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# Drivers of Property Prices in the Middle East and Africa:



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# 1. Introduction:

## Purpose of study:

Understanding the key drivers of property prices is essential for analysing real estate markets across any region. Property values are shaped by a combination of economic, demographic, and institutional factors, including income levels, population growth, government regulation, interest rates, and housing supply constraints. These variables influence both affordability and accessibility, while also determining the overall stability and performance of real estate markets (Franken et al., 2011). Examining these drivers enables policymakers and investors to anticipate price trends, manage risks, and implement measures that encourage sustainable and balanced market development.

In the context of the Middle East and Africa, these drivers take on unique dimensions due to contrasting economic structures, political systems, and stages of development. Wealthier Gulf states such as the United Arab Emirates, Saudi Arabia, and Qatar have experienced rapid urbanisation and economic diversification, with property markets heavily influenced by oil revenues, foreign investment, and large-scale infrastructure projects (Louati et al., 2021). In contrast, many African nations, including Nigeria, Kenya, and Egypt, face fast-growing populations, rising urban housing demand, and limited financial access, leading to supply shortages and affordability challenges (Oduwaye, 2005; Makena, 2012).

Despite these regional differences, both areas share exposure to macroeconomic volatility, where shifts in inflation, GDP growth, and interest rates directly affect property prices and investment behaviour (Bahmani-Oskooee & Wu, 2018; Damilola, 2022). Understanding these interlinked factors is therefore critical for interpreting how property markets evolve under changing economic and policy conditions.

## Regional overview:

The **Middle East and Africa (MEA)** region represents one of the most diverse and complex property markets globally, encompassing a wide range of **economic, social, and political environments**. It spans from the high-income, oil-based economies of the Gulf to the rapidly urbanising and developing economies of sub-Saharan Africa. This diversity significantly shapes market dynamics and investor behaviour across the region (Alkali et al., 2018).

In the **Middle East**, countries such as the **United Arab Emirates (UAE), Saudi Arabia, and Qatar** have positioned themselves as international real estate hubs. Their markets are characterised by strong foreign investment inflows, ambitious national development strategies, such as Dubai and Riyadh, which have been underpinned by strategic economic diversification programmes and the creation of large-scale mixed-use projects, which have stimulated both residential and commercial demand (Louati et al., 2021).

In contrast, **Africa's property landscape** reflects a mix of opportunities and challenges. Major economies such as **South Africa, Nigeria, Kenya, and Egypt** drive much of the continent's market activity through growing middle classes, industrial expansion, and rising urbanisation rates (Makena, 2012; Damilola, 2022). Yet, persistent obstacles such as inconsistent policy frameworks, limited access to mortgage financing, and inadequate infrastructure continue to restrict growth potential (Oduwaye, 2005). Still, research indicates a gradual deepening of financial markets, improved investor confidence, and the steady emergence of incremental housing finance systems aimed at bridging affordability gaps (Damilola, 2022).

Macroeconomic and demographic conditions remain central to understanding property-price fluctuations. Economic expansion, job creation, and income growth tend to stimulate housing demand, while fluctuations in inflation and interest rates influence affordability and speculative activity (Franken et al., 2011; Bahmani-Oskooee & Wu, 2018). Rapid population growth and internal migration are placing increasing pressure on urban housing supply, often resulting in price inflation and informal settlement growth. Simultaneously, government-led interventions such as land reforms, public-private partnerships, and national housing strategies are playing an expanding role in shaping both market stability and long-term sustainability (Alkali et al., 2018; Damilola, 2022).

The scope of this report, therefore, focuses on identifying and analysing the key drivers of property prices across both the Middle East and Africa. It combines macroeconomic, demographic, and policy-based perspectives to examine how these forces interact and affect market outcomes. Through comparative examples drawn from selected countries, the study highlights both shared regional trends and distinct national variations, providing an evidence-based foundation for understanding property-price behaviour across these rapidly evolving markets.

## 2.Theoretical framework:

This section presents the key economic and property-market theories that form the conceptual basis of this study. These theories explain how macroeconomic variables and market dynamics interact to shape real-estate prices across the Middle East and Africa. The framework integrates classical demand-supply theory, urban land value models, real estate cycle theory, and the hedonic pricing model, which together guide both the conceptual and statistical analysis of property-price determinants.

### Economic and Property Market Theories:

#### **Demand and Supply Theory in Real Estate Markets**

Real estate prices are largely governed by the interaction between demand and supply. When population growth, income expansion, or foreign investment increase faster than the rate of housing supply, prices tend to rise; conversely, oversupply leads to stagnation or decline. However, property markets are characterised by **inelastic supply**, since land is fixed and development takes time. This creates cyclical price behaviour as supply adjustments lag behind demand changes (Franken et al., 2011).

In both African and Middle Eastern contexts, this imbalance is intensified by limited access to serviced land and slow policy responses. Oduwaye (2005) found that in Lagos, inadequate infrastructure and weak planning frameworks restrict supply, driving up land values even in high-density neighbourhoods. Similarly, Alkali et al. (2018) observed that demand shocks in urban centres like Abuja and Cairo are magnified by constrained construction capacity and financial barriers.

### Urban Economics and Land-Value Theory

Urban-economic models, particularly the **bid-rent and land-value theories**, explain spatial variations in property prices. These theories propose that land values are determined by accessibility, proximity to employment nodes, and infrastructure quality. Central and well-served locations command price premiums because they minimise commuting and transaction costs. Oduwaye (2005) emphasised that in Lagos, proximity to transport and public services is a key determinant of residential land values.

In the Middle East, Louati et al. (2021) noted a similar pattern where Riyadh's northern districts experienced sharp appreciation due to improved road connectivity and planned commercial corridors. Urban-land-value theory, therefore, provides a framework for understanding how infrastructure and accessibility translate into economic rent and price differentials.

### Hedonic Pricing Model

The **hedonic model** provides the statistical foundation for measuring how specific property attributes influence market value. It assumes that the price of a property reflects the sum of the implicit values of its characteristics, such as location, size, quality, and surrounding amenities. In practice, this is expressed as a multiple-regression model of the form:

$$P_i = \alpha + \beta_1 X_{1i} + \beta_2 X_{2i} + \dots + \beta_n X_{ni} + \varepsilon_i$$

where ( $P_i$ ) is the observed property price, ( $X_{ni}$ ) are measurable attributes (e.g. floor area, number of rooms, distance to CBD, inflation rate, or interest rate), and ( $\varepsilon_i$ ) is the random error term.

This approach enables researchers to isolate the effect of each variable while controlling for others. Louati et al. (2021) applied similar regression-based modelling in their Riyadh price-forecasting study, finding that location and land area were the strongest predictors of price variation. Makena (2012) used regression analysis in Nairobi and confirmed that interest rates, inflation, and population growth significantly affect residential values.

In this report, a simplified hedonic-style regression framework conceptually underpins the interpretation of how macroeconomic factors. Such as GDP growth, inflation, and lending rates, statistically relate to property-price fluctuations.

## Macroeconomic Models:

### Link between GDP Growth, Interest Rates, Inflation, and Property Prices:

Macroeconomic variables are central to property-market performance. Higher **GDP growth** increases employment and purchasing power, stimulating housing demand (Damilola, 2022). **Interest rates** influence borrowing costs and, therefore, affordability; rising rates often lead to lower transaction volumes and subdued prices. **Inflation** affects both construction costs and real purchasing power.

Moderate inflation can attract investors seeking inflation-hedged assets, while high inflation destabilises affordability (Bahmani-Oskooee & Wu, 2018).

These relationships will later be incorporated into the analytical discussion of economic drivers, where the relative weight of each variable is evaluated using empirical literature and secondary data.

#### **Real-Estate Cycles and Market Dynamics:**

Property markets move through cyclical phases; **recovery, expansion, hypersupply, and recession**, that reflect the interaction between demand, supply, and investment behaviour. The **DiPasquale & Wheaton (1992) four-quadrant model** links the space market (rents and occupancy) with the asset market (prices and new construction). Rising demand increases rents and capital values, which trigger new development; once supply surpasses demand, vacancies grow and prices decline until equilibrium is restored.

Franken et al. (2011) demonstrated that South Africa's housing sector follows this pattern, with price upswings typically lagging national business cycles. In Kenya and other emerging markets, Makena (2012) observed similar cyclical fluctuations driven by rapid urbanisation and delayed construction responses. For Gulf economies such as the UAE, the cycle is strongly influenced by oil-price trends and large-scale development phases, which determine liquidity and investment sentiment (Louati et al., 2021).

Understanding these cyclical mechanisms helps explain why short-term volatility coexists with long-term growth, and it supports the analytical use of macro-indicators in subsequent sections.

## 3. Overview of the Property Market in the Middle East and Africa:

### **Market overview: Middle East**

The property markets across the UAE, Saudi Arabia, Qatar, and Egypt are all experiencing strong activity fuelled by economic diversification, infrastructure investment and population growth. The UAE remains the regional leader with Dubai and Abu Dhabi attracting global and local investors through freehold ownership, tax incentives and steady rental growth. Saudi Arabia's Vision 2030 reforms are transforming its real estate landscape through large-scale developments like NEOM and expanding residential demand. Qatar's market, supported by post soccer world cup infrastructure and new ownership laws, is stabilising after a short correction. Egypt continues to see strong domestic investment despite inflation and currency pressures, supported by large government-led projects. Overall, these markets reflect growing investor confidence with long-term fundamentals that are determined by urbanisation, diversification and developments that are focused on reforming.

## Market overview: Africa

The African property markets are very diverse, consisting of both well-established systems as well as less formal markets. Despite this, rapid urbanisation is occurring amount these countries. The shortage of housing is increasing, as well as the demand for retail space. South Africa's property market stands out as the most developed market in Africa; it has a formal commercial sector consisting of retail, office and industrial. As well as a fully functioning Real Estate Investment Trust market. Moving East towards Kenya, the capital Nairobi acts as a hub for East Africa. The country has seen increasing demand for office space as well as infrastructure upgrades towards roads and ports to help the logistics sector. The property market in Nigeria is led by housing shortages, particularly in the capital, Lagos. While informal housing continues to be a major issue in the country, the formal real estate market is steadily developing. Growth trends within Africa's property market are led by logistics and industrial sectors expanding rapidly. There is a demand across most African countries for affordable housing, and governments for helping with this issue by offering benefits to developers and things such as tax incentives. The office sector is growing steadily, but focuses on flexible areas.

## General Market Characteristics:

### Structure of sectors:

The Residential sector takes up much of the space in both the Middle East as well as Africa. The Middle East tends to direct its approach towards wealthier individuals, focusing on high-end housing. Whereas the African market is shaped by the growing need for affordable housing. In the African market, this sector is driven by rapid urbanisation and population growth. The commercial sector is built of retail and office space. In the Middle East, the sector is led by services, whereas in Africa, the focus is on the need for regional office space. The commercial sector in African countries shows a clear divide, as informal trading is extremely common. The industrial sector is growing rapidly across both the Middle East and Africa. Being located along important transport routes makes a lot of these countries essential travel hubs, benefiting from good infrastructure such as roads and harbours and allowing for ease of international trade. As a result, the demand for warehouses and factories is continuously increasing.

### Development and Recovery:

Post-COVID-19 recovery patterns have differed across the two regions, most notably in the tourism sector, which was affected by international travel not being permitted. The Middle East's sectors, such as hospitality and retail centres, improved quickly once international travel resumed. In contrast, the recovery in the African market has been much slower, with industrial and logistics leading the progress. The shift from traditional office spaces towards remote working has led to a decrease in the demand for such spaces. This space has recovered being shifting towards creating flexible co-working spaces for people and companies.

## 4. Key Drivers of Property Prices in the region:

## Macroeconomic drivers:

### GDP growth and its correlation with real estate prices

The broad economic conditions and trends that influence the overall economic performance and stability of a country or region are referred to as macroeconomic factors. These elements work together to affect investment, growth, and the overall state of the Property market. One of the most influential drivers in the Middle East and Africa is GDP growth, reflecting the overall health of the economy. A strong GDP Growth promotes increased business productivity, higher employment levels, which ultimately lead to rising household income levels. All of these factors stimulate the demand for property in both residential and commercial sectors.

Contrary to this, periods of economic decline will reduce the investment appeal, and there will be a downward transition of the property market. These factors drive the property cycle and cause the fluctuations between the increasing and declining stages. Analysing the GDP growth in the Middle East, Saudi Arabia stands out for its substantial growth under their Saudi Vision 2030 (Salman, *A thriving economy 2025*) strategy in place. This has been driven by their investment in non-oil sectors, infrastructure, and large property-led developments, including the likes of the NEOM development. According to the NEOM 2030 vision (Salman, *NEOM 2025*), the initiative aims to develop the area into a futuristic city powered by 100% renewable energy. Following this, as the GDP grows in line with this strategy, the demand for residential, commercial and mixed-use property subsequently increases. Developers are beginning to leverage this growth to utilise the idea of increasing the future-focused and sustainable development projects.

From the perspective of the African countries, according to Alkali et al 2018, GDP is a prominent indicator in establishing the growth and cycle of real estate prices. In Nigeria, a progressively high rate of GDP growth reflects the progressive and stabilised state of the economy. After this, the property prices are strongly linked to the economic performance of the country.

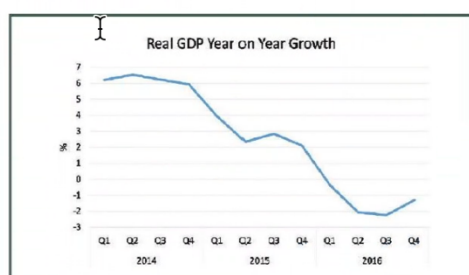


Fig. 2: Nigeria's Real GDP growth (Source: NBS, 2016)

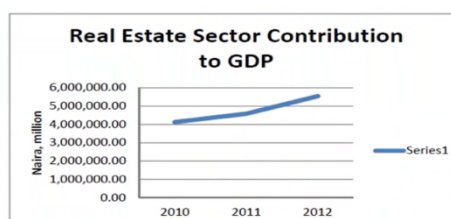


Fig. 3: Nigeria's real estate sector contribution to GDP (NBS, 2016)

From these examples, across both regions, it can be established that economic growth enhances consumer and investor confidence, stimulating higher levels of investment, this increases income levels, and strengthens the demand for real estate in the various sectors. Ultimately, this dynamic, where the supply aims to meet the demand, drives property values upward, contributing to a sustained rise in property prices over time.

## Inflation and currency stability and their effects on foreign investment and thus capital inflows:

Property prices are heavily influenced by the impact of inflation and currency stability. Inflation influences the increase in prices per year and currency, determining affordability, ultimately leading to the value of properties in the region. When inflation is stable and moderate, the economic confidence improves, which supports lending activity leading to property investment. However, when inflation rises sharply, the real value of money diminishes, increasing construction costs and often leading to an increase in interest rates, all of which slow down development and decrease affordability.

**Inflation calculator for Saudi Arabia**

Enter any amount, a start year and an end year here. You will then be shown the amount that resulted from the original amount after inflation.

100 riyals in 1964 will still be 100 riyals in 2025. The nominal value does not change. What does change, is the purchasing power. In other words, the amount of goods that can be bought with this money. As inflation increases, this amount decreases.

Example: The purchasing power of 100 riyals in 1964 corresponds to that of 603.12 riyals at the beginning of 2025. Conversely, in 1964 you could buy as much with 115.96 riyals as you can today with 1000 riyals.

Original amount in riyal:

Start year:

End year:

**Calculate**

Inflation-adjusted purchasing power at the beginning of 2025: **85.52 riyals**  
Increase in prices in 10 years: **16.93%**  
Decrease in value in 10 years: **14.48%**

Conversely, if an item had a price of 100 riyals in 2015, it will cost 116.93 riyals at the beginning of 2025 due to inflation.

This corresponds to an average depreciation of 1.69 riyals per year. The amount of the price increase corresponds to the overall inflation over this period.

Note: Inflation rates after 2024 are not yet available here. For the following years, the last available rate of 1.70% is used in this calculator.

In the Middle East, countries such as Saudi Arabia and the United Arab Emirates have managed to maintain steady and relatively low inflation rates. This is supported by strong fiscal reserves as well as prudent monetary policies.

| Year | Saudi Arabia | Ø EU   | Ø USA  | Ø World |
|------|--------------|--------|--------|---------|
| 2024 | 1.70 %       | 2.60 % | 3.00 % | 5.80 %  |
| 2023 | 2.30 %       | 6.30 % | 4.10 % | 6.70 %  |
| 2022 | 2.50 %       | 9.30 % | 8.00 % | 8.60 %  |
| 2021 | 3.10 %       | 2.90 % | 4.70 % | 4.70 %  |
| 2020 | 3.40 %       | 0.70 % | 1.20 % | 3.30 %  |
| 2019 | -2.10 %      | 1.40 % | 1.80 % | 3.50 %  |
| 2018 | 2.50 %       | 1.90 % | 2.40 % | 3.60 %  |
| 2017 | -0.80 %      | 1.60 % | 2.10 % | 3.20 %  |
| 2016 | 2.10 %       | 0.10 % | 1.30 % | 2.70 %  |
| 2015 | 1.20 %       | 0.10 % | 0.10 % | 2.70 %  |

In the statistics above, taken from (*Inflation rates in Saudi Arabia 2016*), it can be seen that inflation has remained between 2-3% in the last 10 years. This low inflation environment has cultivated steady property market growth as developers are able to plan projects with projected cost structures that are predictable, and investors are more willing due to the expected rental and return yields.

Conversely, African countries like Egypt have faced higher inflation rates, some exceeding 20% in certain periods. This is driven by currency devaluation and high import costs. This has a chain reaction, which means construction costs increase, which decreases affordability in the property market.

Closely linked to inflation is currency stability, which also plays a pivotal role in shaping property market dynamics. A stable currency enhances investor confidence by preserving the value of assets, while a volatile or depreciating currency introduces uncertainty into real estate investment returns.

In the Middle East, currencies such as the Saudi Riyal (SAR) and the UAE Dirham (AED) are fixed to the US dollar ( USD) where 1 USD = 3.67 AED and 3.75 SAR (Xe Currency calculator). This tie minimises

exchange rate fluctuations, which in turn attracts foreign investors to long-term stable property investments. This supports the foreign property demand with predictable capital values and consistent rental and return performance.

In contrast, many African countries that are developing countries experience much more volatile currencies. For example, the Nigerian Naira (NGN) has experienced repeated devaluation against the US Dollar due to surging import costs and upward pressure on inflation. Similarly, the South African Rand (ZAR) is known for its sensitivity to global commodity prices, often resulting in extreme fluctuations. The substantial and quick depreciation of costs increases the cost of importing materials, increases construction costs, leading to decreases in developers' profit margins and overall leads to decreased confidence for foreign investors to embark on projects within these countries. However, it can be noted that weaker currencies can make property assets cheaper for foreign investors, which can lead to short-term investment inflows.

### **Interest rates and mortgage availability**

Interest rates play a crucial role in determining the affordability and the investment activity within the property market. Lower interest rates make the cost of borrowing less, making mortgages more accessible for households and businesses. This stimulates the demand for residential as well as commercial property, which often leads to increased property prices as more investors and buyers enter the accessible market. However, higher interest rates decrease the accessibility of mortgages as they are more expensive, which means the demand declines and the price growth is much slower.

In the Middle East and Africa, due to the currency ties, many countries like the UAE and Saudi Arabia mirror the interest rates of the USA, which influences the local mortgage trends. Countries like South Africa and Nigeria, however, experience much greater interest rate fluctuations, which in turn decreases mortgage accessibility and the stability of the property market. It is thus that where credit markets are well developed and mortgage finance is easily accessible that property markets are active, stable and resilient.

## **Demographic and Socioeconomic drivers:**

### **Socioeconomic drivers**

It is imperative to understand the differences between Macroeconomic and Socioeconomic factors to accurately analyse how they affect property prices in the Middle East and Africa. Socioeconomic factors are mainly concerned with the social and economic conditions which affect people's ways of life. Examples of these are income distributions, population demographics, levels of education, levels of urbanisation, inequality index/Gini Coefficient and specific lifestyle habits of people. Studies on these areas would mainly be from a qualitative perspective, as observations of these factors can't simply be based on numbers and maths, but more so, actual human studies and observations. Socioeconomic studies can give great insight into the quality of life of a certain area or community.

Making the connection between these factors and the observed level of property prices can be difficult because of the disconnect between qualitative and quantitative data available for comparison. However, there are many studies done on these exact issues.

Income inequality can have devastating effects on a country or the communities within because it creates division within those areas (Turok, Visagie & Scheba, 2021). It leads to unequal access to the most essential resources such as education, housing and healthcare. As a country's income inequality increases, the people in the lower half struggle exponentially to gain or maintain access to these

resources. Informal settlements will begin to appear as people become less able to afford housing, which has a negative effect on property prices associated with the surrounding areas, as there will then be increases in crime and other negatives associated with informal settlements (Turok, Visagie & Scheba, 2021). When looking at these effects in the real world, Cape Town, South Africa, has statistically one of the highest rates of inequality in the world (if not the worst). Wealthier areas move away from the poorer ones, which drives property prices up in the wealthiest places, furthermore. Socioeconomic factors are big influencers on property prices when running a Hedonic Price Study on a property or area.

Employment levels and labour market conditions give great insight into how property prices are arrived at within an area. High employment means higher income and greater amounts of disposable income to spend on property and an increase in purchasing power. This will drive property prices up through heightened demand. This has a converse effect when looking at a country such as South Africa with a high level of inequality, as it further widens the gap between the upper and lower classes. With the inability to find a job comes further, more severe struggles to afford housing.

Another socioeconomic factor to consider is infrastructure development within a city. The investment in and the quality of proper infrastructure highly influence property prices in an area. An example of this would be transport infrastructure. Well-implemented and high-quality transport systems have an influential effect on property prices within an area (Boshoff, 2013). As a city is better able to accommodate its citizens to move freely and easily throughout it, getting from home to work to the shops and back home, it allows for urban migration to have a lesser effect on property prices. This is because it is generally desirable to live closer to the CBD of a city, as there is less travel time involved to get to and from work. Furthermore, with an increasing population, property prices increase closer to the city centre when transport infrastructure is not efficient or reliable (Boshoff, 2013).

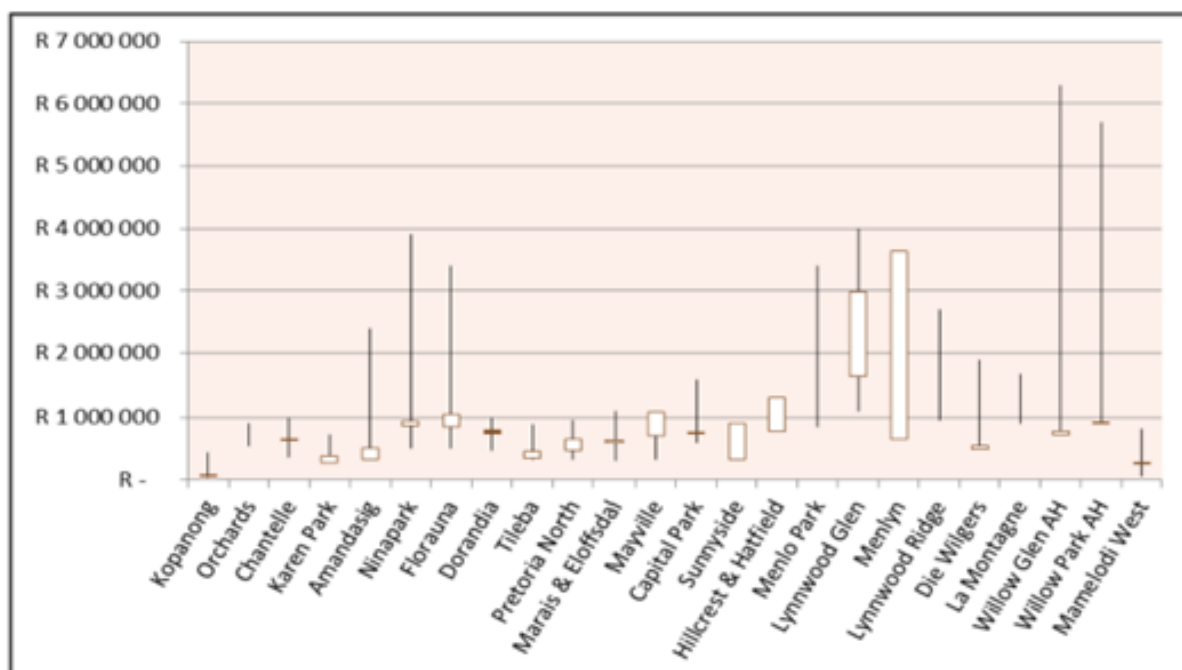


Figure 1. Residential property values

Boshoff, 2013

## Policy and Regulatory Drivers:

The success of the real estate market in the Middle East has been significantly influenced by government efforts. To encourage investment and increase home ownership, nations like Saudi Arabia and the United Arab Emirates have implemented significant housing and urban development programs, such as Saudi Vision 2030 mentioned above and Dubai's property ownership reforms. Improved market openness and foreign capital inflows have been facilitated by more transparent land registration procedures and attractive foreign ownership regulations, particularly in freehold zones in Dubai and Abu Dhabi. The region's real estate appeal has also been enhanced by tax breaks and the lack of property taxes in several Gulf countries, including Bahrain, Kuwait, Oman, Qatar and Saudi Arabia.

However, in contrast to this, according to Tom Kotze (Kotze, 2025), countries like Bahrain do not regulate foreigners from owning properties, and certain cities restrict ownership from non-Muslim people.

In Africa, Property markets over the years have been heavily influenced by land tenure systems in place dating back to apartheid, which has led to the evolution of regulatory frameworks. For example, in formal settings, freehold ownership allows for credit access and thus stimulates market activity. On the contrary, insecure tenure, which is abundant in rural and informal settlements, limits investment and economic activity. This is governed by the *Extension of Security of Tenure Act* ([Government Notice R1632 of 1998](#)). Overall, the stability, clarity, and effectiveness of policy and regulatory frameworks in both regions play a pivotal role in shaping investor confidence, stimulating development activity, and ultimately influencing property price trends.

## Infrastructure and Development Drivers:

Development of infrastructure, which includes metros, roads, and ports, is one of the main base structures of the property market. It is a powerful driver as it improves accessibility, enhances productivity and attracts both domestic and foreign investment.

In the Middle East, governments have heavily prioritised infrastructure expansion to support economic diversification beyond oil. Saudi Arabia's projects, like the NOEM development and the Line development, showcase this and are both part of the Vision 2030 strategy. Similarly, *Dubai Metro* and *Etihad Rail* in the UAE have improved the connection between major cities, boosting property values along transport corridors. In Qatar, the property market has benefited significantly from the extensive infrastructure investments made in preparation for the World Cup. These upgrades have rapidly accelerated development, particularly in *Lusail City*, a newly built smart urban district. Additionally, the *Doha Metro* has played a major role in improving connectivity across the city, expanding the reach of property development to previously less accessible areas and enhancing the overall attractiveness of residential and commercial real estate.

In **Africa**, infrastructure-led growth remains a critical pillar for property development and investment. Nigeria's *Eko Atlantic City*, which is a reclaimed coastal development, has regenerated Lagos' skyline and increased the value of the surrounding land. In Kenya, the *Standard Gauge Railway (SGR)* linking Nairobi to Mombasa has improved logistics and supported industrial and residential expansion along its route. South Africa's *Gautrain* rapid rail system has similarly driven commercial growth around key nodes like Sandton and Rosebank, transforming these into high-demand business and residential hubs. However, while infrastructure investments in Africa are advancing, many countries still face challenges

such as limited funding, slow project execution, and inadequate maintenance, which can constrain property market potential.

## Environmental and ESG Drivers:

Environmental and sustainable development factors are quickly gaining importance within the property development world. With regulatory shifts, climate change, and green consciousness come a reshaped real estate environment. The Middle Eastern climate, with extreme heat, water scarcity, and high energy consumption, causes major attraction towards the implementation of green-certified buildings, which aim to reduce water consumption, be more energy efficient and long-term sustainable. There have been national frameworks implemented in the Middle East which push for and incentivise green development. These factors lead to price premiums, which in effect lead to major increases in property prices.

The implementation of ESG in Africa is making steady ground but faces many issues. With rapid urbanisation in areas with inadequate infrastructure and vulnerability, ESG frameworks are not always at the forefront of everyone's minds. There is ever-growing value, however, in the need to implement resilient and sustainable infrastructure in high-risk areas. Cities like Nairobi, Lagos, and Cape Town have increasing needs for sustainably and reliably built developments for the more vulnerable parts of the population. Africa faces distinct socio-economic, governmental and governance/political problems (Ko, 2025). As opposed to other more stable and advanced regions with well-established sustainability frameworks, Africa has a mix of varying levels of infrastructure, institutional capacity and a high level of dependency on natural resources (Ko et al., 2025). These factors produce issues towards the proper implementation of sustainability frameworks compared to better-developed nations.

Table 1. Descriptive statistics of national ESG variables for 24 african countries.

| Variable        | Mean   | Standard<br>Deviation | Minimum | Maximum | Jarque-Bera (Joint<br>Test) <sup>a</sup> |
|-----------------|--------|-----------------------|---------|---------|------------------------------------------|
| National<br>ESG | 0.5527 | 0.0214                | 0.5095  | 0.6094  | 31.8000<br>(0.0000)                      |
| E               | 0.2631 | 0.0205                | 0.2125  | 0.2976  | 86.6100<br>(0.0000)                      |
| S               | 0.1493 | 0.0183                | 0.1057  | 0.1953  | 14.570<br>(0.0007)                       |
| G               | 0.1402 | 0.0100                | 0.1191  | 0.1724  | 29.9000<br>(0.0000)                      |

(Ko et al., 2025)

## Political and Geopolitical drivers:

Political stability has a large influence on the economic state of a country and thus has an impact on the state of the property market. In the **Middle East**, countries such as the United Arab Emirates and Saudi Arabia have benefited from relatively stable political environments, which have encouraged foreign direct investment and long-term property development. The UAE's consistent regulatory reforms, transparent governance, and pro-investment stance have positioned Dubai and Abu Dhabi as global Property hubs. A representative example of political instability that has a detrimental effect on real estate is the Israel-Palestine conflict. Mass destruction throughout the period of conflict, particularly in areas like Gaza, has led to damaged infrastructure, limited housing and resource supply and has thus decreased the value of the area due to the security risk and population displacement. Overall, economic uncertainty, reduced investor interest and disrupted development activity can be seen. In Israel, however, while conflict has occasionally slowed foreign investment during periods of escalation, the property market has generally

remained resilient in major cities like Tel Aviv and Jerusalem, supported by strong domestic demand and government-backed reconstruction efforts. However, continuous geopolitical tension, which has no future end date, continues to pose long-term risks, deterring international investors and developers who perceive the region as volatile and high-risk.

The African property market observes the same pattern. Stable democracies like South Africa, Mauritius, and Botswana have generally attracted higher levels of property investment because of the predictable legal frameworks and relative political certainty. In contrast to this, nations with governance challenges, such as Zimbabwe and Sudan, face weakened investor appeal and limited property financing accessibility and resources. Corruption and Bureaucratic inefficiencies lead to increased transaction costs and deter foreign investment, and slow project approval that needs to go through government approval processes.

## 5. Comparative analysis:

The Middle East and African property markets differ significantly, most notably in their growth dynamics, maturity and transparency. In the Middle East, particularly the Gulf states such as the UAE, Saudi Arabia and Qatar, development is mainly driven by oil revenues, foreign direct investment and large-scale economic diversification programmes such as Saudi Vision 2030. These markets benefit from strong institutional frameworks, high infrastructure investment and transparent property regulations that attract international investors. Cities such as Dubai and Riyadh have become regional property hubs supported by modern transport, housing and tourism-driven development.

In contrast, African markets including South Africa, Kenya, Nigeria and Egypt are driven mainly by urbanisation, gentrification, population growth and housing shortages. Growth is more demand-driven than capital-led, with governments prioritising affordable housing and infrastructure development. However, there is limited access to finance, weaker institutions, and land reform systems that reduce transparency and decrease large-scale investment. Ultimately, the Middle East reflects a capital-intensive and policy-driven model, while Africa's growth is demographic and development-heavy, which in the future can see long-term potential but faces pivotal structural challenges.

## 6. Challenges and Risks:

The implementation of new homes and infrastructure across Africa, as well as the Middle East, can produce many challenges and risks, mainly consisting of economic and political challenges, as well as issues around construction. All these challenges can affect viability and must be carefully navigated.

- 1) **Affordability crisis:** This continues to be one of the biggest challenges, especially in developing markets in Africa. The lack of affordable housing is the reason why there is such a big informal housing situation going on in these countries, particularly in South Africa. In countries like South

Africa, where tourism is high, the foreigners cause inflation in the high-demand cities, such as Cape Town, to the point where potential residents are pushed out of the market. In Gulf cities, the demand for more middle-income housing is rising, as many cities predominantly have a focus on the upper class, looking at Dubai as an example.

- 2) **Oversupply:** Oversupply, in Gulf cities, is a growing risk. An increase in high-end retail centres, hotels, and luxury can underperform compared to the projected demand for the space. This leads to a mismatch between supply and demand for these spaces.
- 3) **Infrastructure gaps:** Infrastructure in the Middle East remains strong, but gaps occur when considering the African market. In South Africa and many other African countries, the lack of quality infrastructure negatively impacts property prices due to reasons such as poor road quality, no access to running water, and inadequate power systems. This results in properties being undervalued in valuations and reducing total investor confidence, as implementing infrastructure in such areas can be very difficult and extremely costly
- 4) **Political risk:** Political instability has a big impact on property prices, especially seen in many countries within Africa, where sudden changes can disrupt plans. Political instability can impact proposed project timelines and increase unexpected costs through things. This can be through shifts in property laws and economic factors, such as the exchange rate. All these factors impact the investor.
- 5) **confidence and can cause a decrease in the demand for development in the area.**

## 7. Future Outlook:

### Emerging Trends Shaping Property Prices :

#### 1. Smart-city and digital infrastructure investment

Gulf and North-African economies are increasingly embedding smart-city concepts into urban planning. Developments such as Saudi Arabia's *NEOM* and the UAE's *Masdar City* integrate artificial intelligence, renewable energy, and data-driven urban systems to enhance efficiency and liveability. Louati et al. (2021) note that such technology-enabled cities improve long-term price stability by attracting knowledge-based industries and international investors. Similar digital-infrastructure initiatives are emerging in African capitals, Nairobi's *Konza Technopolis* and Kigali's innovation hubs, positioning technology districts as new value anchors within metropolitan real-estate markets.

#### 2. Sustainability and green construction

Growing environmental awareness and energy-efficiency regulations are reshaping building standards. Developers are adopting *green-certified* materials and low-carbon design, particularly within premium commercial and residential sectors. According to Damilola (2022), integrating sustainability frameworks into financing structures can enhance affordability and resilience, reducing long-term operational costs. In South Africa and Kenya, international investors increasingly favour environmentally compliant projects, indicating that "green value premiums" may become a defining factor in future pricing.

### 3. Diversification away from oil dependence

Economic diversification remains critical for Middle Eastern real-estate sustainability. Alkali et al. (2018) highlight that dependence on oil revenues amplifies exposure to global price volatility, which in turn affects liquidity and investment sentiment in property markets. Current national vision programmes such as *Saudi Vision 2030* and *UAE Vision 2050* aim to expand non-oil sectors, encourage foreign ownership, and develop tourism and logistics hubs. These reforms are expected to stabilise employment and broaden housing demand beyond expatriate investment cycles.

### 4. Rising middle-class demand and affordability innovation

Africa's emerging middle class will continue to drive urban housing demand. Makena (2012) and Oduwaye (2005) show that population growth and rising incomes in cities like Nairobi and Lagos have already outpaced housing supply. Expanding access to credit, micro-mortgages, and incremental-finance models such as those described by Damilola (2022) in South Africa will be essential for maintaining affordability and closing the formal-housing gap. Strengthened urban governance and infrastructure provision will further enhance property-market depth across secondary African cities.

## Regional Forecast and Outlook

According to the **IMF (2025 Regional Economic Outlook)** and **World Bank Africa Pulse Report (2025)**, both regions are projected to sustain **real GDP growth averaging 3.5–4%** over the next five years, supporting gradual property-price appreciation in major urban centres.

- **Middle East:** Non-oil GDP is expected to rise by approximately 4% annually as diversification policies attract FDI and expand service industries. Stable interest-rate environments and continued tourism recovery will underpin residential and retail demand. Smart-city initiatives are likely to generate long-term value growth of **5–6% per year** in leading Gulf markets (Louati et al., 2021).
- **Africa:** Sub-Saharan Africa's GDP is forecast to average **3.8%** through 2028, with urban populations growing at **4% annually**. These trends imply sustained upward pressure on housing prices, particularly in Nairobi, Lagos, and Cape Town, though inflationary risks and financing constraints may moderate real gains (Makena, 2012; Franken et al., 2011).

Overall, moderate but consistent economic expansion, demographic momentum, and policy reform are expected to support continued **real-estate price growth** across both regions. Short-term volatility will persist due to inflationary cycles and geopolitical uncertainty, yet structural drivers, urbanisation, diversification, and technological modernisation suggest that property markets in the Middle East and Africa are entering a more mature, innovation-led phase of development.

## 8. Conclusion:

In conclusion, the performance and resilience of property markets across the Middle East and Africa are shaped by a combination of macroeconomic, policy, infrastructural, and geopolitical factors. While the Middle East has leveraged political stability, robust infrastructure investment, and currency strength to attract sustained foreign investment, Africa's growth trajectory remains more uneven, constrained at times by weaker governance and infrastructural limitations. Nonetheless, both regions demonstrate

significant potential driven by rapid urbanisation, population growth, and ongoing economic diversification efforts. Countries such as the UAE, Saudi Arabia, South Africa, and Nigeria are examples of how strategic policy frameworks and targeted development initiatives can enhance investor confidence and stimulate long-term real estate growth. Ultimately, the future outlook for both regions' property sectors depends on the continued alignment of government policy, macroeconomic stability, and investor-driven sustainability, all of which will determine the scale and durability of their property market transformation in the future.

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