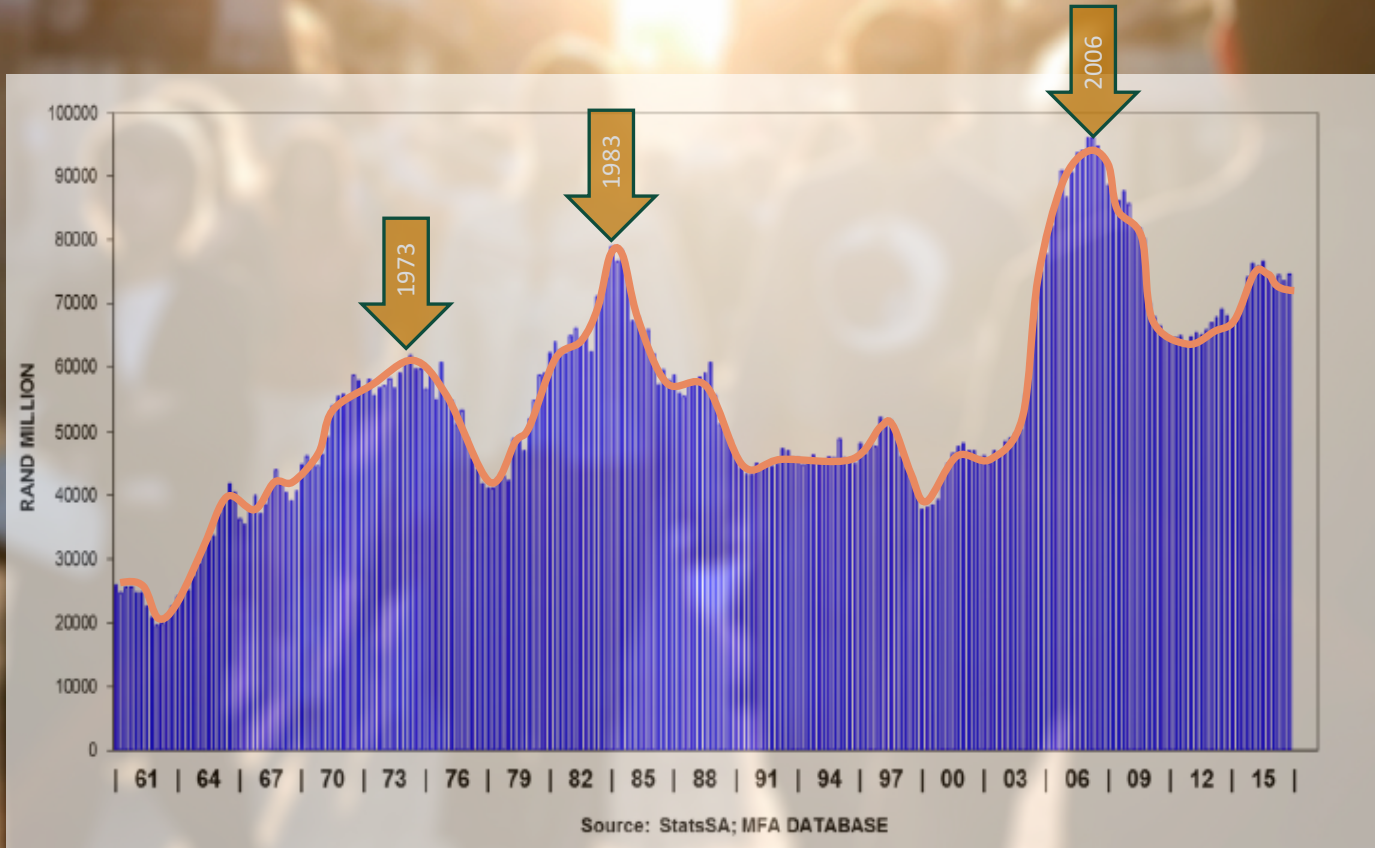




WHAT'S NEXT FOR THE SOUTH AFRICAN COMMERCIAL PROPERTY MARKET?

A/Professor François Viruly, University of Cape Town

PREVIOUS PROPERTY CYCLES IN SOUTH AFRICA: 1960-2017



STEEP: THE FACTORS SHAPING THE PROPERTY MARKET

				
SOCIAL	TECHNOLOGICAL	ENVIRONMENTAL	ECONOMIC	POLITICAL
Urbanisation	Internet of Things	Smart Buildings	Digitisation	Grassroots Politics
Middle-Class	Big Data	Sustainability	Black Middle-Class	Local Government
Demographics	TOD	Construction	Informality	Smart Cities

A GLIMPSE INTO THE FUTURE... KEY DISRUPTORS



SOCIAL



TRANSPORT

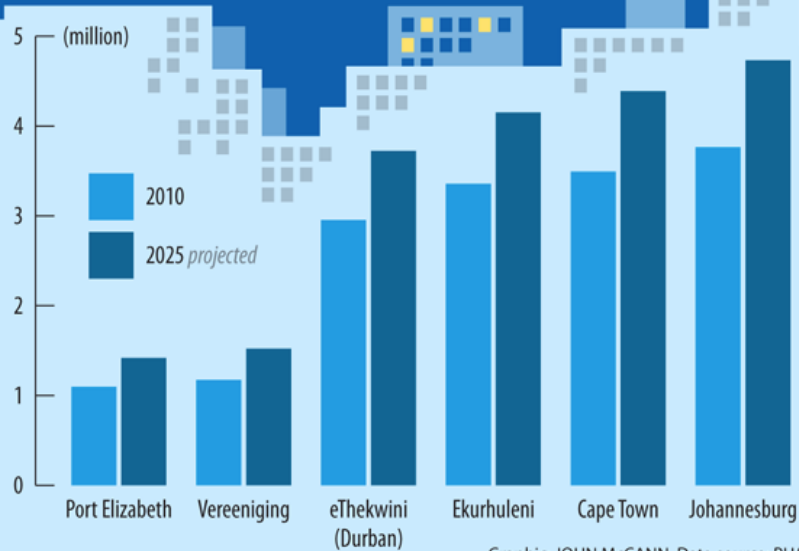


TECHNOLOGY

DEMOGRAPHICS BECOME DENSITIES?

Urban growth in SA

Comparison of populations of the largest cities in 2010 and 2025



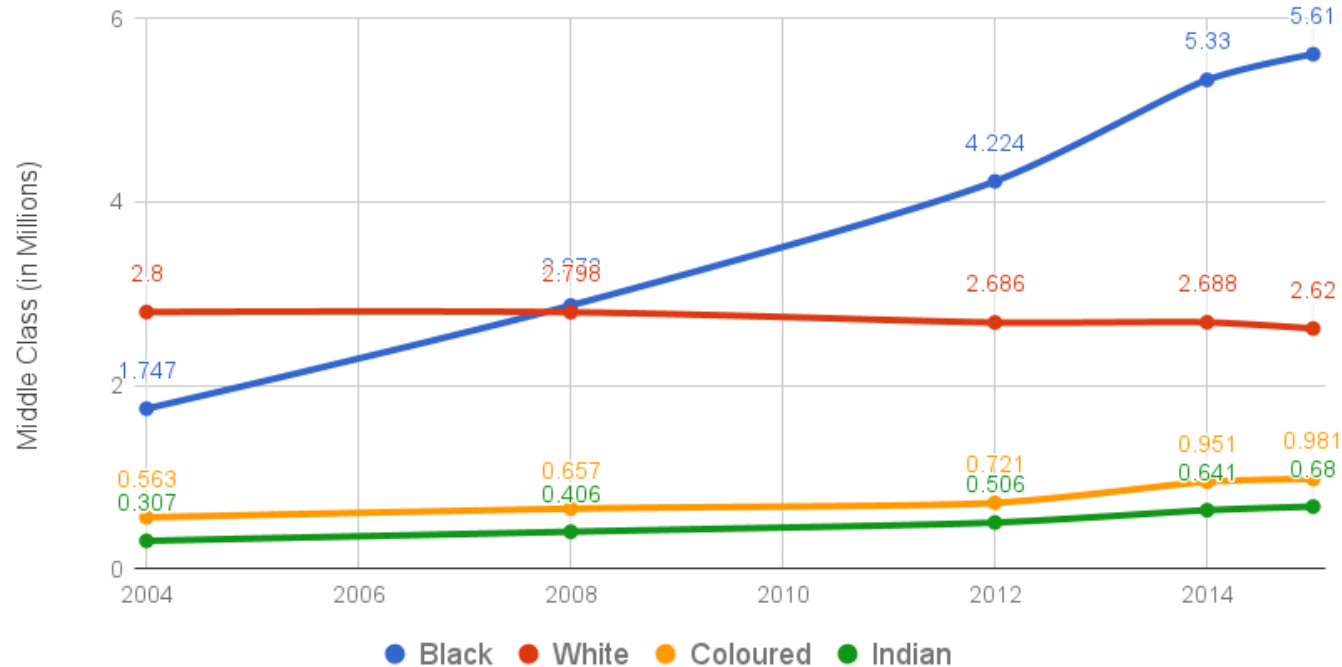
Graphic: JOHN McCANN Data source: RUAF



RISE OF THE BLACK MIDDLE CLASS

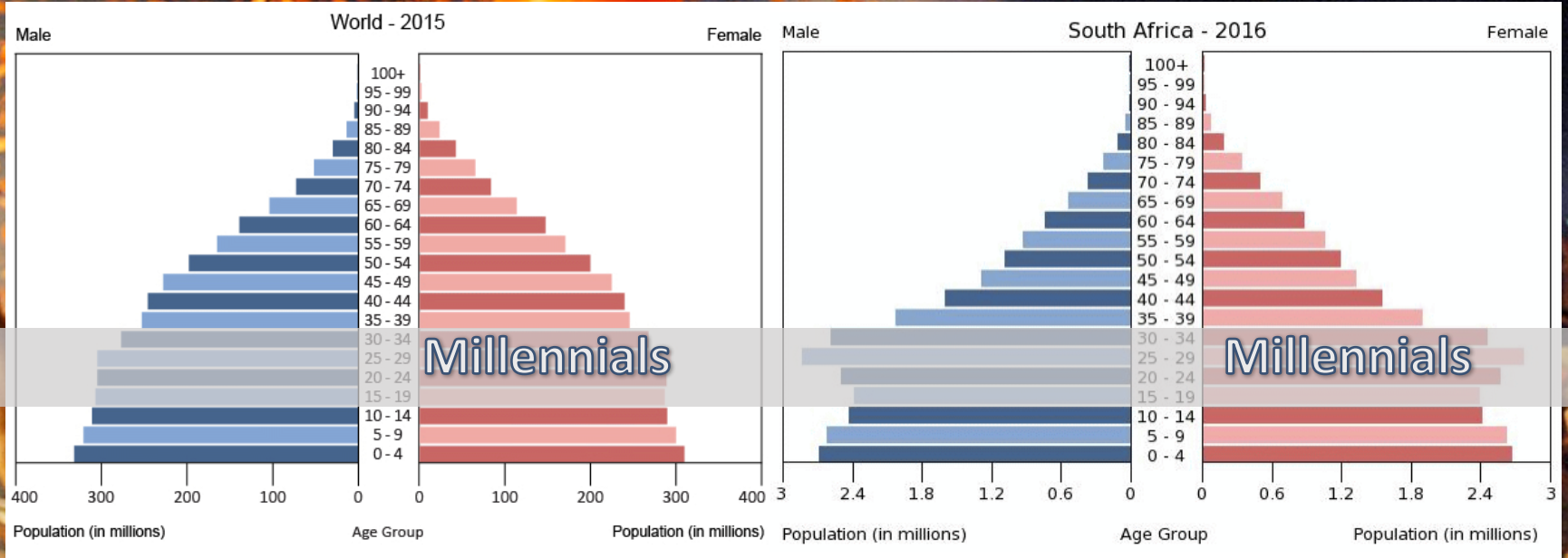
Breakdown of South African Middle Class

2004-2015



[Source: Unilever Institute]

MILLENNIALS: A GENERATION RAISED BY TECHNOLOGY



[Source: Index Mundi]

THE DESIGNING OF ECONOMIC SPACE



TRANSIT ORIENTED DEVELOPMENT...

Increased pressure on Local Governments to address environmental, socio-spatial, and transport issues

TOD is not just about **Transit**. It is about **Development** and the creation of livable and sustainable places

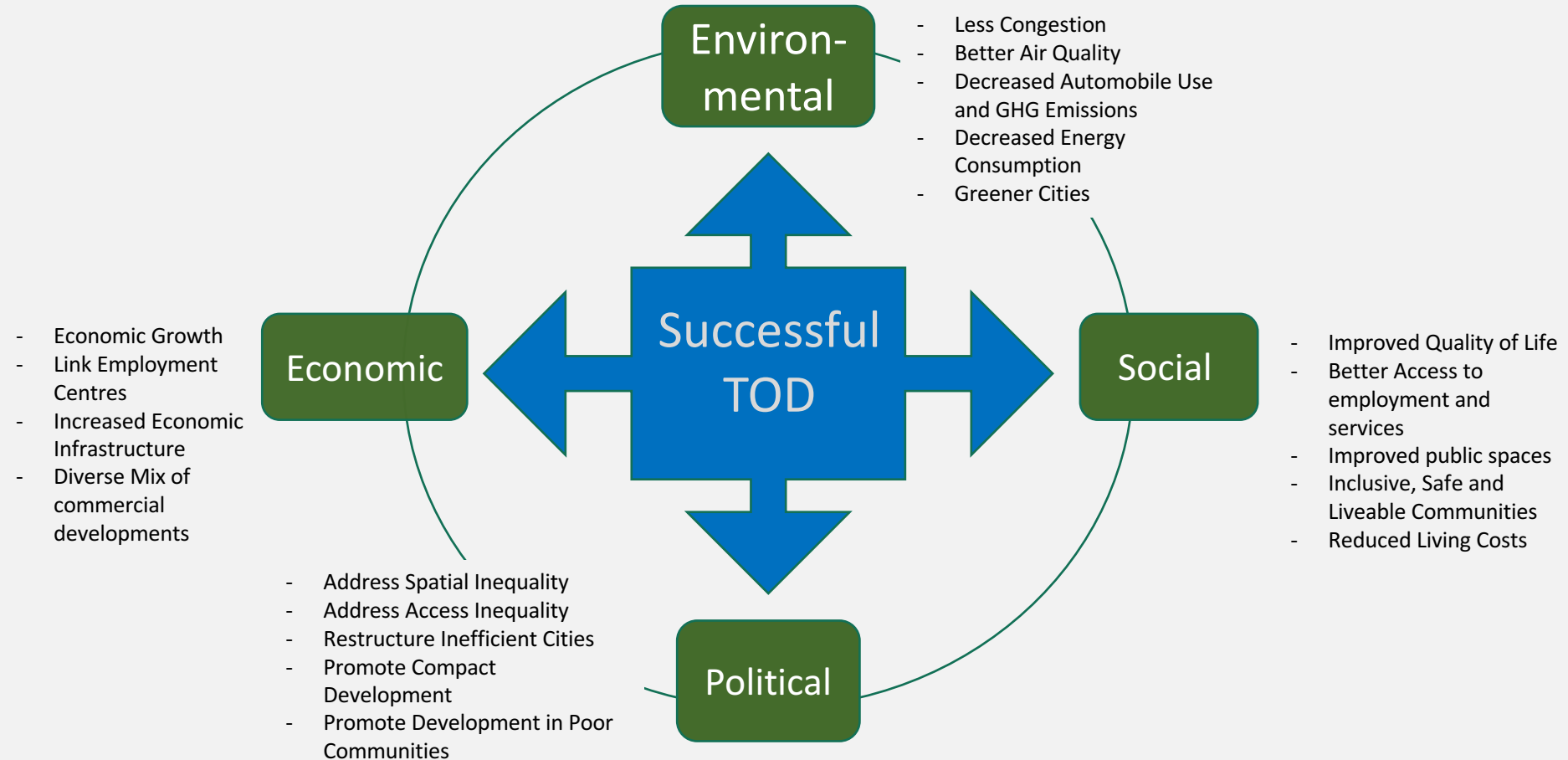
Market factors, rather than public policy, must steward development along transport corridor

Is TOD just responding to urban Issues rather than understanding the forces that cause them?

TODs cannot create markets. The market is the starting point- not the end point



ARE WE ASKING TOO MUCH OF TOD?...





1. Agrarian

Proximity to other people

Rural population

2. Early Industrial

Proximity to raw materials

Urbanisation

3. Mercantile

Proximity to markets

Suburbanisation

4. Capital

Proximity to financial capital

Urban renaissance

5. Digital

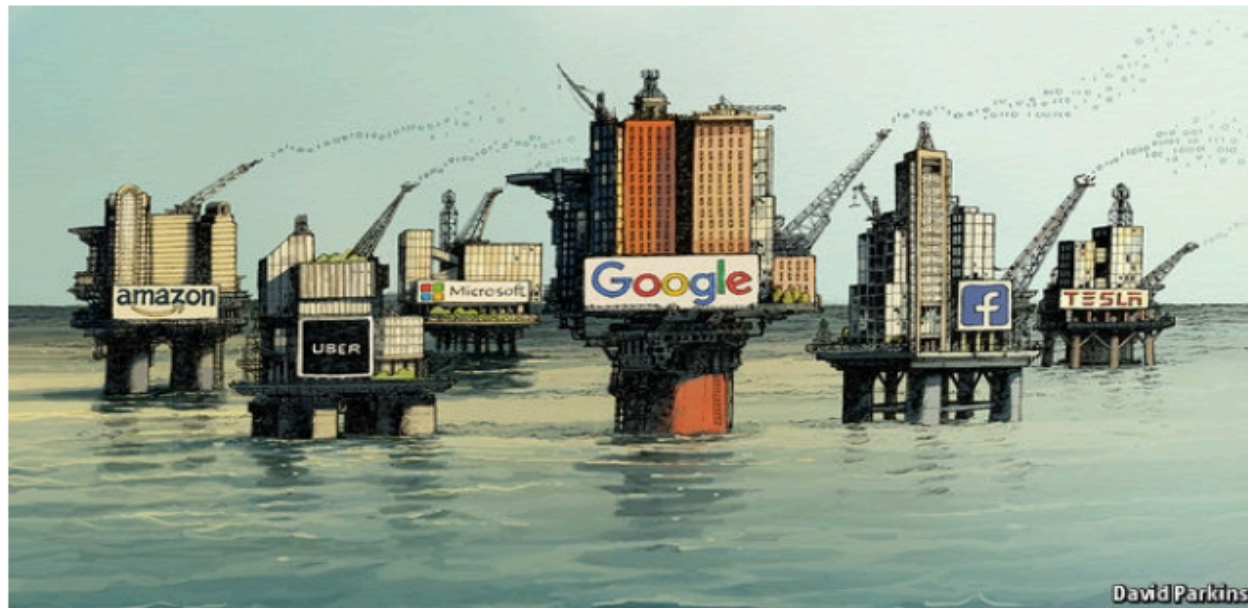
Proximity to other people

Urban dispersal

Regulating the internet giants

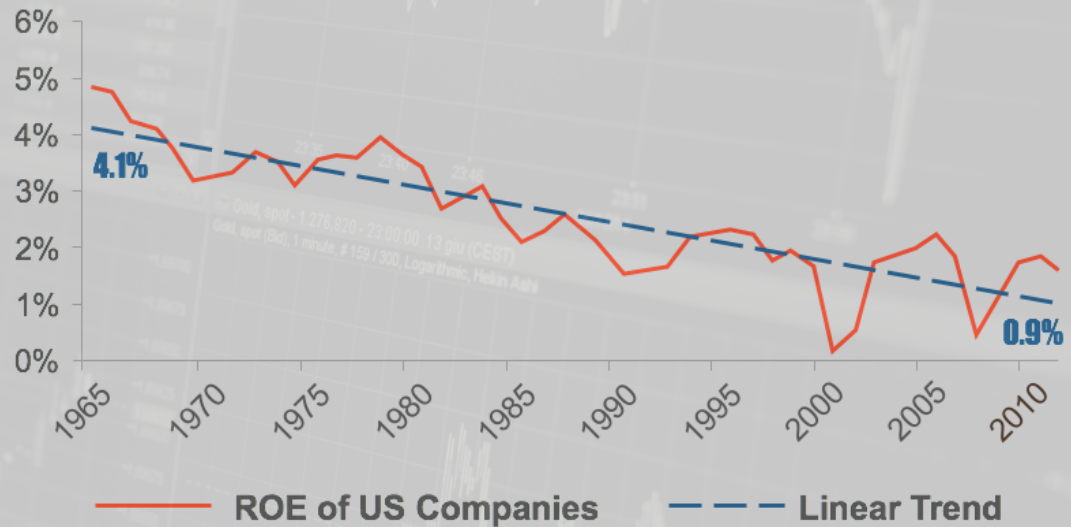
The world's most valuable resource is no longer oil, but data

The data economy demands a new approach to antitrust rules



Technological and
Social Factors has
lead to Lower
Returns for
Asset-intensive
Companies

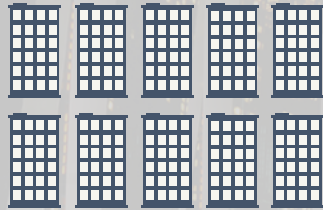
Average Return of Equity of US Companies



Source: Compustat, Deloitte Analysis



Accumulated in Nearly a
Century



610 000 Rooms in 88 Countries



Old Model:
Asset-intensive



Accumulated in 4 years



650 000 Rooms in 192 Countries



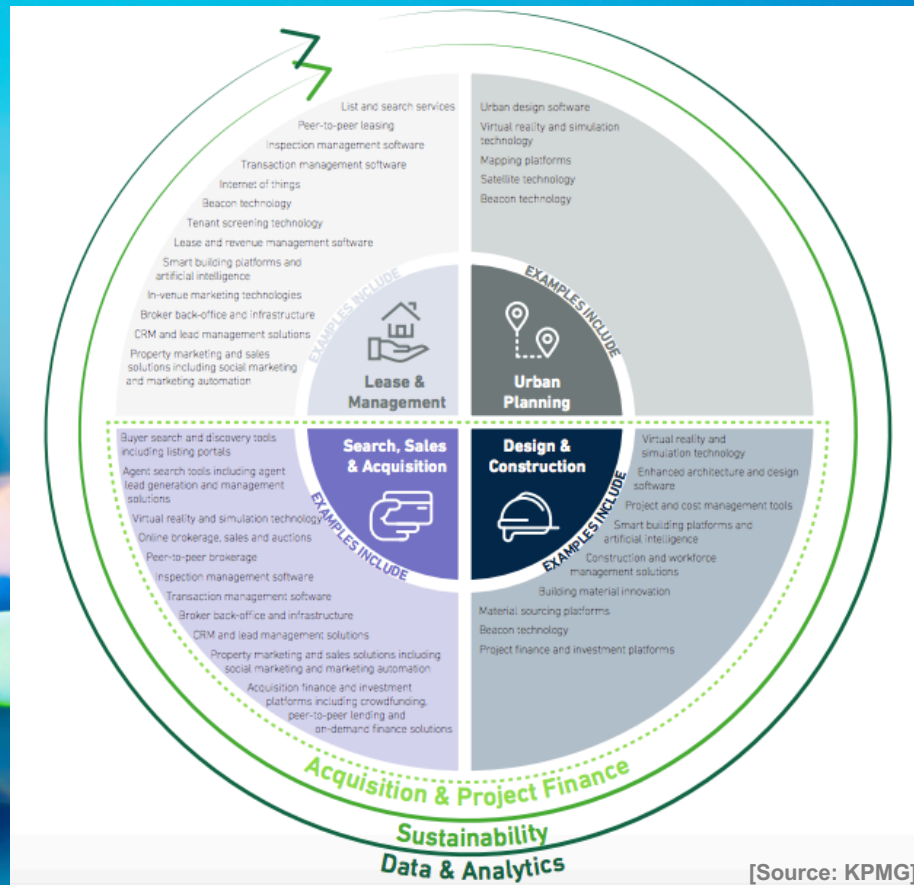
New Model:
Information-intensive

A DISRUPTION TO THE CYCLE AND TREND MODEL

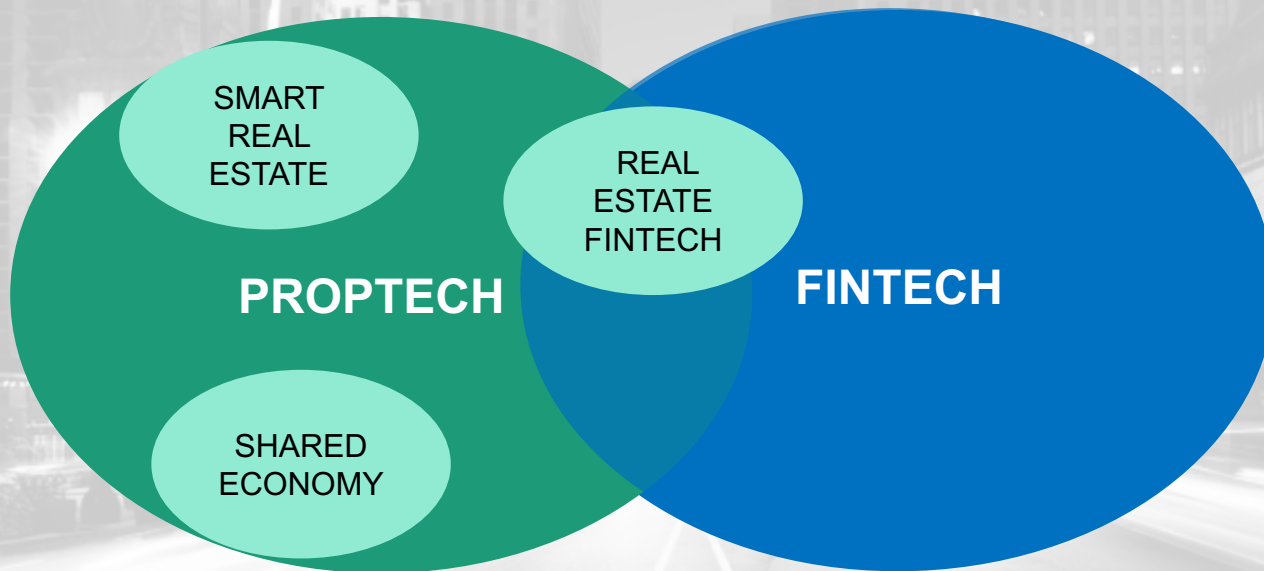
**FOCUS USED TO BE ON
EXOGENOUS (STEEP) AND
PROPERTY MARKET LARGELY
FOLLOWING**

**EFFECT OF TECHNOLOGY AND
DIGITISATION MARKETS**

**ENDOGENOUS FACTORS CAUSING
THE STRUCTURAL CHANGE
WITHIN MARKETS DUE TO
DIGITISATION**



PROPTech: BIG DATA AND PROPERTY



[Source: Said Business School]

PROPTech (CREATED WITHIN AND FOR THE PROPERTY SECTOR)
IS ENDOGENOUS: FINTECH, VIRTUAL REALITY, BLOCKCHAINS, ARTIFICIAL
INTELLIGENCE, AND SMART SENSORS

Whole wallet

An industry shudders as Amazon buys Whole Foods for \$13.7bn

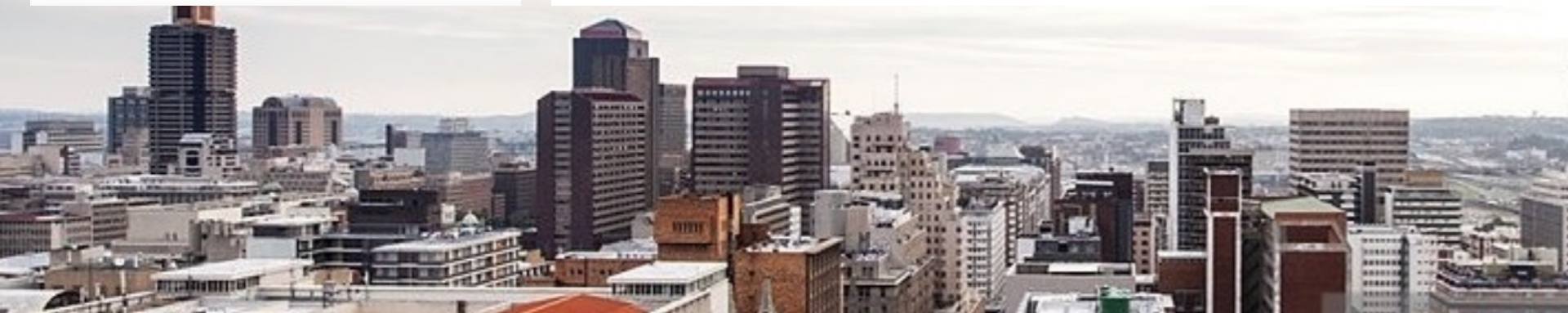
Investors hammered the shares of other grocers in the wake of the deal



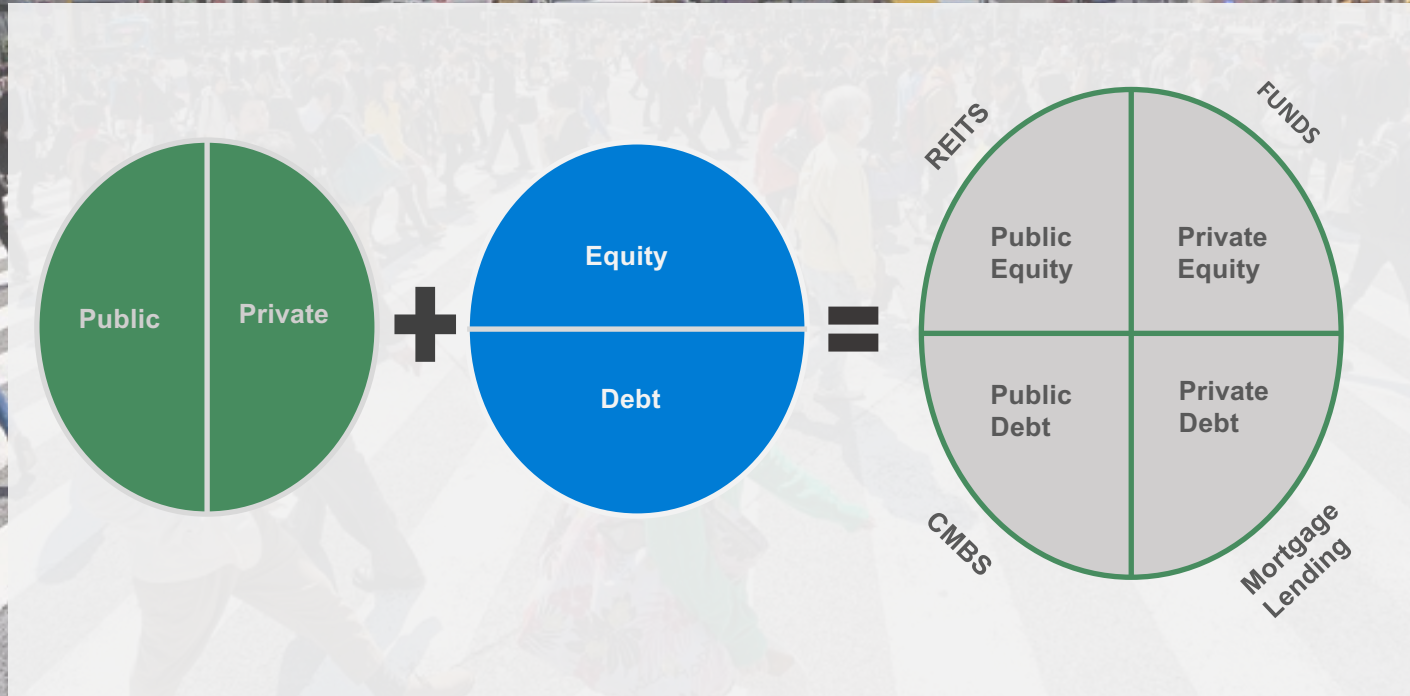
No more high property commissions

Start-ups such as Leadhome will force old-world estate agents to embrace the power of technology if they want to survive

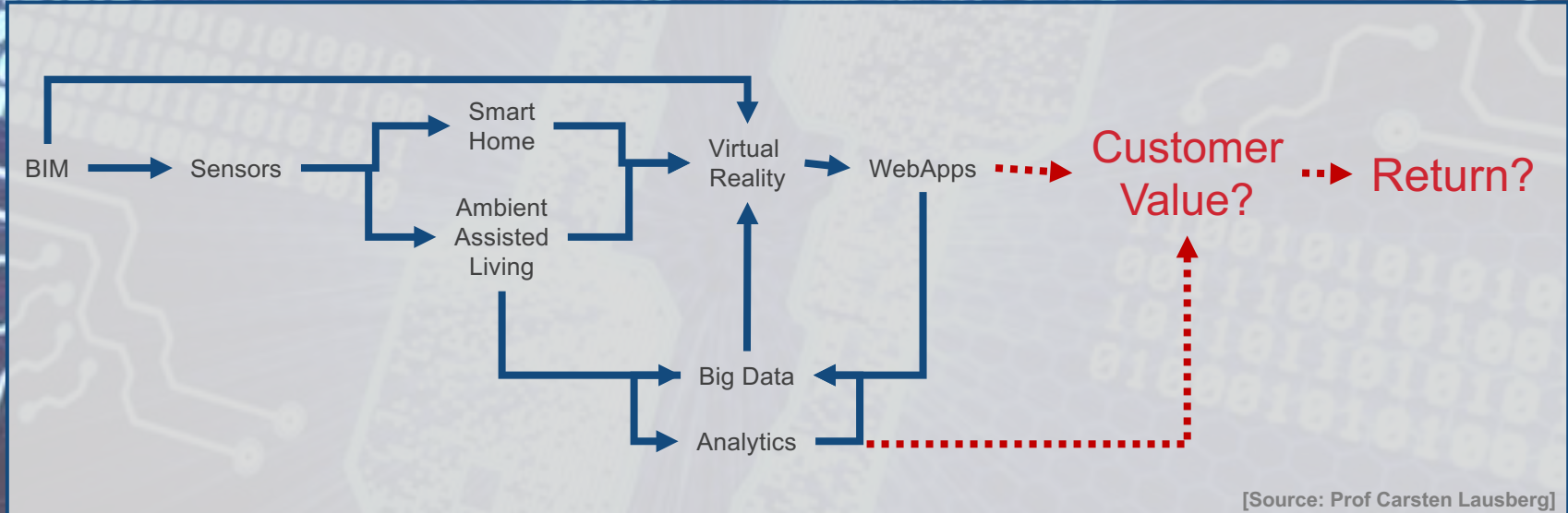
18 MAY 2017 - 11:47 by THABISO MOCHIKO



UNDERSTANDING PROPERTY MARKETS...



TECHNOLOGY IS A MEANS TO AN END, NOT AN END IN ITSELF...



PropTech can bring efficiency to traditional business models in the real estate sector

PROPTech: BIG DATA AND PROPERTY

“THE MAJORITY OF PROPTech FIRMS THAT WILL SUCCEED ARE NOT THOSE THAT ARE TRYING TO BE DISRUPTIVE; THEY ARE THE ONES FOCUSED ON DELIVERING PRODUCTS THAT BRING EFFICIENCY AND ALIGNMENT TO THE MARKET”

[Source: KPMG]

Trends:

- Shared Economy
- Crowdfunding
- Online Brokering
- Big Data
- Virtual Reality

Truths:

- Desire for Market Efficiency
- Liquidity
- Easy to find, finance, buy and sell property



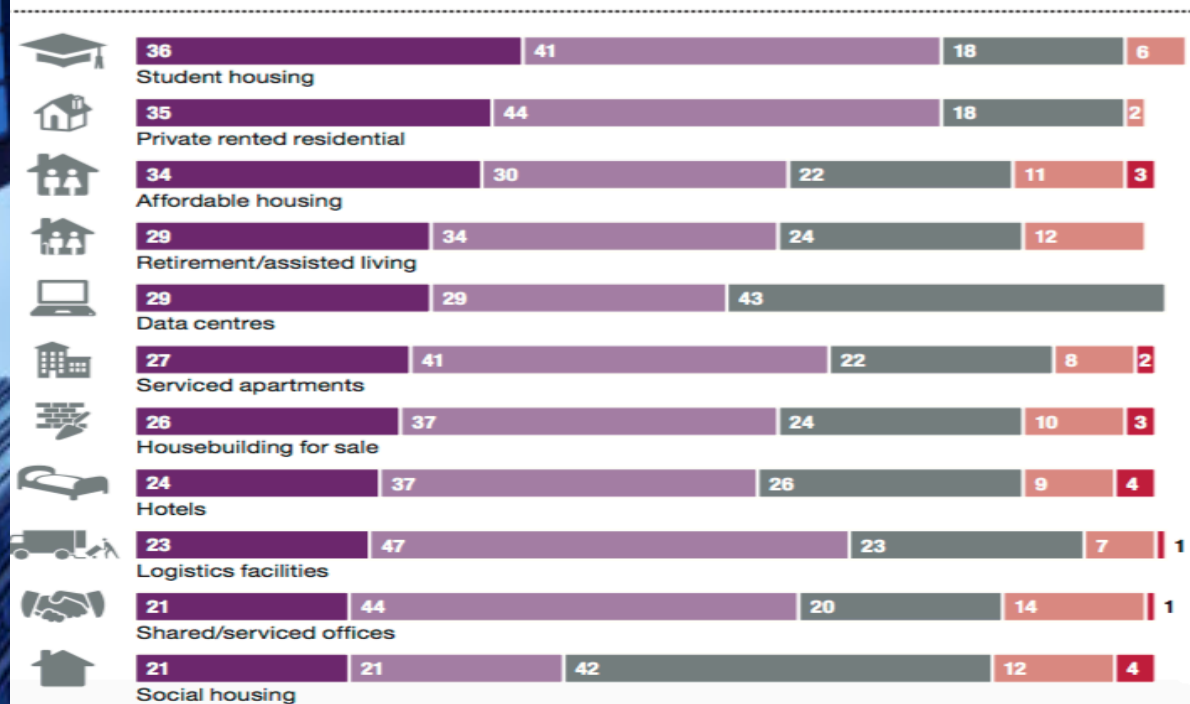
Technology facilitates the articulation of truths into market trends

TECHNOLOG
Y

[Source: Adapted from Dave Duarte]

UNDERSTANDING PROPERTY MARKETS...

Figure 2-12 Sector development prospects, 2017



[Source: ULI]

It's about Education, Leisure and Housing rather than Retail, Office and Industrial Space

We have seen...

A Retailer without Stock



A Taxi company without Taxis



A Hotel Company without Hotels



An Estate Agency without Agents



What's Next?

...A Housing Company without Buildings?



FORGET LOCATION, LOCATION, LOCATION

**THE NEW BATTLEGROUND IN REAL ESTATE IS
DATA, DATA, DATA.**

THANK YOU

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