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AN ANALYSIS OF THE STRUCTURE AND MATURITY OF THE DOHA PROPERTY MARKET

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in partial fulfilment of the requirement for the degree MSc in Property Studies

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ABSTRACT

This research focusses on the dynamics that determine the maturity of property markets. It considers the institutional environment in which markets function and highlights property markets characteristics to allow for analysis of the characteristics required to determine maturity. The primary research targets the city of Doha located in Qatar. This is compared to other property markets around the world, using the available literature and the knowledge of Doha's expatriate property professionals.

The purpose of this research is to contribute to the research and knowledge of property markets by assessing the players, institutions and characteristics of the property market in Doha to assess whether it is driven by the same maturity forces as those that drive typical markets elsewhere.

The research concludes that property market outcomes could be improved in Doha by improving and developing the property market maturity factors. Considering all the factors, the property market in Doha was identified as fairly immature in comparison to international best practice. It has improved significantly recently and is on a path to compete with the more mature markets in future. Recommendations proposed in the research findings focused particularly around the strengthening of property market institutions to allow for further improvements to market maturity and cautioned against verbatim copying of successful market practices from elsewhere.

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DECLARATION:

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1 CHAPTER I - INTRODUCTION

1.1 Context/ Overview

This research is primarily focussed on the dynamics that determine the maturity of property markets. It also considers the evolving institutional environment in which markets function. The research highlights the characteristics of property markets in both developed and developing countries in order to analyse the similarities and differences that drive the characteristics required to determine their maturity. The primary research undertaken in this research targets the characteristics of the property market in the city of Doha located in Qatar, in the Middle East. Doha is experiencing an unprecedented rapid growth spurt (Bagaeen, 2007). The Doha property market in this research is compared to other property markets around the world, primarily using the literature available on more developed markets, but also considers the knowledge of Doha's expatriate property professionals who have experience of working in other property markets.

The academic body of knowledge available on property markets focused on major cities and economies of the world is large, with numerous extensive studies carried out on the subject. The number of studies that discuss the characteristics of developing markets are however limited (Dugeri, 2011). Studies of property markets of cities in developing countries and their maturity are also less prevalent. Fast growing cities in economies that are rapidly developing and expanding have equally limited amount of research available. In this case however, even the limited amount of research available is quite often out of date and irrelevant with little academic work carried out on this subject. This is due to the fast-changing pace of economic development which quite often outpaces the capacity and ability of the institutions, processes and laws that underpin their property market functionality. An example of this is the rent increase of up to 80% between the 2004 to 2006 boom in Dubai and the resultant government scramble to impose rent controls to stabilise prices (Bagaeen, 2007).

Cities and national economies in the Middle East, which were previously idle, dormant and arid fishing villages have had massive capital injected into their economy which consequently filtered into the property markets that they serve. Income from the hydrocarbon industry (Oil and Gas) has generated huge demand for different profitable investment opportunities for the surplus capital of both the state and individuals who operate in these economies. The property markets and built assets have been one such beneficiary (Buckley and Hanieh, 2014).

The Doha property market is in itself interesting to study to identify whether any lessons learnt from other similar markets that are ahead of Doha in terms of maturity, can be evidenced or identified in the Doha market. The property vacancy rate is an example of a leading market indicator which is available and published in developed markets. The vacancy rate offers a good indication of the conditions in the property market and is deliberated on by developers when evaluating the possibility of adding to the current market supply (Viruly, 2007).

Keogh and D'Arcy (1994) define property market maturity as a product of varied attributes which include the availability of a wide range of market prospects, openness, information availability, presence of a variety and choice of professional actors with their associated institutions and standardised property rights. This research contributes to the body of knowledge by enhancing the understanding of property markets in emerging countries and provides market players, who intend to operate in Doha, with insight on the maturity of the property market. Lessons on maturity factors being learnt in Doha could equally be applied in the planning and strategic visions of other property markets that are following behind Doha in the maturity framework hierarchy. Cities which have since been overtaken by Doha because of its rapid development could also benefit from an understanding of the market factors at play to improve market maturity.

1.2 Purpose

The purpose of this research is to contribute to the research and knowledge of property markets by assessing the players, institutions and characteristics of the property market in Doha with a view to identify the drivers and factors that influence its maturity and comparing these with factors that influence other property markets maturity. This research looks at the property market in Doha to assess whether it is driven by the same maturity forces as those that drive typical markets elsewhere, as well as identify the underlying differences.

The property market is influenced by the economy at large, the availability of land and finance, the laws of the national and local government as well as the delivery players including developers, consultants, agents and construction companies. Property markets are generally seen as inefficient and immature compared to equity markets by the body of empirical research carried out on the topic, primarily due to over reliance on individual valuations which are prone to a degree of uncertainty (Baum *et al.*, 1996). How mature and efficient is the Doha property market? How is maturity of a property market determined? How would it operate if it were more mature? Can maturity factors influence its attractiveness, transparency and efficiency? Keogh and D'Arcy have argued about the concept of the 'property market process' being possibly functional and efficient for some market participants but not for others (Keogh and D'Arcy, 1999).

This research looks at how mature the property market in Doha is and how it compares to other city markets. This was done by analyzing the property market process, the allocation of land rights to permit development, the development process, property operations, revenue and leasing, market players (assessing the extent of foreign involvement), market valuation and property asset disposal strategies and the market institutions that make this possible. The research aims to

highlight the functions of the Doha property market and their maturity through analysis of factors identified through the literature review.

Conducting a case study of the city of Doha was crucial to achieving the research aim of determining how the property market functions and how mature it is. This was aided by a review of development projects in Doha to gain an understanding of how these developments are organised, which players and institutions were involved as well as assessing how they compare with the literature review carried out on market maturity characteristics. Finally, the research looks to make recommendations on lessons the Doha property market could learn and what pitfalls to avoid to improve market maturity based on the analysis of the operations of other markets and findings from the case study conducted. The research also looks at how the market moves forward from where it currently is.

1.3 Why is This Study Topic Important?

This topic is important to study as the property market function and maturity are key areas to consider for new entrants into a market. The nuances of the market which determines its maturity have some of the most significant consequences to a new or inexperienced developer. Market maturity perception can, for example, influence a developer's perception regarding risk and return which is a fundamental decision point when deciding to invest. The attraction to the property market is derived from its ability to provide revenue from rental value or resale of a completed property at a profit (development net present value greater than zero)(Theurillat *et al.*, 2014). The likelihood of achieving this is significantly reduced if the property market function maturity factors are not fully analysed and therefore not understood. D'Arcy and Keogh (1999) identify the lack of the most basic information on property market opportunities as a cause

of incorrect actions by property investors which reduce the likelihood of the market being attractive to investors. The risk of not achieving a positive net present value is significantly increased leading to wrong investment decisions, lost opportunities and possibly financial failure. The aim, purpose and functions of the other market players, institutions, the State and local government are key to market success (Keogh, 1998) and could all be considered factors that influence market maturity.

It is expected that a mature market is an efficient market with reduced transaction costs and good information available which is well utilised to come up with the best possible price. Mature markets are anticipated to be more attractive to investors. The research into the influences of the institutions on the property market in Qatar could assist in determining the relative maturity of the market, its attractiveness and areas for further development. Ball (1998) refers to how economists ignore the multiple property transaction dimensions when conducting property market analysis and this research attempts to highlight this discrepancy in analysis. When studying the Nigeria property market, (Dugeri, 2011) noted that there was inadequate information on factors that influence property performance leading to higher risk for the markets investors.

The property market is important to study as it is used by governments as a way of collecting revenues and subsequently redistributing national resources through the allocation of land and providing rights of use and infrastructure required to allow for the land's full exploitation. This is particularly evident in the property market in East Asian cities (Haila, 2000), but is also evident in Doha as well as the wider Middle East. Wallace and Williamson (2006) state that economies with successful markets generate more wealth than comparable economies with unsuccessful markets. Economies with successful markets are also seen as more stable, and offering more opportunity to their market participants (Wallace and Williamson, 2006). However, there is also research carried out which shows the risk

of systematic manipulation by a large market participant in highly efficient markets (Hahn, 1984). Property markets are therefore important to understand to ensure wrong investment decisions are not made and the relative maturity which affects returns is understood at the outset.

1.4 The Research Problem

The characteristics of the large-scale property market in Doha is not well understood, this impacts on the decisions made by property investors and other professionals and affects the perceived maturity of the market.

1.5 Research Questions

- 1 What is the perceived market maturity of the property market operation and how does this compare to other markets?
 - a. What is the nature and characteristics of the Doha property market?
 - b. What is the property market process for market action like land allocation and development.
 - c. Who are the main players and institutions involved?
 - d. How does this compare to other property markets?
 - e. What are the property market outcomes and what lessons can be learnt from other markets?

1.6 The Research Proposition

The proposed proposition of the research is: -

The characteristics of the Doha property market result in market outcomes that could be improved through greater market maturity.

1.7 Research Method

The research achieves its aims by conducting a comprehensive literature review. The research is qualitative in nature with a strong emphasis on a case study of the city of Doha. Qualitative research methods are described by Kothari (2004) as an attempt to provide answers to a subjective evaluation of personal views. As this is a case study, participants offer their perspectives on the research topic in their own words.

1.8 Research Design

The literature review aimed to find out what is currently written and known about the property market and how it functions and operates through the development process. The initial aim of the literature review was to confirm the validity of the research question and then seek to collate the current knowledge around the topic.

1.9 Research Strategy

The case to be studied is the Doha property market itself. The case study identified developments in Doha, that were at various stages of development to ascertain whether there is a clear understanding of market maturity and functionality. These developments were used as the unit of observation of the case study. The unit of analysis of the case study was the Doha property market as a whole, and all conclusions drawn are focused on this. The research is focussed on developments that were at different stages of their development cycles. This is to obtain diversity of opinion as well as offer a view on any signs of improvement or change within the organisations utilised as units of observation and the property market generally.

1.10 Ethical/ Commercial considerations

A single case, of the Doha property market as a whole, is utilised in compiling this research with two projects acting as units of observation further scrutinised to identify the structure of the property market and triangulate the research's data and methodologies used. Pre-set interview criteria and questionnaires were utilised for the case study review. The research participants acted as an authority on the subject matter and provided their influence on the issues discussed. The research obtained ethics approval prior to interviews being carried out. The ethics clearance considered the nature of the questions to be asked in interviews and had access to the interview questionnaire included in Appendix A. Any material deemed to be sensitive (commercially or otherwise) is redacted from the results as well as the names and identification of the individuals concerned as they are not relevant to providing answers to the research question. The interview structure created was made available to the interviewee so that the interview remained on topic and the interviewee was briefed about the line of enquiry and any relevant pre-information required prior to the interview. Research on published information on the projects used as units of observation was sought and compiled prior to interviews. The results of the interviews influenced additional questions included in the questionnaire issued.

1.11 Research Limitations

The research is limited by the time available which limits the scope and locations considered. An expansion to cover a wider range of markets for comparison as units of analysis would have had an added benefit. The research is limited to the city of Doha as its unit of analysis of the case study and does not attempt to assess the maturity of the property market in other cities in Qatar or the region.

The research also limits itself to analysing large scale property developments and does not attempt to investigate the maturity of small and medium scale

developments. The markets in which the small and medium scale developments operate have different participants who have not been studied, interviewed or asked to participate in the questionnaire survey carried out as part of this research. These projects were, as a result, not been selected as units of observation. The results and conclusions of the research should therefore be applied to the large scale property market only.

The resources available presented a further constraint to the researcher and further research utilising quantitative methods could be beneficial to the knowledge on this topic.

1.12 Structure of the Research

This research report consists of five chapters that include the following:

Chapter 1: Introduction – The chapter contains a brief outline of the research. A summary of some of the initial literature read is also incorporated which is aimed at contextualising the research aims and topic. The chapter also comprises of the problem statement, the research questions, the aim of the research, and the objectives of the research. A small section on the planned research method is included here to conclude.

Chapter 2: Literature Review – The chapter contains a thorough literature review that evaluates the property market institutions, players, functionality and maturity generally. The research unearths the major studies carried out on property market maturity as well as the market institutions at play in a typical market. The literature review forms a basis for understanding the property market in Doha which is then assessed separately based on the prevailing literature review findings.

Chapter 3: Method – This chapter describes the research methodology, design and strategy used to answer the research problem and question. The processes and research framework which the research adopts is clarified and qualified. The

methods which the research uses to obtain data as well as analyse it are reviewed and justified in this chapter.

Chapter 4: Case Study of Doha – This chapter analyses the case study of Doha. The case study is analysed in the context of the research questions and the property market maturity framework and presented in a manner that allows for comparison with the research findings. The units of observation are reviewed in the same way to gain an understanding of the case study context.

Chapter 5: Research Findings – This chapter analyses the results of the empirical research carried out and interviews held to support them. The empirical research findings are analysed in the context of the research questions and problem statements and presented in a manner that addresses the issues raised.

Chapter 6: Conclusions and Recommendations – This chapter provides a conclusion to the research, where all the information gathered from the literature review and case study is brought together. The research is also placed in context including contextualising the limitations of the research, possible further research which could be carried out on the subject as well as any other research limitations. The list of references is included as well as an appendix detailing case study detailed structure and information gathered.

2 CHAPTER II – LITERATURE REVIEW

2.1 Context/ Overview

This research considers the maturity of property markets and the evolving institutional environment in which markets function. It also considers how market maturity evolves over time. The research highlights the characteristics of property markets in both developed and developing cities and considers their similarities and differences.

2.2 Definitions of the Property Market

Property in the context of this research refers to real property, immovable property or real estate. This is defined as a piece of land, including the rights to the airspace that is directly above it, the ground below it, including any buildings or structures that are permanently fixed on it (see Burn and Cartwright (2011) and Megarry (2012)). This is as opposed to other property definitions such as intellectual property which is beyond the scope of this research.

A typical property acquisition involves numerous players including Estate Agents, Lawyers, Local Authorities, Surveyors, Engineers and Bankers. While the list of players and functionalities varies depending on the property type size and location, they each contribute their own part to the functionality of the overall market and have specific objectives and interests.

The National Association of Realtors defined the property market as the supply and demand for ownership interests in property (Realtors, 2002).

The property market was described by Keogh & D'Arcy as that which "describes the institutional arrangements through which real property is used, traded and developed and the wide range of actors involved in the process." (D'Arcy and Keogh (1999), page 917). The definition of Keogh & D'Arcy is closest aligned to the aims of this research.

Ball *et al.* (1998) introduces the concept of four interconnected property markets that lie beneath the overall larger property market. These are identified as: -

The user market, in which the property occupiers seek property space for their use and are prepared to pay a rent in exchange for occupation rights.

The development market, in which new space is supplied to the user market through new development, change of use or refurbishment of existing supply.

The financial asset market, which finances the development process and benefits from the cash flow created by the user market.

The land market, in which land held by land owners is released into the development market to increase supply.

The four distinct markets function together to create an overall property market which will be treated as a singular market entity (the property market) for the purposes of this research but is nevertheless important to identify separately as it helps describe the complexities of the property market which will be referred to later. It is also important to note that each of these markets have their own sets of rules and institutional environment in which they function.

2.3 Features the Property Market

There are numerous features that are exhibited in the property market, which when combined, make the market both complex and unique. Some of these features include: -

Fixed locations, - in that property is an immovable asset that is consequently affected by its location and competing uses of surrounding land.

Durability, - in that property lasts for long periods with many buildings having design lives exceeding fifty years. It is therefore generally seen as a long-term investment.

High capital cost and time required for supply, – property cannot easily be split up into small sections that can be developed at minimal costs in a short time. A long period of time and large capital injection is required to create functional property space. This is as opposed to the ability to purchase individual shares in equities and other investment types in a very short period.

High transaction cost, – property markets have relatively high transaction costs when compared to most other markets. The transaction costs are linked to the provision of information and the problems that arise as a result of this (see Mooya and Cloete (2007) and Mooya (2009)). Mooya (2009) also acknowledges that, high transaction costs can cause markets to fail. Mooya (2009) further states that in cases of high transaction costs, the value of the transaction must be significantly higher than the transaction costs to reduce likelihood of market failure. These transaction costs are heavily influenced by the institutional environment and the rules of the game in the property market.

Institutional constraints, – there are institutions at play in the property market which constrain both the supply and delivery markets which are both permanent features of and unique to the property market. In property, institutions serve numerous functions including provision of storage of missing information, enforcing market rules, encouraging communal action and minimising transaction costs (Mooya and Cloete, 2007).

When combined, these characteristics result in slower price and supply adjustment compared to most other markets (Ball et al., 1998). Each of the sub-markets highlighted above exhibit these characteristics in their own right. For

example, a lag in the rate of response of the land market to a price increase which should encourage supply has a knock-on effect on the development process as well as the user market. Conversely an excess supply of property in the user market is not immediately felt by the development market. The cause of the lag can be linked to some of the characteristics highlighted above including the transaction and capital costs. The adjustment of information that is critical to market adjustment is determined in each sub-market sector.

Institutional market interventions like planning controls or tax incentives for brownfield development affect the rate of supply and demand adjustment in the property market by affecting the capital costs, time implications as well as locations within which supply can be increased. It is these institutional interventions which will be explored further in this research.

2.4 Institutions in the Property Market

Institutions are defined by North (1986) as regularities in repetitive interactions among individuals which provide a framework within which people have some confidence as to how outcomes will be determined. In other words, institutions provide the rules of the game (constraints) which determine how a business transaction, trade or any other interaction will be conducted and decided. Voigt and Engerer (2000) describe institutions as commonly known rules that provide structure to dealings and business situations and in addition provide the enforcement mechanism in case of non-compliance.

Ball (1998) refers to institutionalist literature, formally distinguishing between the players which are the organisations and the rules which are the institutions.

North's definition, which will be adopted in this research, is viewed through new institutional economics (NIE), which argues that the economic performance of any society is directly related and significantly determined by its institutional

structure (Williamson, 2000). In other words, institutions matter in determining economic performance and can alter the markets performance.

North (1986) further clarifies that institutions are not persons but are customs, laws, guide lines and rules that provide a set of incentives and disincentives and are typically enforced ultimately by the state. It is these institutions and the fact that they matter that this research will attempt to identify and contextualise in terms of their; effects on physical property markets, maturity, and particular nuances encountered in Doha. The role of institutions is to iron out the inherent uncertainty prevalent when businesses or individuals transact. The institutions reduce uncertainty through the imposition of enforceable rules and constraints on the behaviour of the parties thus creating a sense of predictability that assures the transacting parties that the other person will deliver. Institutions come about to help reduce transaction costs however it is also argued that, as the institutions were created by a community, the power and interests of the communities that created them may act to reduce the transactions costs of some but not all members of that community. Inefficient institutions may therefore be retained by a market to serve the interests of the interest groups and benefactors (Keogh and D’Arcy, 1999). Ball (1998) states that the institutional structure that exists in a market may, as a result of this, lack any rationale.

Nabli and Nugent (1989) highlight the importance of considering the rules in institutions as configurations of rules together rather than single rules separately. They consider these sets of rules together as the basis of and defining characteristics of institutions. They also include the institutions' ability to govern the relations among affected parties and their predictability which allows for repeated application of the rules set in future as key defining characteristics. It is the stability of these set of rules that provides them with an institutional character.

In describing the property market in institutional terms D'Arcy and Keogh (1999) formulated a three-level hierarchy for their analysis in which the market exists within the societies legal, social, political and economic institutions (rules of the game) in the upper level. The property market exists as an institution in its own right with its own characteristics and rules in the middle level. At the lowest level, the main organisations (the market players) involved in the property market are analysed according to the way they are arranged and the changes within them. This is illustrated in the figure below.

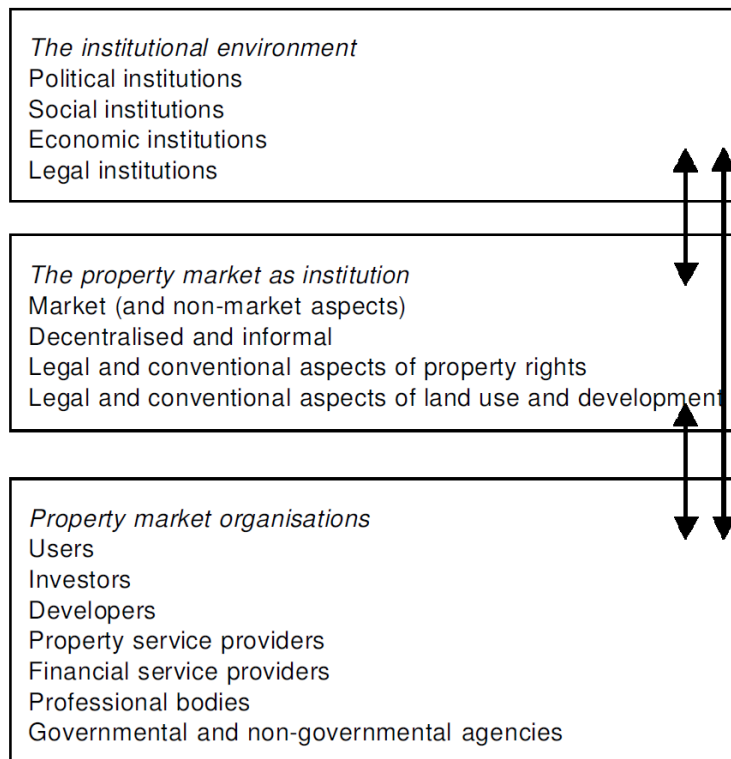


Figure [2.1]: The Institutional Hierarchy of Property Markets. (Keogh and D'Arcy, 1999)

Keogh and D'Arcy (1999) therefore argue that the institutional view of property cannot be viewed at a single level but at various interacting levels of an institutional hierarchy which need to be viewed as a whole to be fully understood.

2.5 Traditional Economic View

Traditional neoclassical economics has been criticised for offering little insight into the complexity of economic relationships that apply to a typical property transaction. Analysing the property market in terms of an ideal market, where the price and quantity are the only significant variables oversimplifies the nuances of the property market and the sub-markets that lie beneath the overall property market umbrella. The assumption that markets will always attempt to allocate its resources in the most efficient way that maximises utility is also challenged by the institutional transaction cost inefficiencies and lack of rationale stated above. Ball (1998) refers to how economists are somehow “getting it wrong” when conducting analysis of real world property development. The multidimensional nature of some of the simplest transactions is quite often ignored. Arvanitidis (2006) argues that traditional economics tended to focus on the end result rather than the process and therefore failed to obtain an understanding of the property market characteristics and realities including its decentralised trade, costly information, and long-time lags in its production.

Nabli and Nugent (1989) assert that neo-classical economic analysis has taken the institutional framework as given, and omitted it altogether in many cases. New institutional economic theories attempt to evaluate the market transactions as well as the rule making institutions thus providing a better model through which to analyse the property market. Ball *et al.* (1998) point to empirical evidence which highlights that the complexity of property market arrangements requires an institutional view to help simplify and therefore aid analysis. It is therefore through this institutional view that this research analyses the maturity of property markets and the evolving institutional environment in which the markets function. The research highlights the characteristics of property markets in both developed and developing cities in order to analyse the similarities, differences and derive any

possible lessons to be learnt from each through the view of the institutions and players involved.

2.6 Institutional Economic View

Ball (1998) while acknowledging the significant growth and acceptance of institutional economics as a mainstream economics subject area also notes the little application of this field to the property world. Ball (1998) also describes historical institutional analyses as being split into three work streams: -

- 1) General ad hoc institutional analysis – which is the weakest form and puts more emphasis on the market players rather than the markets and Institutions.
- 2) Conflict institutional analysis – which describes more direct institutional focus as it pitches two competing institutions vying for the same development space with local authority institutions as the mediators of those conflicts (typically Developers vs Local Community).
- 3) Behavioural institutional analysis – which identifies particular agencies that participate in the property market and suggests that they have behavioural characteristics, usually preferences, that may in certain instances be different from what is expected in a typical rational profit-maximising calculation (Ball, 1998). This is typified by an analysis of the behavioural characteristics of existing landowners in releasing urban land for development which shows that they may have an interest in prolonging their influence and forward speculation instead of maximising today's profits.

The work streams appear to show development and increase in maturity of analysis as they progress with the third being better developed than the second and first. More modern property institutional analyses includes Structure-Agency (Healey and Barrett, 1990) and Structure-Provision approaches (Ball *et al.*, 1998)

which are described by Ball *et al.* (1998) as attempting to provide institutional perspective to the analysis of the property market.

This research adopted the institutional analysis approaches and utilised them to analyse the property market institutionalism and the market institutional development across different property markets which determine market maturity. Demirgüç-Kunt *et al.* (2003) when discussing institutional development, refer to the extent to which national institutions support private property rights and promote economic openness and competition in general. Chaudhry (1997) when reviewing how institutions are formed, indicates that the institutions themselves are at the mercy of the social, political and economic situation in which they function and are therefore not static and are subject to change. Institutional development will later be explored further in greater depth as part of the maturity analysis.

2.7 Maturity of the Property Market and the Maturity Framework

Market maturity generally and the property market maturity has been researched extensively and a good body of literature exists. The majority of literature however refer to the work of Keogh and D'Arcy (1994) in which they introduced new ways of looking at property market performance based on institutional analysis, in-depth consideration of market maturity and developed a property market maturity framework. The framework looks to incorporate all essential factors which contribute towards a better understanding of the property market. Keogh and D'Arcy (1994) studied the London property market and compared it to that of Barcelona and Milan which were considered less mature. The London property market is seen as mature as it has a strong history of private property culture, ingrained tradition of commercial property market practice and also operates in one of the world's strongest financial centres. All other attributes exhibited by the London market are considered as those of a mature market.

Keogh and D'Arcy (1994) has been adopted and accepted by numerous researchers as the framework of their own research (see Armitage (1996), Chin *et al.* (2006), Dugeri (2011), Rothacher (2013), Akinbogun *et al.* (2014) and Ke and Sieracki (2015)). The underlying assumption of the research was that property markets become more complex as they are integrated into national and global financial markets and would follow a path in developing market structures and institutions as those of mature markets located in the world's financial centres. The argument acknowledges that market maturity is complex, with no single criteria used as a trigger in the classification. Maturity is therefore determined subjectively and looks to achieve a normative economic ideal, including value judgments which support certain market attributes.

Keogh and D'Arcy (1994) define property market maturity as a product of varied attributes including availability of a wide range of market prospects, openness, information availability, presence of a variety and choice of professional actors with their associated institutions and standardized property rights. Their research also aimed to assess the impact on the perceived maturity of the institutions associated to these factors in any particular market.

A mature market is therefore defined as one that exhibits this set of desirable market features and therefore tests for their presence could act as a measure of any particular market's maturity using this framework. Chin *et al.* (2006) state that mature property markets are therefore generally the ones that are most open to new local and international participants, who are not knowledgeable about the market and are therefore information hungry. Availability of reliable, accurate, impartial information is therefore seen as key to market maturity.

A mature property market was described by Keogh and D'Arcy (1994) as one that has the following characteristics:

- 1) Accommodation of a full range of use and investment objectives
- 2) Flexible market adjustment in both the short term and long run
- 3) Existence of a sophisticated property profession with its associated institutions and networks
- 4) Extensive information flows and research activity
- 5) Market openness in spatial, functional and sectoral terms
- 6) Standardisation of property rights and market practices

Armitage (1996), Chin *et al.* (2006), and Ke and Sieracki (2015) applied the property market maturity paradigm to Asian property markets and broadly agreed with the original Keogh and D'Arcy (1994) results on the factors to consider in assessing maturity as well as the importance of institutions. Dugeri (2011) and Rothacher (2013) studied the property markets in sub-Saharan Africa (Nigeria, Tanzania and South Africa respectively) also adopting the original Keogh and D'Arcy (1994) framework on the factors to consider in assessing maturity and institutional view. The Chin *et al.* (2006) study rated the Hong Kong and Singaporean property markets as mature using the paradigm and consolidated the characteristics of a mature market found in the literature reviewed to include an expanded list of factors affecting maturity, which were:

- 1) Offers a sophisticated and sound finance structure
- 2) Accommodates a full range of use and investment objectives
- 3) Provides the extensive property information and property intermediaries with high level of property professionals
- 4) Offers a wide range of investment objectives
- 5) Provides a liberalised financial market environment
- 6) Updated and developed public infrastructure

- 7) Low risk and return
- 8) Provides high quality property products
- 9) Provides accurate financial and market practice
- 10) Standardisation of property rights and market practices
- 11) Flexible market in both the short and long run
- 12) Stable economic environment
- 13) Stable development environment
- 14) Large pool of skilled workers

These factors will be utilised by this research to assess property market maturity of various international markets and subsequently also applied to the Doha property market.

2.8 Other Market Performance Measures: Attractiveness, Efficiency, Transparency

Other property market players such as the international property consultancy firm, Jones Lang LaSalle, have introduced alternative measures to analyse the property market which include measures of market transparency, attractiveness and efficiency. Any measure that utilises the factors affecting maturity from the maturity framework above will yield results that are usable to determine market maturity.

Jones Lang LaSalle produce a Global Property Market Maturity Index as well as a Global Real Estate Transparency Index which are published annually. The Global Real Estate Transparency Index seeks to understand market transparency by sending out a comprehensive questionnaire with more than 100 questions broadly along the lines of the original Keogh and D'Arcy (1994) and Chin *et al.* (2006) list of criteria described above (see LaSalle (2014)).

The Global property market Maturity Index utilises four key criteria in assessing the maturity of major city property markets. These are: -

Alpha cities – Leading markets that are very transparent, liquid, with abundant supply of property and infrastructure as well as global connected businesses operating within them that exhibit with high value functions.

Beta cities – Changing markets that are liquid, transparent to semi-transparent, with an abundant supply of international quality commercial property, an infrastructure that's available but still under development and high-value activities.

Gamma cities – Emerging markets which exhibit little to semi-transparency, undergoing substantial infrastructure and general property development, an evolving corporate base, but with low levels of investor trading.

Delta cities – Promising markets with minimal transparency, minimal levels of new property construction, substandard to little infrastructure and a low level of multinational corporate activity (LaSalle, 2010).

The market maturity criteria in this study is also similar to the ones proposed by Keogh and D'Arcy (1994) and Chin *et al.* (2006) which highlights an overlap between the two studies of Jones Lang LaSalle. The Keogh and D'Arcy (1994) framework goes further than transparency by referring to market flexibility and the accommodation of a full range of use and investment objectives (Dugeri, 2011).

Lieser and Groh (2011) looked at the concept of determining an individual country's attractiveness for real estate investments and narrowed the factors that make a country attractive down to economic activity, real estate investment opportunities, depth and sophistication of the capital market, investor protection and legal framework, administrative burdens and regulatory limitations and socio-cultural and political environment. This is summarised in Table 2.1 below which looks at Real Estate attractiveness. The parameters highlighted in Table 2.1 below are very similar to those identified by Keogh and D'Arcy (1994) and Chin *et al.*

(2006) (identified above) when looking at market maturity. Mature markets are therefore directly linked to market investment attractiveness as depicted in the Lieser and Groh (2011) study. Rothacher (2013) highlighted the strong correlation between mature property markets and general economic development which aligns with the Lieser and Groh (2011) study's findings. The conceptual framework created for the study depicted below could be used as a conceptual framework to measure the market maturity because of the direct link of the factors measured.

Conceptual Framework of Real Estate Investment Attractiveness					
Economic Activity	Real Estate Investment Opportunities	Depth and Sophistication of Capital Market	Investor Protection and Legal Framework	Admin. Burdens and Regulatory Limitations	Socio-cultural and Political Environment
1.1 Size of Economy (+)	2.1 Institutional Property Estimation (+)	3.1 Stock Market Liquidity (+)	4.1 Investor Protection (+)	5.1 Taxation & Capital Gains Taxation (-)	6.1 Human Development (+)
1.2 GDP per Capita (+)	2.2 Degree of Urbanization (+)	3.2 IPO Market Activity (+)	4.2 Security of Property Rights (+)	5.2 Ease of Getting a Construction Permit (+)	6.2 Crime (-)
1.3 GDP Growth (+)	2.3 Urban Population (+)	3.3 M&A Market Activity (+)	4.3 Quality of Legal Enforcement (+)	5.3 Ease of Registering Property (+)	6.3 Bribing & Corruption (-)
1.4 Working Force (+)	2.4 Quality of Infrastructure (+)	3.4 Debt & Credit Market (+)	4.4 Regulatory Quality (+)	5.4 Ease of Starting a Business (+)	6.4 Political System & Stability (+)
1.5 Inflation (-)	2.5 Development of Service Sector (+)	3.5 Access to Private Capital (+)		5.5 Ease of Closing a Business (+)	
1.6 Innovation & Technology (+)		3.6 REIT Market (+)		5.6 Foreign Exchange Controls (-)	

Note: Positive/negative sign according to the impact on real estate investment activity.

Table [2.1] Conceptual Framework of Real Estate Markets
Source: (Lieser and Groh, 2011)

The factors utilised in these other market measures identified are largely similar to the Keogh and D'Arcy (1994) framework and its further development by other authors identified earlier. This research considers results of these studies and therefore the terms utilised as interchangeable.

It is expected that a market that is mature is an efficient market. Market efficiency, as analysed through Efficient Market Hypothesis (EMH) which tries to analyse the way a market anticipates future events and utilises all information available to

come up with the best possible price. The more mature and efficient a market is, the greater the predictability in the prices and costs of transacting and the lower the likelihood of failure. This makes more mature markets more attractive to investors as they significantly reduce the likelihood of investment failure (Keogh and D'Arcy, 1999). Research into the relative or perceived maturity of a market is therefore important information to provide new market entrants. The EMH has been extensively tested in mature markets such as stock markets, however some researchers have argued that institutions and market players' sentiments, influence the market significantly and should be included in any analysis. (Arvanitidis (2006) citing Shiller, 1990 and Evans, 1995). Rothacher (2013) argues that the performance of markets is significantly influenced by and therefore needs to consider the social, political, legal and institutional factors in addition to the maturity factors (economic conditions) normally considered.

2.9 Critique of the Maturity Measures

There have been several critiques made of the maturity framework starting with the classification criteria employed which remains subjective with no scientific criteria set to breach the thresholds. The Jones Lang LaSalle reports attempt to set measurable criteria (LaSalle, 2014) but there is no evidence of the general acceptance by the industry or academics of their methodology beyond the companies own internal use and adoption. The methodology of both Jones Lang LaSalle studies could be critiqued for its overreliance on the views of the company's own employees and business associates as opposed to being a more general market survey and its results can be therefore read as such. Lieser and Groh (2011) allocate a weighting to each element in their conceptual framework and could counter this argument if adopted as a measure of property market maturity instead of market attractiveness and the weightings accepted by the wider market. (Keogh and D'Arcy, 1994) also acknowledge that maturity requires articulation and quantification in greater detail and that there is no single

evolutionary path that will be followed by all property markets to achieve maturity. The table 2.2 below highlights some of the criticisms that have been put forward for the original criteria highlighted earlier.

Original Maturity Characteristics	Characteristic Critic
Accommodation of a full range of use and investment objectives	Need to be considered in the wider business and financial environment of a market as well as the investment culture
Flexible market adjustment in both long and short run	Significant risk of overshooting the market adjustment when too flexible and is highly dependent on the market institutions flexibility
Existence of a sophisticated property profession with its associated institution and networks	There is a high risk of too much specialisation which leads to increase in transactions costs which will act as a drag on the market. Professional actors are only useful if they have a strong knowledge base which is provided to the market
Extensive information flows and research activity	Danger of false consensus reached when independent information sources are dominated by extensive information flow
Market openness in spatial, functional, and sectoral terms	Market is susceptible to distortions and destabilisation if it is too open and a degree of control of access is seen as desirable
Standardisation of property rights and market practice	The role for local real estate culture needs to be taken into account which may not necessarily be entrenched in legal rights and written down in practice manuals

Table 2.2: Rethinking Property Market Maturity Characteristics adapted from (Keogh and D'Arcy, 1994)

Magalhaes (2001) introduces the concept of the localisation or “place-specific” (Magalhaes (2001), page 101) characteristics of the market maturity factors introduced by Keogh and D'Arcy (1994), when observing the maturity of property markets in Southern Europe. He acknowledges that as property markets mature, they follow a generally similar direction in building market institutions comparable to those found in more mature property markets but however observes that the consequences or outcomes significantly differ across the markets observed. This brings into question their applicability across diverse markets as is done by the annual Jones Lang LaSalle reports. In this context, the maturity of markets can be

viewed as a function of a specific context in that the market can be viewed as mature using some criteria could also possibly be viewed as immature when a different set of criteria is utilised. This concept is further reviewed in the case study section of this research. Rothacher (2013) when studying the relative maturity of the South African and Tanzanian property markets noted that market maturity and efficiency are not necessarily linked. Rothacher (2013) acknowledged the need to also assess each individual markets property market culture, analysis of how information is utilised as well as the role of property professionals in fully assessing markets maturity and its efficiency. A similar conclusion was reached by Dugeri (2011) when analysing the property markets of various Nigerian cities. Dugeri (2011) noted that some factors like low demand, poor property professional analytical skills, poor market knowledge and Government tax policies were considered as constraints in some cities in the same country but not in others.

2.10 Property Market Institutions and Maturity in Other Markets

2.10.1 The Main Market Players

In reviewing the roles of institutions in the United Kingdom property market (Ball *et al.*, 1998) note that there is no functional distinction between different types of organisation that is easy and clear cut in terms of their role in the property market and which property sub-market they operate in. The institutions that provide finance to the property markets are also significant users of property in their own right. Some developers provide their own finance to supply projects as well as act as “land banks” for the supply of new land for development.

The United Kingdom property market contains institutions that represent the interests and determines the rules of engagement for each of the four property sub markets. They represent the top (institutional environment) and middle (property market as an institution) level of the institutional hierarchy model as

described by Keogh and D'Arcy (1999) (see Figure [2.1]). These institutions also provide the basis upon which the markets maturity can be evidenced.

In addition to these, there are also institutions with an indirect link to the individual market but however exert significant influence. The Utility Providers, Planners, Property Agents, Legal and Financial Advisors, Construction Professionals (Architects, Engineers, Surveyors) represent the bottom level of property market organisations as described in Keogh and D'Arcy's institutional hierarchy model (see Figure [2.1]). Ball *et al.* (1998) describe the number of specialist types of service providers and actors in the United Kingdom property market as extremely high when compared to any other advanced economy. The Jones Lang LaSalle reports however identifies the United Kingdom market as both the most transparent and the most mature (LaSalle, 2010; 2014) thereby confirming the important role played by these professionals to provide information, finance and stability to the property market.

Theurillat *et al.* (2014), when describing the Switzerland property market, refers to the market as an institution in its own right which is aimed at distinguishing producers from consumers and introduce them to trade. In the property market, this is facilitated through property development companies and estate agents which could be viewed as institutions with direct or indirect links to the market. These players compete and provide high quality products and maintain a large pool of skilled workers which help determine the market's maturity. When describing the property markets and its maturity Theurillat *et al.* (2014) split it into three stages as illustrated in table [2.3] below. These stages represent an increasing maturity of the property market modelled by the authors on Fernand Braudel's definition of the three stages of economic life, which are: -

1) Self-production stage, in which individual's actions are determined by needs and no market exists as individuals produce for their own self consumption only.

2) *The market exchange stage*, in which producers produce goods for consumers in exchange for currency as the key market institution. In this stage professions start to develop to provide services to market actors.

3) *The capitalism stage*, in which the market actors are motivated by return on capital investment, with professions and institutional investors entering the market with strategies to make a profit not only from the difference between the cost of production and sale price, but also on capital gains derived from stock-market fluctuations.

Characteristics	Real estate systems			
	1st stage: Self-provision	2nd stage: Market	3rd stage: Capitalism	
			Real	Financialised
Parties involved	Households	Property developers	Institutional investors	Portfolio managers
Knowledge of the markets	Tacit, based on local networks	Tacit, based on recent success and on interpersonal relations	Codified and quantified (market surveys) and interpersonal relations	Standardised and abstract
Evaluation criteria and methods	Functional and symbolic rather than monetary evaluation	Evaluation through the local housing market (construction costs)	Real comparative risk/return based on new methods (discounted cash flows) in accordance with local markets	Based on financial model of comparative risk/return on financial markets
<i>Phases</i>				
Initial intention	Maximise usage value Minimise monetary cost Isolation from the rental market	Production to generate monetary returns (exchange value)	Set up a constant source of long-term profit Speculation on local market appreciation	Attract institutional investors
Creation	Significant self-provision and production Local savings, use of banks	Construction of homes (buildings) or individual houses (detached homes)	Construction of buildings, housing estates, etc. or purchasing of existing stock	Diversifying risks and speculating on securities
Exploitation	Self-consumption	Sale to users	Letting (long-term)	Stock-market appreciation and dividends
Exit	Family transmission (inheritance, etc.) Sale on the local market	Sale by estate agents	Speculative property sales	Disposal of securities on the financial markets

Table [2.3]: Three stages of the Real Estate market (Theurillat *et al.*, 2014).

In reviewing this and applying it to real world examples it can be seen that property markets for different types of property could be in any one of the different stages in the same economy at the same time. Residential property for

example is more prone to self-provision, however some large corporations may also choose to self-provide office and industrial space in out of town campuses. City centre commercial offices in developed property markets are however mostly in the 3rd stage of financed capitalism. This presents the concept of certain submarkets of property being more mature than others while operating within the same market and institutional framework. This could be seen as a contradiction of the property market framework.

Theurillat *et al.* (2014) when analysing how major cities fare better than smaller cities or rural towns in terms of market maturity highlighted how the concept of urban rent is central to the provision of a liberalised financial market environment which is one of the conditions for market maturity. This combined with the provision of updated and developed public infrastructure in urban areas makes major cities like London an ideal construct for the conditions required for a mature property market. This is depicted in Figure [2.2] below which is designed to show the effect of urbanisation on property markets and highlights a maturing market.

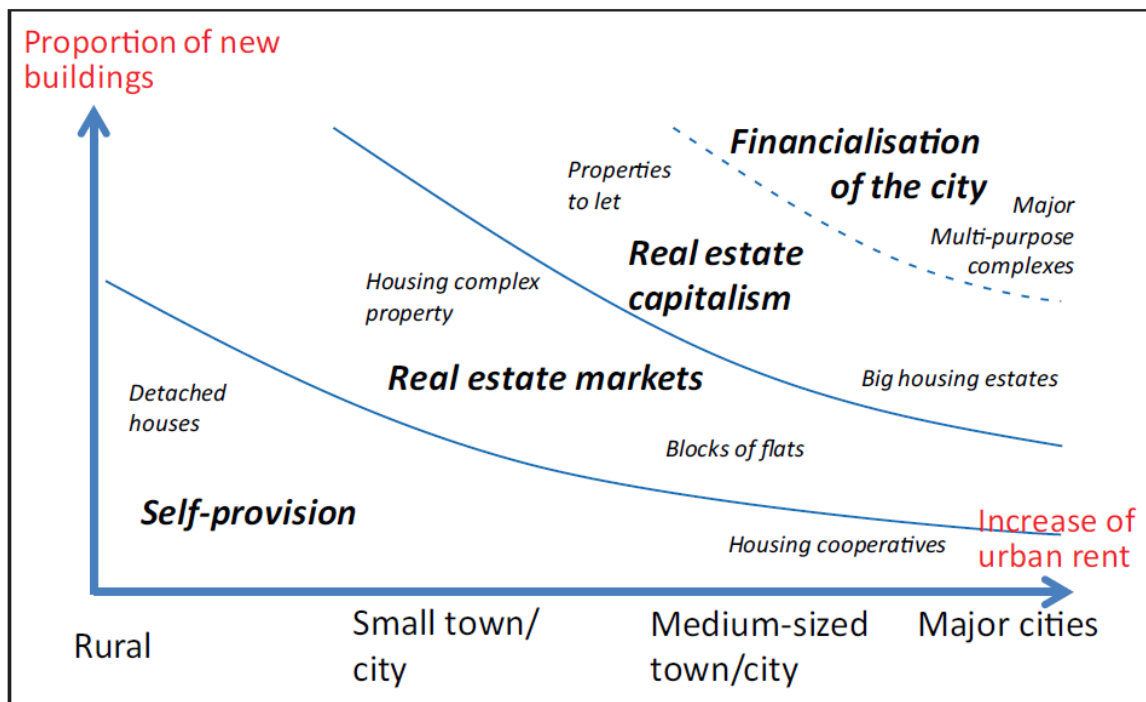


Fig [2.2]: The Areas of the Real Estate Market (Theurillat *et al.*, 2014)

2.10.2 Planning Guidelines and Master planning

The United Kingdom imposes planning guidelines on property through a series of acts of parliament including the Town and Country Planning Act 1990, which sets requirements for two stages, namely Outlining Planning and Detailed Planning permissions. Although set generally at the national level the application of the law is controlled and applied through local planning institutions which are run by a locally elected government. Monk and Whitehead (1999) see the planning system in the United Kingdom as a set of requirements and constraints which modify the way the market operates and in this sense, follow the definition of institutions set earlier. In the United Kingdom land identified as suitable for a certain type of development is not explicitly zoned as such, and the market players do not automatically receive permission to develop because of this pre-identification. This land pre-identification by planning authorities (master planning) is indicative and each developer still has to apply for individual planning permission within those areas. The institution is policed, empowered and directed by an act of parliament and implemented by elected local authorities and is therefore at the mercy of local and national politics (a critique of institutions identified earlier). In this context, while seen as generally rational, it could be subject to local power and interests and therefore not operate at its most optimum. These laws and institutions provide for the standardisation of property rights and market practices which predetermine a mature market.

The master planning in both the United Kingdom and China refer to a mixed land use category which gives local authorities some degree of flexibility in utilisation of land (see Han and Wang (2003) and Monk and Whitehead (1999)). These allow for a flexible market in both the short and long run when reviewed together with the master planning which again are required for market maturity. Keogh (1996) identifies the Spanish planning system as inflexible and has as a result been

blamed for an insufficient supply of land for development in the major Spanish cities. However even in this system there have been ways identified of modifying land use and identifying land without a specified planning use for development.

2.10.3 [Development Control](#)

In the United Kingdom, to obtain planning permission, a developer or their agent would need to submit an outline application, and if approved submit a detailed planning application to the planning committee of the local area in which the development is taking place. The planning committee therefore exercises a form of control on development. The rules of the system allow for an appeal to the national government if the local authorities refuse permission and the decision of the national government is binding on both parties. Obtaining planning permission in the United Kingdom is, in most cases, a long time-consuming and drawn out process which leads to development delays which constrain the development and indirectly regulates the market (Monk and Whitehead, 1999). China's Urban Planning Act also imposes a similar two level urban development planning namely master planning and detailed planning (Han and Wang, 2003) with the approval of the initial plans allowing for project registration. The development control system helps ensure that a full range of use of available land is employed which helps different types of investors achieve their investment objectives. Development Control also enforces the usage of high quality property products through local authorities only approving materials that would be in accordance with the national building regulations, as well as local quality aspirations.

2.10.4 [Land Ownership and Market Practices](#)

In the United Kingdom individual citizens, companies, foreigners and other legal entities can own the freehold rights to land. In Chinese cities, land within the area of the city is generally owned by the state, while land in the rural areas and in suburbs is generally owned by collectives (Han and Wang, 2003). In China land use rights are transferred for a limited period to a developer for a specific use. This right is definite, provided the conditions of use imposed are met and the fees charged are paid. In the United Kingdom, while land ownership is absolute, the right to develop is limited by planning controls as stated above. In either case the property rights are standardised and the market practices known to all participants.

2.10.5 [Financial Institutions, Banks and Institutional Investors](#)

London is one of the leading financial centres of the world with a strong liberal financial market. Financial regulation in London has historically been market led with minimalist state control allowing for self-regulation of many aspects (more regulation has come into place since the 2008 economic downturn blamed on liberal market practices).

Ball *et al.* (1998) argues that financial regulation may have restrictive effects on competition by allowing only certain types of financial institution to be active in a market. Ball *et al.* (1998), contend that in countries where restrictions are applied to the property market, those permitted to participate would obtain higher return than would have been determined by a competitive market. Lieser and Groh (2011) note that governments frequently impose penalties on overseas investors when market conditions deteriorate; this creates adverse effects on their investment returns. However, the market prices of buildings in countries with these restrictions would also be lower than in a free market due to property investors

raising the capitalisation rate above what it would have been in a free market which would have the effect of lowering prices. The lower prices would discourage new developments as well as refurbishment of existing stock, and lead to a supply restriction and raised rents. The effect of property markets restriction results in higher prices for property users and reduced development. London does not restrict capital flow which is reflected in the supply side of its property market being buoyant.

Market restrictions may also force certain funds to only be able to invest in property in certain markets by denying them access to other higher return investments. In the United Kingdom some institutional investors (Pension funds and insurance companies) historically enjoyed tax breaks and other regulatory relaxation if they invested in certain specified (UK property) investments (see Ball *et al.* (1998)). Keogh (1996) notes that institutional investors and insurance companies in Spain historically operated under a legal obligation to invest a proportion of their funds in property assets. This would have the opposite effect to the restrictions noted above. Mature property markets are characterised by having access to a wide range of sources of capital, apart from financial institutions, including foreign capital, bank lending as well as capital market alternatives like shares and bonds.

2.11 Emerging Market Institutions and Maturity

2.11.1 Background Information

The academic body of knowledge available on maturity of emerging property markets are limited. Analysis of the maturity of emerging markets in South Africa and Tanzania (see Rothacher (2013)), Nigeria (see Dugeri (2011) and Akinbogun *et al.* (2014)) and the Central European markets of Prague, Warsaw, and

Budapest (see Ghanbari-Parsa (1999)) has been carried out. The studies adopted similar market maturity criteria adjusted to be applicable to a developing country. Economic development and wealth generation are identified as drivers for change in both cases with the collapse of Soviet domination of Central Europe in Central Europe and oil and gas exports which have generated significant income for Nigeria identified as catalysts. Akinbogun *et al.* (2014) argue that the accepted analysis of property market maturity may require adjustment to consider informal systems of property markets that are prevalent in emerging markets. Rothacher (2013) highlights the link between economic development and property market maturity by citing the relative estimated investible property value of nascent and emerging economies when compare to mature developed economies. Ghanbari-Parsa (1999) credits structural reforms, international investment and the participations of international consultancy firms in the Central European markets as responsible for the market growth and maturity development.

2.11.2 [The Main Market Players](#)

A significant portion of the large projects in Central European markets of Prague, Warsaw, and Budapest are carried out by international investors with significant international finance involvement as well as fuelled by the demand from international tenants (Ghanbari-Parsa, 1999). Nigeria is currently ranked 124th of 140 countries on the World Competiveness Index (see Klaus (2015)). Inadequate supply of infrastructure, corruption, access to financing, policy instability, inefficient government bureaucracy and foreign currency regulations are all cited among the reasons for difficulty in doing business there (Klaus, 2015). Foreign investment in the property market is as a result low. LaSalle (2014) describe the property market in Nigeria as 'opaque' in its global transparency index citing investment performance, property market fundamentals as well as regulatory

and legal practices as hindrances to the countries transparency. Armitage (1996) note that the stability of emerging markets such as Central Europe and Nigeria could benefit from restriction on foreign investment. The lack of property market professionals and the information they provide makes it difficult to operate in such environments (Dugeri, 2011). Market participants in the Nigerian property market are limited to a few wealthy family holdings even in the main population centres (Akinbogun *et al.*, 2014).

The institutions with an indirect link to the property market in emerging markets are generally less effective and weaker than those present in more developed property markets: -

Utilities: - Utilities in the emerging markets studied are provided by the state with monopoly supply rights. The sale is also monopolised, as opposed to markets of most western European countries in which the market is open and users are free to choose suppliers.

Property Professionals: - Property agents, planners, legal and financial advisors, construction professionals (Architects, Engineers, Surveyors) are present in the Central European market. The standard of professional real estate services has improved considerably as western property professionals enter the market. These markets have adopted the regulation and institutional status of international western institutions such as the Royal Institution of Chartered Surveyors and adapted it to support the functioning of their own local institutions. The policing element of the institutional rules of these local organisations has been accepted (Ghanbari-Parsa, 1999). The adoption of the Western institutional practices by Central European property markets is reflected in the professions, workforce, regulations, and institutions that operate in the property market. These professionals play an important role in market certainty, stability and maturity.

The property professionals working in the Nigerian property market are inadequate with little academic training and professional registration amongst market participants (Akinbogun *et al.*, 2014). Dugeri (2011) also highlights the low level of property professionals serving the Nigerian market. This leads to a lack of trust in the services provided, compounded by the failure of local regulatory institutions. The concept of the transfer of experience and knowledge from Western Europe (see Ghanbari-Parsa (1999)) has not occurred in the Nigerian property market as was the case in Central Europe. Lessons that could have been learned from past Western market mistakes are therefore at risk of being repeated in this market.

2.11.3 [Delivery of High Quality Products](#)

The emerging markets ability to deliver high quality products is generally considered inadequate. Information availability required to support a mature property market is not available in Nigeria, with high levels of privacy in property transactions and low information sharing (see (Dugeri, 2011; Akinbogun *et al.*, 2014). The Central Europe information availability is noted by Ghanbari-Parsa (1999) as not at the same level as that of mature markets, with property professional services progressed to an intermediate level of maturity. The Jones Lang LaSalle transparency report identifies the Central European property market under review, as mostly transparent to semi-transparent. The market is generally able to maintain a large pool of skilled workers which help determine the market's ability to deliver high quality products. The Nigerian market, on the other hand, has little to no compliance with existing regulations on product quality and standards with inadequate enforcement staffing levels and little political will to improve the situation (Dugeri, 2011; Akinbogun *et al.*, 2014). Dugeri (2011) in addition indicates that the property market products in the Nigerian market are

basic and relatively unsophisticated in comparison to those of mature markets. The market's ability to provide high quality products is therefore questionable.

2.11.4 [Planning Guidelines, Master planning and Development Control](#)

Nigeria's planning system is designed to be controlled by Urban and Regional Planning legislation, however, there is limited implementation of the existing laws and a failure to enforce its violations, leading to institutional failure (Dugeri, 2011; Akinbogun *et al.*, 2014). Ghanbari-Parsa (1999) study of three Central European Real Estate markets identify unclear planning and development policy as a problem in most cases together with lack of clear government policy and political instability. The certainty of planning and its regulation and enforcement therefore appears to be a common problem to varying degrees in the emergent markets reviewed.

2.11.5 [Land Ownership and Market Practices](#)

Foreign land ownership in the Central European property markets studied is subject to restrictions and barriers to entry. Various laws have been enacted in the countries to permit ownership of freehold properties for foreigners in limited instances, in the majority of cases only when in partnership with a local. This is as opposed to the United Kingdom and other mature markets where foreigners are permitted to own property except in very limited circumstances. The majority of foreign investors have however managed to overcome the restrictions and invest in these markets within the rules with little difficulty (Ghanbari-Parsa, 1999). The Nigerian land ownership is less formalised with a split between a formal market (30% of transactions) and an informal unregulated market (70% of transactions) (Akinbogun *et al.*, 2014) leading to poor tenure and security among the majority of market participants.

Ball *et al.* (1998) contends that in countries where market ownership restrictions are applied, those permitted to participate would obtain higher than market return therefore making the market unattractive for participants who have restrictions applied. Total lack of formalised land tenure as is the case with the Nigerian informal market will manifest similar problems.

2.11.6 [Infrastructure Development](#)

The availability of updated and developed public infrastructure is seen by Chin *et al.* (2006) as one of the key characteristics of a mature property market. Infrastructure development is an area where emerging economies fare particularly poorly in comparison to mature markets, with Nigeria ranked a lowly 133 out of 140 countries in terms of infrastructure development by the Global Competitiveness Index (see (Klaus, 2015)) and average ranking of Central European markets infrastructure is 55 out of 140. Emerging Europe has an even lower infrastructure score, highlighting the challenges faced by emerging markets generally on the availability of infrastructure to support a mature property market. There is also no readily identifiable path to quickly catch-up with the infrastructure availability of the mature markets like London in many of these emerging markets. Rothacher (2013) also identified the problem of low infrastructure development in the nascent property markets of Tanzania and Kenya.

2.11.7 [Financial Institutions, Banks and Institutional Investors](#)

The liberalisation of European Union financial markets has led to the participation in the Central European market by well capitalised and advanced financial services players from well established markets like Germany and the United Kingdom. Ghanbari-Parsa (1999) notes that property development activity in central Europe is financed by international institutions (European Bank for Reconstruction and Development, International Finance Corporation, European

Construction Consortium) with some joint venture participation from local governments. International corporations and retailers are also the dominant occupiers of the new property developed in these markets. In contrast the market in Nigeria is identified by Akinbogun *et al.* (2014) as 60% financed by personal savings, with only 23% arranged through some sort of formal finance mechanism. Dugeri (2011) also highlights the low state of capital liquidity in the property market in Nigeria. This leads to inexperienced investment strategies increasing likelihood of market failure and acts as a hindrance to property market maturity. South Africa as an emerging economy is however acknowledged to score highly in terms of its property finance ranking (Klaus, 2015) and is comparable to some of the most developed property markets like that of the United Kingdom.

2.11.8 [Summary and Conclusions](#)

This chapter looked at defining the property market and the definition adopted referred to institutions and their role in helping define a market. Institutions and their relevance to markets were looked at further and the literature pointed the research to New Institutional Economics and the role of institutions in the wider macroeconomic context. The prevailing school of thought was that institutions matter and their further analysis would help understand markets better. Numerous examples of assessment attempts to provide institutional perspective to the analysis of the property market and analyse property markets through the institutional economic view were presented in this chapter (see (Ball *et al.*, 1998)). This research adopts the institutional economics view of the property market and will be undertaken with the acknowledgement of the proposition that institutions matter in the property market.

The research then looked at the prevailing literature available on market maturity from an institutional perspective. The maturity framework from Keogh and D'Arcy (1994) was identified as the dominant school of thought on the subject although

other ideas were also presented including its further development by Chin *et al.* (2006). These ideas were then applied to information available on other international markets including the United Kingdom, East Asian markets and other European markets on which literature was available.

A similar application of the institutional view of the maturity framework was applied to the literature available on emerging economies property markets, focusing particularly on Central European cities of Prague, Budapest and Warsaw as well as the nascent to emerging property markets of Nigeria, Tanzania and South Africa. The review concluded some trends and differences on the information available on emerging property markets which will be highlighted again when compared to the Doha market. The case study articulated in chapter IV will provide opportunity to carry out analysis of Doha's maturity by considering the information contained in this chapter. The case study sheds more light on the prevalence of the characteristics required for market maturity.

While the literature generally adopts the Keogh and D'Arcy market maturity paradigm, several critics and limitations are highlighted throughout. These include its lack of consideration of the role of local real estate culture, which may not necessarily be entrenched in legal rights and written down in practice manuals. It also does not consider how property markets can be susceptible to distortions and destabilisation if it is too open and a degree of control of access is seen as desirable. Other researchers (see Magalhaes (2001)) introduce the concept of the localisation of market maturity with certain market outcomes which significantly differ across the markets with similar perceived maturity factors. In this context, the maturity of markets can be viewed as a function of a specific context in that the market can be viewed as mature using some criteria and could also possibly be viewed as immature when a different set of criteria is utilised.

Other limitations of the paradigm include its lack of universally accepted and adopted allocated weighting to each element in the conceptual framework and its general lack of articulation and quantification in greater detail. This research accepts the limitations of the conceptual framework and attempts to address the limitations through the research method adopted and qualitative analysis in the case study in subsequent chapters.

3 CHAPTER III – RESEARCH METHOD

3.1 Research Design Reasoning, Theoretical and Conceptual Framework

A case study research method was selected as the research is subjective and interpretive in that it seeks the point of view of the individuals involved in the whole of Doha property market as opposed to statistically sampling individual elements. The case study research design allowed for the consideration of facts that are relevant to the Doha property market as a whole and therefore best answered the research question. Case studies are defined by Woodside (2010) as an inquiry that focuses on describing, understanding, predicting and/or controlling the individual. The wording of the research questions makes the research method lean more towards a deductive method although the research is of a qualitative nature.

The literature available highlights the characteristics of the property market in Doha and identified the market players. This limited the number of market players that could be approached as the same companies and professional players kept coming up. A shortlist of likely targets was compiled and used to identify possible professionals who could be interviewed to obtain their knowledge of the Doha property market as well as projects which could be reviewed as units of observation of the research.

The research collected evidence from different sources outside of the units of observation to test and strengthen the veracity of the proposition and strengthen the case study by coalescing information sought from multiple sources like the interviews, questionnaires, units of observation and published literature.

The current research into the operation of real estate markets has also tended to use case studies - see (Williams, 1975; Ghanbari-Parsa, 1999; Walters and Kent, 2000; Ruming, 2009; Akinbogun *et al.*, 2014) and therefore provided significant evidence of the current research paradigm in the field of knowledge which this

research followed. The grounded theory research method was excluded once this significant research data and body of knowledge was found on the topic.

City wide real estate markets by their very nature have multiple projects that occur over an extensively long period of time which make them impossible to follow over the course of a research study. This restriction therefore also excluded many research options that would benefit from observation of a market. Action research was rejected as the researcher is not embedded in an institution that could influence the market to be researched and would therefore not be able to implement any actions arising from the study as well as the long nature of real estate market projects mentioned earlier. This also excluded other research methods such as participative enquiry.

3.2 Quantitative vs Qualitative

Kothari (2004) quotes the two basic approaches to academic research as quantitative and qualitative approaches. Quantitative research gathers data in a quantitative format and subjects the data to quantitative analysis in a prescribed accepted manner. Researchers use this method to obtain inference from the results of data analysis results or alternatively experiment through obtaining data as variables are manipulated and gain an understanding of the effect on the variables. Quantitative analysis is not adopted in this research.

According to Jha (2008), qualitative research studies subjects in their natural settings and utilises a variety of materials including case study, personal experience, introspective, life story, interview, observational, historical, interactions and visual texts. Qualitative research attempts to provide answers to a subjective evaluation of personal views and behaviour (Kothari, 2004). A researcher's insights and impressions are therefore provided greater prominence in such studies and no quantitative analysis is used on the research results (Kothari, 2004).

Glenn (2010) describes qualitative research as a form of research which seeks to gather an in-depth understanding of human behaviour and the reasons that govern such behaviour. Qualitative research investigates the why and how of decision making, and is not restricted to what, where and when (Glenn, 2010). Glenn (2010) therefore recommends smaller focused samples in lieu of large random samples in qualitative research. Qualitative methods allow the participants to raise issues not anticipated in the research design (Glenn, 2010). Furthermore, Kuada (2012) asserts that case studies allow participants to express their feelings and offer their perspectives in their own words.

3.3 Research Method

Following the review of relevant literature in the earlier chapter, the research proceeds to carry out the analysis of a case study of the overall Doha property market. The research utilised two developments as units of observation within the Doha market. The available literature on property market maturity in Doha illustrates that limited research has been carried out in this field. It also highlights the need for qualitative, exploratory research to serve as a basis for future research.

The research utilises two projects in Doha, namely the Down Town Mshiereb Development and the Festival City Development, as units of observation. These were considered the most suitable developments to obtain diversity of opinion. These projects were selected as they represented the most typical type of development currently occurring in the city. Mshiereb was selected as an example of a state linked developer carrying out a private development for profit. The Festival city represented a more diverse consortium of investors including an international partner looking to add to the retail offering in Doha. Research of various other developments identified a trend with similar type of developments and a similar mix of development actors.

The research involved interviews and completion of questionnaires by professionals operating in the Doha property market who therefore know the market. The property professionals would also be aware of potential solutions identified based on their experience of numerous other developments in the city. The property professionals held senior positions in leading international property consultancy practices, legal firms and developer organisations. The case study analysed market participants use of specific methodologies (clarified in the interview questionnaire in Appendix A) in Doha that they may not have used elsewhere.

3.4 Research Design Reasoning

The research method sets out to provide qualitative, inductive inference from the case study and literature reviewed. The arguments in the conclusions are qualitative in nature and the research questions as well as the research information gathering strategy are set out to support this. Qualitative research utilises inductive arguments to provide some basis to support the research questions and do not seek definite proofs for the veracity of conclusion nor the frequency of occurrence (Hyde, 2000). They make inferences from the observations identified.

Large scale real estate development projects by their nature are few and far between and the number of players in the market is limited. A large sample of recent data on these projects does not exist. The two developments selected as units of observation were identified as representative of the Doha market functionality through a desktop review of the projects progressing in the market. A qualitative approach was chosen to carry out this research. A guided interview structure and questionnaire was created and made available to the interviewee so that the interview remained on topic and the interviewee was briefed about the line of enquiry and any relevant pre-information required prior to the interview

(See appendix A for the questionnaire which also acted as the interview guide). Research on published information on the units of observation projects was sought and compiled prior to the interview and used to formulate the interview questions on the wider Doha market which was the subject of the study.

3.5 Methodological Triangulation Approach

Methodological triangulation is the use of at least two methods to address the same academic research problem. Decrop (1999) describes triangulation as a way of researching the same hypothesis from more than one data source with data coming from the different sources utilised to validate and further explain the research problem. This is usually adopted when a single approach is considered deficient or the adoption of an additional method verifies and therefore supports the results from the original quantitative or qualitative approaches (Morse, 1991). Decrop (1999) concludes that the triangulation approach strengthens qualitative research results through highlighting how numerous independent sources support the research or alternatively do not proffer a counter conclusion. Hussein (2009) states that triangulation raises a research's precision and acts as a validity measure therefore increasing a research's credibility. Some researchers argue that the use of two paradigms in the same research may conflict as they offer different epistemology and ontology. However other research argues that combination of methodologies creates opportunity of countering the faults of any individual method therefore, leading to improved research results (Hussein, 2009).

The triangulation approach is therefore utilised to make the research more thorough and the results more reliable. Methodological triangulation is classified as either simultaneous or sequential. Sequential being described as the use of one method after the completion and conclusion of another, with results of the preceding method being used to directly influence the design and planning of

the subsequent method (Morse, 1991). Sequential triangulation is adopted in this research and the findings are used to test and complement each other in the research analysis and conclusion. Decrop (1999) although acknowledging the original Denzin's (1978) four basic types of triangulation (Data, Method, Theory and Investigator) concludes that the four categories are incomplete. The overarching aim is to seek method and data that adequately tests the research and makes it more sound and valid (Decrop, 1999).

This research adopts the triangulation approach in that it researches the Doha case study by triangulating data received from different methodological and data collection approaches. Research is carried out on two developments which are used as units of observation in the case study. Further analysis and research of each individual development would need to be carried out separately to understand each as a separate case. The case study is then also studied through the results of face to face interviews as well as data received from questionnaires from individual professionals with in-depth knowledge of the Doha property market functionality and maturity. Some of the individuals who responded to the questionnaire had direct first-hand knowledge of the units of observation. However, the comments received were not aimed at their experience of the units of observation alone but their overall experience of the wider Doha property market including knowledge obtained from the units of observation.

As the research focuses on the wider Doha market the results of the research will be drawing conclusions on the Doha property market generally and not on the units of observation or the interviews carried out. These were employed to triangulate both the method and data sources included in the case study research. The approaches were carried out sequentially in that the research questions were formulated after the conclusion of the research on the units of observation and therefore helped to formulate the questions included in the interviews. The questionnaire sent out was also issued sequentially after the

interviews had been carried out and therefore allowed for further areas of questioning which had come out of the interviews. The adoption of a triangulation approach in this research, seeks to look at the Doha market from different perspectives to test the research proposition through these different methodologies and data sources and make it more sound and valid in the same way described by Decrop (1999).

The research initially collected information on the units of observation, and in addition, interviews were held with property market participants who ranged from developers, professional consultants/agents, market institutions, legal practitioners and contractors to gauge their opinion and views of the Doha Property market (the unit of analysis). The collection of evidence from different sources was carried out to strengthen the case study by combining its results with those of the interviews.

3.6 Sampling

The research focuses on property market characteristics and maturity of the Doha property market and is done on a case study basis to provide answers to the research questions. Considering the limitations of the research on cost, time as well as the context within which it was conducted, an appropriate sample design was sought. Probability samples and sampling methods based on random sampling or similar techniques were considered inappropriate for this research as they risked providing inappropriate projects that would not offer any insights into the research question given the direction in which the literature review had directed the research. Non-probability samples, defined by Kothari (2004) as those that use convenience sampling, judgement sampling and quota sampling techniques as their basis were considered most appropriate. Glenn (2010) notes that sampling in qualitative research, as is proposed in this research, is typically

not random. Cases to study are therefore chosen based on the way that they typify or do not typify predefined characteristics (Glenn, 2010). Glenn (2010) also identifies the key role of the researcher in selecting the cases to be studied and recommends that the researchers carefully considers their role in the research process. The selection of units of observation thus followed this logic as the case to study had been predetermined by the research proposal. Several units of observation were considered and only those that typified pre-defined characteristics selected using the researcher's judgement as a property professional with experience of the market and its participants.

Deliberate sampling, which is a form of non-probability sampling was adopted. This method involves the deliberate selection of certain samples from the population as they deemed to be the best subjects of research in this case due to information availability, location convenience and confidentiality restrictions. Kothari (2004) notes how such a procedure may at times provide biased results in a non-homogeneous population. However, the researcher's judgement is used for selecting items which he considers representative of the population (Kothari, 2004). Deliberate sampling was utilised to identify professionals to interview to ensure that they had knowledge of the whole Doha property market, which was the unit of analysis of the case study and therefore provided answers to the interview questions from the viewpoint of the whole market. New market entrants and recently relocated professionals were therefore excluded on this basis.

Other sampling techniques including stratified sampling of non-homogeneous populations, was utilised in selecting projects as units of observation for the case study that had been stratified by the stages of development metric (Kothari, 2004). None of the units of observation selected were therefore in the same stage of development (data strata). This technique was applied in unison with the deliberate sampling method above.

3.7 Data Collection

The research considered multiple ways of collecting the relevant data for the case study, considering the costs and time limitations of the research. Kothari (2004) notes that primary data can be collected either through experiment or through survey. A survey could be carried by observation, without interviewing the respondents. This was discounted in this research as it could not offer any inference into the past behaviour or future intentions or attitudes of the study subject.

This research adopted a combination of the personal interview approach and the questionnaire approach. The personal interview approach is described by Kothari (2004) as a rigid procedure that provides answers to pre-conceived questions. A series of interviews were carried out and electronic questionnaire responses requested from property market participants to obtain their insight into the maturity factors from their own experience of operating in the Doha property market. The interviews and the electronic questionnaire used identical questions meaning the results were comparable and were combined in the final analysis. Respondents were asked to respond to each of the statements by ranking it on a scale of 1 to 5 as follows: -

- 5 - Strongly Mature
- 4 - Somewhat Mature
- 3 - Neither Mature nor Immature
- 2 - Somewhat Immature
- 1 - Strongly Immature.

In addition, respondents were requested to comment on the basis and reasoning of their answer and the comments summarised and contextualised through the researchers own insight in the analysis by summarising the responses into a table and collating common themes that were emerging in the responses received.

The same questions were presented in questionnaire format for those participants that could not be contacted directly. The interviews were carried out first and inferences obtained from the interview process informed further questions included in the questionnaire. A total of 5 interviews were carried out. 25 questionnaires were sent out to market participants and 15 responses were received and a combined analysis of all responses was carried out for the research to determine emergent themes. The interview sample included participants with first-hand knowledge of the units of observation but sought to also obtain information on their view of the whole Doha property market as this was the case study's unit of analysis and thereby provide a more thorough test of the researcher's proposition.

3.8 Research Limitations

The research is limited by the time available to conduct the research. Future research into the future life of the projects that were the units of observation of the case study would be useful to determine whether any concerns identified would manifest themselves on the project in the long term. The long-term nature of real estate development process mentioned above do not make this feasible in the current study. The research could have also looked at the research problem in different locations across the region and the world at large to see if the problem replicates itself internationally. Although the research tries to do this by carrying out literature review of specifically identified markets, it could do with an expansion to cover a wider range of markets for comparison as separate units of analysis of the case study. There was a constraint on the resources available to the researcher and further research in other locations could be beneficial to the knowledge on this topic.

4 CHAPTER IV – THE DOHA CASE STUDY

4.1 Introduction

The academic body of knowledge available on property markets maturity of most major cities and economies of the world is large, as highlighted in the numerous studies reviewed earlier. Studies of property markets maturity of cities in the Middle East like Doha, are however less prevalent. The literature available on the property market though limited will be reviewed in this section. Fast growing cities in Middle Eastern economies that are rapidly developing and expanding have equally limited amount of research available. In this case however, even the limited amount of research available is quite often out of date and irrelevant due to the institutional changes brought about by the cyclical erratic hydrocarbon market forces their economies high reliance on them (Chaudhry, 1997). The fast-changing pace of economic development and collapse during boom and bust cycles, often outpaces the capacity and ability of the institutions, processes and laws that underpin the market functionality (Chaudhry, 1997). An example of this is the rent increase of up to 80% between the 2004 to 2006 boom in Dubai and the resultant government scramble to impose rent controls to stabilise prices (Bagaeen, 2007).

This chapter will analyse the property market in Doha as a case study as well as analyse literature available on the Doha market. The case study provides an opportunity to carry out further analysis of market maturity in the property market to complement the limited information provided by the literature reviewed. The case study will analyse specific examples of how the Doha property market operates from an institutional perspective and infer insights into the market maturity through the maturity framework identified earlier.

4.2 Qatar Background Information

Wealth derived from oil and gas exports has generated significant income for Qatar which has led an unprecedented construction development boom path mainly servicing Doha. Qatar is one of the major producers of Liquefied Natural Gas (LNG) in the world with significant proven reserves (Salama and Wiedmann, 2013). The population of Qatar has grown from approximately 400,000 in the late 1990s, to more than 2.3 million today and is expected to be more than 2.5million in 2022 (Salama and Wiedmann, 2013). Doha as a city is experiencing an unprecedented rapid growth spurt (Bagaeen, 2007) and major infrastructure upgrade including a new underground rail network, a multitude of highways, major upgrades to its water supply, drainage and sewerage systems, strategic water reserves, a new port, airport expansion and other significant transport infrastructure. In addition, the retail sector is undergoing a major upgrade with several new mega-malls due to open in 2016/2017. The leisure sector is also due to deliver several major hotels and resorts in the next few years. The residential sector has a new city under construction north of Doha which is anticipated to have a population of 200,000 when completed and cost US\$45 billion to construct. The rate of development is being spearheaded by Qatar winning the right to host the 2022 world cup (Salama and Wiedmann, 2013). This is being used by the national government as a catalyst for development in addition to requiring major investment in sport and stadium infrastructure in its own right with several stadiums required to be built from scratch before the tournament (Qatar-Secretariat, 2008).

Overreliance on oil and gas is a concern for Qatar and it has thus developed a national vision which among other things is focused on diversifying the economy away from hydrocarbons and transform Qatar into an advanced economy by 2030 (Qatar-Secretariat, 2008). The national vision for 2030 provides a strategic

framework which national implementation plans can be developed and sets out key areas which the nation would like to focus its development and market diversification efforts on (Qatar-Secretariat, 2008). These include education, (development of Education City), Sport (Hosting major events like World Cup 2022 and IAAF World Championships, 2019) and Leisure and Tourism (major addition to the existing supply to cope with peak world cup demand and new tourist attractions like the zoo and shopping offerings).

The national vision and desire for market diversification has therefore spurred the property market and infrastructure development required to support it. Development in Doha is driven by the needs of expatriate professionals with temporary engagements, as locals make only 10 percent of the population. The rest of the population is migrant (see Salama and Wiedmann (2013)).

4.3 Case Study Maturity Analysis

The Doha property market was considered as the case study. Two projects were identified for study as units of observation within the Doha case study. These reflect the type of development being carried out in Doha. The projects also represent the institutions and market players involved in the property market in Doha. The information and related analysis gathered regarding these projects is used as one source of data. Interviews and questionnaires were added to this, which attempted to triangulate and offer differing insights into the researches unit of analysis which is the whole Doha property market.

In addition to the information obtained on the units of observation, interviews were held with property market participants who ranged from developers, professional consultants/agents, market institutions, legal practitioners and contractors to gauge their opinion of the evolving institutional environment in

which the property markets function in Doha as well as their view of the current status of the maturity factors identified in the literature. The collection of evidence from different sources was done to back up the accuracy of the proposition by combining the interview and case study results.

The maturity analysis of the Doha utilises the criteria identified in the literature review to assess various market factors and obtain an understanding of the structure of the Doha property market through a study of the units of observation and the experience of the market players. The analysis is carried out from the point of view of how the property market functions in comparison to maturity factor international best practice.

The individual project (units of observation) examples identified (Mshiereb and Festival City) utilise the same criteria but however apply it to the information available on the particular project. The units of observation aim to bring out the institutional arrangements that exist in the whole market to achieve the same.

4.4 Mshiereb Down Town Doha Development

The Mshiereb development is a regeneration project targeting a 31-hectare site in the old centre of Doha. In addition to several new multi-storey buildings, the mixed-use project includes, public spaces, townhouses, apartments, walkways and parks. Some of the original old buildings have been preserved for restoration as museums. The project is expected to have a cost of USD 5.5 billion and deliver 280,000m² of space when completed (Msheireb-Properties, 2017).



Figure 4.1 Artistic impression of Mshiereb downtown Doha districts (Mshiereb-Properties, 2017). See Figure 4.2 for the city wide location.

4.4.1 Mshiereb Maturity Analysis

The maturity analysis of the Mshiereb development utilises the Property Market maturity paradigm proposed by Keogh and D'Arcy (1994) and identified in the literature review. The analysis assesses the experience of this particular development from the point of view of how the property market functions in comparison to known international best practice. The maturity analysis adopts modifications made by the Chin *et al.* (2006) study including its expanded list of factors affecting maturity. The observations were obtained from discussions with property professionals who were in the project as well as visits to the

projects marketing centre and published information available on the project. The observations from the analysis were as follows: -

1) The availability of a sophisticated and sound finance structure which facilitates the investment in the property market

The project is privately financed through the developer's parent company (Msheireb-Properties, 2017). It has therefore not relied on traditional financing and fundraising necessary for a similar project of this nature in mature markets. Had this been necessary an assessment of the sophistication and soundness of the finance structure would have been possible. In mature markets like London, projects of this size and scope would have to compete for funding with other competing developments in an open market.

2) The range of property market use options available on offer to meet various possible investment objectives

This is a mixed-use development which includes commercial offices, residential, retail, hotels, restaurants, museums and art galleries. It therefore provides the wide range of investment options even within itself which highlights evidence of the availability of such options in the Doha property market generally. The variety of use options shown in this single development show evidence of general availability of market use options in the market.

3) The extent and completeness of quality property information and property professionals

The development team consists of teams of internationally recognised large property professional practices who are operating in the local

market. The information provided to the market was of the standard expected by practices of this stature in the international market.

The marketing agents used in the lettings of the property are a reputable international property practice. The market brochures created are of high quality and provide all the information normally expected in the market and sales of property of this nature.

4) *The level of public infrastructure development available*

The public infrastructure in Doha is at present undergoing major development and upgrades (Salama and Wiedmann, 2013). The development is however located in one of the oldest parts of Doha in which utilities, roads and service infrastructure is readily available (see Figure 4.2 for the development location). More mature markets like London, would in addition, also expect to have an efficient public transport system which is not yet available in the Mshiereb location. An underground railway is being developed and will have Mshiereb as its main interchange station when operations begin in 2019.

5) *The relative quality of property products available*

The Mshiereb development is built to a high quality and is designed to attract high end clientele who are accustomed to high quality property products to this location (Msheireb-Properties, 2017). The development has also undertaken to be built to international environmental quality standard (LEED) and has achieved this mark as a whole (Msheireb-Properties, 2017). The product produced in this development is therefore expected to be of a high quality in accordance with international standards.

6) Availability of a large pool of skilled workers able to service the market

The development benefited from a pool of skilled workers who are brought in from foreign markets to service the development needs of the country. The relative level of skill of the workers who work on this project and their availability could be improved when compared to more mature markets.

7) Macro Market Factors

General market factors like the stability of the economic and development environment, standardisation of property rights, market flexibility, liberalisation of the financial market and level of risk are difficult to judge on a single development as these are best reviewed on the market as a whole as they do not apply to projects individually. These will therefore be reviewed holistically across the whole Doha property market.

4.5 Festival City Development

The Festival City project is a new development anchored by a megamall that is being developed north of Doha at a cost of approximately QAR 6 Billion (US\$1.65 Billion). When completed, it will be a mixed-use shopping, entertainment, leisure, and hospitality venue and is located on the northern outskirts of the Doha City centre and Mshiereb (see Figure 4.2 below which shows the relative locations). Construction began in 2011 and is planned to be completed during 2017. The mall is approximately 250,000m² of the total 430,000m² development which includes: - Approximately 550 shops including 85 restaurants, cafes, hotel, convention centre, car showrooms, family entertainment centre and a snow park (Al-Futtaim, 2017).



Figure 4.2 Map of Doha (Source: <http://www.qataract.com>)

The development is part of the Festival City brand rollout, which was started by the Dubai based, Al-Futtaim Group and has two other offerings in the Middle East (Dubai and Cairo). The Doha Festival City will be the third developed with the group planning to open more. The Festival City has common component tenancy with retailers that have franchise relationships with the developer group. The concept is intended to be a single comprehensive leisure, entertainment and retail destination venue, which is evident in the other two Festival City offerings (Al-Futtaim, 2017).

The project will be delivered in three phases, with the first phase completed, the second phase due to be operational in early 2017 and the subsequent final phase to follow.

4.5.1 Festival City Maturity Analysis

The maturity analysis of the Festival City development utilises the property market maturity paradigm, proposed by Keogh and D'Arcy (1994) and identified in the literature review. The analysis assesses the experience of this particular development from the point of view of how the property market functions in comparison to known international best practice. The maturity analysis adopts modifications made by the Chin et al. (2006) study including its expanded list of factors affecting maturity. The observations were obtained from discussions with property professionals who were in the project as well as review of the projects marketing material and published information available. The observations from the analysis were as follows: -

1) The availability of a sophisticated and sound finance structure which facilitates the investment in the property market

The project is being developed by a joint venture between a well-known regional developer, local banks, private companies and individual investors. Each of the joint venture partners have privately financed their own contributions through access to finance structures and development financing facilities available in the market place (Al-Futtaim, 2017). The foreign investor has brought in their own development finance sourced from their local market. This project therefore largely followed the development finance structures you would typically expect to see in mature markets for projects of this size and scope.

2) The range of property market use options available on offer to meet various possible investment objectives

The mixed-use development consists of largely retail related use options including a large offering of associated shopper entertainment and dining which is common in developments of this nature (Al-Futtaim, 2017). The development also has a hotel and conference centre. It provides a good range of investment options even within itself which highlight evidence of the availability of such options in the Doha property market generally.

3) The extent and completeness of quality property information and property professionals

The development team consists of teams of internationally recognised large property professional practices who are operating in the local market. The information provided to the market was of the standard expected by practices of this stature in the international market. The

development utilised its own internal marketing agents for lettings of the property given the experience of one of the joint venture partners in successfully delivering similar developments in the region.

4) The level of public infrastructure development available

The public infrastructure in Doha is at present undergoing major development and upgrades. The development is located along a major highway in a relatively new part of Doha. Substations, utilities, roads and service infrastructure had to be developed for this development. Mature markets would have this infrastructure generally available with minor upgrades required and expected to have an efficient public transport system which will not be available in the Festival City location. The planned Doha underground railway will not reach Festival City when operations begin in 2019, although future expansion plans may eventually cover this area by 2030.

5) The relative quality of property products available,

The Festival City development is built to a high quality and is designed to attract high end clientele (Al-Futtaim, 2017), who are accustomed to high quality property products, to this location (see Figure 4.2 for the development location). The product produced in this development will therefore be expected to be of a high quality in accordance with any international standard.

6) Availability of a large pool of skilled workers able to service the market

The rapid development which is happening across Qatar presents a risk of the best workers being spread too thinly and not available to deliver the best work. The labour supply is sourced primarily from the Asian subcontinent and takes time to train to reach the skill level required to

deliver the best quality expected to meet international development standards. The relative skill of the workers who work on this project and their availability could therefore be improved when compared to more mature markets.

4.6 Macro Market Factors

4.6.1 Introduction

As stated earlier, the general market factors like the stability of the economic and development environment, standardisation of property rights, market flexibility, liberalisation of the financial market and level of risk are difficult to judge on a single development therefore these will now be reviewed on the Doha property market as a whole.

4.6.2 Context and Results

Qatar is one of the world's fastest growing economies with one of the highest Gross Domestic Product's (GDP) per capita in the world (ranked 1st in the world by the International Monetary Fund in 2016 with a GDP per Capita of USD\$128,000 – see World Economic Outlook Database, published April 2016). Qatar's national government has been historically generating hydrocarbon related budget surpluses. These funds were significant due the hydrocarbon boom which occurred in Qatar since the 1970's. Qatar has a relatively small population of approximately 2.5 million people. Qatar successfully developed a large natural gas field in the Arabian Gulf to the north of the country and is a major exporter of

liquefied natural gas (LNG) and its related by-products (Salama and Wiedmann, 2013).

The World Economic Forum (WEF) ranked Qatar 14th in the world in its competitive index 2015-2016 report which compared several competitiveness factors including infrastructure, labour and financial markets and institutions (Klaus, 2015).

The Qatar government has setup a strategy to diversify its economy away from a high dependency on hydrocarbons through its national vision (Qatar-Secretariat, 2008). This has seen a decline in the economy's dependence on hydrocarbons from 70% of GDP in the 1970's to a current estimated 42%. Although significantly reduced from its peak, this heavy reliance on hydrocarbons is identified as a risk to the wider stability of the economic environment. This is because the economy is highly vulnerable to fluctuations in hydrocarbon commodity prices which in turn reduces the ability of any state funded enterprise to invest in the development environment, and also ultimately affects its stability. A more diverse economy is therefore seen as a factor that would be useful in affecting property market maturity.

The Qatar government set up a department (Qatar Investment Authority) to invest and manage the nation's hydrocarbon budget surpluses. Qatar Investment Authority spawned several subsidiaries setup as government owned profit making organisations to operate in the wider Qatari and global economy. One of these was the real estate developer Qatari Diar, which has carried out several significant real estate developments in the Doha property market.

The availability of a sophisticated and sound finance structure which facilitates the investment in the property market is therefore evidenced by the presence of such investment vehicles which are well financed and intended to make profit. Mshiereb properties, the developer of the Mshiereb Downtown Doha development, is another similar developer set up as a profit making private developer to the Qatar Foundation state institution. Due to the way Qatar Investment Authority and other such similar institutions operate, they focus on a wide range of investment options of which Real Estate is a part. The range of alternative investments available which are not property is therefore also evidenced by this (see organisation and development structure of Qatar Investment Authority in Figure 4.3 below and the position of Real Estate within this Institution highlighted).

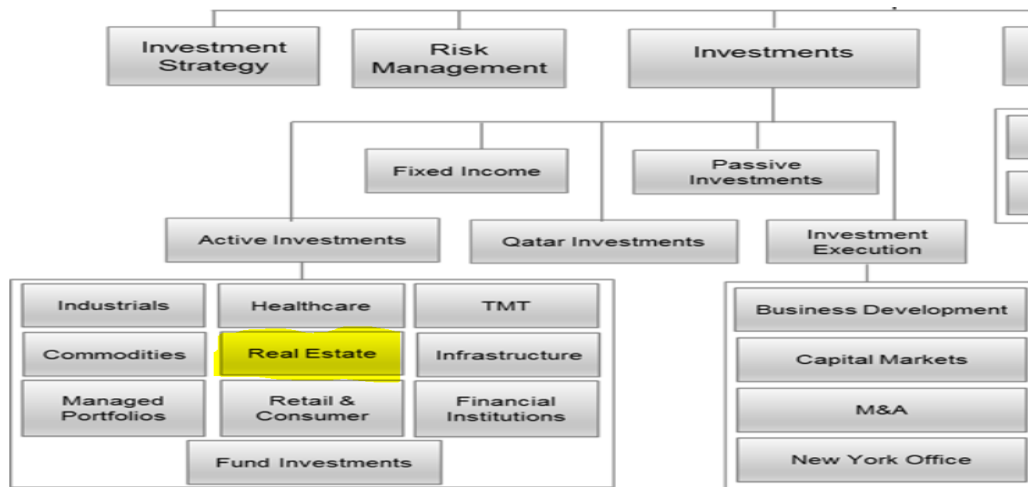


Figure [4.3]: Organisation structure of Qatar Investment Authority

Source: QIA Website (<http://www.qia.qa/AboutUs/Pages/Our-Organisational-Structure.aspx>)

The World Economic Forum ranked Qatar's financial market environment as relatively liberal scoring a 5 out of a possible high score of 7 (Klaus, 2015). This is comparable to the score given to the United Kingdom and USA which are markets seen as relatively mature (D'Arcy and Keogh, 1999). The accuracy and certainty of the financial markets could therefore be considered to be of a comparable standard, albeit much smaller. The same report however identifies access to finance as one of the more significant problematic factors in doing business in Qatar (see table 4.3 below which highlights the problematic factors identified by the World Economic Forum).

The most problematic factors for doing business

	Score*
Restrictive labor regulations.....	13.0
Inadequately educated workforce.....	12.5
Inefficient government bureaucracy	11.1
Inflation.....	10.4
Poor work ethic in labor force.....	10.0
Inadequate supply of infrastructure.....	6.8
Access to financing	6.2
Tax rates.....	6.1
Poor public health	4.8
Foreign currency regulations.....	4.3
Corruption	3.5
Insufficient capacity to innovate	3.0
Policy instability	2.9
Government instability/coups	1.9
Complexity of tax regulations.....	1.9
Crime and theft	1.7

Table [4.3]: Problematic factors in doing business in Qatar: Source (Klaus, 2015)

The restrictive labour regulations, the poor work ethic in the labour force as well as the inadequately educated workforce identified in the table 4.3 above, directly affect the availability and quality of the large pool of skilled workers able to service the property market and are therefore limiting factors on Doha property market maturity.

4.7 Doha, Qatar Property Market Institutions and Maturity

4.7.1 The Main Market Players

A significant portion of the large projects in Qatar are carried out by parastatals or with significant state actor involvement (for example Doha Exhibition Centre, Qatar Rail and Lusail City). The national investment fund, Qatari Diar, owns significant stakes in the Lusail City master developer, and in other large property developers (Salama and Wiedmann, 2013). Local private enterprises like the developers of the Pearl Qatar and Al Waab City are emerging as significant market players. The Qatar property market contains institutions that represent the interests and determines the rules of engagement representing the institutional environment of the 'institutional hierarchy model' as described by Keogh and D'Arcy (1999) (see Figure [2.1]). As with more developed markets, these institutions also provide the basis upon which the extent of the market's maturity can be evidenced.

The institutions with an indirect link to the property market are set out as follows: -

Utilities: - Utilities are provided by the state and the state actors have monopoly rights. The state institution, General Electric Water Company, generates electricity, desalinates and supplies water and collects the income from sale through its numerous subsidiaries. This is as opposed to the European market where utilities are supplied in a free market where users are free to choose suppliers.

Property Professionals: - Property agents, planners, legal and financial advisors, construction professionals (Architects, Engineers, Surveyors) are present in the local Qatar market. Their self-regulation and institutional status are however ambiguous as most are registered and controlled by western institutions that have setup local bases to operate. The institutions' local legal status is not the same as

they have in their markets of origin. The local markets therefore depend on international institutions to regulate the operation of the professionals acting within it. The policing element of the institutional rules of these organisations is questionable in the local market and they do not exert the same influence they have in Europe. The Royal Institution for Chartered Surveyors (RICS) has an office in Doha opened in 2015. Their status in Qatar is not backed by a Royal Charter or any legal instrument, as is the case in the United Kingdom and the enforceability of their institutional rules is by virtue of advocating them as international best practice.

Qatar, as a former United Kingdom protectorate, adopted many of the British institutions which is reflected in the professions, workforce, regulations, and institutions that operate in its property market. The number of specialist types of service providers is however less than that in the United Kingdom. The role played by these professionals is important, and their greater involvement provides information that allows for greater market stability and maturity. The level of competition among these players is limited due to some historical market entry restrictions. The ability of the market to deliver high quality products and maintain a large pool of skilled workers, which help determine the market's maturity, is therefore also limited. The information available in the market place to support a mature property market is not at the same level as that of mature markets. The Jones Lang LaSalle transparency report identifies the Qatar market as semi-transparent (LaSalle, 2014), but however notes the improvements made towards transparency and new state held data that will be released to the market to aid information provision.

As the state is a major market player in both developing and subsequent occupation of real estate and commercial offices, the separation of producers from consumers described by Theurillat *et al.* (2014), when describing the Switzerland property market is limited. The internationally well renowned Real

Estate agent Debenham Thourard Zadelhoff (known as DTZ), estimate that between 2009 and 2014 up to 65% of grade A office space was leased to governmental and semi-governmental entities in the central commercial area (DTZ-Research, 2016). This limits market maturity as the self-supply of real estate could be representative of a market in Theurillat et al.'s self-production stage (see Figure 2.2), in which individuals' actions are determined by needs and no market exists as individuals produce for their own self consumption only. The capitalism stage, in which the market actors are motivated by return on capital investment, with professions and institutional investors entering the market with strategies to make a profit not only from the difference between the cost of production and sale price, but also on capital gains derived from stock-market fluctuations is still developing (see Figure 2.2). The availability of low cost capital through the country's highly capitalised banks however still allow for large multipurpose complexes to be developed even with minimal institutional investors and the typical mature market drivers.

The Theurillat *et al.* (2014) concept of urban rent is central to the provision of a liberalised financial market environment which is one of the conditions for market maturity. The Qatar central financial district and its high-rise buildings is described by Salama and Wiedmann (2013) as having high vacancy rates possibly due to high rental costs, congestion and inadequate parking. Until these issues are fully addressed the urban rent market maturity condition will remain limited. The availability of frequent up-to-date reliable property market information and statistics like vacancy rates in the public domain, which help act as a trigger for investors to commence developing, also needs further investigation.

4.7.2 [Planning Guidelines and Master Planning](#)

The Qatar National Vision (QNV) launched in 2008 has within it a Qatar National Master Plan (QNMP) whose main role is to coordinate infrastructure development and the implementation of land regulations (Qatar-Secretariat, 2008). It also aims

to align the planning process by implementing an agreed framework underpinned by new enforceable regulation under the Ministry of Municipality & Environment (MME). This new institution will integrate zoning plans and replace the prevailing system which had been criticised for being centralised and top-down, containing a complex process of decision making and deciding developments on a case-by-case basis (Salama and Wiedmann, 2013). The change in strategy was brought about as a result of the rapid increase in new developments, described earlier, which outgrew former master plans and led to institutional guidelines and rules being ignored as they were outside the scope the out-of-date planning rules (Salama and Wiedmann, 2013). As the new rules are still being rolled out and implemented, they are yet to be institutionalised as the planning laws of mature markets which have been engrained in the market for many decades. The research has already noted how the United Kingdom planning guidelines are at the mercy of local and national power networks and therefore are not dissimilar to Doha's in this regard as they are implemented in a similar way. The laws and institutions, when fully implemented and policed, will provide Doha with the standardisation of property rights and market practices which predetermine a mature market and therefore aid its market's maturity overall.

4.7.3 [Development Control](#)

Development Control in Qatar is regulated through the Ministry of Municipality and Environment (MME). To obtain development permission, a developer or their agent would need to submit Design Control 1 (DC1) documentation to the local municipality for outline planning permission, and if approved submit Design Control 2 (DC2) documentation to various development control committees for detailed planning permission. Obtaining development permission is a time-consuming process and could constrain development and regulate the market indirectly in a similar way to more mature markets in the UK and China. It is unclear

how flexibility is brought into the market in Doha, however as there are large swathes of undeveloped land available, this may not be required in markets that have not yet matured.

The development of high quality property products often suffers in maturing markets, particularly in boom cities like Doha, as local authorities are unable to cope with the pace of development. They also fail to approve materials that align with local quality aspirations and monitor development quality and adherence to planning laws, due to inexperienced staff (Salama and Wiedmann, 2013). This development of high quality property products was highlighted earlier as a requirement for market maturity. The skills set of the developer market is still aspiring to reach the quality levels demanded in mature markets. This is partly due to the limited skills base of the migrant labour utilised to develop the market products and partly due to the pace of development which spreads the skilled resources too thinly. The market maturity condition of a large pool of skilled workers required to provide high quality products described by Chin *et al.* (2006), is therefore limited.

4.7.4 [Land ownership and market practices](#)

Foreign land ownership in the Doha property market has historically been subject to restrictions. The 'Foreign Ownership of Real Estate Law' No. 17 of 2004 permits ownership of freehold properties for foreigners in designated areas (Salama and Wiedmann, 2013). Qatar gives permanent residence permits to foreigners buying freehold properties in those limited areas. Foreign ownership of property in some additional limited areas is restricted to 99 year leases which are renewable. Foreign ownership is restricted in the rest of the market (Salama and Wiedmann, 2013). This is not uncommon in the Middle East including the more developed market of Dubai where the Land Registration Law limits both leasehold and

freehold property ownership by people who are not citizens of the Gulf Cooperation Council (GCC) to specific designated areas. This is as opposed to the United Kingdom and other mature markets where foreigners are permitted to own freehold rights to the majority of land placed in the market place.

The right of foreign freehold is not in itself a hindrance to market maturity as many mature markets in Asia have state ownership of land (see LaSalle (2010), LaSalle (2014) and Haila (2000)). The market immaturity maybe linked to property rights that are not perceived as standardised and the market practices that differ for each different type of participant. This is viewed through the view of the Ball *et al.* (1998) contention that in countries where restrictions are applied to the property market, those permitted to participate would obtain higher return than would have been determined by a competitive market. The different rules would therefore make the market unattractive for participants without the advantages gained from the rules as they are unable to compete on an even basis.

4.7.5 [Infrastructure Development](#)

The availability of updated and developed public infrastructure, is seen by Chin *et al.* (2006) as one of the key characteristics of a mature property market. Infrastructure development is one of the key components of the Qatar National Vision which manifests itself in mega infrastructure development projects described earlier including underground rail network, major strategic water supply and sewerage developments and the upgrade of the road network. These projects are however not yet completed and the infrastructure they will eventually deliver not yet available for use. Megaprojects in Doha have therefore gone ahead of the infrastructure development and availability on the basis of outdated plans and inaccurate assumptions. Some have been completed

before infrastructure networks required for market maturity have been established to serve them (Salama and Wiedmann, 2013).

However, as the projects near completion or are delivered in phases, the conditions that are required for market maturity will start to exist. Infrastructure is readily available in London and the national government continuously spends significant effort upgrading and adding to it. Doha's infrastructure investments have set it on a path to quickly catch-up with the infrastructure availability of the mature markets like London.

4.7.6 Financial Institutions, Banks and Institutional Investors

Thiagaraja *et al.* (2014) note that the financial services Gross Domestic Product (GDP) contribution in Qatar is second only to the hydrocarbon industry, is well capitalised, has a good regulatory framework and maintains good stability. While there is no personal income tax and Qatar corporate tax is low, companies owned by Qatari nationals or Gulf Cooperation Council (GCC) nationals are exempt from corporate tax altogether therefore attracting a disproportionate amount of these players into the market. Qatar has a strong credit rating on the basis of its hydrocarbon industry which provides stability required in a mature property market. Qatar's sovereign wealth fund invests significantly internationally, providing further stability to the local market with sovereign wealth valued at US\$210 billion in 2012 (see Thiagaraja *et al.* (2014)).

Qatar has a strong domestic banking sector with an ability to raise international debt capital, however the local debt capital market is small. Qatar's legal system is based on Islamic law, however, there is a parallel system for financial services companies based on English law. This gives it the sophisticated and sound finance structure and legal certainty which attracts international investors and could set the conditions that allows for the market to mature. The parallel system is applied

within the Qatar Financial Centre (QFC) which is a “free zone” in which the regular laws of the state do not fully apply. QFC laws permit complete foreign ownership, repatriation of all profit, has authority over tax, immigration and employment law, as well as financial regulations (Thiagaraja *et al.*, 2014). This minimalist state interference and self-regulation of many aspects mimics the London financial market described earlier and minimises the potential restrictive effects on competition described by Ball *et al.* (1998) when only certain types of financial institution are permitted to be active in a market. The state’s ability to impose penalties on overseas investors, which is described by Lieser and Groh (2011) as a cause of adverse effects on investment returns, is restricted through the implementation of the QFC.

5 CHAPTER V – EMPERICAL RESEARCH FINDINGS

5.1 Empirical Research Findings

5.1.1 Introduction

A series of interviews were carried out and electronic questionnaire responses requested from property market participants to obtain their insight into the maturity factors from their own experience of operating in the Doha property market. The emergent themes which were identified and the results of the studies conducted are presented in the following chapter.

5.1.2 Interview / Questionnaire Structure and Information Required

The interviews and questionnaires were structured and focused on how the property market in Doha compares with known international best practice on the following factors, as well as improvements and suggested changes over the period they have been in the market: -

- 1) The availability of a sophisticated and sound finance structure which facilitates the investment in the property market
- 2) The range of property asset classes/market use options available on offer to meet various possible investment objectives
- 3) The extent and completeness of quality property information and property professionals
- 4) The range of alternative investments available which are not property
- 5) The liberalisation of the financial market environment
- 6) The level of public infrastructure development available
- 7) The level of risk and return in the property market
- 8) The relative quality of property products/ buildings available

- 9) The accuracy and certainty of the financial and market practice
- 10) Relative standardisation of property rights and market practices
- 11) Flexibility of the market in both the short and long run
- 12) Stability of the economic environment
- 13) Stability of the development environment
- 14) Availability of a large pool of skilled workers able to service the market

The respondents were further asked to consider all these factors and provide an assessment of how mature the property market in Doha is, in comparison to international best practice?

The factors identified above were obtained from the literature review and are the original maturity factors identified by Keogh and D'Arcy (1994) as well as Chin *et al.* (2006).

In addition, some further queries were raised based on the results of the initial interviews and on reviewing the literature. These questions had not been anticipated in the initial research design and were added to subsequent interviews and updated on the electronic questionnaire. These were as follows: -

- What future changes if any are in the pipeline on these factors? Do any of these maturity factor changes apply differently to different property market sectors e.g. low/high end residential, Grade A to C office, High end leisure to budget hotels?
- What future changes would you recommend to achieve a more mature property market, i.e. What bottlenecks can you identify in the Doha property market and what positive steps can be taken to change them?

- Are there any constraints placed on the property market by the local institutional environment? To what extent is local culture and practices reflected in property market practices and market outcomes?
- In what way, have you changed your practices and organizational culture to align with the local market? and to what extent does your business offer the same service to Doha as that offered across the different countries in which you operate?
- Do you think the market recognises that the services provided by the property market reduce property transaction costs?
- To what extent are these statements true: -
 - The property market is dominated by large state controlled institutions
 - The property market historically operated on a system of interpersonal relationships
 - Doha is seen as a difficult and risky market by international investors
 - Doha has stringent planning restrictions that hinder development
 - The market is by and large secretive and opaque

5.1.3 Emergent Themes

Respondents were asked to respond to each of the statements by ranking it on a scale of 1 to 5 with 5 being strongly mature and 1 being strongly immature.

The scale of intermediate responses was as follows: -

5 – Strongly Mature	4 - Somewhat Mature	3 – Neither Mature nor Immature	2 - Somewhat Immature	1 - Strongly Immature
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The respondents were also asked to comment on the basis and reasoning of their answer where appropriate and the comments summarised and contextualised through the researcher's own insight in the following analysis.

The full results are shown quantitatively in table below, with a weighted average score for each shown at the end based on the responses received from the 15 participants. The weighted average score determined the overall response classification of each maturity factor.

	Description	5 – Strongly Mature	4 - Somewhat Mature	3 – Neither Mature nor Immature	2 - Somewhat Immature	1 - Strongly Immature	Average Score
1	Availability of a sophisticated and sound finance	1	1	3	8	2	2.4
2	The range of property market use options		1	1	10	3	2.0
3	The extent/ quality of property information and professionals	3	1	2	8	4	2.0
4	The range of alternative investments available	2	3	8	1	1	3.3
5	The liberalisation of the financial market environment	4	8	2	1	0	4.0
6	The level of public infrastructure development available	1	3	9	1	1	3.1
7	The level of risk and return in the property market	0	1	2	11	1	2.2
8	The relative quality of property products available	0	3	10	1	1	3.0
9	Accuracy and certainty of the financial and market practice	0	1	2	9	3	2.1
10	Standardisation of property rights and market practices	2	0	1	10	2	2.3
11	Flexibility of the market in both the short and long run	0	1	2	11	1	2.2
12	Stability of the economic environment,	4	8	3	0	0	4.1
13	Stability of the development environment	3	9	3	0	0	4.0
14	Availability of a large pool of skilled workers		1	2	8	4	2.0

Table 5.1: Quantified Interview and Questionnaire results (Maturity Factors)

The emergent themes that came out from the interviews and questionnaire responses based on the approach utilised are detailed below. The statements are attributable to the respondents of the interviews and questionnaires based

on common themes of the responses provided. As the interviews and surveys were anonymous, no single respondent is credited for their individual response.

1) The availability of a sophisticated and sound finance structure which facilitates the investment in the property market?

The general consensus was that the finance structure is available which allows for significant property investment. The sophistication of the structures available for particular investment in property was however questioned. The most mature markets offer greater sophistication as well as greater transparency of the finance structures of property investments. The majority of respondents were of the opinion that this factor was somewhat immature (53%) in the current Doha property market with a 13% of respondents indicating that this factor was strongly immature. Respondents commented on how sophisticated mortgage and lending practices found in the Western world are yet to be fully developed. Sources of finance are both varied and available however the allocation is not as rigidly formalised against investment cases as is found in more mature markets.

2) The range of property market use options available on offer to meet various possible investment objectives

Respondents thought that the market use options could do with further diversification to match those of the most mature markets, however this is an area where Doha is rapidly developing and improving although not quite there yet. In its current state the majority of respondents were of the opinion that this factor was again somewhat immature (67%) and a further 20% indicating that this was strongly immature. The respondents also noted that the current rapid development was creating conditions where buildings of sub-optimal use for the prevailing market conditions

could be created. The range of properties available for international investors are further limited.

3) The extent and completeness of quality property information and property professionals

Although there is a wide selection of the best property professionals in the world operating in the local market, the completeness and availability of property information is lacking. This is a strong area for development to increase the market maturity. One respondent noted that information is not shared and where available, is unreliable and out of date which then limits the ability of the consultants to use it effectively to achieve the best outcomes. Another respondent indicated that International Property Measurement Standards are not widely implemented and transaction information is not as well developed as that which is available in mature markets. Greater effort needs to be made to centralise information and encourage sharing and updating. The availability of a wide range of market indicators as well as the alignment of development types with market needs could be helped by the availability of complete quality information. The market is noted by respondents, as needing more structure and formality to help it further develop its functionality. On this basis, the general consensus was that this factor was somewhat immature (53%) and a further 27% indicating that this was strongly immature in the Doha property market.

4) The range of alternative investments available which are not property

There is a range of investments available in the wider economy, particularly in the hydrocarbon, banking and services industries. This aligns with the findings of the literature review and the World Economic Forum findings noted earlier (see Klaus, 2015). Respondents however

were of the opinion that a strong reliance of the wider economy on hydrocarbons still acts as a hindrance on this factor. The range of alternatives is still also an area where the Qatar market lags the most mature markets and some investment options are not available for purchase by non-nationals, thereby limiting the options. Respondents also noted that this hindrance is recognised by the national government and measures are being put in place to rectify this in both the short and long term as economic diversification is one of the areas the national government is targeting to improve. In its current state the consensus of respondents was that the current market is neither mature nor immature (53%) on this factor. Some respondents noted that this factor would have leaned towards being immature had the question referred solely to foreign investment, regarding attractive investment alternatives available to this investor class in the present-day market.

5) The liberalisation of the financial market environment

The financial markets are relatively liberal and are not a hindrance to the property market. The property market benefits from the QFC financial regulations as well as the liquidity afforded to the banking sector by the state. The consensus opinion was that the financial market environment was somewhat mature (53%) and a further 27% indicating that this was strongly mature in Doha as noted by the literature from the World Economic Forum earlier (see Klaus, 2015). Market transparency and dominance of a few large players were however noted as issues by both the respondents as well as Klaus, 2015.

6) The level of public infrastructure development available

Doha is in a state of rapid development and will within a few years have infrastructure which will be comparable with the best serviced cities in

the world. Significant government investment in infrastructure will make Doha a world class city when complete. However, the city is not yet there and as it is the current state being measured, Doha would have to rank lower on this measure. The consensus opinion was therefore that the level of public infrastructure was neither mature nor immature (60%) in present day Doha.

7) The level of risk and return in the property market

The level of risk and return in the market is difficult to ascertain in Doha. Many respondents were uncertain of the overall returns that were being made on the property investments that they were involved in. This was partly because the developments were funded by a high percentage of own equity and therefore the cost of capital was difficult to factor in or the information was not available or published in the public domain. The participants noted that, most transactions lack proper analysis than they would have been afforded in a more mature market.

This scenario presents higher risk for mature international investors, in terms of capital security and certainty of long term revenue streams, than they would typically face in mature markets. The level of return on residential developments (flats and villas) was acknowledged by all to be relatively high – some with payback periods as low as 5 years. In cases where state players were acting as the developers, the cost of capital and the risks involved were cushioned by state backing making it difficult to ascertain whether a market left to its own would have made the same investment decisions. Thus, the respondents scored the level of risk and return as somewhat immature (73%) and a further 7% indicating that this was strongly immature.

8) The relative quality of property products available

The respondents noted that the quality of products in the market varies greatly and there is experience of clients who are too focused on cost saving ending up with inferior products delivered by unscrupulous contractors using semiskilled labour. The clients who demand top quality do however receive this albeit at a premium. The general consensus was that quality products can be found and delivered by the market but a client would have to go out of their way to demand this and quality delivery is not a matter of course as would be demanded in a mature market. The consensus opinion (based on 67% of respondents) was that the relative quality of buildings available is a mixed bag and was therefore neither mature nor immature.

9) The accuracy and certainty of the financial and market practice

The financial market is relatively well advanced and comparable in many aspects to that of a mature market. The presence of the QFC which regulates all financial services companies using practices and laws that are comparable to high international standards ensures the certainty. Funding is available for development from the financial markets at favourable rates and payment terms often better than those available in some mature markets. The lack of transparency of the property transactions was however noted as a potential handicap to this factor. Some of the market practices, for example commercial leases, were identified as basic by western standards and not representative of a mature market. As a result, the respondents scored the accuracy and certainty of financial and market practice as somewhat immature (60%) and a further 20% indicating that this was strongly mature.

The review of the literature had rated the Qatar financial and market practice higher with QFC aiding maturity by providing laws which permit complete foreign ownership, repatriation of all profit, provide standardised authority over tax, immigration and employment law, as well as financial regulations (see Thiagaraja *et al.* (2014)). The reasons for this difference between the responses of the case study and the literature review should be the subject of further research focusing on whether the property market is taking full advantage of the structure and opportunities offered by the QFC institution.

10) Relative standardisation of property rights and market practices

Property rights are well defined and standardised. They however do apply selectively depending on the nationality of the investing party which creates a multiple step market for investment. Qatar and Gulf Cooperation Country nationals have exclusive rights to purchase property in the large majority of areas of the Doha property market. Other foreign nationals are restricted to certain limited development zones. Mature property markets like London and New York have far fewer restrictions which makes them more attractive to international investors. As a result, the respondents scored standardisation of property rights and market practices as somewhat immature (67%) and a further 13% indicating that this was strongly immature.

11) Flexibility of the market in both the short and long run

Market flexibility is best illustrated through the experiences of those who were involved in the boom property delivery required for the Asian games which were held in Doha in 2006. Most analysts predicted a post-games legacy of oversupply of property and high vacancy rates. This occurred for a period after the games, however, the market eventually

adapted and recovered with both private and state intervention into the market to ensure long term sustainability. The rapid pace of development in Doha is however unprecedented and the markets flexibility will continue to be tested long term. The lack of extensive historical data on how the market reacts and is flexible when conditions change was one of the reasons identified by participants for questioning the Doha property market maturity. Until it is tested several times, the market participants are not certain how the market institutions would react. As a result, the respondents scored the flexibility of the market as somewhat immature (73% of respondents).

12) Stability of the economic environment,

Consensus here was that the economic environment in Doha is stable with hydrocarbon revenues invested strategically to ensure that peaks and troughs of any one market sector are cushioned by the invested surpluses. The banks operating in the market are seen as well capitalised and currency risk is minimal as the currency has been pegged against the US dollar at a fixed rate for decades. As a result, the respondents scored the stability of the economic environment as somewhat mature (53%) and a further 27% indicating that this was strongly mature. Some respondents however noted Qatar's high dependency on hydrocarbon revenues and the negative impact of fluctuations in this market as a potential handicap to economic stability.

13) Stability of the development environment

Doha is undergoing rapid development which is causing the suppliers to constantly be ramping up capacity to meet demand as well as encouraging new market participants to enter. Prices have been going up leading to Doha being one of the most expensive areas to develop

in the region despite low labour costs. Market consultants have been predicting boom time hyperinflation in certain parts of the development market if steps were not taken to control the supply and demand market dynamics. This leads to questions being raised about the stability of the development environment. More mature markets would not require nor seek rapid development, therefore ensuring a more stable market supply and demand. There is also a risk of oversupply in some market segments (retail) and overall market control was seen as desirable to prevent this. Despite all these notes and precautions, the respondents still scored the stability of the development environment as somewhat mature (60%) and a further 23% indicating that this was strongly mature.

14) Availability of a large pool of skilled workers able to service the market

This is directly linked to the rapid development and constant increase in demand stated earlier. Skilled workers become scarce and spread too thinly. Skilled workers are recruited from abroad and must relocate to fill the demand. The process takes up resources and time increasing the risk of efficient supply. There is therefore a limited pool of skilled workers available at short notice due to emigration restrictions. The skill levels of some of the workers that relocate to Doha was also regularly questioned with some respondents acknowledging that contractors accept the low productivity outputs associated with the limited skill level of some of their new arrivals and attempt to include this in tender prices. As a result, the respondents scored the availability of a large pool of skilled workers able to service the property market, as somewhat immature (53%) and a further 27% indicating that this was strongly immature. Klaus (2015) also identifies the poor work ethic in the labour force as well as the inadequately educated workforce as problematic areas for doing

business in Qatar which seems to corroborate the views of the research respondents.

The case study interview participants raised some further issues which were not anticipated in the research design. These were incorporated into subsequent interviews and updates to the electronic questionnaire. The responses to these further questions raised are summarised in the following table 5.2 below. The weighted average determined the overall classification of each item. The contents of table 5.2 are discussed in greater detail with each questions detailed response.

	<u>To what extent are these statements true: -</u>	5 – Strongly Agree	4 - Somewhat Agree	3 – Neither Agree nor Disagree	2 - Somewhat Disagree	1 - Strongly Disagree	Average Score
1	o <u>The property market is dominated by large state controlled institutions</u>	4	9	2	0	0	4.1
2	o <u>The property market historically operated on a system of interpersonal relationships</u>	6	9	0	0	0	4.4
3	o <u>Doha is seen as a difficult and risky market by international investors</u>	3	9	3	0	0	4.0
4	o <u>Doha has stringent planning restrictions that hinder development</u>		1	2	8	4	2.0
5	o <u>The market is by and large secretive and opaque</u>	3	9	3	0	0	4.0

Table 5.2: Quantified Interview and Questionnaire Results (Further Analysis)

- o What future changes if any are in the pipeline on these factors?

Qatar is planning to create new zones in which property investment restrictions do not apply around the New Port, the New Airport and in a new city currently under construction in the north of Doha (Lusail). This will open up the market to a greater number of international participants and also offer more diverse property market options for investment.

The drop-in commodity prices of hydrocarbons by more than 50% is also causing the State of Qatar to be more cautious in its investments and pace of development, which will lead to a more stable market that aids maturity by stabilising both the development market and the labour demand for high skills.

The infrastructure availability in Doha will start to rival that of the most mature markets when the projects currently in development are completed including the rail network and the networks of local roads and expressways. The quicker travel times offered by this infrastructure will open up new development corridors which will ensure the property market supply remains sustainable in the long term. Various government ministries have also been identified as working with international property standard institutions like the Royal Institution for Chartered Surveyors (RICS) on standardising valuation practice.

- Do any of these maturity factor changes apply differently to different property market sectors e.g. low/high end residential, Grade A to C office, High end leisure to budget hotels?

Multiple opinions were offered on this question which made it difficult to reach a consensus view. There seemed to be growing opinion that the market exhibits greater maturity characteristics at the higher end and the maturity deteriorates rapidly in low end residential and budget commercial spaces.

- What future changes would you recommend to achieve a more mature property market i.e. What bottlenecks can you identify in the Doha property market and what positive steps can be taken to change them?

Multiple opinions were offered on this question and the following is a list of the items that recurred in the interviews and questionnaire responses.

- I. Further steps to increase property market transparency (availability of accurate property transaction information)
- II. Encouragement of foreign direct investments and international property market investors (by for example introducing advanced financial instruments to provide more finance options for them)
- III. New property ownership rights possibilities - relaxation of property purchase restrictions in a greater number of areas as an incentive for foreign investments
- IV. Steps to improve timeliness of project delivery (removing reasons for delays in sign-off and changes of mind)
- V. Legislation to ensure standardisation of valuation procedures
- VI. Availability of better published market information (e.g. a property market information database at low subscription cost)
- VII. State support of property institutional governance bodies such as RICS and RIBA through legislation granting legal status and greater market penetration of standards they set
- VIII. Steps taken to cool down the supply market when seen to be heating up by a property regulatory body which oversees the market and has the autonomy to act independently
- IX. Greater legal recourse for transaction failure, contractual disputes and protection from non-payments
- X. Banks adopting a stricter approach to lending to ensure the market is sustainable such as only lending against the investment value of a property
- XI. Steps taken to control the land market and the treatment of land as a trading commodity i.e. buying the land with no intention to develop but with intention to sell on at a profit
- XII. National training and worker skill development programmes as well as greater skills screening of supplied labour

- Are there any constraints placed on the property market by the local institutional environment?

The general consensus here was that the participants were actively lobbying to change market institutions to remove constraints and to bring in developments seen in more mature markets. Many of the constraints align with the changes identified above including greater acceptance of international standards, market transparency and market regulatory independence.

- In what way have you changed your practices and organizational culture to fit with the local market and to what extent is local culture and practices reflected in property market practices and market outcomes

The consensus here was that the local market practices and culture were unique and many adjustments were necessary to operate locally. The cultural practices from the mature market economies could not be transferred verbatim as they would fail. Practices were altered to offer what the local market required.

- Do you think the market recognises that the services provided by the property market reduce property transaction costs?

Consultants and service providers among the participant group overwhelmingly agreed that they reduce transaction costs. Developer participants were however not convinced of the value for money of some of the services offered by the consultants. Mature markets (especially London) have a wide range of property consultants offering a wide range of services which make information required for successful property transactions readily available. Some of these consultants do not exist in the Doha property market and, where they do exist, they are often difficult to sell to clients. This brings about the idea of the information demand side of the market (clients) being

underdeveloped leading to the reduction of information supplied by consultants. The consultants would therefore withdraw services they would consider otherwise useful in a different market. Respondents noted that there is a low-cost culture and most clients are looking to reduce costs or select the lowest priced service.

- To what extent are these statements true: -
 - The property market is dominated by large state controlled institutions
The consensus here was that the state and its various state actors take up a much larger share of the property market than would be the case in a more mature market. The respondents therefore somewhat agreed to this statement in the present-day Doha property market. The risk of possible disproportionate influence by a large market participant highlighted in the study by (Hahn, 1984) is therefore higher in this market than in more mature markets with a wider selection of market players. However, there was no evidence of disproportionate influence identified and this effect should be the subject of further research. This sentiment was also echoed by the research carried out by Salama and Wiedmann (2013) included in the literature review section in which they indicate that a significant portion of the large projects in Qatar are carried out by parastatals or with significant state actor involvement.
 - The property market historically operated on a system of interpersonal relationships
The cultural context in Doha means this statement is somewhat agreed to by most participants as a reflection of the local culture which permeates into the business environment.

- Doha is seen as a difficult and risky market by international investors
Respondents cited numerous examples of regional and international investors moving into the Doha market but still somewhat agreed to this statement.
- Doha has stringent planning restrictions that hinder development
Most respondents somewhat disagreed with this statement as the Doha planning restrictions, although strict, were seen as relaxed compared to those of more mature markets like London and Paris. Some respondents however noted that the planning system itself was more cumbersome and opaque than some they have seen in more mature markets.
- The market is by and large secretive and opaque
It was agreed that the property market is not as transparent as the most mature markets and therefore respondents somewhat agreed to this statement. Respondents noted that more adherence to financial disclosure rules has improved this significantly over the years and is heading in the right direction. It was also acknowledged that adoption of international standards on measurement, valuation and publication of property transactions will help change this perception. The Jones Lang LaSalle transparency report reviewed in the literature review also identifies the Qatar market as semi-transparent (LaSalle, 2014) and corroborates the view of the case study research.
- Considering all the factors - how mature is the property market in Doha in comparison to international best practice?
The consensus here was that the overall property market in Doha, although functional, is still somewhat immature when compared to the international best practice but has improved significantly recently and

is on a path to compete with the more mature markets if some of the recommendations proposed are considered and adopted.

5.1.4 Summary and Conclusions

This chapter looked at a case study of Doha property market in terms of its structure and maturity when compared to markets accepted internationally as mature. The prevailing opinion pointed to a much-improved condition from previous although with some significant steps required to catch-up to the characteristics of the most mature markets. The fact that institutions matter and their further development would help make the market better was highlighted as a theme from the case study responses. This ties in with the literature reviewed which identified the importance of market institutions to market predictability, reduction of transaction costs and stability, which are all factors identifiable in mature markets.

The research looked at two projects that were used as units of observation of the case study of Doha and assessed them utilising the market maturity framework from Keogh and D'Arcy (1994). The maturity framework, including its further development by Chin *et al.* (2006), had been identified in the earlier literature review as the dominant school of thought on the subject. These ideas were then applied to information available on these projects as well as the Doha property market generally.

Opinions of several other market players were obtained through interviews and questionnaire responses and analysed to come to the researches conclusions. These provided further evidence and opinion on the case study of Doha. The review highlighted some interesting further insights on the Qatar market which

were also analysed and included in the findings, ending up with a list of 12 possible market improvement recommendations that would increase overall market maturity. The consensus opinion of the research participants concluded that the property market in Doha, although functional, is somewhat immature. The research however, acknowledged the positive changes that have occurred in recent years as well as the changes anticipated that are being implemented to further increase market maturity.

6 CHAPTER VI – CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

The literature review and case study carried out in this research provided an enhanced understanding of the structure of the Doha property market and the maturity factors affecting it. The case study provided an opportunity to obtain empirical evidence regarding the stage of maturity of the market through the view of the units of observation and further research on the wider market. The case study found specific examples of how the Doha property market operates, the strength and completeness of the institutions involved, the comparison to more mature markets as well as other emerging markets. The case study therefore allows the research to infer insights into the market maturity through the maturity framework identified in the literature review and provide answers to the research questions identified in the first chapter. A triangulation approach was utilised in obtaining information from a) the units of analysis, b) the face to face interviews, and c) the questionnaires with the results initially analysed qualitatively.

6.2 Research Questions Response and Recommendations

6.2.1 Research Proposition

The research proposition stated that the characteristics of the Doha property market result in market outcomes that could be improved through greater maturity. The results of the research support this proposition. The maturity analysis of the Doha property market utilises the criteria identified in the literature review to assess various market factors and obtain an understanding of the structure of the Doha property market through the experience of the markets players as well as the units of observation utilised in the case study. The analysis identified the overall property market in Doha as somewhat immature when compared to the most mature markets and international best practice. Placed on a maturity scale from 1 to 5 with 5 being the most mature and 1 the least mature, a score of

somewhat immature would represent a score of 2 out of 5. The research identified 12 recommendations that would improve market outcomes in the Doha property market.

6.2.2 [The Property Market Process](#)

The literature review identified institutional constraints brought about by institutions at play in property markets which affect both the supply and delivery markets. These institutional constraints are both permanent features of and unique to the property market. Institutions were identified in Chapter 3 as serving numerous functions in the property market, including provision of storage of missing information, enforcing market rules, encouraging communal action and minimising transaction costs (Mooya and Cloete, 2007). The literature review identified the factors that affect market maturity and concluded that institutions matter in the property market.

The property market in Doha was found to be functional with areas of improvement identified for each of the maturity factors analysed. Extent and completeness of quality property information, market flexibility and standardisation of property rights were all noted as immature. The state plays a large role in the market with the state and its associates involved in many property transactions either as investors, developers or occupiers (tenants).

Many of the Doha property market's institutions are modelled on best practice often devised elsewhere but are in their infancy of implementation. The 12 recommendations made in chapter 5 which include greater legal recourse for transaction failure, transactions transparency and greater efforts to cool down the land market, if adopted will help to align the market in Doha to international best practice of more mature markets and therefore strengthen and aid market maturity.

The case study research also identified the availability of better published market information and the offering of greater property rights to international investors as areas for development. The recommendation of market improvements, which came from the analysis of the case study findings, concluded that the development and support of property market institutions is an area for further development in Doha. Storage of missing information was highlighted by the proposal as a potential solution to improve the availability of better published market information (e.g. a Property market information database). The central storage can be provided either through a property regulatory body or strengthening of the international property market institutions that exist in the market. These institutions could also assist in enforcing the market rules by setting self-regulating policies that are identified by the research as beneficial to market maturity including recommendations for standardisation of valuation procedures and enforcement of international measurement rules.

6.2.3 Market Regulation and Information Availability: An Institutional View

A proposed property market regulatory institution could have the powers and oversight to take steps to slow down the supply market when seen to be overheating and have the autonomy to act quickly and independently. It could also take steps to control the land market and limit the treatment of land as a trading commodity. The body would be controlled by property market participants and would act to encourage and foster the property market communal actions which are described by Mooya and Cloete, 2007 as a possible way of reducing market transaction costs. The availability of accurate property transaction information can also be regulated and delivered via such a body. The issues highlighted above were all identified as constraints to market maturity, which the case study results proposed to resolve in this manner.

In mature markets like the United Kingdom, market institutions like the RICS and RIBA have historically taken lead roles in industry wide initiatives to improve the property market. These institutions have historically taken steps to improve timeliness of project delivery, as well as provide for greater legal recourse for transaction failure, contractual disputes and protections from non-payments. The strengthening of similar institutions in the Doha property market will provide a platform for similar market actions. Such institutions could also help set the standards for worker skill development, as well as incubate national training programmes and facilitate greater skills screening of internationally supplied professionals and labour.

6.2.4 International investors, diversification and property rights

Other recommendations identified in the research which could be further analysed include: -

- The encouragement of foreign direct investments and international property market investors as well as an increase in the property ownership options for foreign investors
- The relaxation of property purchase restrictions in a greater number of areas as an incentive for foreign investments

A review of the literature on Qatar identified the economic diversification as one of the key pillars of Qatar's national vision and strategic direction. The property market has a strong part to play in this diversification because a well-functioning property market will provide alternatives investment, revenue streams and aid overall economic diversification. The national government recognises this and has already taken steps to increase the number of developments in which foreign

capital can invest by creating and legislating additional economic free zones modelled along the lines of those successfully operating in Dubai.

The potential restrictive effects on competition of limiting the number of players in the market outside these zones which are described by Ball *et al.* (1998) where only certain types of investors are permitted to be active in a market, will limit their market maturity. In these areas the state imposes limitations on certain types of overseas investors which creates adverse effects on investment returns as described by Lieser and Groh (2011).

Greater relaxation of purchase rights restrictions was identified as desirable to aid the market maturity. The limitation to the right of foreign freehold in certain areas was noted to not in itself be a hindrance to market maturity as many mature markets in Asia have state ownership of land (see LaSalle (2010), LaSalle (2014) and Haila (2000)). The restriction on ownership of freeholds in these areas does not have to affect market maturity if other property use rights are freely available and tradeable. Immaturity would however occur if property rights are not perceived as standardised and if the market practices differ for each different type of property market participant. Ball *et al.* (1998) contends that in countries where restrictions are applied to the property market, those permitted to participate would obtain higher return than would have been determined by a competitive market. The different rules would therefore make the market unattractive for participants without the advantages gained from the rules as they are unable to compete on an even basis. In this case, foreign investment would be discouraged. Some restriction in foreign ownership is seen as acceptable both socially and politically as the property market and its institutions operate within the wider social and political environment. The most mature markets are, however, those that are seen to be the most open to foreign investment and ownership.

6.2.5 Changes to Property Market Practices and Further Research

The research identified that the Banks in Doha had begun adopting a stricter approach to lending to ensure the market is sustainable such as only lending against a professionally calculated investment value of a property. Further research is recommended in this area to identify whether this is now common market practice or an area for further action. There was evidence of market participants actively lobbying for changes to the local property market institutional environment by removing constraints and bringing in developments seen in more mature markets including greater market transparency and market regulatory independence. The desirability of these changes in the local property market environment remains questionable and should be an area for possible further research.

Some local market practices were identified by research participants as unique to Doha or the region, with businesses having to make adjustments where necessary to operate locally. The practices from the mature market economies could not be transferred verbatim as they would fail, meaning practices were altered to offer what the local market required. The review of literature introduced the Magalhaes (2001) concept of the localisation or “place-specific” (Magalhaes (2001), page 101) characteristics of the market maturity factors when observing the maturity of property markets in Southern Europe. While Magalhaes acknowledges that as property markets mature, they follow a generally similar direction in building market institutions comparable to those found in more mature property markets, he however observes that the consequences or outcomes significantly differ across the markets observed. This would be expected to apply directly to the Doha property market, bringing into question the applicability of the property maturity factors across diverse markets. In the case of Doha, it could be questioned whether some of the maturity factors would be required or demanded by the local property market if the consequences of

their introduction are either seen as regressive or adding unnecessary expense to property transaction costs.

These factors need to be each researched further and property market players adequately consulted prior to their introduction into the market. Further research on their acceptability and usefulness both real and perceived need to be carried out to ensure successful implementation decisions. An example of this would be the wide range of property consultants offering a wide range of services available in mature markets (especially London) which are valued in that market for making information required for successful property transactions readily available. In the Doha property market where a significantly larger proportion of new developments are on greenfield sites with issues such as rights of light and building bulk being insignificant, the need for consultants that provide this information is limited and not desired even though they are prevalent in most mature markets. The idea of the information demand side of the market being underdeveloped could therefore also be questionable in this regard.

The system of interpersonal relationships which the property market historically operated on perhaps provided the information sources and market certainty required of a maturing market. However, with more market participants and potential new international market players, this could prove insufficient in the future and a more structured approach to information availability is required.

6.2.6 [Property Market Transparency](#)

The literature reviewed (Klaus, 2015) and the case study identified a problem of property market transparency. Research participants somewhat agreed (response selected by 83% of research participants) to the fact that the property

market is not as transparent as the most mature markets although they indicated that this had improved significantly in recent years. One area identified consistently was the adoption of international standards on measurement, valuation and publication of property transactions to help change this perception.

6.2.7 The Research Problem, Proposition and Questions

The research problem stated that the characteristics of the large-scale property market in Doha is not well understood which impacts on the decisions made by property investors and professionals and defines the maturity of the market. The research has set out to clarify the characteristics of the property market and compare it to international best practice using both a review of literature and the case study research. The research clarified the current structure, nature and characteristics of the Doha property market and compared it to other markets in terms of institutional involvement, market players and rules of the game. The research also identified the perceived market maturity of the property market in operation in Doha and illustrated how this compared to other markets.

The factors that affect the market maturity were identified from a review of the literature available on this subject and a maturity model adopted from the literature review. The maturity model was then applied to Doha through the use of Doha as a case study and identified the property market as somewhat immature. The application of the maturity model to Doha also revealed lessons that could be learnt from other markets and applied to Doha and recommended further research in this area, particularly around the issue of applicability. The proposed improvements to the characteristics of the Doha property market (lessons learnt) identified in the recommendations will result in greater maturity and will have a positive effect on property market outcomes as has been the

case in the other markets studied. The research proposition formulated this at the outset and the results of the research supports this proposition.

6.2.8 Conclusion

Considering all the factors, the property market in Doha was identified as fairly immature (a score of 2 on a 1 to 5 maturity scale) when compared to the international best practice. It has improved significantly recently and is on a path to compete with the more mature markets in future. Recommendations proposed in the research findings above focused particularly around the strengthening of property market institutions to allow for further improvements to market maturity. These recommendations should be considered individually for further in-depth research and market consultations before being implemented considering that not all maybe suitable or desirable for the present-day property market in Doha as the verbatim copying of successful market practices does not always lead to successful market outcomes.

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8 APPENDICES

8.1 Appendix 1 – Research Questions

INTERVIEW / QUESTIONNAIRE STRUCTURE AND INFORMED CONSENT**PARTICIPANTS –**

[Property Market Participants, Developers, Professional Consultants/Agents and Market Institutions]

RESEARCH TITLE: AN ANALYSIS OF THE STRUCTURE AND MATURITY OF THE DOHA PROPERTY MARKET

Hello, my name is Rufaro Makanya and I am conducting a Master's degree research about the maturity of the property market and the evolving institutional environment in which the property markets function in Doha and would like to invite you to participate in the research.

This research is being conducted purely for academic purposes only. I am interested in finding out how the property market in Doha functions and compare this to other international markets supported by property market maturity literature. I want to understand how mature the Doha property market is. I would like to obtain information from property market participants who have an understanding of the Doha market functionality, to obtain their perception based on their own knowledge and experience.

Please note that participation is entirely voluntary. Participants who choose to assist me with this research are free to withdraw at any time and are not bound to provide responses to any question they are not comfortable with or feel unqualified to answer. I would be grateful if you would assist me by attempting to respond to most questions and helping make this research a success. The research is supervised and monitored by the University of Cape Town in South Africa.

Participants will be asked to respond to a series of pre-prepared, structured questions listed on the next 3 pages. The questions can be asked face to face or over the phone - email responses will also be accepted. The interview/ question responses should last no longer than 30 minutes and answers will be recorded by the interviewer. The data will be used to formulate findings in the research and the final version of the findings will be made available to interested respondents. In responding to the questions, examples from other markets are particularly useful to the researcher.

Anonymity will be preserved through the anonymization of response data and the identity of responses will be known to the researcher only, meaning any responses included in the research findings will not be attributable to any participant.

Regards

Rufaro Makanya
BSc Hons, MRICS
Mobile: Email:

Questionnaire/ Interview Structure/ Information Required

Name:	
Organisation/ Employer:	
Position/ Role:	

My review of academic literature has identified the following factors as determinants of property market maturity. How does the property market in Doha compare with known international best practice on these factors? -

(Click the most appropriate response and add any additional comments in the comments section)

	5 - Strongly Mature	4 - Somewhat Mature	3 - Neither Mature nor Immature	2 - Somewhat Immature	1 - Strongly Immature
The availability of a sophisticated and sound finance structure which facilitates the investment in the property market	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
The range of property asset classes/market use options available on offer to meet various possible investment objectives	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
The extent and completeness of quality property information and property professionals	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
The range of alternative investments available to potential property investors which are not property	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
The liberalisation of the financial market environment	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
The level of public infrastructure development available (roads, rail, utilities, drains and airports)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
The level of risk and return in the property market	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
The relative quality of buildings available	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
The accuracy and certainty of the financial and market practice	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
The relative standardisation of property rights and market practices,	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
The flexibility of the market in both the short and long run,	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
The stability of the economic environment	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
The stability of the development environment	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
The availability of a large pool of skilled workers able to service the property market in Doha	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

- What future changes if any are in the pipeline on these factors? Do any of these maturity factor changes apply differently to different property market sectors e.g. low/high end residential, Grade A to C office and High end leisure to budget hotels?

Comments

- What future changes would you recommend to achieve a more mature property market i.e. What bottlenecks can you identify in the Doha property market and what positive steps can be taken to change them?

Comments

- Are there any constraints placed on the property market by the local institutional environment? To what extent is local culture and practices reflected in property market practices and market outcomes?

Comments

- In what way have you changed your practices and organizational culture to align with the local market? and to what extent does your business offer the same service to Doha as that offered across the different countries in which you operate?

Comments

- Do you think the market recognises that the services provided by the property market reduce property transaction costs?

Comments

- To what extent are these statements true:

	5 - Strongly Agree	4 - Somewhat Agree	3 - Neutral	2 - Somewhat Disagree	1 - Strongly Disagree
The property market is dominated by large state controlled institutions	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
The property market historically operated on a system of interpersonal relationships	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Doha is seen as a difficult and risky market by international investors	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Doha has stringent planning restrictions that hinder development	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
The market is by and large secretive and opaque	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments

- Considering all factors - how mature is the property market in Doha in comparison to international best practice?

5 – Strongly Mature	4 - Somewhat Mature	3 – Neither Mature nor Immature	2 - Somewhat Immature	1 - Strongly Immature
<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments