

Thinking **creatively** about **financing**

WCPDF 2025



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About Us

The Financial Innovation Hub, brings together the brightest minds on the African continent to lead in the research and innovation of financial technologies.

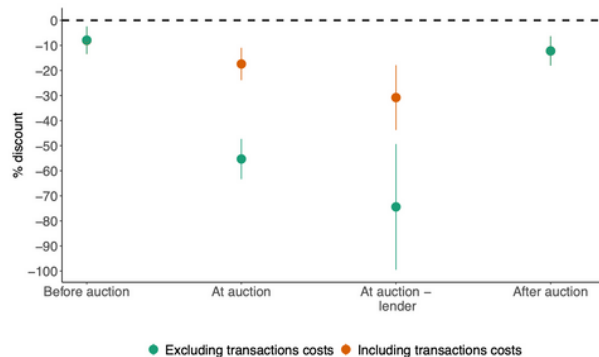


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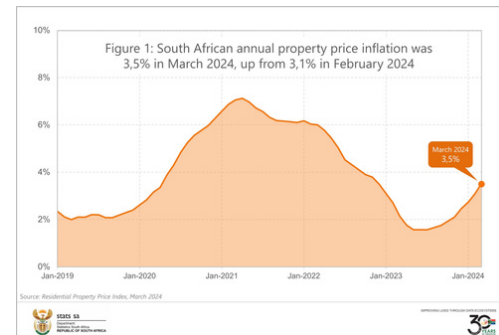
Research into housing markets



Foreign buyers in Cape Town (2020)



Home Foreclosures in Cape Town (2025)



Developing a RPPI (2021)

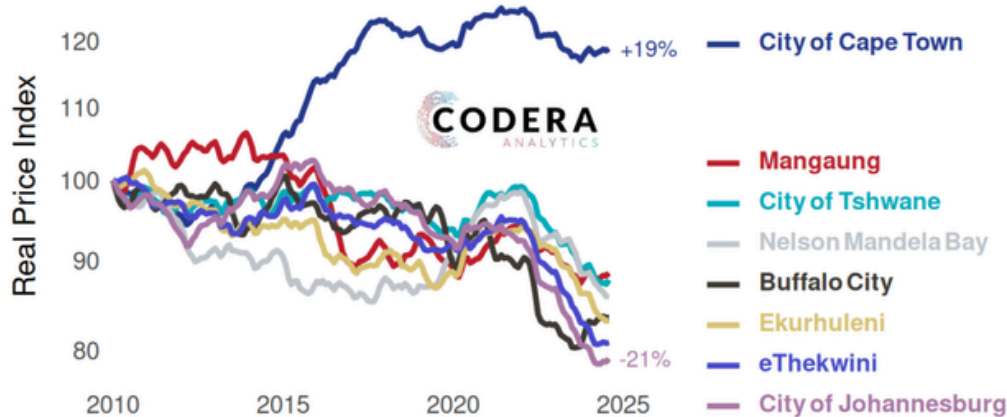


The affordability crisis

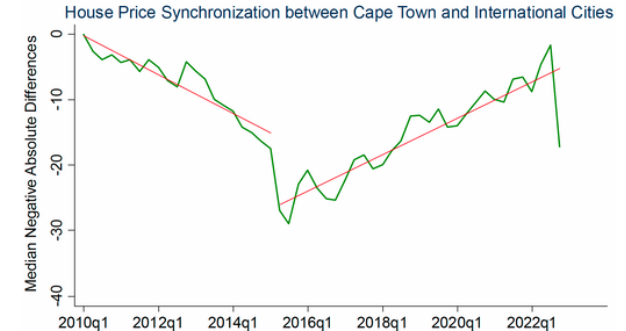
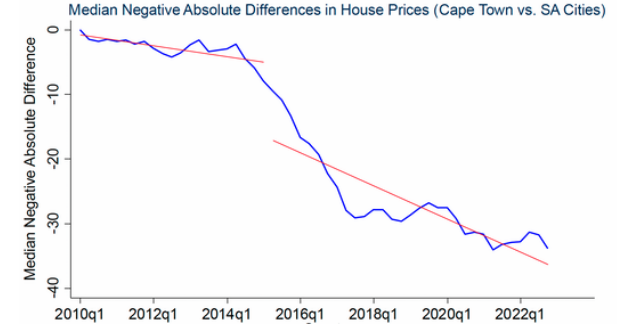
The new normal?

Residential property price trends, after removing the effect of inflation

Although Cape Town property prices appreciated between 2014 and 2017, there has been no real appreciation since 2017, on the whole



Source: Codera; StatsSA



Source: Davids and Mogola (2024)



The affordability crisis

The new normal?

What is a superstar city?

- City in which long-term house price growth **outpaces** the rest of the country
- These cities have two features
- (1) **Excess demand**: Households have a preference (e.g quality of life) to live in a superstar city
 - The supply of alternative cities are imperfect substitutes
- (2) **Inelastic supply**: Constrained supply of land, restrictive zoning etc

What happens to house prices in a superstar city?

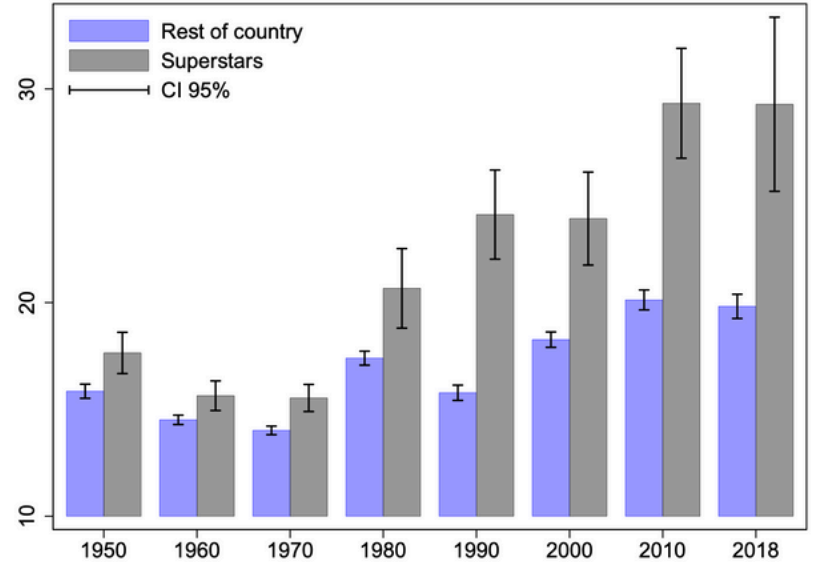
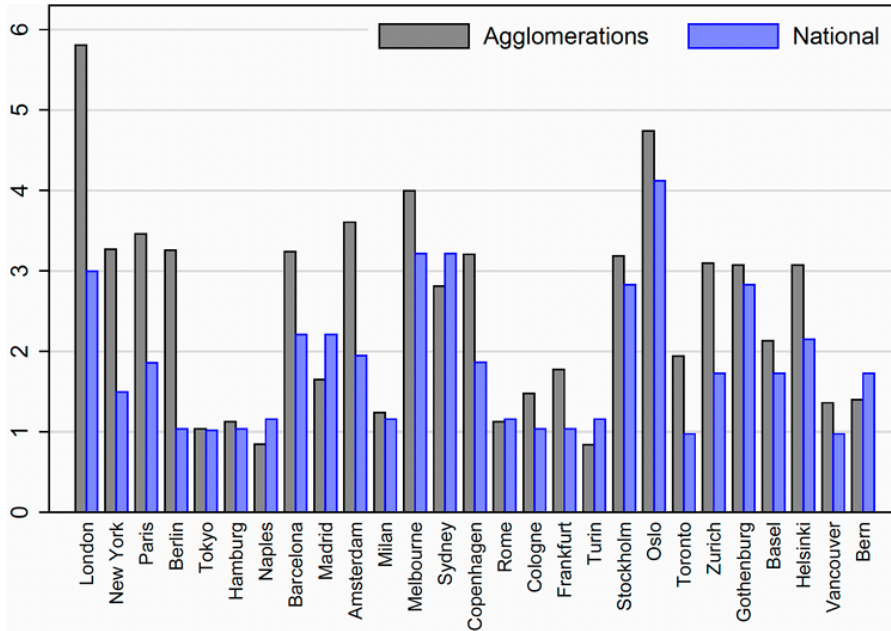
- (1) **Higher house price growth** between superstar city and other cities
 - This can last for many years
- (2) Higher house price growth is accompanied by **higher income growth**
 - Higher-income households relocate to superstar city, bid up prices and crowd out lower-income households

Source: Gyrouko, Mayer and Sinai (2013)



The affordability crisis

The new normal?



Source: Amaral, Kohl and Schularick (2023)



Supply, supply, supply

An imperative to solving the affordability challenge

Zoning and Land-Use Reform

- Higher density, more vertical and infill development

Streamlined planning approvals and governance efficiency

- Less discretionary approvals and faster, more predictable approval pathways

Infrastructure Investment

- Physical supply constraints (e.g., water) still matter

Avoid Overemphasizing Demand Subsidies

- Inelastic supply means that subsidies often increase prices, not affordability.

Regional Policy Coordination

- Housing markets don't end at city borders. Fragmented regulation causes inefficiencies.

Source: Baum-Snow and Duranton (2025)



Why can't (won't) we build more?

What is the role of (a lack) finance in this?

What is the current situation in funding property development and associated infrastructure?

- Are banks still open to funding development? Is it profitable? If not, what does this mean for affordability?
- Have the rules changed? Has the regulatory environment made it difficult for banks to be in the industry?

What are the risk factors? How easily are they addressable?

- Where do these factors originate? Financial regulations? Municipalities?

If these risk factors persist, what are alternative funding options?

- What role does private equity play?
- The role for FinTech: asset tokenization, crowd-funding, decentralized finance (DeFi)

How do we transform the space?

- In a world of large balance sheets & deep pockets, how do we enable SMMEs to thrive?





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