

BANKING ON KNOWLEDGE

Qatar real estate driven by economic stability and infrastructure development

By Dr R Seetharaman

The US housing market remains fragile; however, home prices are rising at more than double the annual increase in wages. Affordability can become a serious issue unless there is a significant rebound in wages. Home builder confidence has since improved and US housing construction is starting to ramp up.

The Commerce Department reported that construction of single-family homes rose 4.2% in October 2014, which is the third gain in the past four months. The Bank of England (BoE) had earlier taken series of steps this year to cool Britain's housing market. However, housing market seems to be slowing faster than the BoE had been banking on. The British lenders have recently cut back on mortgages, which indicates that the rapid growth in



Britain's property market is slowing down.

In Hong Kong, the price rise has been driven by interest in small flats. After home prices reached record highs from 2009, the market sagged this year as China tried to calm prices with controls such as lending restraints and limits on multiple purchases. In annual terms,

prices fell 2.6% in October 2014. According to a recent study, Saudi Arabia needs 300,000 residential units every year over the next 15 years. In Riyadh, the lack of affordable homes is especially acute with a shortage of 225,000 residential units. Saudi Arabian Monetary Agency (SAMA) is issuing licences to allow leading banks to offer real estate financing there is with the expectation of a revival in demand in the residential and commercial property market.

The UAE market is showing signs of stability. Abu Dhabi's residential and commercial segments remained strong and healthy during the July-September quarter. Dubai real estate market during the third quarter was flat. During the summer, the market saw fewer transactions and in some locations the rentals slowed down as well.



In Oman, the demand for free-hold properties is increasing more than ever as the demography is changing with people moving from rural areas to cities. The total value of real estate sales contracts in Oman by end of August 2014 stood at OMR765mn and surged by close to 70% since 2013. During the same period, the amount of fees collected on all property transactions reached OMR28.2mn, representing an increase of 65.9%.

In Kuwait, total sales reached KD-372mn, up 16% year-on-year till Sept 2014. Sales in the residential sector was down

by 23% year-on-year. The underperformance of the sector could be attributed to the small number of available properties coming online. The investment sector continued to see strong growth in sales, as the sector offered relatively attractive returns. Sales reached up 73% year-on-year. Commercial sector sales remained subdued compared to average activity over the last year.

House rents in Qatar rose 8.2% year-on-year in October, mainly due to the country's surge in population, according to the Ministry of Development Planning

and Statistics (MDPS). The real estate lending in Qatar was up by 3.5% YTD; however, real estate sector witnessed drop in foreign currency lending. Industrial land is scarce in Qatar. However, residential property demand is picking up. Office supply is in excess. The mall activities are expected to increase and give a boost to retail property. There is also growth in Qatar's tourism activities, which result in expansion of hotels. The real estate sector in Qatar is expected to surge in the coming years on account of huge infrastructure development. The developments at Pearl-Qatar and Lusail City indicate the fast growth of real estate sector in Qatar. Qatar's real estate will be driven by economic stability and infrastructure development.

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