



**Gulf Research Centre Cambridge**  
Knowledge for All

## Workshop 13

# Housing Markets and Policy Design in the Gulf Region

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## Abstract

Social protest from bulging cohorts of young people across the Arab world, including countries in the Gulf, has awoken governments in the region to the urgency of solving the challenges in their housing systems. The year 2011 has seen governments being more intentional about addressing the housing issue. The challenge facing the region's governments is: what set of policies would best meet the housing need? There are issues facing governments on both the supply and demand sides.

The 'Housing Markets and Policy Design in the Gulf Region' workshop aims to explore the Gulf region's housing systems, develop understanding of the key challenges facing them, frame the fundamental questions that need to be addressed and move towards identifying a recommended housing policy framework for the region, taking into account national differences. The workshop

will use a housing systems framework and will include comparative analysis of different housing systems.

## **Description and Rationale**

Social protest from bulging cohorts of young people in various parts of the Arab world, including countries in the Gulf<sup>1</sup>, has awoken regional governments to the urgency of solving the challenges in their housing systems. The year 2011 has seen governments taking decisions and being more intentional about addressing the housing issues in the face of growing demographic pressure, although apparent over the last five to 10 years.

Housing need is great in the Gulf. Growing national populations have, in cases like Saudi Arabia and Oman, already developed a bulge that will enter the economically active life stage and present their economies with a demographic 'window of opportunity' to drive higher levels of national income. Countries must see these populations housed, educated and employed if they are to reap the full benefit presented by this opportunity. Expatriate populations, at times growing at phenomenal rates, add to the housing need. Saudi Arabia has an estimated requirement of 1.65 million units by 2015 (Banque Saudi Fransi, 2011). Iraq needs 2 million dwellings by 2016 (Ministry of Housing & Construction, Iraq, 2010).

The challenge facing the region's governments is: What set of policies would best meet the housing need? What institutions are needed to govern and regulate the national housing system? The questions facing private sector stakeholders such as property developers, construction contractors and banks are how to convert this huge housing need into effective demand and what products will best meet the demand? In a region where the majority of housing acquisitions are new build with only a minority acquiring their dwelling through purchase of an existing dwelling, the public sector has been highly involved in the supplying the land, servicing the land, financing construction or purchase and even in some countries building it. Governments are now looking at what framework to adopt that will enable institutions and markets to work most effectively to meet housing demand.

The issues facing governments are several. In most countries of the region, supply side constraints exist. Not enough land has been made available for housing development, either due to the capacity constraints in the government planning system or land banking by investors expecting value appreciation. Equally, unserviced land without the infrastructure of water, electricity and roads constrains households from building housing on it. In some countries, housing production is crowded out by government companies with privileged terms that mean private sector companies cannot compete. Yet, housing production trails housing demand.

Supply side constraints form part of the reason for the increase in housing costs that push entry level housing beyond the affordability of many. Given the share of housing costs in average

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<sup>1</sup> The Gulf region includes Bahrain, Iraq, Iran, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates and Yemen

household budgets, the affordability of housing becomes a key driver for household productivity and standard of living. Affordability is a key macro-economic concept but how can it be measured practically in the Gulf context as an indicator of housing outcomes?

On the demand side, households are underserved by housing finance providers. Public sector banks providing below market rate loans, whether interest-based or Sharia-compliant, create excess demand which they cannot clear. The result is queues lasting up to 15 years, as in the case of the Saudi Real Estate Development Fund, locking up and constraining housing development while households wait. Private sector banks are either not in the market for long-term housing loans, or where they are, are serving only low risk workers in the government sector or larger private sector companies.

Governments have concerns about how to manage the development of the mortgage market. Eviction of householders from their homes is culturally abhorrent. Will opening up of the housing loan market be inflationary? What will the effect of a growing mortgage market be on macro-economic stability? How can institutions and rules be designed to best manage this development?

The workshop aims to explore the Gulf region's housing systems, develop understanding of the key challenges facing them, frame the fundamental questions that need to be addressed and move towards identifying a recommended housing policy framework for the region, taking into account national differences. Papers could address, for example, the housing system in a single country, make comparative assessments of the housing systems of two or more nations, discuss the main challenges in Gulf housing systems and how these are currently being addressed, or apply an area of social scientific theory to the arena of Gulf housing systems.

This workshop invites papers from academics, government policy makers and researchers from private sector organizations operating in the region, who are interested in the issues, challenges and opportunities related to the development of housing systems and policies in the Gulf region. Papers could be case studies, comparative studies, conceptual papers and empirical analyses on the following sub themes:

- Land ownership – structure and operation of the land market
- Housing tenure patterns and preferences
- Housing demand – estimates of the size of demand and future projections of household formation, demand characteristics
- House builders – structure, systems
- Housing costs
- Affordability
- Housing finance system
- Housing policy goals, strategy, framework

## **Capacity Building**

The workshop aims to develop the capacity of researchers in the Gulf region to identify the key questions surrounding the region's housing systems, perform analysis that will inform the debate

of these questions and develop solutions that can be offered to those organizations with a role to play in the development of the housing sector. The workshop directors will actively approach, encourage and support researchers in the region to participate in the workshop. Researchers from in and out of the region are invited to participate and bring their perspectives to the issues of the region. The mix of people from inside the Gulf with those around the world is anticipated to create a rich forum for real knowledge generation and thought leadership.

## **Workshop Director Profiles**

**Peter Williams** is the Director of the Cambridge Centre for Housing and Planning Research at the University of Cambridge with specialist interests in the areas of housing finance, markets and policy. He is a member of the Joseph Rowntree Foundation Housing Market Taskforce looking at the long-term stability of the market in the UK. He has authored and edited several books on housing and social change and is on the Management Board of the *Journal of Housing Studies* and chairs the Housing Studies Charitable Trust. He is also Executive Director of the Intermediary Mortgage Lenders Association and a Board member of the Kent Reliance Provident Society and One Savings Bank, Consult CIH, the National Housing Federation and Thames Valley Housing Association, and Chairman of Acadametrics, the house price consultancy. He is a Visiting Professor at the Centre for Housing Policy, University of York.

**Gus Freeman** is an economist with housing sector expertise and a business leader. In September 2011, he took on a newly-created role within Ernst & Young, MENA as Director of Economic Research. Over the last 10 years, Gus pioneered the establishment of a social and economic research organization in the Sultanate of Oman. Arabian Research Bureau provides culturally relevant analysis and insight to businesses and government organizations in the Arab world. Ahead of his time but seeing the potential demand, Mr. Freeman partnered in 2001 with one of Oman's leading thinkers to provide research to meet the nascent demand for understanding of the housing and housing finance sector in the Gulf. His career has seen him bridging the gap between social and economic information producers and users. He understands the issues involved both in the production of indicators and those facing users of information. This has enabled him to bring insightful analysis to policy debates. Mr. Freeman worked in the Cambridge Centre for Housing and Planning Research as Halifax Research Fellow in the late 1990s writing on affordable housing and comparative housing systems, tax and subsidy environments.

**David Smith** AHI's founder, *David A. Smith* brings to bear 35 years' experience with complex affordable housing transactions, programs, and policies, and a global reputation for creativity, insight, adaptive innovation, passion and problem-solving. AHI seeks long-lasting positive impact, changing housing finance ecosystems permanently for the better, roles which David has played in the US and in a dozen countries around the world, fusing theory and practice into solutions that prove themselves and persuade by themselves. Among his activities and accomplishments are:

***International financing expertise.*** David has led AHI consulting work for the World Bank, USAID, South African Banking Association, Gates Foundation, Rockefeller Foundation, and

MacArthur Foundation. He has identified and adapted global ideas in Turkey (producing a comprehensive assessment of the country's housing finance ecosystem); Egypt (strategic plan for the Guarantee and Subsidy Fund), India (slum upgrading finance brainstorming); Brazil, Mexico, Saudi Arabia, Kenya, Ireland, and the UK.

***Housing finance business and business model creation.*** David played a principal role in designing global-leading initiatives such as Slum Dwellers' International's Urban Poor Fund, a self-governed, self-managed, revolving fund – originally \$5m, now grown to several times that – available to SDI member federations of national cooperatives of low-income savers for transformative initiatives. He has advised Mexico's Cemex on taking Patrimonio Hoy to the next stage of innovation and success, worked with Ireland's Affordable Homes Partnership to create its long-term Rental Accommodation Scheme; and advised the US Senate Housing Subcommittee on its 1996 mark-to-market program to restructure more than \$10 billion of FHA-insured multifamily apartment mortgages.

***Housing finance innovation, education, and advocacy.*** Author of more than 200 published articles, including *The Community Reinvestment Act Goes Global*, David's work is read globally for insight into what public and private stakeholders can do to capitalize on emerging housing and financing trends. A co-author of AHI's landmark study, *Mission Entrepreneurial Entities*, he has spoken at or co-chaired more than a score of international conferences around the world, including Boulder Institute of Microfinance, World Urban Forum, World Bank's Global Housing Forum, and World Habitat Day.

***Brainstorming facilitation.*** David has a knack for fast-paced, enjoyable, productive facilitation of C-suite executive groups to tackle challenging program-design problems such as banking innovations in response to South Africa's Financial Sector Charter (2003); Rockefeller's five-country Bellagio Housing Conference and Declaration (2005); a symposium with Mexico City's Universidad Ibero-americana on urban land irresolution (2009); the Istanbul symposium with Bogazici University on urban formalization and disaster risk mitigation (2010); and Ashoka's Barcelona Housing For All symposium (2010).

***Peer recognition.*** David has many times been recognized his peers, with awards such as the NH&RA's Vision Award for lifetime achievement, the Appraisal Institute's Robert H. Armstrong prize, and NAHRO's Lange Award for international work and accomplishment.

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