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# Doha (Qatar) – Real Property Market on the move!



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Propelled by oil prices and since the development of the world's third largest reserves of natural gas Doha has become a building site. Ten years ago it was a sleepy tiny backwater, but early this century Qatar's gas sector development took off when it began signing deals with multinationals. Plans to change the face of the country by 2009 were made public when the Emirates ruler, Sheikh Hamad bin Khalifa Al Thani set up the Public Works Authority, Ashghal, in January 2004 to oversee "a total change in the existing landscape".

Qatar's ambitions are apparent in its plans to host the Asian Games in Doha this December. Despite reports that facilities will not be ready on time, huge public and private sector investments have driven construction companies to make up for lost time; Doha is already transforming – if somewhat chaotic in the Games build-up – as a result.

The demands of hosting the games have given momentum to ambitious plans: in spring 2006, Ashghal revised the investment cost of its five-year infrastructure upgrade program to US\$8.45bn, an increase of US\$964mn on the original forecast. Of the total projected investment, about US\$2.6bn to be spent on new buildings.

New laws – although more in this matter needs to be done – have ensured that Qatar keeps pace with its Gulf neighbors in the property ownership field and, with Doha a building site, foreigners are gradually being allowed in on the act. In June 2004, Qatar revised its laws on property ownership. The amended law ([No. 17 of 2004](#), Regulating the Ownership and Usufruct of Real Estate and Residential Units by Non-Qatari's) states: "A non-Qatari may own real estate in the Pearl of the Gulf Island, the West Bay Lagoon and Al Khor Resort Project". These are all special-purpose real estate developments within the greater Doha area.

Under a new law passed in February 2006, GCC nationals can own land and residential units in three designated areas – Lusail, Al Kharayej and Jebel Thiyab – and non-GCC nationals can lease properties for 99 years in 18 areas across Doha (Musheireb, Frij Abdul Aziz, Doha Jadeed, Ghanem Al Qadeem, Al Rifa, AL Hitmi, Al Salata, Bin Mahmoud, Rawdat Al Khalil, Al Mansoura and Bin Dirham, Najma, Umm Ghuwailina, Al Khulaifat North and South, Al Sadd, New Mirqab and Al Nasser, areas around the Doha International Airport, Al Dafna and Onaiza, Lusail, Al Kharayej and Jebel Thiyab).



Although these laws will allow foreigners to invest in property developments **the current real estate situation in Doha is undersupplied with a scarcity of well-built residential and commercial property.**

Average rents in the housing sector have been pushed up, rising by 47% between 2003 and 2005. Qatar's increasing population has placed a huge demand on existing properties at a time that Doha lost much of its low-cost inner city housing stock. This catered for lower paid expatriates and was bulldozed to make room for new roads and parks.



An IMF report on the Qatari economy, issued on September 2006 but not fully published, blames rising costs on infrastructure constraints in the construction sector, but notes that "inflation is expected to ease slightly to 7.5% in 2007 as housing comes on stream.

**PYTHEAS does not expect the residential demand/supply gap to narrow in the short term.** Although rents increased by about 40% in 2005, this was not sustained throughout 2006, primarily due to a maximum 10% annual rental increase placed on landlords by the government. The accommodation situation will somehow improve when Doha Asian Games organizing committee personnel leave town but prices are expected to remain at the same levels.

Some 180 towers are forecast to be completed by 2009 in Doha's West Bay business and commercial district. This will hopefully provide relief to the overcrowded Qatari commercial real property market. Doha is experiencing significant frustrated demand for office space, with supply lagging as much as 18 months. Vacancy rates are currently less than 1%. Current office space in Doha was estimated at 330,000 m<sup>2</sup>; including secondary spaces in locations such as Salwa Road, Al Sadd and the city center. Gross leasable area (GLA) of 500,000 m<sup>2</sup> is forecasted by 2010. New office space in the West Bay alone will add some 300,000 m<sup>2</sup> of GLA by 2010.

The office market is undersupplied, which has resulted in a market driven by landlords rather than tenants. Occupancy rates are currently at more than 95%. **In the absence of the need to compete for tenants, property owners have been able to provide minimum standards of finish, specifications and service, perhaps in the knowledge that tenants would accept this as the norm with little alternative option.** Tenants have also been able to demand high rentals.

Problems are exacerbated by shortages in construction materials. Building materials are in high demand, leading to lags in cement supply. Analysts indicate that in 2005, Qatar was third in the world cement consumption rankings, absorbing some 2.4 tons per head. In September, the government passed a decree exempting cement and reinforced steel imported into Qatar from non-GCC countries from customs duty.

Additionally, as many of new buildings are being developed by groups with limited experience in workplace and urban issues, there are often shortcomings in parking space and amenities that can mean that some of the new products just don't work for multinational users.

With a correction in commercial sector rents not expected for 18-24 months at the earliest, office rents are running at QR150-QR250 per m<sup>2</sup> (US\$40-US\$70 per m<sup>2</sup>).

**Opinion:** The overall real estate boom in Qatar is unprecedented and the Qatari economy is getting more and more diversified in its effort to lessen its dependence of oil and gas. Heading to become the LNG capital of the world is the fastest growing economy in the Middle East; and with tens of projects from modern infrastructure and residential complexes to high rise towers and offices, Qatar, would undoubtedly interest the most skeptical real estate related developer and investor!

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