British Journal of Environmental Sciences 13(2),21-31, 2025
Print ISSN : 2055-0219 (Print)
Online ISSN: 2055-0227(online)
Website: https://www.eajournals.org/
Publication of the European Centre for Research Training and Development UK

# Effects of Economic Recession on Residential Property Rental Values in Awka Metropolis

**Celestine U. Ugonabo**
Department of Estate Management, Nnamdi Azikiwe University, Awka, Anambra State, Nigeria

**Anthony C. Okoro**
Department of Estate Management Nnamdi Azikiwe University, Awka, Anambra State, Nigeria

doi: https://doi.org/10.37745/bjes.2013/vol13n22131 Published March 15, 2025

**Citation**: Ugonabo C.U. and Okoro A.C. (2025) Effects of Economic Recession on Residential Property Rental Values in Awka Metropolis, *British Journal of Environmental Sciences,* 13(2),21-31

**Abstract**: *Nigeria, as a developing nation, has been significantly impacted by the global economic recession, particularly following the COVID-19 pandemic. The country had already been experiencing a notable economic downturn from the second quarter of 2016 through 2020 before the global health crisis exacerbated the situation. This economic decline has adversely affected the nation's economy, as well as the real estate sector. This study investigates the effects of economic recession on residential property rental values in Awka Metropolis, Nigeria. Economic depression typically led to shifts in demand and supply dynamics within the real estate sector, resulting in fluctuations in rental prices. Using a combination of self-administered questionnaires and interviews, this study examines how the economic downturns, including rising inflation, reduced household income, and devaluation of the national currency, have influenced the rental market in Awka. Using a survey research design, the study primarily collects data via questionnaires distributed to Estate Surveying and Valuation firms in Awka, selected through purposive sampling. The collected data is analyzed using Descriptive Statistics, including Weighted Mean Scores and Frequency Tables. The findings indicate that economic depression has led to higher rental prices, reduced construction activities, delayed rent payments, and extended letting periods. While the rental values of residential properties have steadily increased over the past several years, fewer people are able to afford rents, leading to decreased demand. The study suggests that government intervention through policy reforms, investment in affordable housing, flexible rental payment options, and infrastructure development are necessary to stabilize the housing market. It concludes by recommending proactive measures from both the public and private sectors to mitigate the adverse effects of economic recessions on residential rental values in Awka Metropolis.*

**Keywords**: economic recession, rental values, residential properties

## INTRODUCTION

Economic recessions typically result in significant changes across various sectors of the economy, with the real estate sector being one of the most affected. In Nigeria, economic recessions have historically led to shifts in the demand and supply dynamics of residential properties, particularly affecting rental values. Residential property rental values are influenced by several factors, such as income levels, inflation, demand for housing, and economic conditions (Olusola & Agboola, 2020). During periods of economic downturns, high inflation rates, job losses, and reduced household incomes generally cause a decline in demand for housing, which in turn affects rental prices.

In 2020, Nigeria's economy contracted by 1.8%, marking its deepest decline since 1983. This downturn was largely driven by the COVID-19 pandemic, which intensified existing challenges such as capital outflows, heightened risk aversion, low oil prices, and diminishing foreign remittances. Economic depression, though often referred to as a recession, is characterized by rising prices of goods and services, a government's inability to meet financial obligations, fluctuating exchange rates, and poor performance in various macroeconomic indicators. These economic conditions have severely affected both individuals and businesses, especially in developing countries.

While the Nigerian government has claimed the country has emerged from economic depression, the real estate market remains sluggish. The devaluation of the Naira by the Central Bank of Nigeria (CBN) has led to significant instability in exchange rates, negatively impacting tenants and landlords. For instance, tenants who signed lease agreements at certain rates two years ago now face rent increases upon lease renewal (Sagna, 2016). Furthermore, the Nigerian economy has experienced significant drops in the stock market, which has further affected the country's economy.

Sanusi (2008) posits that the Real Estate sector is a key contributor to Nigeria's GDP, as it generates employment and drives economic growth in related sectors like health, education, and transportation. The sector is broadly divided into residential, commercial, and industrial components, all of which are capital-intensive and provide substantial employment opportunities.

Infrastructure development has traditionally been the responsibility of the government, although financial constraints and lack of political will have hindered progress. El-Rufai (2011) emphasizes that infrastructure is critical for human and economic development, serving as a catalyst for attracting investments, which Nigeria has the potential to capitalize on. Notable growth in the real estate sector occurred in 2010, with a 12.09% increase in GDP from real estate activities, a testament to the impact of infrastructure projects such as the rehabilitation of national roads and housing units (Oluwakiyesi, 2011).

However, the economic recession of 2016, caused by a continuous decline in Nigeria's GDP, severely impacted the real estate market. The country’s heavy reliance on oil revenues has made it particularly vulnerable to fluctuations in global oil prices. The recent economic downturn, marked by exchange rate volatility, has further strained the demand and supply dynamics in the real estate market.

The real estate sector has also been affected by a lack of investment, making it challenging for individuals and businesses to explore lucrative investment opportunities. With the economy facing an unprecedented downturn, property prices have dropped, but the market remains hesitant due to ongoing uncertainty. This presents both challenges and potential opportunities for future investment in real estate (Perchstone and Graevs, 2016). While numerous studies have explored the relationship between economic recessions and property markets, research focused on Awka is limited. Existing studies emphasize broader national trends, where property values and rental prices have shown significant fluctuations in response to economic challenges (Okafor & Olawale, 2019). This paper, therefore, investigates the effects of the economic depression on rental values of residential properties in Awka Metropolis.

## Study Area

Awka, the capital city of Anambra State, is one of Nigeria’s fastest-growing urban areas. According to the 2006 census, Awka has a population of 301,657, with an estimated 2.5 million residents in 2018. Located approximately 199.1 kilometers north of Port Harcourt, Awka lies at the center of the densely populated Igbo heartland in southeastern Nigeria. Its strategic location between major cities like Onitsha and Enugu has made it a hub for business and administration. Consequently, demand for residential properties in Awka has increased rapidly.

# LITERATURE REVIEW

## Economic Depression

Economic depression refers to an extended period of significant economic downturn. It is typically characterized by severe recessions lasting for several years and marked by a decline in the real Gross Domestic Product (GDP) by at least 10% annually. A depressed economy negatively impacts real estate, where property demand typically falls due to reduced financial capacity of individuals and businesses. Depressions often lead to mass unemployment, bankruptcies, and a decline in property prices.

## Causes of Economic Depression in Nigeria

Economic depression refers to a prolonged period of significant economic downturn, characterized by a substantial decline in economic activity, rising unemployment, reduced consumer spending, and contraction in key economic indicators like Gross Domestic Product (GDP). Nigeria, being a developing country, has faced several episodes of economic depression, which have been caused by a variety of factors. The causes of economic depression in Nigeria can be grouped into internal and external factors, which interact to destabilize the country's economic structure.

### Over-reliance on Oil Exports

Nigeria's economy is heavily dependent on oil exports, which account for about 90% of foreign exchange earnings (CBN, 2020). When global oil prices decline or when there is a reduction in oil demand, the country's revenues shrink significantly. This over-reliance on oil makes Nigeria vulnerable to fluctuations in global oil prices, and the country has struggled to diversify its economy, which makes it more susceptible to economic depression. A sharp decline in oil prices in 2014, followed by a global oil glut, led to a reduction in government revenues and foreign exchange earnings, leading to inflation and a recession (Ogbuabor, 2019).

### Mismanagement of Resources

The mismanagement of Nigeria's vast resources, both human and natural, has contributed significantly to its economic downturns. Corruption and inefficiencies in the public sector have resulted in the misallocation of public funds, underdeveloped infrastructure, and a lack of policy continuity (Dike, 2020). This undermines investor confidence, limits job creation, and contributes to economic instability. The 2016 recession, for instance, was partly exacerbated by the poor management of the country's resources, as government policies were not effectively targeted at economic recovery.

### Political Instability and Poor Governance

Political instability, including frequent changes in leadership, lack of continuity in policies, and poor governance, has also played a role in economic depression. Inconsistent economic policies, lack of political will to address structural issues, and political corruption have hindered economic growth. For instance, during the military regimes of the 1980s and 1990s, political instability caused by military coups and the suppression of democratic institutions negatively impacted the economy (Ademola, 2020).

### Declining Agricultural Sector

Historically, agriculture was the backbone of Nigeria's economy before the discovery of oil in the 1960s. However, the decline in the agricultural sector, particularly the neglect of crop and livestock production, has led to food insecurity and economic instability. The sector's decline is linked to insufficient investments in rural infrastructure, inadequate credit access for farmers, and the migration of labor to urban areas. As a result, the agricultural sector has struggled to create jobs and maintain productivity levels (Adebayo, 2019). When oil prices fall, the lack of a strong agricultural sector exacerbates the negative effects on the economy.

**Inflation and Currency Devaluation**

Inflation and the devaluation of the Nigerian naira have been persistent economic challenges. Rising inflation rates erode the purchasing power of Nigerians and hinder investment in key sectors. For instance, in 2016, Nigeria's inflation rate surged, reaching double digits, and the naira was devalued, leading to increased costs of living (CBN, 2017). As inflation increased, economic depression deepened, resulting in widespread poverty and reduced economic activity.

**External Shocks and Global Factors**

Nigeria is also vulnerable to external economic factors such as global economic recessions, natural disasters, and geopolitical tensions. The 2008 global financial crisis and subsequent downturn in global trade affected Nigeria's economic growth. Furthermore, external shocks such as the COVID-19 pandemic in 2020 led to economic contraction globally, affecting Nigeria's trade partners, oil revenues, and overall economic performance. Such shocks often exacerbate the effects of internal economic weaknesses, contributing to depression.

**Inadequate Infrastructure and Power Supply**

Nigeria's infrastructure is woefully inadequate. Power supply remains one of the most significant challenges facing the economy. The lack of reliable electricity impedes industrialization, increases the cost of doing business, and hinders economic growth (Odumodu, 2020). The country's transport network, particularly roads and railways, also requires significant improvement to facilitate trade and the efficient movement of goods and services. Inadequate infrastructure reduces economic productivity and contributes to the persistent economic crises.

**Debt Burden**

Nigeria's increasing domestic and external debt has been a major contributor to its economic woes. High levels of borrowing lead to significant debt servicing obligations, diverting resources away from critical investment in infrastructure and human development. As of 2020, Nigeria's public debt reached a concerning level, with debt servicing taking up a large portion of government revenues (CBN, 2020). This fiscal strain hampers economic growth and increases vulnerability to external shocks.

British Journal of Environmental Sciences 13(2),21-31, 2025
Print ISSN : 2055-0219 (Print)
Online ISSN: 2055-0227(online)
Website: https://www.eajournals.org/
Publication of the European Centre for Research Training and Development UK

**Effects of Economic Depression on Rental Value**

Economic depressions often lead to decreased demand for real estate, as fewer people are able to afford housing. This decline in demand puts downward pressure on property prices. In the short term, the real estate market tends to lag behind the broader economy, with general economic trends eventually affecting property prices (Kyle, 2005). In Awka, for instance, the economic downturn has contributed to lower rent values, with many tenants struggling to afford their rent payments or renew their leases. As such, economic depression has a profound impact on the rental market, influencing both the supply and demand dynamics within the real estate sector.

## METHODOLOGY

The study explored the effects of economic depression on residential properties in Awka metropolis through the use of self-administered questionnaires and interviews. This approach was ideal as the respondents could be easily identified and contacted. Out of 20 Estate Surveyors and Valuers surveyed, 17 responded, which corresponds to a 85% response rate. Descriptive statistics, including weighted mean scores and frequency tables, were employed to determine the factors influencing property values in Awka metropolis. A purposive sampling method was used, as the sample selection was based on the researcher's subjective judgment.

**Data Analysis and Discussion of Results**

**Variables Affecting Rental Property Values in the Study Area:** This section examines variables that affect the value of real estate in a depressed economy, drawing from literature and input from survey respondents. The respondents were asked to rank these factors based on their impact on property values in Awka metropolis. The findings, displayed in Tables 1, 2, 3, and 4, are presented and analyzed according to their effects on property values.

**Causes of Economic Depression** *Table 1: Ranking Variables on Causes of Economic Depression*

| **Variables** | **SA (5)** | **A (4)** | **D (3)** | **SD (2)** | **U (1)** | **WMS** | **Rank** |
|---|---|---|---|---|---|---|---|
| Corruption | 12 | 5 | 0 | 0 | 0 | 4.7 | 1 |
| Bad Governance | 10 | 7 | 0 | 0 | 0 | 4.6 | 2 |
| Decrease in Manufacturing Rate | 7 | 10 | 0 | 0 | 0 | 4.4 | 3 |
| Overdependence on One Sector | 7 | 5 | 5 | 0 | 0 | 4.11 | 4 |
| Insecurity | 7 | 4 | 5 | 1 | 0 | 4.0 | 5 |
| Loss of Consumer Confidence | 5 | 4 | 8 | 0 | 0 | 3.82 | 6 |

Source: Field Survey, 2024
(SA = Strongly Agreed, A = Agreed, U = Undecided, D = Disagreed, SD = Strongly Disagreed)

Corruption was ranked the most significant cause of economic depression with a mean score of 4.7, indicating its profound impact on the economy. Other significant causes include bad governance, a decrease in manufacturing, over-dependence on one sector, insecurity, and a loss of consumer confidence, with mean scores of 4.6, 4.4, 4.11, 4.0, and 3.82 respectively.

**Characteristics of a Depressed Economy** *Table 2: Ranking Characteristics of Economic Depression*

| **Characteristics** | **SA (5)** | **A (4)** | **D (3)** | **SD (2)** | **U (1)** | **WMS** | **Rank** |
|---|---|---|---|---|---|---|---|
| Rising Inflation | 14 | 3 | 0 | 0 | 0 | 4.82 | 1 |
| Increased Unemployment Rate | 12 | 5 | 0 | 0 | 0 | 4.70 | 2 |
| Decline in Property Value | 10 | 7 | 0 | 0 | 0 | 4.58 | 3 |
| Increase in Level of Debt (Borrowing) | 9 | 4 | 0 | 0 | 4 | 3.82 | 4 |

Source: Field Survey, 2024
(SA = Strongly Agreed, A = Agreed, U = Undecided, D = Disagreed, SD = Strongly Disagreed)

Rising inflation was identified as the most significant characteristic of a depressed economy with a mean score of 4.82, followed by increased unemployment, a decline in property sales, and an increase in debt levels, with mean scores of 4.70, 4.58, and 3.82 respectively.

**Rental Trend in Emma Nnaemeka Street**

The analysis of rental trends in Emma Nnaemeka Street (2018–2024) provides insight into how the rental values of residential properties have evolved amidst economic depression. The table below shows a consistent increase in rental values over the past seven years.

*Table 3: Average Rental Values (2018-2024)*

| **Location** | **Property Type** | **2018 (N)** | **2019 (N)** | **2020 (N)** | **2021 (N)** | **2022 (N)** | **2023 (N)** | **2024 (N)** |
|---|---|---|---|---|---|---|---|---|
| Emma Nnaemeka Street | One Bedroom Flat | 100,000 | 150,000 | 200,000 | 250,000 | 300,000 | 350,000 | 400,000 |
| | Two Bedroom Flat | 150,000 | 200,000 | 250,000 | 300,000 | 350,000 | 400,000 | 500,000 |
| | Three Bedroom Flat | 300,000 | 350,000 | 400,000 | 450,000 | 500,000 | 600,000 | 700,000 |

Source: Field Survey, 2024

The table demonstrates a steady increase in rental rates, attributed to inflationary pressures, rising construction costs, currency depreciation, and landlord profit motives.

**Effects of Economic Depression on Real Estate**

*Table 4: Ranking Effects of Economic Depression on Rental Value*

| **Effects of Economic Depression** | **SA (5)** | **A (4)** | **D (3)** | **SD (2)** | **U (1)** | **WMS** | **Rank** |
|---|---|---|---|---|---|---|---|
| Inability of Tenants to Respond to Rent | 15 | 2 | 0 | 0 | 0 | 4.88 | 1 |
| Upward Review of Rent | 13 | 4 | 0 | 0 | 0 | 4.76 | 2 |
| Reduction in Residential Construction | 9 | 6 | 0 | 0 | 2 | 4.17 | 3 |
| Delay in Letting Period | 9 | 5 | 0 | 0 | 3 | 4.0 | 4 |

Source: Field Survey, 2024
(SA = Strongly Agreed, A = Agreed, U = Undecided, D = Disagreed, SD = Strongly Disagreed)

The effects of economic depression on residential property include delayed rent payments, rent increases, reduced construction, and extended letting periods, with each factor affecting the real estate sector's dynamics.

## CONCLUSION

This study evaluated how economic depression has impacted residential real estate in Awka metropolis. The findings show that the economic downturn has led to decreased property sales, lower demand for real estate investments, and higher rental prices. The rental values of residential properties have increased over the last seven years, resulting in fewer transactions and longer vacancy periods.

**Recommendations**

Based on the analysis of the effects of economic recession on residential property rental values in Awka Metropolis, several recommendations can be made to help mitigate the negative impacts on both landlords and tenants, while also promoting a more stable housing market. These recommendations are aimed at stakeholders, including government authorities, real estate developers, landlords, and tenants.

**Government Intervention and Policy Reform** The government must play a more proactive role in stabilizing the housing market during economic recessions. Policies aimed at providing subsidies or incentives for affordable housing can help cushion the impact of high rental prices on low- and middle-income families. The establishment of rent control mechanisms, particularly for residential properties in economically vulnerable areas, could help regulate extreme rent hikes during periods of recession. Additionally, the government should focus on improving the overall economic environment by promoting economic diversification, which would reduce Nigeria's over-reliance on oil revenues and offer more stable sources of income for households.

**Encouraging Investment in Affordable Housing** To counteract the decline in demand for high-end residential properties, there is a need for increased investment in affordable housing by both private and public sectors. Real estate developers should consider focusing on the construction of affordable and low-cost housing units to meet the growing demand from middle-income and lower-income families who are most affected by economic downturns. By aligning housing supply with the purchasing power of the population, rental values can be stabilized, benefiting both landlords and tenants.

**Flexible Rental Payment Options** Landlords should consider adopting more flexible rental payment structures during periods of economic hardship. Instead of insisting on yearly or quarterly payments, landlords can offer monthly payment options or allow tenants to pay rent in installments. This approach can help tenants manage their finances better and make it easier for them to stay in rented accommodations despite fluctuating income levels. Landlords may also consider providing discounts or rent reductions for long-term tenants who are facing financial difficulties due to the recession.

**Collaboration with Financial Institutions for Housing Loans** To support property development and provide more opportunities for tenants to secure decent housing, collaboration between real estate developers and financial institutions is essential. Financial institutions can be encouraged to offer lower-interest housing loans or rent-to-own schemes that allow tenants to gradually transition from renting to ownership. Such initiatives would ease the pressure on renters and also provide an alternative means of financing for landlords looking to expand their property portfolios.

**Promoting Urban Planning and Infrastructure Development** The government and urban planners should prioritize infrastructure development in Awka Metropolis, focusing on improving transportation, utilities, and social amenities. Well-developed infrastructure can enhance the appeal of residential areas, driving demand for properties even during recessions. In turn, this can help stabilize rental values and encourage more investment in residential properties.

**Rent and Property Market Research** It is crucial for stakeholders in the real estate sector to conduct regular and in-depth research into rental market trends. Understanding the shifting dynamics of demand and supply, especially during economic recessions, will enable landlords, real estate agents, and policymakers to make informed decisions. Research on the purchasing power of various demographics within Awka can assist in tailoring housing solutions that align with the financial realities of tenants during tough economic times.

## REFERENCE

Adamu, A. (2008). The Effects of Global Financial Crisis on Nigeria Economy, Nasarawa State University, Nigeria.

Adebayo, A. (2019). *Agricultural Sector and Economic Growth in Nigeria: An Empirical Analysis*. Journal of Economic Development, 22(3), 77-89.

Ademola, O. (2020). *Political Instability and Economic Development in Nigeria*. International Journal of Politics, 45(2), 32-49.

Akinmoladun, O., et al. (2021). *Impact of COVID-19 on the Nigerian Economy: A Study of the 2020 Economic Recession*. African Journal of Economic Policy, 15(4), 110-123.

Central Bank of Nigeria (CBN). (2017). *Annual Economic Report*.

Central Bank of Nigeria (CBN). (2020). *Monetary Policy Report*.

Dike, V. (2020). *The Impact of Corruption on Nigeria's Economy*. Nigerian Journal of Public Administration, 8(1), 35-40.

El-Rufai, N. (2011). Nigeria's Infrastructure Deficits and Our Future. Retrieved March 12th 2022 from www.africaoutlookonline.com/index.php/component/mailto

Farayibi, A.O. (2016). Perspectives on the Nigerian Economic Recession. Centre for Allied Research and Economic Development Ibadan, Oyo State, Nigeria.

Johnbull, S.W and Ikiriko, O.K (2021). Stakeholders Roles and Perception in the Implementation of Greater Port Harcourt City Master Plan, Rivers State, Nigeria.

Kinnear, R.T., Metha, A.T., Keim, J.S., & Okey, J.L. (1994). Depression Meaningless and Substance Abuse in Normal and Hospitalized Adolescents. Journal of Alcohol and Drug Education.

Odumodu, J. (2020). *Nigeria's Power Crisis: Causes and Solutions*. Energy Policy Journal, 6(2), 105-121.

Ogbuabor, J. E. (2019). *The Nigerian Economy and the Impact of Oil Price Shocks*. African Economic Review, 16(1), 55-73.

Okafor, J., & Olawale, D. (2019). *Impact of Economic Recessions on Property Markets in Nigeria*. Journal of Property Investment & Finance, 37(1), 30-42.

Olusola, A. F., & Agboola, O. (2020). *Economic Recession and the Nigerian Real Estate Sector: A Review of Effects on Residential Property Rental Values*. Nigerian Journal of Real Estate Economics, 23(3), 78-92.

Oluwakiyesi, T. (2011). Construction Industry Report. A Heaven of Opportunities. Vitiva Research.

Sagna, C.A. (2016). Economic Speculation and its Impact on the Nigerian Real Estate Market. Assessed on 16th July, 2017 from http://www.businessdayonline.com/economic-speculation-and-its-impact-on-the-Nigerian-real-estate-market.

Sanusi J.O. (2001). Welcome address on the launch of the Small and Medium Industries Equity Investment Scheme (SMIEIS), Bullion: Vol. 25: No. 3, Article 1.

Sanusi, L.S. (2008). Global Financial Meltdown and the Reforms in Nigerian Banking Sector.