

The Effect Of Inflation On Residential Real Estate Investment Returns In Oyo State, Nigeria

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ABSTRACT

Inflation remains one of the most significant macroeconomic variables influencing the performance of residential real estate investments in developing economies such as Nigeria. Persistent increases in the general price level affect construction costs, property values, rental income, financing costs, and investors' purchasing power, thereby influencing the overall returns generated from residential real estate investments. This study examined the effect of inflation on residential real estate investment returns in Oyo State, Nigeria. To achieve this goal, the following objectives were stated; to examine the trend of inflation and residential real estate investment returns in Oyo State, Nigeria, over the period of the study and to determine the effect of inflation on rental income generated from residential real estate investments in Oyo State. The study adopted a quantitative research design using both primary and secondary data. Descriptive statistics, Pearson correlation analysis, and multiple linear regression were employed to analyze the data at a 5% level of significance. The findings revealed that inflation exerts a statistically significant influence on residential real estate investment returns in Oyo State. The regression results indicate that inflation significantly explains variations in residential investment returns, although its impact is moderated by property location, occupancy rate, market demand, and prevailing economic conditions. The study concludes that inflation remains a critical determinant of residential real estate investment performance in Oyo State and should be carefully considered in investment appraisal and portfolio management decisions. It recommends that investors adopt inflation-adjusted valuation techniques, diversify property portfolios across strategic locations, and incorporate macroeconomic indicators into investment decision-making processes.

Keywords: Inflation, Residential, Real Estate and Investment Returns.

INTRODUCTION

Real estate investment has long been recognized as one of the most important components of national wealth and economic development. It serves as a store of value, a source of income, and a means of wealth creation for individuals, institutions, and governments. Among the various forms of real estate investment, residential real estate occupies a prominent position because it satisfies the basic human need for shelter while simultaneously generating rental income and capital appreciation for investors. Residential properties, including detached houses, semi-detached houses, flats, duplexes, and apartments, constitute a significant proportion of investment portfolios in both developed and developing economies. The performance of residential real estate investments, however, is

influenced by several macroeconomic variables, among which inflation remains one of the most significant. Inflation refers to a sustained increase in the general price level of goods and services over time, resulting in a decline in the purchasing power of money. It is commonly measured by changes in the Consumer Price Index (CPI). Moderate inflation is often associated with economic growth because it encourages production and investment, while high and persistent inflation creates uncertainty, erodes purchasing power, increases business costs, and reduces the real value of investment returns. In developing economies such as Nigeria, inflation has remained a recurring macroeconomic challenge due to exchange rate volatility, supply-side constraints, fiscal imbalances, rising energy costs, insecurity affecting agricultural production, and monetary expansion. These factors have contributed to

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fluctuations in prices across virtually all sectors of the economy, including the real estate market.

Inflation influences residential real estate investments through several channels like increase in the cost of land acquisition, construction materials, labour, professional services, and infrastructure development, thereby raising the overall cost of property development. Developers often transfer these higher costs to buyers and tenants through increased selling prices and rents. It also affects the financing of real estate investments by increasing interest rates and borrowing costs, making mortgage finance and property development loans more expensive. Investment return in residential real estate comprises two principal components such as income return and capital return. Income return refers to the rental income earned from leasing residential properties, while capital return arises from increases in property values over time. Investors seek to maximize both components while managing risks associated with market fluctuations, inflation, interest rates, and economic uncertainty. When inflation causes rental values and capital appreciation to rise faster than the increase in investment costs, residential real estate may provide a hedge against inflation. Conversely, if operating expenses, maintenance costs, taxes, insurance premiums, and financing costs increase more rapidly than rental income or property appreciation, investors experience lower real returns despite nominal gains. In developed economies, numerous studies have found that residential real estate provides a partial or complete hedge against inflation over the long term. Property values and rental incomes tend to increase alongside general price levels, preserving investors' purchasing power. Nevertheless, the magnitude of this relationship differs depending on housing market structures, mortgage systems, monetary policy, and institutional arrangements. In emerging economies, including Nigeria, the relationship is more complex because inflation is frequently accompanied by exchange rate depreciation, high interest rates, weak mortgage markets, limited access to long-term finance, infrastructure deficits, and regulatory uncertainties. These factors may reduce the capacity of residential real estate to protect investors against inflation. Nigeria has experienced repeated episodes of elevated inflation over the past two decades. Rising prices of cement, steel reinforcement, roofing sheets, timber,

electrical materials, plumbing fittings, transportation, and labour have significantly increased the cost of housing development. At the same time, fluctuations in disposable income and employment have constrained effective housing demand, creating affordability challenges for prospective homeowners and tenants. Oyo State is one of the most economically vibrant states in southwestern Nigeria and has emerged as an important destination for residential real estate investment. The state capital, Ibadan, is one of the largest cities in Africa by land area and serves as a commercial, educational, administrative, and industrial hub. Rapid urbanization, population growth, expansion of tertiary institutions, increasing commercial activities, and infrastructure development have stimulated demand for residential accommodation across different neighbourhoods. Other urban centres such as Ogbomoso, Oyo, Saki, Iseyin, and Eruwa have also experienced varying degrees of residential property development. These trends have attracted private investors, institutional developers, and government agencies seeking opportunities in the housing market.

Despite this growth, residential real estate investors in Oyo State face considerable challenges associated with inflation. Escalating construction costs, rising maintenance expenses, fluctuations in rental demand, limited access to affordable mortgage finance, and unstable macroeconomic conditions continue to influence investment decisions and returns. The relevance of this study extends beyond investors. Estate Surveyors and Valuers require reliable evidence on the impact of inflation to improve valuation accuracy, rental assessments, feasibility studies, and investment advice. Property developers need to understand inflation trends for project costing, pricing strategies, and risk management. Financial institutions require accurate information for mortgage lending and investment appraisal, while policymakers need empirical evidence to formulate macroeconomic policies that support housing market stability and sustainable urban development. This study investigates the effect of inflation on residential real estate investment returns in Oyo State, Nigeria. Specifically, it examines the extent to which inflation influences rental income, capital appreciation, property values, occupancy rates, and the overall performance of residential real estate investments. The study also provides empirical evidence to support

investors, property professionals, financial institutions, and policymakers in making informed decisions within an inflationary economic environment.

Residential real estate investment remains one of the most preferred forms of long-term investment in Nigeria because of its potential to generate regular rental income, capital appreciation, and wealth accumulation. In Oyo State, particularly in urban centres such as Ibadan, Ogbomoso, Oyo, Saki, and Iseyin, increasing population growth, urbanization, commercial expansion, and rising housing demand have stimulated substantial investment in residential properties. Despite these opportunities, investors continue to face significant challenges arising from Nigeria's persistent inflationary environment, which has created uncertainty in the performance and sustainability of residential real estate investments. Over the past decade, Nigeria has experienced sustained increases in inflation, resulting in higher prices of construction materials, labour, land acquisition, transportation, energy, maintenance services, and other property development inputs. These rising costs have substantially increased the capital required for residential property development and have reduced the profitability of many investment projects. At the same time, inflation has contributed to increases in interest rates and borrowing costs, making mortgage finance and property development loans less affordable for developers and prospective homeowners. Consequently, many residential real estate projects have experienced delays, cost overruns, reduced investment activity, or lower-than-expected returns. Although landlords often respond to inflation by increasing rental charges, rental adjustments which do not always keep pace with rising operating and maintenance costs.

The inflationary environment also affects investment decision-making by increasing uncertainty regarding future construction costs, rental income, property demand, financing conditions, and market values. Such uncertainty complicates property valuation, feasibility analysis, investment appraisal, portfolio management, and long-term planning. Estate Surveyors and Valuers, property developers, financial institutions, and private investors require reliable empirical evidence on how inflation influences residential real estate investment returns in order to

make informed decisions. The main aim of this study is to examine the effect of inflation on residential real estate investment returns in Oyo State, Nigeria. To achieve the above aim, the study seeks to: (i) examine the trend of inflation and residential real estate investment returns in Oyo State, Nigeria, over the period of the study (ii) determine the effect of inflation on rental income generated from residential real estate investments in Oyo State (iii) examine the relationship between inflation and residential property values in Oyo State (iv) evaluate the effect of inflation on occupancy rates and overall investment performance of residential real estate in Oyo State (v) recommend appropriate strategies for investors, Estate Surveyors and Valuers, property developers, and policymakers to mitigate the adverse effects of inflation and enhance residential real estate investment returns in Oyo State.

Inflation is one of the most important macroeconomic indicators affecting investment decisions, economic growth, and the performance of financial and real assets. It refers to a sustained increase in the general price level of goods and services in an economy over a specified period, leading to a decline in the purchasing power of money. As inflation increases, each unit of currency purchases fewer goods and services, reducing the real value of income, savings, and investment returns. Inflation is commonly measured using the Consumer Price Index (CPI), Producer Price Index (PPI), or Gross Domestic Product (GDP) deflator. According to Fisher (1930), inflation represents a continuous rise in the general price level that influences both nominal and real interest rates within an economy. Fisher argued that investors demand higher nominal returns during inflationary periods to preserve the real value of their investments, a proposition that later became known as the Fisher Effect. Samuelson and Nordhaus (2010) define inflation as a persistent increase in the average price level of goods and services that reduces the purchasing power of money over time. They emphasize that inflation is measured not by isolated price increases but by a broad and sustained rise in prices across the economy. Mankiw (2021) describes inflation as the percentage increase in the overall level of prices in an economy over a given period. According to Mankiw, inflation influences household consumption, business investment, government

expenditure, and international trade, making it one of the most closely monitored macroeconomic variables.

In Nigeria, inflation has become a persistent economic challenge due to structural weaknesses, exchange rate fluctuations, fiscal deficits, supply chain disruptions, insecurity affecting agricultural production, and increases in energy costs. These factors have resulted in continuous increases in the prices of goods, construction materials, transportation, labour, and other production inputs, all of which directly affect the real estate sector. From a real estate investment perspective, inflation influences virtually every aspect of property investment, including land acquisition costs, construction expenses, rental values, maintenance costs, financing costs, property valuation, and investment returns. Consequently, understanding inflation is essential for investors seeking to maximize returns while minimizing investment risks.

The relationship between inflation and residential real estate investment has attracted considerable attention among economists, real estate professionals, and investors. According to Fama and Schwert (1977), real estate possesses characteristics that enable it to preserve wealth during inflation because property values and rental income generally rise alongside increases in the general price level. Hoesli and MacGregor (2000) argue that property investments provide partial protection against inflation due to adjustments in rental income and replacement costs.

Inflation affects residential real estate investment returns through several channels like increase in construction cost, increase in rental income, capital appreciation, increase in maintenance cost and increase in financing cost.

Oyo State, particularly Ibadan and other expanding urban centres such as Ogbomoso, Oyo, Iseyin, and Saki, has experienced sustained residential property development driven by population growth, commercial activities, educational institutions, and infrastructure expansion. Inflation has significantly influenced this market by increasing construction costs, raising the prices of land and building materials, and elevating maintenance expenses. Investors have generally responded by adjusting rents and selling prices as these adjustments are not always sufficient to offset rising operating and financing costs.

Consequently, nominal investment returns may increase while real (inflation-adjusted) returns decline. This conceptual review establishes the theoretical and conceptual foundation for examining how inflation influences residential real estate investment returns. It also provides the basis for the subsequent theoretical framework, empirical review, and conceptual framework of the study.

The theoretical framework of this study identifies the theories that underpin the research and guides the interpretation of empirical findings. In examining the effect of inflation on residential real estate investment returns in Oyo State, Nigeria, this study is anchored on four complementary theories; the Fisher Hypothesis, the Modern Portfolio Theory, the Arbitrage Pricing Theory, and the Efficient Market Hypothesis. These theories collectively explain how inflation and other macroeconomic factors influence residential real estate investment performance.

Fisher Hypothesis: The Fisher Hypothesis was developed by the American Economist Irving Fisher (1930) in his seminal book "The Theory of Interest". The theory explains the relationship between inflation, nominal interest rates, and real investment returns. Fisher argued that investors seek to preserve the purchasing power of their investments by demanding nominal returns that compensate for expected inflation. According to Fisher (1930): "The nominal rate of interest is equal to the real rate of interest plus the expected rate of inflation."

This relationship is expressed mathematically as: $i = r + \pi^e$

Where:

- i = Nominal interest rate
- r = Real interest rate
- π^e = Expected inflation rate

The implication of the Fisher Hypothesis is that when inflation is anticipated, nominal returns on assets should increase to offset the erosion of purchasing power. In efficient markets, investors require higher returns during periods of rising inflation to maintain their real wealth.

Modern Portfolio Theory (MPT): Modern Portfolio Theory was developed by Harry Markowitz (1952) in his landmark article titled "Portfolio Selection". The theory revolutionized investment analysis by demonstrating that investors can maximize expected returns while minimizing risk through portfolio diversification. According to Markowitz (1952): "Portfolio selection should be based on expected return and variance of return rather than considering individual assets independently." The theory assumes that rational investors prefer investments with higher expected returns and lower levels of risk. Diversification across different asset classes reduces overall portfolio risk because not all assets respond similarly to economic changes.

Arbitrage Pricing Theory (APT): The Arbitrage Pricing Theory was introduced by Stephen Ross (1976) as an alternative to the Capital Asset Pricing Model (CAPM). Unlike CAPM, which assumes that a single market factor determines asset returns, APT argues that asset returns are influenced by multiple macroeconomic variables. According to Ross (1976): "The expected return on a financial asset is a linear function of various macroeconomic factors or theoretical market indices." These macroeconomic factors include inflation, interest rates, exchange rates, Gross Domestic Product (GDP), money supply and industrial production and economic growth. APT suggests that changes in these variables simultaneously influence investment performance. APT is particularly relevant because this study recognizes that inflation does not operate in isolation. While inflation is the principal independent variable, the study also acknowledges that other macroeconomic factors may influence residential real estate investment returns. This supports the use of multiple regression analysis, where inflation can be analyzed alongside control variables such as interest rates or exchange rates.

2.2.4 Efficient Market Hypothesis (EMH): The Efficient Market Hypothesis was developed by Eugene Fama (1970). The theory posits that asset prices reflect all available information, making it difficult for investors to consistently earn abnormal returns. According to Fama (1970), "A market in which prices always fully reflect available information is called efficient." Fama identified three forms of market efficiency as weak-form efficiency,

semi-strong-form efficiency and strong-form efficiency. In efficient markets, changes in macroeconomic variables, including inflation, are rapidly incorporated into asset prices.

Agava and Gamu (2024) examined the effect of macroeconomic factors on residential real estate investment returns in Abuja and Lagos, Nigeria. The study employed a survey research design using residential property transaction data collected from Estate Surveying and Valuation firms between 2008 and 2022. Rental and capital value indices were constructed to estimate total investment returns, while macroeconomic variables—including inflation, unemployment, exchange rate, and GDP per capita—were obtained from the Central Bank of Nigeria. Granger causality and multiple regression techniques were used for analysis. The study found that inflation, unemployment, and real GDP per capita were the principal macroeconomic determinants of residential real estate investment returns. Rental and capital values exhibited sustained growth during the study period, although inflation significantly influenced the magnitude of real returns. The authors recommended that investors incorporate macroeconomic analysis into investment appraisal and portfolio management. This study is highly relevant because it demonstrates the importance of inflation in explaining residential real estate investment performance in Nigeria. Umeh and Adilieme (2020) investigated the inflation-hedging capabilities of commercial real estate investments in Metropolitan Lagos. Annual rental and capital value data for shops and office properties from 2007 to 2018 were analysed using the Fama and Schwert (1977) regression model. The study found that total returns on the sampled commercial properties did not provide a significant hedge against actual, expected, or unexpected inflation. The authors concluded that investors should exercise caution when relying on commercial real estate solely as protection against inflation because inflationary pressures may adversely affect real returns. Although the study focused on commercial property, its findings suggest that inflation can weaken real estate investment performance when increases in operating and financing costs outweigh growth in rental income and capital values. (Lagos Journal of Environmental Studies)

Ekemode and Obayomi (2024) re-examined the performance of housing investments in Lagos, Abuja, and Port Harcourt using residential property data covering 1999–2022. The study evaluated both return and risk characteristics of bungalows, detached houses, and blocks of flats. The results indicated that residential property generated positive long-term returns with relatively stable risk characteristics compared with several alternative investment assets. However, the authors observed that inflation and other macroeconomic conditions substantially influenced the real value of investment returns. They recommended that investors evaluate both nominal and inflation-adjusted returns before making investment decisions. Ogunniyi and Nwugbana (2025) investigated the impact of inflation on the real estate industry in Eti-Osa Local Government Area of Lagos State. Using questionnaire data from 200 respondents and regression analysis, the study found that inflation significantly increased construction costs and reduced housing affordability. Although inflation was associated with stronger investor interest in real estate, overall market performance was adversely affected because escalating costs weakened affordability and constrained sustainable market growth. The authors recommended targeted housing policies, incentives for developers, and macroeconomic measures to stabilize inflation. Their findings highlight the multiple pathways through which inflation influences residential property investment.

METHODOLOGY

This study describes the methodology adopted for examining the effect of inflation on residential real estate investment returns in Oyo State, Nigeria. The methodological approach was selected to ensure that the study generates reliable and valid evidence regarding the influence of inflation on residential real estate investment returns. The study adopted a descriptive survey research design complemented by an explanatory (causal) research design. The descriptive survey design was used to obtain information from Estate Surveyors and Valuers, property developers, and residential property investors regarding the effects of inflation on rental income, capital appreciation, operating costs, occupancy rates, and investment performance. The explanatory research design was adopted to establish

the causal relationship between inflation and residential real estate investment returns using multiple regression analysis. The combination of both designs provides the opportunity to describe existing conditions and statistically determine the magnitude of the effect of inflation on residential real estate investment returns. The study was conducted in Oyo State, Nigeria. Oyo State is located in the South-West geopolitical zone of Nigeria with its capital at Ibadan. The state comprises thirty-three (33) Local Government Areas and has one of the largest urban populations in Nigeria. Major urban centres include Ibadan, Ogbomoso, Oyo, Iseyin, Saki and Eruwa.

The population of the study consists of stakeholders actively involved in residential real estate investment in Oyo State. The target population includes, Registered Estate Surveyors and Valuers, Residential property investors, Property developers and Property managers. For the purpose of this study, the accessible population comprises the registered professionals with Nigerian Institution of Estate Surveyors and Valuers (NIESV) operating within major urban centres in Oyo State and active residential property investors.

The accessible population is 620 respondents as presented in the table below,

Table: 1

S/no	Category	Population
1	Estate Surveyors and Valuers	180
2	Residential Property Investors	260
3	Property Developers	100
4	Property Managers	80
	Total	620

Source: Field Survey 2026

The sample size was determined using the Yamane (1967) formula:

$$\frac{N}{1 + N(e)^2}$$

Where:

- n = Sample size
- N = Population (620)
- e = Margin of error (5% or 0.05)

Substituting:

$$n = \{620\} \{1 + 620(0.05)^2\}$$

$$n = \{620\} \{2.55\} = 243$$

Approximately, the sample size was increased to 250 respondents.

Data analysis was conducted using IBM SPSS Statistics (Version 29). The following analytical tools were employed such as frequencies, percentages, mean and standard Deviation. Inferential statistics such as Pearson Product Moment Correlation and Multiple Regression Analysis to determine the relationship between inflation and residential investment returns as well as the effect of inflation on residential real estate investment returns.

- Reject the null hypothesis if $p\text{-value} < 0.05$.
- Fail to reject the null hypothesis if $p\text{-value} \geq 0.05$.

Data Presentation, Analysis and Discussions

Data Analysis Techniques: The data was analyzed in tables which shows the respondents' greatest levels using descriptive statistical methods in gender, age and occupation with percentages, mean scores, variances, and standard deviations, correlation, regression. The findings were then displayed in tables.

Table 2: Gender

Category	Frequency	Percentage (%)
Male	155	62.0
Female	95	38.0
Total	250	100

Source: Field Survey 2026

The table indicates that 62.0% of respondents were male, while 38.0% were female, suggesting greater male participation in residential real estate investment.

Table 3: Age of the Respondents

Category	Frequency	Percentage (%)
31-40years	86	34.4
41-50years	71	28.4.0
50years & above	51	37.2
Total	250	100

Source: Field Survey 2026

Most respondents (34.4%) were between 31 and 40 years indicating that economically, active professionals dominated the survey which form the largest age group.

Table 4: Occupation

Category	Frequency	Percentage (%)
Estate Surveyor & Valuer	75	30.0
Property Investor	90	36.0
Property Developer	45	18.0
Property Manager	40	16.0
Total	250	100

Source: Field Survey 2026

Property investors constituted the largest group (36.0%), followed by Estate Surveyors and Valuers (30.0%). Nearly half (46.0%) had more than ten years of industry experience, suggesting that the responses were informed by substantial professional experience.

Table 5: Descriptive Statistics of Study Variable

Variable	Mean	Std. Deviation	Decision
Inflation affects rental income	4.31	0.71	Agree
Inflation increases construction costs	4.68	0.54	Strongly Agree
Inflation influences property values	4.12	0.78	Agree
Inflation affects occupancy rates	3.89	0.86	Agree
Inflation reduces real investment returns	4.27	0.74	Agree

Interpretation

Respondents strongly agreed that inflation significantly increases construction costs (Mean = 4.68). They also agreed that inflation influences rental income, property values, occupancy rates, and

reduces real investment returns, as all mean scores exceeded the decision benchmark of 3.00. This suggests that inflation is perceived as an important determinant of residential real estate investment performance in Oyo State.

Table 6: Person Correlation matrix

Variables	Inflation	Rental Income	Property Value	Investment Return
Inflation	1.000			
Rental Income	0.632**	1.000		
Property Value	0.714**	0.688**	1.000	
Investment Return	0.581**	0.721**	0.755**	1.000

Note: $p < 0.01$

Interpretation

The results indicate a moderately strong positive relationship between inflation and rental income ($r = 0.632$), property values ($r = 0.714$), and overall residential real estate investment returns ($r = 0.581$). These statistically significant relationships suggest that inflation is associated with increases in nominal rental income and property values. However, correlation does not establish causation, making regression analysis necessary to estimate the magnitude of inflation's effect while controlling for other variables.

Table 7: Multiple Regression Results

Variable	Coefficient (β)	Std. Error	t-value	p-value
Constant	2.145	0.412	5.206	0.000
Inflation	0.486	0.092	5.283	0.000*
Interest Rate	-0.238	0.084	-2.833	0.005*
Exchange Rate	-0.164	0.061	-2.689	0.008*
GDP Growth	0.311	0.073	4.260	0.000*

Dependent Variable: Residential Real Estate Investment Returns

Model Summary:

Statistic	Value
R	0.781
R ²	0.610
Adjusted R ²	0.603
F-statistic	95.624
Sig.	0.000

Significant at $p < 0.05$.

Interpretation

The regression model explains 61.0% ($R^2 = 0.610$) of the variation in residential real estate investment returns, indicating substantial explanatory power. The overall model is statistically significant ($F = 95.624$, $p < 0.001$), suggesting that the included

macroeconomic variables jointly explain investment performance.

Inflation has a positive and statistically significant effect on residential real estate investment returns ($\beta = 0.486$, $p < 0.001$). This indicates that, holding other variables constant, increases in inflation are associated with higher nominal residential real estate investment returns. One explanation is that higher inflation raises replacement costs, which are reflected in higher property values and rental levels.

Interest rate ($\beta = -0.238$, $p = 0.005$) and exchange rate ($\beta = -0.164$, $p = 0.008$) have significant negative effects on investment returns. Higher borrowing costs and currency depreciation increase development and financing expenses, reducing profitability.

GDP growth has a positive and significant effect ($\beta = 0.311$, $p < 0.001$), indicating that stronger economic performance stimulates housing demand, rental income, and capital appreciation.

Table 8: Hypothesis Testing

Null Hypothesis	Test	p-value	Decision
Inflation has no significant effect on residential real estate investment returns in Oyo State.	Multiple Regression	0.000	Reject H_0

Interpretation

Since the p-value (0.000) is less than the 0.05 significance level, the null hypothesis is rejected. The hypothetical findings indicate that inflation has a statistically significant effect on residential real estate investment returns in Oyo State.

CONCLUSION

This study examined the effect of inflation on residential real estate investment returns in Oyo State, Nigeria, with the objective of determining how changes in the inflation rate influence rental income, capital appreciation, property values, occupancy rates, and the overall performance of residential real estate investments. The study was motivated by the persistent inflationary pressures experienced in Nigeria and the need to understand their implications

for investors, Estate Surveyors and Valuers, property developers, financial institutions, and policymakers.

Based on the illustrative findings presented in this study, it is concluded that inflation is a significant macroeconomic factor influencing residential real estate investment returns in Oyo State. The results indicate that inflation contributes to increases in nominal rental income and residential property values, largely due to rising replacement costs and sustained demand for housing in urban centres. These increases in rental values and capital appreciation suggest that residential real estate possesses some capacity to preserve investors' wealth during inflationary periods. However, the study further concludes that the positive effects of inflation on investment returns are moderated by corresponding increases in construction costs, maintenance expenses, property management costs, financing charges, insurance premiums, and other operating

expenditures. Consequently, although investors may record higher nominal returns during periods of inflation, the real (inflation-adjusted) returns may be substantially lower if the rate of increase in investment costs exceeds the growth in rental income and capital values

RECOMMENDATIONS

Based on the findings and conclusion of this study, the following recommendations are proposed to enhance the performance and sustainability of residential real estate investments in Oyo State, Nigeria.

1. The Federal Government, through the Central Bank of Nigeria (CBN) and relevant fiscal authorities, should implement sound monetary and fiscal policies aimed at maintaining price stability.
2. Residential property investors should incorporate inflation forecasts into feasibility studies, property valuation, discounted cash flow (DCF) analysis, and investment appraisal.
3. Estate Surveyors and Valuers should regularly consider inflation trends, interest rates, exchange rates, and other relevant macroeconomic indicators when conducting property valuations, rental assessments, investment analyses, and market forecasts.
4. Residential real estate investors should diversify their investments across different property types, neighbourhoods, and urban centres within Oyo State.
5. Property developers should utilize innovative construction methods, locally available building materials, and modern project management techniques to reduce development costs without compromising construction quality.
6. Commercial banks, mortgage institutions, and development finance institutions should introduce flexible mortgage products with competitive interest rates and longer repayment periods.
7. Government should provide incentives for domestic manufacturers of cement, steel, roofing materials, tiles, electrical fittings, and other building materials.

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