no longer affordable for the majority of the populace due to high cost of living.

This has a direct effect on people's income which in turn has a devastating effect on their spending thereby resulting in making important financial/ investment decision. The influence it has on Real estate market cannot be over emphasis as the major influence is on the demand and supply of housing either for rental purposes, sales and purchase or other investment decisions.

Future expectations for the real estate industry rely significantly on investment decisions. Projections are fraught with investment risks due to the uncertainty that the expected positive rate of return on the investment or the anticipated future appreciation in value may not materialize. For real estate experts, investors, and developers, investment decision analysis poses substantial

challenges due to the complexities of assessing return and risk considerations under the harsh influence of the nation's high cost of living (Otegbulu, 2022).

Real estate development decisions face a variety of challenges, which are exacerbated by the unpredictable nature of the economy as a result of inflation, especially in developing countries. Real estate development decision-making is determining and evaluating several possible courses of action, then selecting the best one after analysis.

There is no doubt that the high cost of living in Nigeria today is as a result of the economic situation of the country. The economic realities are that the citizens are faced with inflation, currency devaluation, increase in oil price among others. It is known that Nigeria is a country that depends majorly on oil, revenue from oil forms a crucial part of the government expenditure (Ogun, O., Ogunsina. O. and Ugochukwu, S. C. ,2014). The fact that real estate development follows economic principles, the rise in cost of living will be felt on any investment decision made by the investors. Lagos State as one of the most populous and economically viable State has recorded a very high impact of increasing cost of living on real estate market which comprises of residential, industrial and commercial properties among others because, many people who does not have the capacity to buy property opt to rent, because they also need to spend on other necessities. It is against this background that the study seeks to assess the impact of rise in cost of living on real estate market in Ikeja, Lagos State.

## **2.0 Study Area**

Ikeja is known to be an area with mixed land uses, it has the residential area, industrial and commercial area which makes it suitable for this research. The area in the nearest future has the tendency of becoming one of the major economic cities in the world because of its classification as a model city. Commercial activities and heavy industrial activities are recorded in the area.

## **3.0 Methodology**

A survey research design was adopted for this study. primary data was gathered through the use of questionnaire to solicit information from the Registered Estate surveying firms in Ikeja, Lagos State. Simple random sampling technique was used and total enumeration was done since the sample frame is small. 50 Copies of questionnaire were distributed and 48 retrieved. frequency table and mean scores were used to analyse the data collected.

#### 4.0 Result and Discussion

**Table 1: Socio-Demographic characteristics of the Respondents**

|                                   | Frequency | Percentage % |
|-----------------------------------|-----------|--------------|
| <b>Gender</b>                     |           |              |
| Male                              | 14        | 29           |
| Female                            | 34        | 71           |
| <b>Total</b>                      | <b>48</b> | <b>100</b>   |
| <b>Educational qualification</b>  |           |              |
| HND/B.sc                          | 35        | 73           |
| M.sc                              | 11        | 23           |
| PhD                               | 2         | 4            |
| <b>Total</b>                      | <b>48</b> | <b>100</b>   |
| <b>Professional Qualification</b> |           |              |
| Associate                         | 35        | 73           |
| Fellow                            | 3         | 6            |
| Graduate/Probational              | 10        | 21           |
| <b>Total</b>                      | <b>48</b> | <b>100</b>   |

*Source: Author's field survey*

Table 1 shows that 71% of the respondents are male while 29% were female. this implies that majority of the respondents were male. On the account of their educational qualifications, 73% of the respondents were B.sc holders, 23% were M.sc holders and 4% were PhD holders. Professionally, 73% of the respondents were Associate members of the Nigerian Institution of estate surveyors and Valuers, 6% were fellow of the institution while 21% are probational/graduate members. Implication of this is that the respondents are learned, skilled and professionals therefore, information supply by them will be useful.

**Table 2: Implication of High Cost of Living on Real Estate Development**

| S/N | Variables                                                       | Mean Score | Rank |
|-----|-----------------------------------------------------------------|------------|------|
| 1.  | Rising cost of construction                                     | 3.99       | 1    |
| 2.  | Reduced level of affordability                                  | 3.94       | 2    |
| 3.  | Void in Properties                                              | 3.04       | 3    |
| 4.  | High interest rate on loan                                      | 3.01       | 4    |
| 5.  | Lack of interest in property development by potential investors | 2.52       | 5    |
| 6.  | Abandonment of project                                          | 2.12       | 6    |

*Source: Author's field survey*

Table 2 reveals the implications of high cost of living on real estate development in the study area. Rising construction cost ranked first (3.99), reduced level of affordability and void in properties ranked 2<sup>nd</sup> and 3<sup>rd</sup> respectively (3.94 and 3.04) while high interest rate on loan, lack of interest in property development by potential investors and abandonment of project ranked 4<sup>th</sup>, 5<sup>th</sup>, and 6<sup>th</sup> respectively (3.01, 2.52, and 2.12). Although, there are challenges facing real estate development as stated above, but development is still taking place in the study area.

**Table 3: Trends in Retal Values of Properties in the Study Area**

| Year | Property type       | Rental Values                 | % Increase in Price |
|------|---------------------|-------------------------------|---------------------|
| 2022 | A room self-contain | Between 600,000- 1,000,000    |                     |
|      | Mini Flat           | 1,000,000 - 1,500,000         |                     |
|      | 2-bedroom           | 1,500,000 – 2,000,000         |                     |
|      | 3-bedroom           | 2,000,000 – 3,000,000         |                     |
|      | Duplex              | 8,000,000 – 10,000,000        |                     |
| 2023 | A room self-contain | Between 800,000 - 1,000,000   | 33.3                |
|      | Mini Flat           | 1,200,000 – 2,000,000         | 20                  |
|      | 2-bedroom           | 2,000,000 – 2,500,000         | 33.3                |
|      | 3-bedroom           | 2,500,000 – 3,500,000         | 25                  |
|      | Duplex              | 12,000,000 – 14,000,000       | 33.3                |
| 2024 | A room self-contain | Between 1,000,000 - 1,500,000 | 25                  |
|      | Mini Flat           | 1,500,000 – 2,500,000         | 25                  |
|      | 2-bedroom           | 2,500,000 – 3,000,000         | 25                  |
|      | 3-bedroom           | 3,000,000 – 4,000,000         | 16.7                |
|      | Duplex              | 14,000,000 – 15,000,000       | 14.3                |

**Source: Author's Field Survey**

The above table 3 indicate that in 2022 a room self-contained flat was let within the range of #600,000 to #1,000,000, mini flat within #1,000,000 to #1,500,000, 2-bedroom flat within #1,500,000 to #2,000,000, while 3-bedroom was also within #2,000,000 to #3,000,000 and Duplex within #8,000,000 to #10,000,000 in the case study area depending on the type of finishes, design, amenities and nearness of the property to main road. In 2023 a room self-contained flat was let within the range of #800,000 to #1,000,000, mini flat within #1,200,000 to #2,000,000, 2-bedroom flat within #2,000,000 to #2,500,000, while 3-bedroom was also within #2,500,000 to #3,000,000 and Duplex within #12,000,000 to #14,000,000. Also, in 2024 a room self-contained flat was let within the range of #1,000,000 to #1,500,000, mini flat within #1,500,000 to #2,500,000, 2-

bedroom flat within #2,500,000 to #3,000,000, while 3-bedroom was also within #3,000,000 to #4,000,000 and Duplex within #14,000,000 to #15,000,000 respectively.

In addition, in 2023, a room self-contain, 2-bedroom and duplex recorded 33.3% increase in rental values of the properties while 3-bedroom recorded 25% and mini flat recorded 20% increase.

In 2024, a room self-contained, mini flat and 2-bedroom recorded 25% increase in rental value while 3-bedroom recorded 16.7% and Duplex 14.3% respectively.

## **5.0 Conclusion and Recommendations**

Findings revealed that Rising cost of living has a direct impact on real estate developments. Level of affordability and purchasing power of investors has reduced drastically. Prospective tenants and real estate managers are now faced with the challenges of increasing rental values of properties coupled with low demand. rent review clause in the lease agreement are no longer followed by the house owners and estate managers as rent are fixed and reviewed according to the economic situation of the country. it is now done yearly and in some cases half yearly.

In the light of the discoveries of this research, it therefore, recommends that in the midst of this inflationary economy, The government should look into means of producing affordable housing for the citizens as this will also provide job for the investors, professionals, artisans and laborers that will be involved. Furthermore, there should be collaboration among the Nigerian Institution of Estate Surveyors and Valuers and both the state and federal government on regulating housing prices that is, Rental values and capital values of properties, in other to curb corruption and promote fair judgment in setting housing prices among the players in the property market.

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