Housing Tenure and Economic Inequality among Qatari Citizens

Erin Stepney

The foundation of Qatar’s social security policy is the provision of housing, and 78% of Qatari citizens regard this as an essential element in the modern state. However, a volatile housing market and a failure to include all citizens in the benefit scheme has resulted in a serious condition whereby nearly 1 in 10 citizens pay rent. Many Qatari rent-payers work in the private sector, and are members of working families with children. Thus a disadvantaged sector exists in society, deprived of a significant state subsidy while also forced to pay an increasing percentage of its disposable income to fellow nationals.

“"The State of Qatar attaches special importance to the provision of decent housing as a component of the right to an adequate standard of living for citizens and residents.”

Housing benefits form the foundation of Qatar’s social security policy. Social security encompasses numerous forms of support allowances, transfer payments, and subsidies that accrue throughout citizens’ lives, but land grants and the provision for housing are often the largest lump-sum transfers of wealth to which citizens of Qatar are normally entitled.

Land and housing benefits

The most recently amended legislation of 2007 structures the provision of housing benefits in three forms: grants either of land parcels or the cash value thereof; repayable bank loans with favorable terms to finance home construction; or the provision of state-owned social housing for persons or families in need. Individual citizens may both receive a land grant and also apply for a housing loan. Inequalities within housing tenure patterns for Qatari citizens fall into two general categories: those who are presently excluded from land and housing subsidy, and those who are temporarily underserved by the subsidy structure as a result of extensive administrative delays.

Land values and housing costs in Qatar are the highest in the GCC region and still rising despite the recent fall in oil prices, with a 35% year-over-year price increase registered in 2014 and a further 13% in 2015. Among the GCC countries, Qatari households, on average, spend the highest proportion of their incomes on housing – 28.7% – due directly to the relatively high cost of housing (and not due to, for example, lower average incomes).

Moreover, the cost of housing as a percentage of the Consumer Price Index has increased by almost 15% between 2013 and the end of 2015, twice the total rate of CPI inflation.
The financial costs of renting
Qatari citizens overwhelmingly prefer to reside in freestanding villas or Arabic houses, and the average cost of a newly-built villa is currently around QR 1.22 million.\(^6\) With average Qatari monthly household income of QR 72,700,\(^7\) building a house without a favourable-interest loan would be next to impossible for the average family. On the credit side, annual imputed rent from rising property values accounts for approximately 15% of the household wealth of homeowners.\(^8\) Once attained, a residential property is a valuable investment with considerable financial returns attached.

Housing benefits thus entail both a major portion of the cost of living, and a significant source of wealth for Qatari families. Given the steadily rising urban land prices, land grants in particular can be regarded as the preeminent form of transfer payment in Qatar’s complex social welfare structure. In early 2016, SESRI found that 78% of citizens regard the provision of land allotments as an “essential characteristic of an oil-rich Gulf state like Qatar.” However, nearly one in ten Qatari citizens neither owns their own home, nor lives in a family home, nor benefits from public housing: instead they pay rent to a landlord, who inevitably is a fellow Qatari citizen. The MDPS’ 2012-3 HEIS survey estimated the Qatari proportion of the rental market at approximately 12%, but SESRI finds that up to one-third of ‘renters’ are living in a house owned by a relative, and not paying rent. For the past five years the proportion of Qataris in the rental market has remained very stable between 8% and 9%.\(^9\)

Over the same time period there has also been a 3% shift from public housing to home ownership, which in turn accounts for the majority of the housing share. The economic stability implied by home ownership is the norm, and there is an incremental upward trend in prosperity as the public housing tenure share decreases by the same margin that home ownership expands. However, this gradual increase in prosperity appears to be bypassing Qatari rent-payers, and their relative economic exclusion is stubbornly entrenched.
Policy

Two in five Qatari rent-payers have no expectation of home ownership in the near future. Nine out of ten accommodations rented by Qatari nationals are either villas or Arabic houses, for which the average monthly rents are approximately QR 12,000. This translates to an annual average cost of QR 144,000. A full 60% of renters indicate the expectation of future home ownership, but the most recently compiled ministry statistics indicate that only 3.27% of new villas are completed within a single year. Three-quarters of new villa/house permits require three or more years to complete, such that even families who are only temporarily renting while they await a housing benefit can still expect to pay, on average, QR 432,000 to a fellow citizen while they wait – a figure that draws close to the standard government-backed housing loan of QR 600,000.

At the same time, 40% of renters indicate no expectation of home ownership in the near future, suggesting an ingrained relative poverty among this group as they are subjected to rising rental costs. The state does offer a limited rent subsidy, but this is restricted to rare cases of displacement, when privately-owned land is purchased by the state for public development projects.

The social costs of renting

Crucially, rent-payers are overrepresented in the private sector. Among the comparatively few nationals employed in the private sector, the proportion of rent-payers is twice as large as among the general Qatari population, and 50% larger than the proportion of renters found among state employees. This represents a major disincentive for QNV 2030’s labor policy objective to promote economic diversification by encouraging Qatari citizens to take up private sector employment. Public sector jobs for nationals are associated with guaranteed housing benefits that are not as common among private employers, and the relative disadvantage to citizens is clear.

Moreover, there are important intersections between housing policy and family policy. Four out of five rent-payers are members of working families with children, who may well find their family planning decisions severely impacted by the financial burden of rent. Further, the proportion of renters who are divorced or separated individuals is 62% greater than among those living in an owner-occupied home, and among divorced or separated rent-payers, women...
Private sector workers are 50% more likely to be caught in the rental market.¹⁴

Rent control has been implemented in Qatar before. From 2008 to 2010, soaring rental inflation prompted an annual cap on increases of no more than 10% for existing rental contracts. However, the economic repercussions of the global financial crisis during that period, coupled with relatively lower rates of in-migration, meant that the cap worked all too well: decreased demand on residential supply caused rents to fall steeply in the first half of 2009, and did not recover to pre-cap levels until the middle of 2011.¹⁵ There is apparent reluctance to repeat the experiment, despite debates within the elected Central Municipal Council. In January 2016, the Shura Council formally decided against residential rent control, and has instead opted to address the overheated market by calling for an increase in the supply of mid-range properties.¹⁶

Notes
8. Ibid.
10. Qatar Quarterly Survey, September 2015. SESRI, Qatar University.
11. Ibid.

Policy Summary
The most immediately effective measure to address housing inequality, which would generate additional benefits in many other areas, is the streamlining of administrative processes related to land allotment and infrastructure development. SESRI’s research indicates that up to a third of Qatari renters are simply awaiting permits, inspections, and approvals. A reduction in these delays would address the needs of this group with relatively little cost to the state. Alternatively, temporary access to public housing – a form of rent subsidy – for those awaiting land allotment would relieve the burden of rental costs caused by administrative delay, without the potential for abuse that can afflict a direct cash subsidy. Extension of public housing benefits to all citizens, irrespective of employment sector, would address the disadvantaged portion of Qatari society and eliminate one key disincentive toward employment in the private sector.