

UNIVERSITY OF CAPE TOWN

An Investigation & Discussion of Property Drivers in Middle-East & Africa



Abstract

This report outlines an investigation into the key determinants of property prices in the African and Middle Eastern regions through a synthesis of empirical academic literature (2010–2023). The analysis employs a thematic review to group drivers—Macroeconomic, Locational, Market, Policy, and Environmental—and a comparative review of the underlying empirical methodologies. The key findings highlight that property price volatility in the region is anchored by two persistent factors: the inelasticity of housing supply in rapidly urbanizing areas, which creates scarcity premiums, and the pronounced effect of socio-economic segregation, which drives demand for secure, well-serviced neighbourhoods. Macroeconomic stability (GDP growth and stable interest rates) anchors long-term demand, while locational factors (accessibility, security, and prestige) determine micro-market price differentials. The dominant valuation approaches used in the region reflect this duality, relying heavily on Hedonic Pricing Models (HPM) for local factors like location and security, and Regression/Econometric Models (e.g., ARDL, TVP-VAR) for assessing the impact of macro drivers and financial system stability over time. The significance for policy and investment is clear: Sustainable and inclusive housing markets depend critically on institutional reforms that improve supply elasticity, expand credit access to middle-income buyers, and ensure equitable investment in public infrastructure.

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1. Executive summary

This report outlines an investigation into the key determinants of property prices in the African and Middle Eastern regions through a synthesis of empirical academic literature (2010–2023). The analysis employs a thematic review to group drivers—Macroeconomic, Locational, Market, Policy, and Environmental—and a comparative review of the underlying empirical methodologies. The key findings highlight that property price volatility in the region is anchored by two persistent factors: the inelasticity of housing supply in rapidly urbanising areas, which creates scarcity premiums, and the pronounced effect of socio-economic segregation, which drives demand for secure, well-serviced neighbourhoods. Macroeconomic stability (GDP growth and stable interest rates) anchors long-term demand, while locational factors (accessibility, security, and prestige) determine micro-market price differentials. The dominant valuation approaches used in the region reflect this duality, relying heavily on Hedonic Pricing Models (HPM) for local factors like location and security, and Regression/Econometric Models (e.g., ARDL, TVP-VAR) for assessing the impact of macro drivers and financial system stability over time. The significance for policy and investment is clear: Sustainable and inclusive housing markets depend critically on institutional reforms that improve supply elasticity, expand credit access to m

2. Introduction

Property markets globally are shaped by a wide array of economic, institutional, and environmental forces, yet the specific dynamics of the African and Middle Eastern regions reveal unique vulnerabilities and drivers. These regions are characterised by rapid urbanisation, volatile capital flows, and often fragmented or underdeveloped financial systems, leading to real estate markets with pronounced structural inequalities. The drivers of property prices are conventionally defined as the measurable variables that statistically explain the observed variation in property values, whether in academic models or market terms. These drivers are typically categorised into:

1. Macroeconomic forces (external to the market, such as interest rates and GDP).
2. Microeconomic/Locational attributes (internal to the property or its immediate environment, such as size, accessibility, and neighbourhood security).
3. Institutional factors (governance, policy, and regulation, such as zoning laws and land tenure).

Understanding these drivers is critical for all stakeholders. For investors and developers, it aids in strategic planning, identifying markets poised for growth (e.g., those benefiting from TOD initiatives), and mitigating risk associated with currency or political volatility. For governments and policymakers, this understanding is vital for managing affordability crises, designing equitable land taxation systems, and targeting public investments (e.g., transport and utilities) to promote spatially just and sustainable urban expansion. This paper draws on multiple empirical studies, employing methods such as regression, hedonic, and GIS analyses, to systematically synthesise the complex interplay of these factors across the region. The subsequent analysis follows this structure: Section 3 establishes the theoretical foundation; Section 4 details the methodology; Section 5 provides a core analysis across five thematic groupings; Section 6 compares the empirical modelling approaches; and Section 7 concludes with policy recommendations

3. Conceptual & Theoretical Framework

3.1 Economic Theory of Property Price Formation

Property price formation rests on the principles of supply-demand equilibrium, but within the specialised contexts of asset pricing and the user-cost model. As a physical asset, property's value is derived from the net present value of its future income stream (rent or implicit rental equivalent). This makes its price highly sensitive to discount rates (interest rates), a core tenet of asset pricing.

The user-cost model illustrates the direct link between monetary policy and housing affordability. When the cost of borrowing (interest rates) rises, the user cost of capital—the effective annual expense of owning a home—increases, suppressing demand. Conversely, when rates fall, credit is expanded, the user cost decreases, and demand rises, provided supply is available. However, in African markets, supply is notoriously inelastic due to land tenure issues, high input costs, and planning delays. Therefore, increased demand often results in price inflation rather than a proportional supply increase.

3.2 Differentiated Influences

Drivers are distinguished by the level at which they operate:

- **Macroeconomic Influences:** Broad forces originating outside the immediate market, such as GDP growth, inflation, money supply, and foreign capital flows. These set the overall tone for affordability, investment appetite, and economic confidence.
- **Microeconomic/Locational Influences:** Attributes specific to the property or its neighbourhood, such as physical size, proximity to amenities (accessibility), state of repair, security features, and green space quality. These factors are often quantified using the Hedonic Pricing Model.
- **Institutional Influences:** The structure of governance and regulation, including urban planning, zoning laws, land use policy, and the quality of public service delivery. These factors modulate the supply response and determine where value accumulates (e.g., through TODs or gated community formation).

3.3 Conceptual Grouping and Structure

The analysis is conceptually guided by the following thematic chain, which also forms the basis of the analysis sections (A1–A5):

Macroeconomic forces → Micro/locational attributes → Market Dynamics → Policy context → Environmental factor

Grouping	Category	Focus Area
A1	Macroeconomic & Financial Factors	GDP, Interest Rates, Inflation, Foreign Capital
A2	Location, Accessibility & Property Characteristics	Accessibility, Physical Size, Age, Security
A3	Market Dynamics & Demand–Supply Factors	Income, Supply Inelasticity, Speculation, WTP

A4	Urban Planning, Policy & Institutional Factors	Zoning, TOD, Land Governance
A5	Environmental & Neighbourhood Factors	Green Spaces, Quality of Life, Prestige

Table 1: Thematic Categories and Focus Areas

Valuation & Modelling Approaches Grouping

Grouping	Methods
B1	Hedonic Pricing Models
B2	Regression & Econometric Models
B3	Time-Series & Forecasting
B4	Survey & Questionnaire Methods
B5	GIS & Spatial Analysis
B6	Expert & Market Base

Table 2: Valuation and Modelling Approaches Grouped

4. Methodology

This report is based on a structured thematic review and comparative analysis of secondary empirical data drawn from peer-reviewed academic studies (2010–2023) focused on the property markets of Africa (South Africa, Nigeria, Kenya, Ghana, & Morocco) and the Middle-East (Riyadh). The methodology relies exclusively on synthesising the findings and analytical methods used in these secondary sources.

The process of synthesis involved two parallel classification lenses:

1. **Determinant Themes (A):** Classifying findings based on the five conceptual themes defined in Section 3 (Macro, Location, Market, Policy, and Environmental).
2. **Analytical/Valuation Methods (B):** Classifying the econometric and applied techniques used by the original researchers (Hedonic Models, Regression, Time-Series, Survey, GIS, Expert & Market Base).

Inclusion Criteria prioritised papers demonstrating:

- **Empirical Testing:** Studies that applied statistical or econometric models (e.g., regression analysis) to test hypotheses.
- **Regional Relevance:** Focus on the assigned geographic region (Africa and the Middle East).

Limitations are inherent in this approach: The study offers a theoretical and comparative overview based on the aggregate of existing research, meaning there is no primary data collection. The underlying studies utilise diverse methods and timeframes, which restrict direct comparison of quantitative results (e.g., comparing coefficients across different Hedonic models is impossible); therefore, the focus is on the qualitative direction and relative significance of the drivers.

5. Analysis and Discussion

5.1 Macroeconomic & Financial Factors

Macro-financial forces establish the foundational conditions for property market stability and affordability across the region.

5.1.1 Interest Rates

Interest rates serve as the primary monetary policy tool influencing property demand. The impact is most evident in sophisticated markets like South Africa, where higher rates directly increase the cost of credit, constrain household affordability, and temper speculative investment (Boshoff, 2010). This effect extends to developers, increasing their cost of capital and moderating new supply. In countries like Nigeria and Kenya, where formal mortgage penetration is lower, rate adjustments may have a less immediate effect on overall housing demand but still influence institutional lending and investor sentiment (Makena, 2012). Additionally, in Kenya, the rate cuts issued by the Central Bank have led to higher mortgage uptake by the middle-income groups, while in Nigeria, the limited access to mortgage financing dampens the interest rate adjustments.

5.1.2 Inflation

Inflation acts as a dual-edged sword. In the short term, property is viewed as a hedge against currency depreciation, attracting investment. However, persistent or high inflation creates cost-push pressures, significantly increasing the price of construction materials, as seen in South Africa & Kenya, and labour, which is ultimately passed on to buyers. In high-inflation environments like Nigeria, this erosion of purchasing power leads to a widening affordability gap, where nominal prices rise but effective local demand stagnates (Alkali, 2018). Additionally, the high inflation environment can contribute to cyclical volatility, as developers face more financial pressures and uncertainty, hence limiting the supply of property.

5.1.3 GDP Growth

Economic growth (GDP) is the most reliable long-term predictor of real estate performance, signifying increased employment, higher household income, and enhanced disposable income. Empirical evidence from Nigeria and Kenya shows a robust positive relationship: GDP expansion boosts both residential and commercial property demand, catalysing development in metropolitan hubs (Alkali, 2018; Karoki, 2013). Moreover, in South Africa, the GDP growth strengthens financial stability and affordability of properties, through issuing improved mortgage bonds and in sustaining consumer creditworthiness. When growth slows, investor sentiment fades, leading to price stagnation or decline (Vogiazas, 2017).

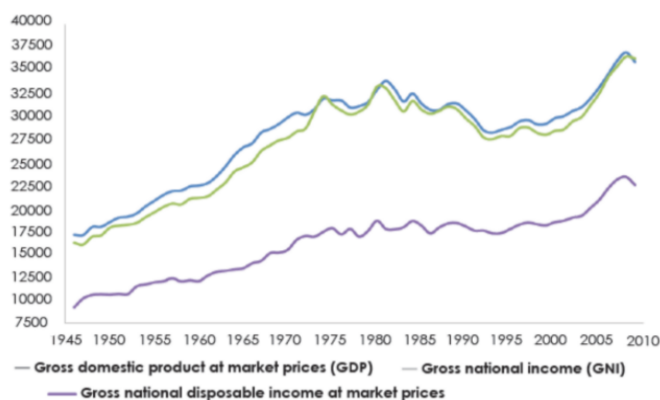


Figure 1: Comparison between GDP, GNI and disposable income (Boshoff, 2010).

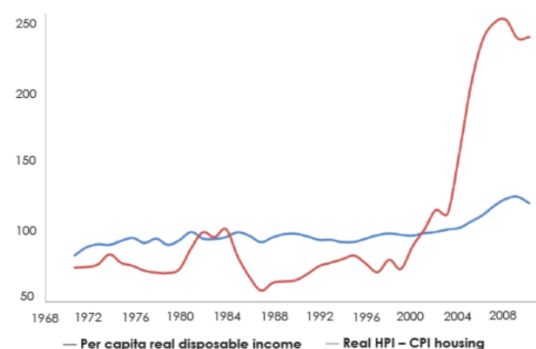


Figure 2: Comparison between per capita real disposable income and real HPI (Boshoff, 2010).

Figure 1 showcases the positive link between real per capita disposable income and increase in GDP growth within South Africa. Figure 2 provides a graphical illustration of how the per capita disposable income and Housing Price Index (HPI) interact. An increase in income level (Blue line) led to a drastic increase in HPI, hence proving the existence of a multiplier effect affecting housing prices. The higher HPI can be linked to the increase in demand from the increase in income levels.

5.1.4 Money Supply and Liquidity

An expansion in liquidity (money supply) directly fuels greater access to finance, often coinciding with global monetary easing. This drives appreciation in urban real estate in countries like South Africa and Kenya, often leading to speculative activity (Makena, 2012). However, structural financial weaknesses in certain markets limit the effectiveness of monetary expansion, preventing it from translating into sustainable mortgage lending.

5.1.5 Exchange Rate and Foreign Capital

Exchange rate volatility links domestic property markets to global financial shocks. Depreciation of the local currency (e.g., the South African Rand or Nigerian Naira) can attract foreign investors seeking value in dollar terms, driving up prices in prime segments. Conversely, global monetary tightening (e.g., US Federal Reserve rate hikes) can trigger a reversal of these capital flows, leading to domestic price corrections and liquidity constraints (Baba, 2023).

5.2 Location, Accessibility & Property Characteristics

Micro-market valuation is dominated by the factors of location, accessibility, and property characteristics, which are best quantified using the Hedonic Pricing Model (HPM).

5.2.1 Location, Transport, and Accessibility

Proximity to urban amenities and transportation is consistently found to be a primary driver of value. In Kenya (Kiambu Municipality), properties close to employment hubs like Nairobi command a premium (Kagendo, 2011). Moreover, in Ghana and Nigeria, the proximity to high-class neighbourhoods with better overall services was the driving factor for prices; unlike in Kenya, where the overall closeness to Nairobi drives up the value (Owusu, 2012; Abidoye, 2016). In the case of South Africa, it can be deemed that higher property prices are linked to areas having green spaces with recreational activities; however, the type of amenities driving up property prices can be different and have opposing effect in some regions (Cilliers & Cillers, 2015; Meelun, 2020).

In South Africa, the development of major transport infrastructure, such as Bus Rapid Transit (BRT) and Integrated Public Transport Networks (IRPTN), has been shown to positively influence property values by up to 5%–15% within a 1km radius of stations (Boshoff, 2013; Franken et al., 2011). This relates directly to hedonic model results showing buyers' willingness to pay a premium for accessibility and reduced commuting costs. However, these positive effects can be localised and segmented by socioeconomic factors.

5.2.2 Physical Characteristics

In Ghana, Nigeria (Lagos) & Kenya, the physical and structural attributes such as property size, number of bedrooms (the highest value contributor), bathrooms, and the general state of repair have a significant positive correlation with price (Abidoye, 2016; Owusu, 2012; Kangendo, 2011). In Nigeria (Lagos), the size of a property receives a high Mean Score (MS 4.06) from

professional valuers, and the state of repair (MS 4.23) is a critical determinant, emphasising that maintenance quality can mitigate the negative price impact of a property's advanced age (Abidoye, 2016).

5.2.3 Hedonic Model Results

HPM analysis across the region confirms that the total value of a property is decomposed into its constituent characteristics. For instance, in Lagos, locational features and neighbourhood quality together were found to account for a vast majority of the price variation, demonstrating that the external environment is often a stronger price predictor than the internal structure of the dwelling (Abidoye, 2016).

5.3 Market Dynamics & Demand–Supply Factors

Property price movements in the region are primarily determined by the structural relationship between demand and supply, often exacerbated by speculation and high segmentation.

5.3.1 Income Levels, Affordability, and Supply Constraints

Demand is fundamentally driven by rising income levels and credit accessibility, linking this section directly back to GDP and employment growth. However, rapid urbanisation and population growth (e.g., in Nairobi and Lagos) create persistent demand that far exceeds the rate of new construction. Damilola (2022) and Kagendo (2011) have identified domestic demand and supply dynamics as the primary driving forces that are shaping housing market behaviour. This structural supply inelasticity is constrained by land tenure, high construction costs, and bureaucratic delays. When supply is inelastic, property becomes a scarce speculative asset, with prices often driven by scarcity premiums rather than actual fundamental demand for use (Baba, 2023).

5.3.2 Cyclical Market Behaviour and Sentiment

African markets tend to exhibit greater volatility than mature markets due to their smaller size and exposure to external shocks. Market sentiment and speculation often override economic fundamentals. Developers and landowners may raise prices in anticipation of future demand (Makena, 2012), creating self-reinforcing booms that can lead to price bubbles. When confidence falters (due to policy shifts or credit tightening), sharp corrections can follow. The use of Time-Series models (e.g., TVP-VAR) helps analyse this cyclical behaviour, confirming that easily accessible credit is a significant risk factor for income-adjusted affordability (Baba, 2023).

5.3.3 Behavioural Factors and Willingness-to-Pay (WTP)

A significant behavioural driver is the willingness-to-pay (WTP) for security and prestige. In environments marked by high crime or inadequate public services, buyers place substantial premiums on living in safe, exclusive areas. Research in Lagos, Nigeria, showed residents were willing to pay up to 73% more for housing within gated communities compared to comparable non-gated areas (Osagie, 2016). This creates sharply segmented housing markets and reinforces spatial segregation, where WTP for security outweighs other economic factors.

5.4 Urban Planning, Policy & Institutional Factors

Institutional and planning decisions fundamentally shape the long-term value and spatial distribution of property prices.

5.4.1 Land-Use Regulations and Zoning

Weak town planning and regulatory frameworks in many African cities lead to negative externalities like overcrowding, informal development, and social segregation. In Lagos, for instance, segregation is reinforced as higher-income areas receive superior infrastructure due to policy focus (Oduwaye, 2005). Planning decisions determine the highest and best use of land. Correctly applied zoning policies, by contrast, promote stability in property values compared to volatile, high-density areas.

5.4.2 Policy Interventions and Long-Term Valuation

Infrastructure investment is a key policy mechanism for value creation. The development of Transit-Oriented Development (TOD) schemes and other integrated transport projects have been shown to positively influence surrounding land values (Franken et al., 2011). These long-term planning decisions create land value capture potential, but effective governance is required to ensure these gains are equitably leveraged (DuPreez & Sale, 2015). Policy must address the fundamental need for legal frameworks that promote efficient land governance and reduce bureaucratic delays that exacerbate supply inelasticity.

5.5 Environmental & Neighbourhood Factors

Aesthetics, environmental quality, and social capital significantly influence price formation through the lens of perceived quality of life.

5.5.1 Environmental Quality and Green Spaces

The impact of environmental factors, particularly green spaces, is context-dependent. Studies in South Africa (Potchefstroom) yielded contrasting evidence (Cilliers & Cilliers, 2015). At the site level (a property immediately adjacent to a park), values can be lower due to concerns about noise, privacy, or perceived safety risks (Cilliers & Cilliers, 2015). However, at the neighbourhood level, the presence of well-maintained green spaces with recreational activities contributes positively to overall property value, attracting residents seeking a better quality of life and aesthetics. The consensus from the research states that within the South African context, the positive correlation between proximity to green spaces and property values does not apply as well as in international markets, due to various socio-economic factors that negatively affect the correlation.

5.5.2 Safety, Social Cohesion, and Prestige

Beyond physical factors, intangible neighbourhood qualities are strong determinants. Safety and security are paramount, as evidenced by the WTP premium of up to 73% for improved security provided by gated communities in Nigeria (Osagie, 2016). Perceived prestige and social class also play a significant role. Properties located in areas with superior social cohesion and reputation tend to command higher prices, attracting affluent buyers and investors and reinforcing socio-economic divisions.

6. Valuation & Modelling Approaches

Empirical research in the region uses diverse methodologies to quantify the relationship between drivers and prices. These approaches can be broadly grouped by their typical analytical application, ranging from micro-level attribute decomposition to macro-level time series forecasting. (Refer to Table 2).

6.1 Hedonic Pricing Models (HPM)

The HPM is one of the most fundamental tools within the studies for valuing property attributes that are not explicitly priced in the market, such as location and quality. Studies applying HPM across South Africa, Ghana, Nigeria & Morocco (Cilliers & Cilliers, 2015; Abidoye, 2016; Owusu, 2012; Zakaria, 2021) demonstrate its power in decomposing a property's sale price into the implicit price of its constituent characteristics. This approach is crucial for quantifying the premium buyers are willing to pay for non-marketed features like proximity to transport (TOD effects), the presence of neighbourhood security, proximity to green spaces and in explaining the formulation of real estate prices.

South Africa

Boshoff (2013), used the HPM to assess the impact of transport developments on property prices and observed a 5-10% overall increase in value for low to middle-income areas within 1 km of Bus Rapid Transit (BRT). Additionally, Cilliers & Cillier (2015) made use of the HPM in the evaluation of green spaces within 5 regions of the Potchefstroom area. On a site scale analysis level from "Heilige Akker" neighbourhood, the zone 1 (out of 3) closest to the green space had a valuation of (1114.23 R/m²), zone 2 (**1413.52 R/m²**) and zone 3 (**1238.36 R/m²**). Hence, showcasing how the research goes against the international norms in regard to higher valuation from proximity to green spaces. However, from a neighbourhood analysis, the HPM showed an overall increase in value from proximity to green spaces. Moreover, Van Rensburg (2011) showed the effectiveness of the HPM and (Quantile Regression of HPM) in allowing for realistic and lower property indexes than mean values, hence providing a reduced inflation effect and a clearer picture of the housing inflation within Johannesburg.

Ghana, Nigeria & Morocco

Moreover, Owusu (2012) concluded that in Ghana, the HPM allowed for the explanation of 72% overall price variation for residential properties over 6 years in Kumasi, Ghana. And concluded that the values of 1st class residential areas were 234% higher than 3rd class ones. Additionally, Abidoye (2016) had a similar consensus regarding the effectiveness of the HDM in evaluating the influence of property attributes to values within Lagos, Nigeria. Nevertheless, in Rabat Temara, Morocco, the model was used in identifying the regional characteristics which could explain the formulation of the real estate prices. And concluded that spatial correlation and the footage in square metres were the 2 most important determinants for real estate prices within the region (Zkaria, 2021).

The key insight is that HPM validates the consumer's preference structure, but its limitation is that it cannot effectively capture macro-level or cyclical effects influencing the market as a whole.

6.2 Regression and Econometric Models

These models serve to quantify the impact of macro drivers and long-term financial relationships. **Multiple Regression Analysis (MRA)** has been widely used in Kenya to show the percentage of price variation explained by macroeconomic factors like GDP and interest

rates, which explain 62.7% of the variations in housing prices in Nairobi, Kenya (Makena, 2012; Karoki, 2013). Furthermore, the research provided proof of an inverse relationship between property prices and inflation rates within Kenya.

Moreover, advanced techniques like **Seemingly Unrelated Regression (SUR)** (Du Preez & Sale, 2015), allowed for better error correlation control when using regression analysis for both actual and assessed property values. The effectiveness was shown in Walmer, Nelson Mandela Bay, South Africa, which provided a 79% but imperfect correlation between assessed values and actual property prices. Lastly, the use of **Autoregressive Distributed Lag (ARDL/NARDL)** models is used for complex analysis, with the latter being essential for assessing short- and long-run effects and revealing non-linear responses, such as how the housing market reacts differently to currency appreciation versus depreciation. This was seen within the US housing market, which responded differently to dollar depreciation than to dollar appreciation (Bahmani, 2018).

6.3 Time-Series and Forecasting Models

For assessing market dynamics and volatility, time-series methods are indispensable. The **Time-Varying Parameter Vector Auto-regression (TVP-VAR)** model (Baba, 2023) is employed to demonstrate how the relationship between property prices and macroeconomic shocks, such as foreign capital, shifts over time. This approach is vital for risk assessment, as it shows how the inelastic supply of property in the short term and easily accessible credit is a significant factors in driving income-adjusted affordability risks and putting the economy in a vulnerable position. Furthermore, modern techniques like **Machine Learning (Random Forest)** have been employed for price forecasting in data-rich areas like Riyadh, offering new, data-driven possibilities for prediction compared to traditional econometrics (Louati et al., 2021).

6.4 Survey and Questionnaire Methods

These methods are essential complements, particularly in markets where transaction data is incomplete or inconsistent. Studies like those by Abidoye (2016) and Osagie (2016) use structured surveys of professionals and residents to capture expert opinions and crucial behavioural drivers like the Willingness-to-Pay (WTP) for security and prestige. By employing statistical reliability measures like “Cronbach’s alpha” and Mean Scores, these approaches translate subjective assessments into quantifiable data, providing empirical insight into social and psychological factors that influence property value.

6.5 GIS and Spatial Analysis

6.5.1 Geographic Information System (GIS)

GIS and related spatial econometrics are crucial for addressing the spatial interdependence of property values. These tools quantify “spatial autocorrelation”, meaning the value of one property is statistically linked to its neighbours (Zakaria and Fatine, 2021; Meelun, 2020). GIS is invaluable for urban planning, as it helps visualise the impact of zoning decisions, infrastructure projects, and socio-economic segregation, allowing policymakers to target interventions effectively and ensure accurate, location-sensitive valuation. In South Africa, GIS is used to assess the relationship between property prices and accessibility to urban amenities by layering spatial data with socioeconomic indicators, which allows for the identification of value concentration and spatial inequality. Additionally, Meelun (2020) states

how GIS-supported property mapping in Cape Town allowed for the detection of micro-market variations within suburbs.

6.5.2 Spatial Modelling & Dependence

According to Zakaria and Fatine (2021), property prices can exhibit significant spatial autocorrelations, which entails that the value of a property can be statistically linked to the values of adjacent properties. This demonstrates a dependence known as the “Neighbourhood Effect”, where shared characteristics and amenities in terms of land use and infrastructure quality can lead to the high or low valuations of properties within clusters. Moreover, the use of **Moran’s I** and **Lagrange Multiplier tests** has shown that the omission of spatial effects when determining property value can lead to inconsistent valuations.

Additionally, the use of Spatial Econometric Techniques, such as log-log regression models, allows us to quantify the effect of locational characteristics on property values. Hence, it is concluded that the valuation of property should be determined based on its locational aspects, as a spatially embedded good, instead of being viewed as a stand-alone asset (Zakaria and Fatine, 2021).

6.6 Expert and Market-Based Methods

The property valuation process is largely dependent on market-oriented methods, which are rooted in professional expertise and empirical observation. The methods consist of Comparative Market Analysis (CMA), Forecasting Models (FM) & Real Estate data intelligence, to analyse existing and future market trends.

6.6.1 Comparative Market Analysis (CMA)

The CMA involves the benchmarking of a property against comparable properties recently sold within the market, having a similar location. According to Kagendo (2011), the CMA is essential in the development of Kenya’s property market, which lacks established property databases and a transparent system. Hence, the gathering of local data allows for the creation of a formal database, which would provide accurate market values.

6.6.2 Forecasting Models & Expert Judgement

Kagendo (2011), states the importance of expert judgement within markets lacking adequate property databases, where the econometric models have been failing to account for the effects of the informal sector dynamics and investor sentiment. Hence, the expert judgement can serve as both a corrective and a complement to econometric modelling and allow for providing better data through the blending of quantitative and qualitative reasoning (Kagendo, 2011).

6.6.3 Real Estate Data & Market Intelligence

Owusu (2012) acknowledges the impact of data-driven intelligence systems in the compilation and analysis of high volumes of data within the property market. They provide investors the ability to evaluate micro-market performance, track investment yields and assess the long-term sustainability of price movements. In countries like South Africa and Ghana, such systems are increasingly integrated into property management and investment analytics, providing a foundation for transparent and evidence-based decision-making. Real estate data analytics also enable more precise segmentation of housing markets, and the integration of these insights with

expert interpretation strengthens the robustness of property valuation frameworks and enhances predictive accuracy in complex and fast-evolving markets (Kagendo, 2011; Owusu, 2012).

7. Synthesis, Policy Implications & Recommendations

7.1 Synthesis of Key Findings

The determinants of property prices in Africa and the Middle East are defined by the convergence of foundational macroeconomic instability and critical micro-level market failures.

1. Structural Inelasticity

The most significant underlying factor is the chronic inability of urban supply to meet demand, which transforms property into a speculative commodity rather than purely shelter, accelerating price growth beyond the reach of local incomes.

2. Locational Premium

At the micro-level, the highest price premiums are not for luxury, but for security, safety, and guaranteed accessibility (transport/amenities). This is a policy failure being privatised by the market (e.g., the WTP for gated communities).

3. Regional Contrast

While both regions face urbanisation challenges, the Middle East (e.g., Riyadh) benefits from strong government policies, central planning, and oil wealth, allowing for rapid, coordinated infrastructure delivery and the use of sophisticated market data/forecasting (Louati et al., 2021). African markets, in contrast, face higher financial volatility and basic infrastructure backlogs. This is caused by several factors, like the inadequacies of managing government funds.

7.2 Policy Implications & Recommendations

Policymakers and planners must move beyond treating symptoms (rising prices) and target the structural causes. The following recommendations were observed:

1. Improve Supply Elasticity & Land Governance

Streamline regulatory and zoning processes to reduce bureaucratic friction. Prioritise the release and servicing of well-located urban land to break the scarcity premium. Promote technocratic governance to ensure efficient town planning (Oduwaye, 2005).

2. Focus Infrastructure on Value Creation

Prioritise investment in TODs and public transport networks (BRT/IRPTN), as this has a proven positive effect on property values in surrounding areas (Boshoff, 2013). Implement land value capture mechanisms to fund further infrastructural development.

3. Enhance Financial Inclusion & Stability

Curb speculative credit expansion and increase the penetration of formal, long-term mortgage financing, particularly for middle-income segments. Use the Real House Price Index (RHPI) to provide a truth-check on market viability, accounting for inflation-adjusted purchasing power.

4. **Data Transparency & Methodological Improvement**

Promote the use of GIS and spatial modelling in municipal tax and planning departments. This allows for more accurate appraisal (comparing actual vs. assessed values) and better targeting of infrastructure investments to redress spatial inequality.

8. **Conclusion**

This report set out to understand the drivers of property prices in Africa and the Middle East through a thematic and empirical synthesis. The analysis confirms that property price formation is a highly complex process, driven by the persistent and often countervailing forces of macroeconomic stability, structural supply inelasticity, and a powerful, sentiment-driven demand for secure, well-serviced location. The core challenge lies in the interplay between these factors: strong economic growth increases demand, yet inelastic supply and poor policy push prices into a speculative territory, exacerbating social and spatial inequality. The path toward sustainable and inclusive housing market policies requires a commitment to institutional reform, financial market depth, and equitable urban planning that shifts the market's focus from speculative scarcity to genuine value creation through public goods and services.

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