

Impacts of Inflation Rate on Rental values of Commercial Properties Case study in Dehiwala-Mount Lavinia

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Abstract:

An investor called upon to give his opinion as to the value of many different types of interest in many different types of property for many differing purposes. Unlike other asset class, commercial properties are type of properties that are owned to mother income. Commercial properties have higher value than other investment properties. Many factors determine the rent which a tenant pays for rental property. But inflation rate is widely effects to change the rental value of commercial properties. But like other developing nations, the Sri Lankan economy has also seen a great deal of changes in monetary values of its commodities, project and service change as an outcome of expected and unexpected inflation. The relationship between the inflation rate and the commercial property rental value has not adequately addressed in Sri Lanka. Inflation rate is considered as one of the economic factors that may has an effect on the rental values. This paper focuses on mainly to examine the effect of inflation rate on rents of Commercial properties based on Sri Lankan experience. The analysis was done with the data collected from randomly selected 82 numbers of properties from a buffer zone of 500 meters from Dehiwala city center through a structured questionnaire. The results show that the coefficient of correlation is only .393 and is a weak positive relationship. Out of the other among factors considered, there are three factors have a most significant correlation. To identify the most significant factors among the rental value of commercial properties as Age of the property, Distance from city center, and Total floor area. The hopes that the results of this research have been able to provide a reasonably accurate picture of the inflation rate that influence rental values, and that the recommendations made, if adopted that inflation rate would have a lowest significant impact on rental values among other factors. Furthermore Age of the property, Distance from city center, and Total floor area the most significant factors among the rental value of commercial properties.

Keywords - Rental Value, Inflation Rate, Land Use, Commercial Properties