

An Institutional Analysis of State-Market Relations in the Saudi Arabian Housing System: A Case Study of Riyadh

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DECLARATION

I certify that the intellectual content of this thesis is the product of my own work and that all the assistance received in preparing this thesis and sources have been acknowledged. This thesis has not been submitted for any degree or other purposes.

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ABSTRACT

Over the past decade, policymakers in Saudi Arabia continue to face enormous challenges in meeting the increasing demand for housing, particularly affordable housing. A review of the literature revealed that inefficiencies associated with state institutions and housing policies are constraining the private sector's ability to sufficiently engage in the production of housing. This study focuses on how the state's institutional framework in the housing system affects the performance and capacity of the market to deliver housing for the low- and moderate-income segments. The main objective is to uncover the state-market relations in order to understand the processes that shape housing outcomes.

The thesis begins by describing the current operation of the Saudi housing system using the capital city of Riyadh as a single case study. Relevant literature on housing research was reviewed to build a platform for this investigation and to drill deeply into existing theoretical frameworks. Multiple institutional theoretical concepts drawn from the literature were adopted and synthesised to create a conceptual framework. This was then used to unpack institutional dynamics in the housing system and to illuminate the contemporary network of state-market relations. An exploratory qualitative research design was undertaken to facilitate insights into the institutional arrangements that shape the actual operation of key actors in the housing system. In-depth interviews conducted over two stages allowed this study to closely examine the complexities of Riyadh's housing system in its distinctive context.

The study found that state-market relations were marked by acute tension that seems to be embedded in the broader institutional context of the housing system. By illuminating and analysing the results of the fieldwork, it was revealed that many issues in the housing market are driven by a number of fundamental factors that amplify the tension between actors in the system and cause the many housing challenges in Riyadh. The implications of the findings for future housing policy are also presented.

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ABBREVIATIONS

FSC	Future Saudi Cities
GAS	General Authority for Statistics
GHA	General Housing Authority
GHS	Global Housing Strategy
GIZ	German corporation ‘Gesellschaft für Internationale Zusammenarbeit’
HCDR	High Commission for the Development of Riyadh
HREC	Human Research Ethics Committee
IMF	International Monetary Fund
KSA	Kingdom of Saudi Arabia
LCHO	Low Cost Home Ownership
MEDSTAR	Metropolitan Development Strategy of Riyadh
MEP	Ministry of Economy and Planning
MGI	McKinsey Global Institute
MOH	Ministry of Housing
MOJ	Ministry of Justice
MOMRA	Ministry of Municipal and Rural Affairs
MPWH	Ministry of Public Works and Housing
NEDP	National Economic Development Plan
NHS	National Housing Strategy
NSS	National Spatial Strategy
NTP	National Transformation Program
PEI	Political Economy of Institutionalism
PPP	Public Private Partnership
REC	Real Estate Commission
REDF	Real Estate Development Fund
RSP	Regional Strategic Plans
SAMA	Saudi Arabian Monetary Authority
SHP	Structure of Housing Provision
UGB	Urban Growth Boundaries
UNCCSF	United Nations Common Country Strategic Framework

CHAPTER ONE

Research Introduction

1.1 Background

Despite being one of the wealthiest nations in the world, Saudi Arabia is still struggling to provide housing for its population. The home ownership rate in the country was 47% in 2016 according to the *National Transformation Program (NTP)* which is well below the global average of 64% (Kingdom of Saudi Arabia [KSA], 2016a). Saudi Arabia faces enormous challenges in meeting the demand for housing, more particularly for low- to moderate-income groups. Housing demand has risen tremendously in the past decade due to several factors including rapid population growth characterised by a large segment of young citizens combined with urbanisation in a few metropolises caused mostly by rural migration. Despite government initiatives to control this swelling demand, a growing gap between supply and demand continues to cause housing problems. *The 10th National Economic Development Plan 2015-2019* (the core economic plan for Saudi Arabia released every five years) estimates that 1.25 million housing units are required throughout Saudi Arabia, and of these, 700,000 have been allocated to private sector delivery (Ministry of Economy and Planning [MEP], 2015). Several problems are identified in the housing system that constrain the private sector's ability to deliver such a high volume of housing (Alskait, 2003; Sidawi & Meeran, 2011; Siry, 2011; Ghosheh & Rabenau, 2011; Alshaikh & Alwazir, 2012; Aleid, 2017). The necessity and importance of engaging the private sector in delivering housing is prevalent in the literature and the general consensus is that the private sector plays a significant role in delivering housing.

In Saudi Arabia, the private sector appears to not be engaging in the adequate production of housing and a review of the literature reveals that inefficiencies in state institutions are constraining the private sector's ability to deliver the high volume of housing required to meet demand for housing in Riyadh. Ghosheh (2012) states that: "A central issue to the housing sector stems from the fact that the public sector has not enabled the private sector and develops policies that do not encourage efficient use of resources" (p. 48). Saudi Arabia appears to have neither a land problem (where in Riyadh, for instance, only 18.6% of urban residential land is used for housing and 39.1% of allocated residential land remains vacant or undeveloped [High Commission for the development of Riyadh [HCDR], 2013b]); nor a lack of capital (in 2011,

USD66.6 billion¹ was allocated by the King to solve the housing crisis). This suggests that something else is going on and that solutions to Saudi Arabia's housing problem can best be found by focusing on improving its institutional framework in the housing system to better manage resources and enable the provision of an efficient housing market. Thus, the central focus of this study is to examine the state's institutional framework in the housing system to enable the private sector to meet the rapid increase in demand for housing, more particularly for low- and moderate-income groups.

1.2 State-market relations in the housing system

The housing system is defined as a composition of several elements that function in time and place (Van der Heijden, Dol & Oxley, 2011). Each of these elements has a set of actors/agents that represent it, such as the households on the demand side, the private developers on the supply side, and the rules, norms and regulations as the institutions in which the system operates. These core components meet in the market to generate the outcomes of the housing system. Many researchers, such as Ball (1986), Oxley (1991), Ambrose (1992), Kemeny (1995), Jenkins and Smith (2001), Pugh (2001), Milligan (2003), Burke and Hulse (2010), Van der Heijden et al (2011) and Stephens (2011) have drawn attention to the importance of the interrelationships between the actors within the housing system and with the system in the wider economic, social, political and demographic context. Karn and Wolman (1992) argue that housing systems are anchored in specific structural contexts in each country and that the production and management of local housing is based on the institutional framework and the interactions of the market and state. These contextual factors are attributable to the distinctiveness of housing system performance in each setting. Burke and Hulse (2010) assert that the embedment of the whole housing system in a broader institutional context, which includes economic, social, political and demographic forces, influences its distinct parts and outcomes. Kemeny (1995) supports this notion by arguing that the institutional arrangements continuously impact the structure of a housing system and, equally, the broader context can be impacted by the housing outcomes. Adequate understanding of the processes of social interaction between actors in the system, and the system embeddedness in the institutional context, lead to better informed solutions to housing problems.

¹ United States Dollar (USD) is used throughout since the Saudi Arabian Riyal (SAR) is officially pegged to the USD at a rate of 3.75

State-market relations in housing have been extensively analysed from mainstream economics assumptions. However, the simplified assumptions of mainstream economics in its deductive modelling have limitations as they only focus on market outcomes rather than the processes that lead to such outcomes (Whitehead & Yates, 2009; Jones & Watkins, 2009). According to Tiesdell and Allmendinger (2005), the understanding of state policy intervention and market operations extends beyond the concentration on policy effects on supply and demand. The emergence of the institutional approach in examining the property market arose from the negligence of mainstream economics in acknowledging the importance of institutions and their social relations (Ball, 1998). Adams, Dunse and White (2005) suggest that state-market relationships in land and property research are better understood by adopting an appropriate institutional framework. Similarly, D'Arcy and Keogh (2002) argue that to understand market outcomes, an exploration and explanation of market processes through their institutional form must be undertaken. Therefore, this study is framed by an institutional theoretical perspective to uncover the complexity of state-market relations and interactions in the Saudi housing system. The institutional approach is derived from a political economy theoretical framework, which perceives institutions as a social construct focusing on 'context', 'process' and 'social relations' (Adams et al, 2005).

In the field of housing studies, Milligan (2003) posits that there is still no well-developed theory with "only some broad ideas and directions" (p. 55) emerging; and proposes a more open research approach that combines different approaches when needed. This study adopts Milligan's direction by synthesising several theoretical institutional concepts to analyse state-market relations in the housing system in Riyadh. The purpose is to focus the criterion on the institutional framework in 'allowing' (i.e. supporting, non-constraining) the delivery of housing. The *Structure of Housing Provision* by Ball (1983, 1986, 1998) was chosen as the main framework and integrated with multiple institutional concepts to design a conceptual framework that gives structure to and guides the investigation for this study. This synthesis of approaches offers invaluable insights into identifying institutional constraints and gaining a more informed understanding of the type of policy responses needed to enable better delivery of housing in Saudi Arabia.

1.3 Research problem

Despite the continuous efforts by the government to alleviate the housing problem in Saudi Arabia, several real and difficult challenges still exist in the housing system. The fact that more

than half of Saudi citizens still do not own housing suggests that the government's approach in dealing with the housing problem is not working. While emerging demographic factors and weaknesses in the state's regulatory framework may have contributed to the many difficulties now evident in the housing system, previous studies tended to overlook the importance of the institutional context and the social interactions of actors in the housing system. Property and housing markets have been widely examined from an institutional paradigm in the literature (Adams et al, 2005), however, in Saudi Arabia little is known about how the wider institutional arrangements including social, political and economic forces have impacted the processes of social relations which shape the current housing outcomes. Such an institutional analysis provides a platform for deep examination of the system dynamics and an unpacking of a 'black box' of processes to gain rich insights into the unique housing context of Saudi Arabia and, thus, connecting the analysis of the housing problem to the bigger picture of complex social relations.

1.4 Research aim

By uncovering insights from an institutional approach, this study aims to address the current gap in housing research in Saudi Arabia by unpacking the 'black box' of processes that determine actors' strategies and shape housing outcomes. While little is known about how the wider institutional arrangements have impacted the delivery of affordable housing in Riyadh, this study provides a detailed and authentic account of the dynamics of state-market relations in the housing system to fill the research gap (arising from the research problem), provide a comprehensive understanding of the housing problem, extend the current body of knowledge on diagnosing housing market issues, and present the policy implications of the research findings.

1.5 Research questions

The following central research question and sub-questions have arisen out of the problems in the Saudi housing system as identified in the literature and from this researcher's observations².

² This researcher was born and raised in Saudi Arabia and draws from his personal, professional and academic experience. He has lived in the capital city of Riyadh for over 15 years and completed his undergraduate degree in Planning and Urban Design at King Saud University (KSU), Riyadh. Upon graduation he was employed as a teaching assistant and more recently as a lecturer (on research leave) in the Department of Urban Planning at KSU. Relevant experience includes completion of the Master of Real Estate Development at Arizona State University (USA) and involvement in several local housing conferences, symposiums and workshops to broaden knowledge in the housing issues in Saudi Arabia and developing expertise in this field before commencing PhD research in Australia.

While the central question frames the research, the sub-questions have been formulated to unpack the bigger question and provide a systematic approach in carrying out this investigation. This illuminates a complex situation by providing significant insights and knowledge about the institutional framework and the interrelationships of actors in the housing system in Riyadh.

Central question:

How can the state's institutional framework in the housing system be improved to better enable the market to meet the demand for housing, particularly affordable housing, in Riyadh?

Sub-questions:

1. What are the existing roles and relationships of key actors within the housing system?
2. What are the key issues in the housing system that influence the private sector in delivering affordable housing?
3. How do these issues affect the private sector's ability to deliver affordable housing?
4. What mechanisms can be provided by state institutions to enable better affordable housing delivery?

The term 'affordable housing' is used throughout this thesis, thus requiring a clear definition. Affordable housing has no single universal definition and according to Gabriel, Jacobs, Arthurson, Burke and Yates (2005): "housing affordability can never be defined in any objective sense; it will always be subject to reinterpretation and critical analysis" (p. 6). Additionally, Milligan, Phibbs, Gurrán and Fagan (2007) recommend that such definitions are, "usually specific to the policy and program context in which they are used" (p. 26). Therefore, in the Saudi context as investigated in this study, affordable housing is broadly defined as housing that is delivered through direct and/or indirect government intervention strategies in order to provide adequate housing that meets the needs of a range of targeted groups. This definition is further explained below.

First, the focus of 'government intervention strategies' in this study is not on government housing subsidies per se (i.e. demand side subsidies that assist households to purchase housing) but housing that is delivered by private market actors in a strategic regulatory environment that potentially facilitates and enables efficient and cost-effective production of housing. Second,

‘adequate housing’ used in the definition follows criteria proposed by the United Nations in *The Right to Adequate Housing*, including security of tenure, availability of services and infrastructure, at a cost that does not compromise enjoyment of other basic needs, habitability in terms of quality and space as well as cultural adequacy which takes into consideration cultural aspects (UN-Habitat, 2009). Finally, the ‘targeted groups’ refer to households with low- to moderate-incomes who earn at or below the average Saudi household income (as shown in Chapter 2). It is important to note that this study focuses on the affordability of home ownership as opposed to affordable rental housing due to the domination of ownership as a more socially accepted concept in Saudi Arabia (as explained in Chapter 2).

1.6 Research approach

A single case study design adopting multiple methods of qualitative inquiry was found to be the most suitable method for investigating the research questions. Given the nature of the central research question (a ‘how’ question), Yin (2003) considers this as the preferred strategy, achieving the combined goals of exploration and explanation. The capital city of Riyadh is used for the case study in analysing the state-market relations in the housing system to allow this study to drill deep into the complexities of the system and its institutional context and to facilitate manageable data collection and analysis. Qualitative research, as an interpretive and naturalistic approach, supports a more detailed and flexible way of understanding “*how* social experience is created and given meaning” (Denzin & Lincoln, 2000, p. 8). Therefore, the interaction and interrelationships between actors in the Saudi housing system can be better understood from a qualitative epistemological position. The flexibility provided in using the method of in-depth interviews as a primary source of data collection resulted in a deeper understanding of the participants’ experiences, perspectives, and interpretations on their roles and relations in the housing system. Such fullness cannot be captured by quantifiable methods.

The research plan followed two stages of data collection and analysis over a two-year period. The first stage of data collection was undertaken to assess the functionality and operation of the housing market in Riyadh focusing on key private sector actors to obtain multiple perspectives and explanations of the housing issues they face. The issues that emerged in the first stage analysis were used to identify the significant issues hindering housing producers from delivering affordable housing in Riyadh. As housing is a complex and multifaceted discipline, the ability to investigate the whole housing system (as identified in the Stage 1 analysis) in detail was considered beyond the scope of this research. Hence, due to time and

resource limitations, it was decided to further investigate only the most pressing and significant issues revealed in the Stage 1 analysis. Thus, Stage 2 proceeded with a focus on the planning system and government housing policies. The subsequent analysis and reporting of the results of the empirical examination of these two stages provided a “thick description” (Lincoln & Guba 1985, p. 359) of state-market relations in Riyadh’s housing system by revealing the multiple realities and perspectives of participants. This facilitated the accumulation of sufficient knowledge and understanding of state-market relations in Riyadh culminating in the development of a framework for improving the delivery of affordable housing in Riyadh.

1.7 Significance of the research

The process and product of this study will hopefully make several valuable contributions to the existing knowledge in housing research and practice. Firstly, significant information is offered to policymakers in Riyadh, which is of value at the national level as well as for other growing cities in Saudi Arabia. Secondly, given the general lack of housing research in the Middle East region, and particularly in the countries of the Gulf Cooperation Council (GCC), this research is of much value to researchers and policymakers in these areas currently facing similar demographic issues, housing challenges and institutional conditions. Thirdly, the examination of state-market relations in the housing system through an institutional approach has never been explored within the Saudi Arabian housing context. Hence, this study draws much needed attention to an important subject and shines some much-needed light on unexamined housing issues thus providing a pathway for future research. Fourthly, this research presents an original method of synthesising theoretical approaches into a robust conceptual framework that provides a structure for investigating state-market relations in housing systems. This original conceptual framework allowed the analysis of the research to further evolve, culminating in a distinctive contribution to housing research by developing a conceptual model that presents an improved holistic method for diagnosing housing market issues. Such a model has the potential for application in any housing context.

1.8 Structure of the thesis

This thesis is organised into eight chapters, as follows:

Chapter 1: This current chapter provides a brief introduction to the study by illustrating the research background, problem, aim, questions, methodology, significance and structure of the thesis.

Chapter 2: This chapter is aimed at familiarising the reader with the housing context in Saudi Arabia as well as the capital city of Riyadh. It commences by highlighting the broader demographic, political, economic and social conditions. A brief history of housing policy in the country since the 1970s is presented, followed by a detailed description of Riyadh's housing market conditions and regulatory framework.

Chapter 3: Relevant literature on housing and property research is presented and synthesised in this chapter to develop a theoretical framework most appropriate for this study. The chapter reviews the evolution of housing theories in developing countries highlighting the recent shift in the global housing policy debate. Such a shift provides a focus on reviewing relevant empirical literature on the impact of planning regulations on housing. Attention is then drawn to discussing the dynamics of state-market relations in housing systems in which an institutional approach is synthesised from several theoretical concepts to provide a conceptual framework for this study.

Chapter 4: The methodological approach used in this study is presented in this chapter. Qualitative research inquiry in the context of a single case study design is utilised. The chapter explains the rationale for choosing the research approach, the selection of Riyadh as a case study, the stages of the research and the techniques used in collecting and analysing the data. Issues surrounding study rigour and quality of the research is also addressed following trustworthiness assessment criteria.

Chapter 5: This chapter reports the results of 20 semi-structured interviews with key private sector actors in Riyadh and captures their experiences and perceptions through multiple perspectives and explanations of the housing issues they face, how they interact and function in the system and how they have been influenced by the existing regulatory framework. The reported findings and results are presented under four main themes devised from the study's conceptual framework.

Chapter 6: This chapter further investigates the most significant and pressing issues uncovered in Chapter 5. The impact of planning and development controls on housing and government intervention in housing are examined. The results presented in this chapter are based on 10 semi-structured interviews conducted with planners and housing officials in Riyadh. The analysis follows two main themes derived from this study's conceptual framework where

government actors' perspectives and views on issues raised by the private developers in the previous chapter are uncovered.

Chapter 7: An analytical discussion of the findings presented in chapters 5 and 6 is undertaken in this chapter to critically assess the state-market relations in the delivery of housing in Riyadh. The discussion reveals the embeddedness of the issues in the wider institutional arrangements where fundamental driving forces are found to be behind most of the issues in the housing system. The chapter synthesises and conceptualises these driving forces into a model that could be used to diagnose housing market issues. Finally, several policy implications that are aligned with the model are outlined.

Chapter 8: This last chapter presents answers to the research questions and the conclusion of this study. The chapter also highlights the study's limitations and identifies several propositions for further research.

CHAPTER TWO

Housing in Saudi Arabia and Riyadh

2.1 Introduction

This chapter provides an overview of the housing context in Saudi Arabia with a special focus on the capital city Riyadh. The main objective is to describe the housing system taking into account its embeddedness in the broader institutional context that includes demographic, political, economic, social and cultural conditions as well as the current and past housing regulatory environment. The description of the system presented in this chapter is aligned with this study's theoretical position (see Chapter 3 – Section 2.5) suggesting that it is vital to examine the interactions of actors in the wider context to have a better understanding of how they operate and function. Thus, the broader context will provide the base for examining the state-market relations in the housing system.

The chapter commences with a general explanation of the demographic, political, economic, and social/cultural conditions that have influenced the Saudi housing system both positively and negatively (Section 2.2). The next section of this chapter (2.3) briefly describes the history of housing policy and its evolution in Saudi Arabia since the 1970s. Section 2.4 aims to shed more light on the current housing situation in Riyadh by providing a brief background of the city and moving to a more detailed account of the land and housing market features, followed by a description of the planning system and its impact on housing. Several primary areas directly related to housing are discussed in detail in order to identify the current trends and issues inherent in the housing system. A summary of the main challenges is included at the end of the chapter highlighting the role of the state and its impact in shaping the contemporary housing system in Saudi Arabia.

2.2 Background of Saudi Arabia

The Kingdom of Saudi Arabia is the largest Arab country in the Middle East in terms of area with a total land size of 2,149,690 sq. km (ranked 14th in the world, a little more than a third the size of Australia). The country is also the largest in the Arabian Peninsula and is bordered by the Red Sea on the west, the Persian Gulf on the east (sharing with other neighbouring countries), Iraq and Jordan to the north and Yemen and Oman in the south. Saudi Arabia's terrain can be described as varied, including areas of coastland, sand, seas and mountains; with

the bulk of the country consisting of flat, rocky and sandy plateaus and plains. Saudi Arabia is famously associated with a desert environment as nearly 50% of its area is covered by sand. Coastal plains run through the western and eastern sides of the country while a range of mountains run parallel to the western coastal plain from the north to the south of the country. With its strategic location linking three continents (Asia, Africa, and Europe), Saudi Arabia's economy has benefited greatly from the opportunities of providing the transit of goods and commodities through its ports.

Riyadh is the capital and the largest city in Saudi Arabia with a population of over six million. The holy city of Makkah and the city of Jeddah in the west side of the country form the second largest urban centre followed by the greater Dammam/Khobar area on the east side. Other important cities in the country include Madinah (the second holy city of Islam), Abha, Najran and Jizan in the south, and Tabouk in the north. Saudi Arabia is divided into 13 provinces and each has a principal city for administrative purposes (see Figure 2.1).

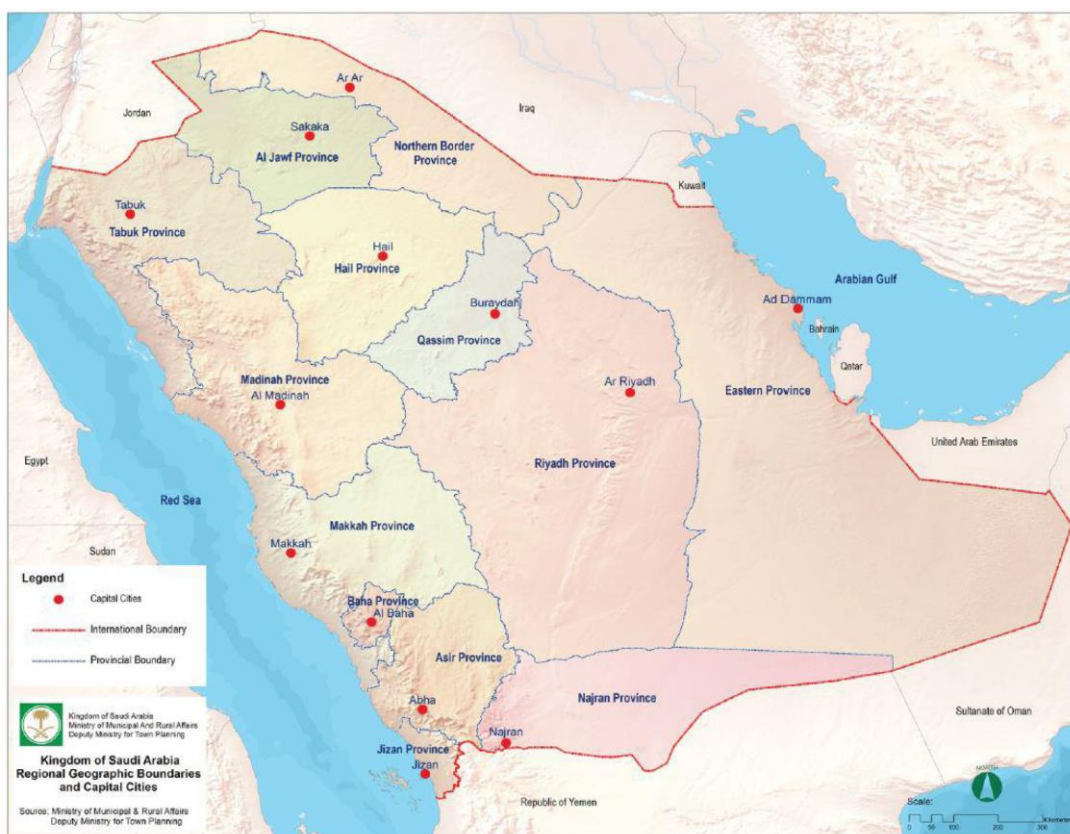


Figure 2.1: Map of the Kingdom of Saudi Arabia

Source: Ministry of Municipal and Rural Affairs [MOMRA], 2015

Most cities in Saudi Arabia have undergone dramatic demographic, political, social and economic changes in the past four decades. The country transformed from an economy dependent on small scale traditional agriculture and trade activities before the 1970s to a modern developing economy that plays a key role in the global economy (Mubarak, 1999). The increase in oil prices in the mid-1970s, triggered by the high world demand and followed by the steady rise in the years following, catapulted this transformation bringing wealth and stability to the economy and providing a comfortable standard of living. Changes in demographic, economic, political, and social conditions in the country are explained in more detail below.

2.2.1 Demographic conditions

The demographic conditions of Saudi Arabia, where the population structure determines government expenditure and potential economic growth, have a major impact on the country’s economic and social development (Mahrad, 2010). Saudi Arabia has witnessed unprecedented population growth over the past few decades: from some 17 million in 1992 to about 22 million in 2004; reaching 27.2 million in 2010; and more recently 31.7 million in 2016 (General Authority for Statistics [GAS], 2016). Saudi Arabia’s population structure is characterised by a large and rapidly growing sector of young citizens. According to the *Demography Survey 2016* (GAS, 2016) nearly 50% of the Saudi population is under the age of 25 (24.8% is below the age of 15 [see Figure 2.2]).

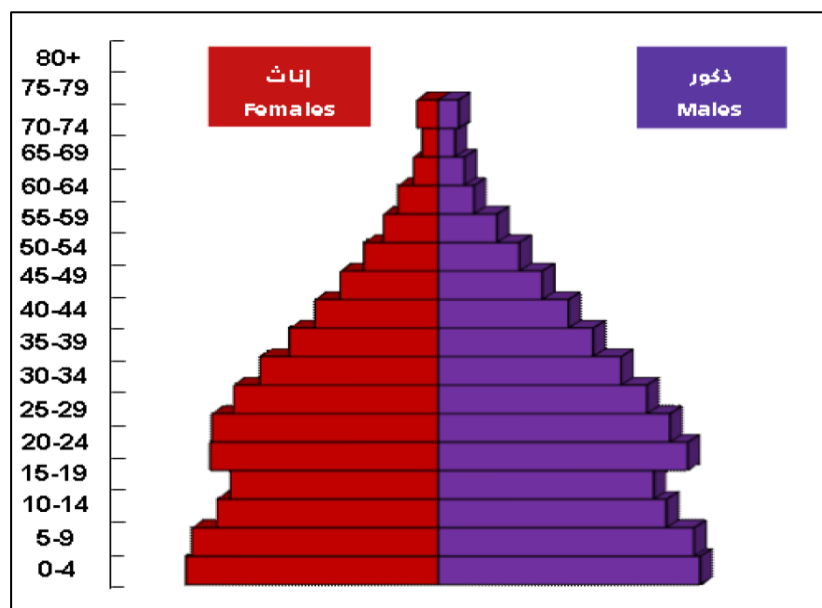


Figure 2.2: Saudi Population Pyramid

Source: GAS, 2016

The population growth rate in Saudi Arabia was 2.54% per annum between 2010 and 2016, which is considered high compared to other countries (Figure 2.3). This population growth is mainly generated by two factors: 1) the high fertility rate of 2.5 children per woman (Figure 2.4); and 2) immigration that accounts for a third of the total population (ibid). The average household size in Saudi Arabia was 5.98 in 2016 (ibid).

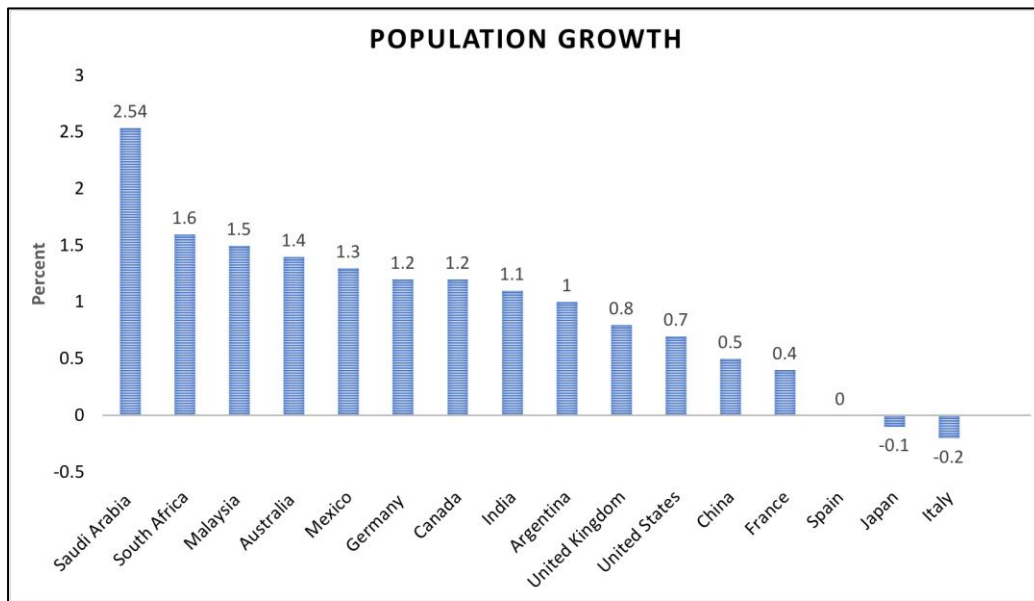


Figure 2.3: Population Growth - An International Comparison (2016)

Source: World Bank Data, n.d. and GAS, 2016

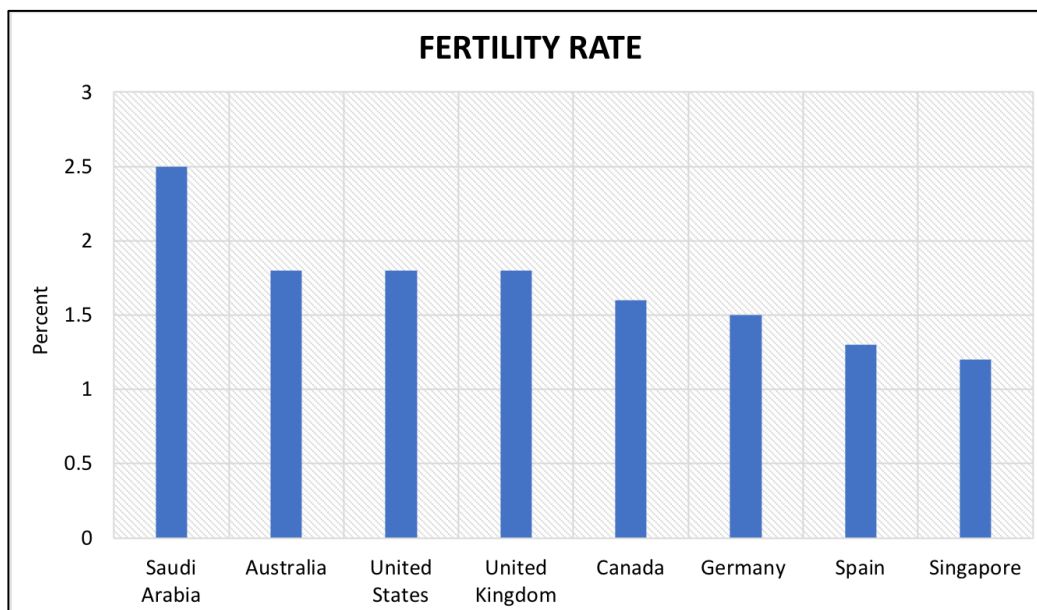


Figure 2.4: Fertility Rate - An International Comparison (2015)

Source: World Bank Data, n.d.

The government's early efforts to modernise the country in the seventies and eighties by focusing on investment in infrastructure projects (such as integrated transportation networks, water, electricity, sewerage and other services in major cities) has led to a high level of urbanisation. Rural to urban migration by citizens seeking better living standards has created a demographic shift and trend towards urbanisation that has continued in the new millennium. As a result of the accelerated urban development in the past four decades, 82% of Saudi Arabia's population live in urban areas (UN-Habitat, 2015a), while 65% of the total population lives in the three major agglomerated centres: Riyadh, Makkah and the Eastern Province (Ghosseh, 2011). The growth of urban population varies between cities (as shown in Figure 2.5) where Riyadh has the highest share of population, followed by Jeddah, Makkah and Dammam respectively. The problem of the early government spatial distribution policies had created inequalities in physical and social infrastructure that, as Abdul Salam, Elsegaey, Khraif and Al-Mutairi (2014) suggest, resulted in the failure of the rural economy to retain its population. Providing equitable delivery of public services to all parts of this vast country is still a major challenge for the government. The *United Nations Common Country Strategic Framework 2012-2016* (UNCCSF, 2012) for Saudi Arabia reported that:

... significant disparities exist between regions and between rural and urban areas, even as the capacity of local governments to deliver services and provide the necessary infrastructure is limited. (p. 16)

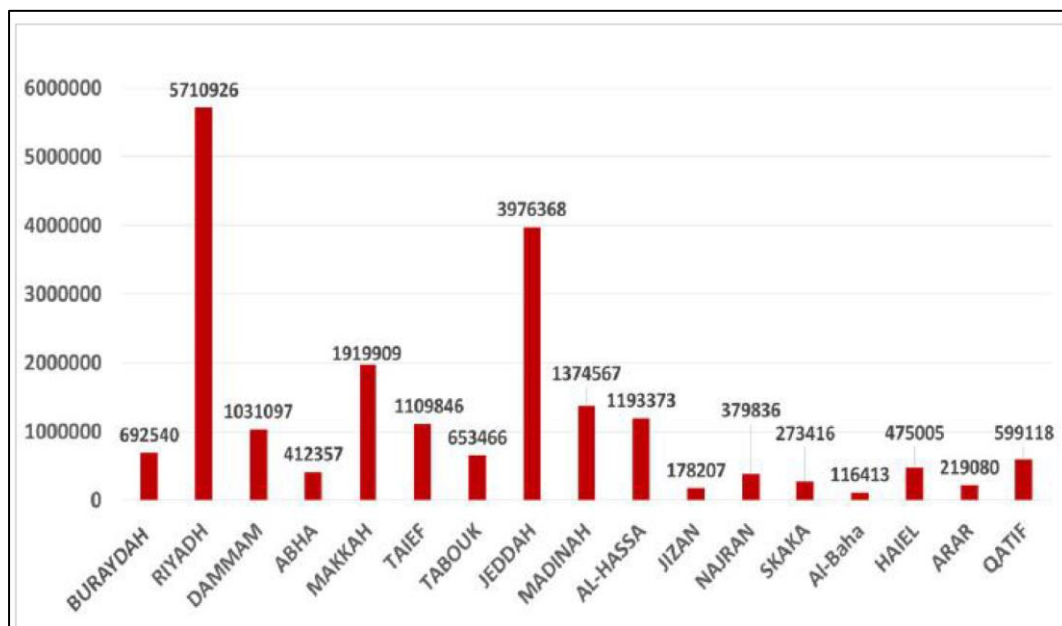


Figure 2.5: Share of Population by Cities in Saudi Arabia

Source: GAS, 2014 as cited in UN-Habitat, 2015a

According to the UN-Habitat report (2015a), the urbanisation trend in Saudi Arabia is predicted to reach 97% by 2030. This acceleration in urban development, including building infrastructure projects and the development of industrial and agricultural sectors has resulted in more demand for foreign labour. Nearly 11.6 million residents of the current population are immigrants from various parts of the world (GAS, 2016). This large migration of foreign workers to Saudi cities created very rapid levels of urbanisation adding more pressure on public services. The concentration of the foreign worker population remains very high (about 90%) in urban areas (UN-Habitat, 2015a). Besides the bulge in the young population and the high growth rate, the considerable number of expatriates in Saudi Arabia further accounts for the demographic shifts. These demographic forces are putting additional pressure on the Saudi Arabian housing market where the prospective annual output of housing units will have to increase to keep pace with the growing number of households. However, it is important to note that while providing housing for foreign workers is important, this study is focused on the delivery of affordable housing for Saudi nationals only. A study of relevant housing needs for foreign workers and appropriate policies is a voluminous issue to tackle and is best addressed in a separate study.

2.2.2 Political structure

The Kingdom of Saudi Arabia was formally declared by King Abdul-Aziz Al-Saud in 1932 after his campaign of unifying the various isolated parts of the Arabian Peninsula. This Islamic country is an absolute monarchy ruled by the Al-Saud family (the royal family), who control the political climate in Saudi Arabia by ensuring that most of the important positions in the government are held by male descendants of King Abdul-Aziz. The country's constitution is based on traditional principles and practices rooted in Islam. The Islamic legal system, or what is called Islamic Shariah law, is the Basic Law promulgated by a royal decree in 1992. The Basic Law sets the features of the political system, although without a legally binding written constitution. The Islamic Shariah laws stem from the holy book of Quran and Sunna (the traditional teaching of the Prophet Mohammad). However, both the Quran and Sunna remain subject to interpretation and the council of religious leaders led by the Mufti (the highest religious figure) performs this function.

The King is the highest judicial and legislative authority in Saudi Arabia as he leads the government and supervises and monitors government programs. The King also coordinates the matter of issues to be decided and rules by issuing royal decrees as laws. The Consultative

Council (Majlis Al-Shoura in Arabic) was established in 2000 to provide the King and Council of Ministers with advice regarding important issues relevant to government policies. The Consultative Council resembles in its function the character of a parliament; however, its members are not democratically elected by society but are appointed by the King for a four-year term. Laws and legislation that are issued by the Consultative Council are first reviewed by the Council of Ministers and finally by the King who, before issuing, has the power of final approval and the right to amend as the absolute leader.

The Saudi Council of Ministers is headed by the King and 23 ministers who represent 23 government ministries. Ministers oversee preparing and presenting administrative plans and discussing issues relevant to their domain. The main function of the council is to lay down the public policy framework of the state by holding regulatory, executive and administrative authority (Alghamdi, 1995). The Council of Ministers plays a significant role in the political climate of Saudi Arabia by functioning as the source of knowledge that guides and drives the improvement of the legislative framework of the nation. In 1993, the government went through a course of administrative reforms including the establishment of Regional/Provincial Councils. The country was divided into 13 provinces in order to promote regional economic, political and social development growth within various territories in the kingdom. The Council consists of government branches where every ministry and government authority is charged with servicing the population of that province. Each province has a governor, appointed by the King, to retain law and order and each Provincial Council has a duty of determining the need and priority of development projects in the province to be considered in the national development plan. It is also charged with following up on the implementation of current development projects in the various provincial cities and towns.

Civil society participation in political and social matters has a very limited place in Saudi Arabia as such issues might conflict with the political identity of the state. In Saudi Arabia, there are no democratic elections and political participation does not exist at the national level. In 2005, municipal elections were introduced to the Saudi society for the first time where candidates competed for municipal seats to represent citizens' needs and demands. The elections were stopped after 2005 and resumed in 2011. However, the popularity of these elections is very low among Saudi nationals according to a report by Bertelsmann Stiftung [BTI] (2014) who found that in the election of 2011 no more than 300,000 votes were cast out of the total Saudi population who were eligible to vote. More recently, municipal councils are gaining some popularity where women are allowed to vote and run for seats (UN-Habitat,

2015a). Any other political elections at national or local levels are prohibited in Saudi Arabia, including political parties and unions, unless approved by the government. Mubarak (1999) argued that the economic prosperity of the country has taken the pressure off the leadership to promote democratic processes.

The political development model in Saudi Arabia is similar to what Huntington and Nelson describe as an autocratic model of development (Mubarak, 1992). According to Mubarak (1992), this model exists as one in which:

... power is concentrated, formal political participation is nullified, economic growth is enhanced, and socioeconomic equality is promoted as a way of securing appeal to legitimacy among the governed masses. (p. 60)

Mubarak (1992) argued that the Saudi government uses the country's wealth generated by oil revenues to modernise the country and improve the lifestyle of citizens without disturbing the balance of the various social groups. He explained that the accelerated level of development and modernisation in the country provided the government with legitimacy over the "rising expectations of the growing urban middle class" (p. 61). The legitimacy of the Saudi political system, however, is not only supported by the economic prosperity and development but also derives its fundamentals from the religious ideology of Islam. Alghamdi (1995) asserts that: "Islam is the main source of the legitimacy of the political system in Saudi Arabia" (p. 135). The supremacy of Islamic Shariah law which emphasises good relationships between the governor and the governed is considered paramount. Allah (God) in the Quran asks Muslims to obey their leader within the rules of Islam and ask those in power to consult the people they serve (ibid). Therefore, the Saudi ruling system derives its legitimacy by applying Islamic law as its foundation.

One of the key issues with the Saudi political model is related to the centralisation of public policy and the decision-making process, which has led to bureaucratic inefficiency. The top-down approach in Saudi Arabia weakens the governance and administrative mechanisms of accountability, transparency and responsiveness and evades any institutional debate in public policies (Jreisat, 2012; Helmi, 2015). The implications of the political system and its impact on housing provision in Saudi Arabia will be elucidated throughout this thesis.

2.2.3 Economic conditions

The economic development of Saudi Arabia has undertaken a vast transformation in the last fifty years. Starting as a small-scale agricultural and trade economy at the establishment of the

country in 1932 (Al-Rushaid, 2010), Saudi Arabia has developed into the world's largest oil producer and exporter (International Monetary Fund [IMF], 2013). The discovery of oil in Saudi Arabia and the escalation in world demand for oil, and the steady rise in oil prices has brought incredible wealth to the economy. The oil boom in the 1970s dramatically changed the economy of the country. Rising from USD0.22 per barrel of oil in 1948 to reach USD30 by 1982 (Sohail, 2012) peaking at USD110 in 2011 (McKinsey Global Institute [MGI], 2015). Saudi Arabia is now the largest economy in the Middle East and owns around 25% of the world's oil reserves. Globally, Saudi Arabia is a member of the G-20 (ranked 19th largest economy) where it plays an important role in global market stability through its significant oil holdings (MGI, 2015).

The Saudi economy has been growing at a robust pace, with real GDP growth averaging 6.25% per annum during 2008-2012 (IMF, 2013). In recent years, however, economic indicators show a sharp drop in real GDP from 10% in 2011 to 1.4% in 2016 due to the decline in oil prices (MEP, 2017). Despite steady falls in oil revenue, the economy remains dominated by oil, which in 2016 provided 62% of budget revenues (oil revenues accounted for about 90% of the total budget between 2011-2014) (ibid).

Saudi Arabia's economic structure is based on a dual system of a market-oriented economy and a main course of government economic policy (Mahrad, 2010). Since the 1970s, the Saudi government has been drafting and implementing economic policies through its *National Economic Development Plans* (NEDP) aiming to guide the national goals of development and the allocation of resources. The NEDP is a comprehensive medium-term plan (5 years) used as an overarching economic policy that guides yearly fiscal budgets in assigning a share of oil revenues for investment in physical and social infrastructure, creating a robust environment for market operation. Thus, in a country where the economy is mainly dependent on its oil revenues, the private sector relies on public expenditure to function; a dependence considered unsustainable in the future (Sohail, 2012).

The recognition of the Saudi government that the resource-based economy is no longer a sustainable option, especially with the recent decline in oil prices, was recently reflected in *Saudi Vision 2030*, which is an economic reform plan that places a high priority on diversifying the economy, giving a greater role to the private sector. Among several ambitious objectives, the plan aims to increase the long-term contribution of the private sector in the economy (from currently less than 40% of GDP to 65%). This is envisioned through a set of regulatory reforms to "facilitate investment, encourage innovation and competition and remove all obstacles

preventing the private sector from playing a larger role in development” (KSA, 2016b, p. 45). To achieve these goals, the government launched The *National Transformation Program 2020* (NTP) to set interim targets for its vision to be implemented in phases. The NTP has assigned a government budget of USD72 billion over the first five-year period between 2016-2020 to implement its economic initiatives across 24 government bodies. Housing was given the priority with the highest budget allocation of over USD15.7 billion. An important strategic objective is to improve the performance of the real estate sector and increase its contribution to GDP from currently 5% to 10% by 2020 (KSA, 2016a). The role of private residential developers in delivering housing is also planned to increase from 10% to 30% by 2020 (ibid).

The economic growth caused by the rising oil prices, particularly in the last decade, has been positively reflected on households’ prosperity where average income has risen by about 75% from 2003 to 2013 (MGI, 2015). According to the *Household Expenditure and Income Survey* (GAS, 2013), the average Saudi household income is USD3,629 per month. Although Saudi Arabia is a high-income country, poverty still exists, especially in less developed regions of the nation (UNCCSF, 2012). The government initiated several anti-poverty measures in 2011, such as an increase in social security expenditure and one-year unemployment assistance, yet the impact of these measures has been modest. According to the latest statistics, the unemployment rate of 12.3% (IMF, 2017) remains high among Saudi citizens.

2.2.4 Social and cultural conditions

Social and cultural traditions in Saudi Arabia struggle with the tension created by the wave of western modernisation on one hand, and maintaining a conservative society that follows Islamic values and family-based orientation on the other (Bechtold, 2012). The evolution of the social and cultural context in the country stems from the Islamic ideology and norms where a community of participation is strengthened resulting in a highly collective society that values family tradition (ibid). However, the rapid economic growth and development gained from the country’s oil wealth has led to a change in lifestyle that is influenced by the individualism of western modernisation. According to Atiyyah (1993): “At the socio-cultural level, the gradual erosion of the traditional social system and its long-established values and norms controlling behaviour and interpersonal relationships continues” (p. 4). These changes in social and cultural values have translated into seeking material wealth and political power (ibid). Urbanisation, technological advancement and the rise in imports have accounted for the modernisation of Saudi Arabia. Consequently, the historical conservative identity in the

country has been witnessing a shift from a collectivist society to a more individualist westernised one (Bechtold, 2012).

Social and cultural values play a significant role in the context of housing as they shape and guide the way housing is perceived and valued. For example, individualist societies based on market liberalisation, such as Australia, have a dominant social value that is manifested in its tendencies towards home ownership (Burke & Hulse, 2010). Similarly, contemporary Saudi society, which is increasingly influenced by capitalist values (Helmi, 2015), has prevailing social values that are characterised by the preference for home ownership as reflected in its modern lifestyle. Opoku and Abdul-Muhmin (2010) indicated that most Saudi households prefer buying a house over renting. In Saudi Arabia, owning a home is a desired accomplishment that symbolises personal and social identity (Al-Gabbani, 1984). As depicted by the Ministry of Economy and Planning (MEP, 2010), government housing policies has been supporting home ownership: “The long-term strategy of the Saudi economy aims to raise the rate of home ownership among the citizens to about 80% by 2024” (p. 358).

An interesting feature of the home ownership model in Saudi Arabia, however, is related to its form, particularly the type of preferred dwelling. Several studies point out that single family homes (villas) are the most favoured type of dwelling (Al-Hathlout, 1992; Al-Saif, 1994; Opoku & Abdul-Muhmin, 2010; Khan, 2013). These studies argue that the main reason behind the preference for single family homes is related to the culture of privacy in Saudi society. Despite the erosion of traditions and customs in contemporary Saudi society, fundamental social principles, such as the concept of privacy still exist (Helmi, 2015). Privacy has a significant importance in Saudi Arabia where it is rooted in religious and cultural values and beliefs. Privacy has a unique interpretation in Saudi society. The strict separation between females and non-family male members makes privacy an utmost necessity both inside and outside the building and must be adhered to in design and planning considerations (Salama, 2006; Al-Surf, Trigunaryyah & Susilawati, 2013). Privacy in gender segregation has become a socio-cultural obligation and a socially acceptable convention (Helmi, 2015).

As oil wealth has improved the society’s living standards in Saudi Arabia, it has also impacted on other socio-cultural practices. The state does not impose any income or property taxes on citizens. The welfare system in Saudi Arabia is unique as several public services, such as education and health, are provided by the state at no cost. Housing subsidies are also available for all groups of Saudi nationals regardless of their socio-economic situation. Access to health, education and government housing subsidies is considered by citizens to be a fundamental right

of the social welfare state (Mahrad, 2010). In Saudi Arabia, citizens have high expectations of the government as they perceive it to be endlessly wealthy and thus obliged to provide free/subsidised services which has created a ‘culture of entitlements’ (Mahrad, 2010; Sidawi & Meeran, 2011; Opoku & Abdul-Muhmin, 2013). “Saudis increasingly relied on the state, adapted their expectations of what they were entitled to, and often became tied to specific institutions through thick social bond” (Hertog, 2010, p 18). These expectations and perception of entitlement to the country’s wealth has grown to become a cultural norm that is embedded in the whole society, creating much pressure on the government as a growing mismatch between expectations and actual delivery of services leads to a level of dissatisfaction among citizens.

2.3 History of housing policy development in Saudi Arabia

The development of housing policies in Saudi Arabia has been shaped and directed by rapid changes in demographic, social, political and economic forces. The country has undergone a remarkable transformation from a traditional tribal society into a modern state that functions within defined structures and operational institutions. The public sector in particular has expanded enormously since the 1970s. Nowadays, 23 ministries are established in areas such as services, security, education, and health. Housing in Saudi Arabia has been managed under several regulatory governmental bodies to guide its policy. This section reviews the history and development of housing policies in Saudi Arabia since 1970. Three distinct phases are presented below with each having unique characteristics.

2.3.1 Housing in the oil-boom era 1970-1990

Saudi Arabia experienced its golden economic era in the 1970s and 1980s when oil prices dramatically increased. The vast revenues resulting from the oil-boom funded massive development projects to build basic infrastructure such as airports, major roads, hospitals, and school projects in the main cities. Sohail (2012) estimated that, “By the mid-1980s, investments in these projects totalled a massive USD500 billion” (p. 148). Despite the remarkable success of the government in building basic infrastructure in different parts of the country in the first development plan (1970-1975), housing provision experienced a severe shortage (Al-Hathloul, 1992). The government development policies and spending programs at the time vastly increased the demand for housing (Al-Saif, 1994). A huge influx of foreign labourers needed to work on the government projects coupled with urbanisation of a local population looking for a better lifestyle in the cities fuelled the housing problem. Riyadh’s population was growing

at a high rate of 8% per year between 1970-1990 (Garba, 2004).

The construction boom in the beginning of the 1970s driven by government spending, which actually caused the housing shortage, was in fact aiming to raise standards of living and improve the welfare of citizens. The government in its first *National Economic Development Plan* emphasised housing as a main priority in its agenda (Al-Hathloul, 1992). National governance structures were established to support the production of housing through the formation of the Ministry of Public Works and Housing (MPWH) in 1975. Moreover, the Real Estate Development Fund (REDF) was launched in 1974 to provide long-term loans to support citizens in obtaining housing. The focus in the first development plan was to build the base and framework for the housing policy in the country (Al-Mayouf & Al-Khayyal, 2011). The backlog of services and shortage of housing in the first half of the 1970s was tackled in the second half of that decade by another massive government investment. In the second development plan (1975-1980), the government allocated USD142 billion to invest in physical infrastructure projects including housing (compared to USD9.2 billion in the previous plan) and assigned USD24.5 billion to fund over 300,000 housing units on a national scale (Mubarak, 1992).

During this era, the state played both direct and indirect intervention roles in the provision of housing. Direct state intervention was characterised by the establishment of high-rise public housing projects. These public housing projects were launched by the MPWH in response to the housing shortage in the 1970s and early 1980s (Al-Hathloul, 1992). Three major cities witnessed what is called ‘rush public housing projects’ that were expeditiously designed and constructed (Al-Saif, 1994). According to Mubarak (1999):

This approach was met with social apathy; due to the lack of cultural considerations such as the extended family structure, the relatively large number of persons per households and the stigma attached to living in public housing. (p. 7)

Few public housing projects were built after this initial phase but they still encountered cultural resistance (ibid). The limited success of ‘rush’ public housing projects was attributed to several reasons including the lack of users’ participation in the design process and the preference of Saudi families at the time to live in detached homes (Al-Saif, 1994). The state direct intervention in such public housing programs, however, represented a relatively small percentage of housing supply (Al-Mayouf & Al-Khayyal, 2011). Besides public housing, several government agencies built housing projects for their employees.

State indirect intervention in housing, on the other hand, has played a significant role in shaping

the contemporary housing sector in Saudi Arabia. Two aspects characterise this impact: (i) the state role in providing interest-free housing loans through the government funded Real Estate Development Fund (REDF); (ii) the distribution of free land through the land grant programs to Saudi nationals by the Ministry of Municipal and Rural Affairs (MOMRA). These two forms of government housing subsidies aimed at improving Saudi citizens' standard of living by providing greater distribution of the oil wealth. The government's REDF, as a state-owned financial agency, provided zero-interest housing loans of up to USD80,000 to citizens to build their own housing. In Riyadh, between 1975 and 1990, 440,000 housing units (about 67% of all housing units built in the same years) were financed through the REDF (Mubarak, 1999). The land grant program also contributed significantly in supporting home ownership. For example, by 1986 45 square kilometres (almost 50% of the total residential land area which at the time was 92 square kilometres)³ of Riyadh was granted for free to low-income Saudi nationals (ibid). According to Al-Mayouf and Al-Khayyal (2011), 375,972 land plots were distributed nationwide by 1990.

These generous government subsidies in the 1970s and 1980s had enabled low and middle-income households in the country to secure their homes. According to Mubarak (1999): "Lucrative subsidies with lax conditions resulted in the construction of 889,000 units between 1970 and 1990. This resulted in vacancy rates in the Kingdom's major cities" (p. 11). This era witnessed the greatest improvement in development intervention by the government (Garba, 2004; Al-Mayouf & Al-Khayyal, 2011) and has continued to shape modern Saudi Arabia including the structure and state of its housing market.

2.3.2 Housing in the post oil-boom era 1990-2010

During the 1990s, the government's role in subsidising several development programs, including maintenance of the generous housing subsidies of the 1970s and 1980s, diminished (Mubarak, 1999). Economic pressures caused by a substantial decline in oil revenues, such as the 'Oil-Price Crash' that occurred in the late 1980s, the depreciation of the US dollar coupled with the country's involvement in the Gulf War in 1990-1991 led to cutting costs on government expenditure especially on infrastructure projects (Sohail, 2012). Besides these factors causing a national budget deficit, another important factor that contributed to the government's diminishing role in supporting housing was the excessive housing supply

³ The exact number of land plots granted is unknown but given that the land grant policy at the time designates 400 sq. meters per granted plot, then potentially about 112,500 land plots were granted in Riyadh.

accumulated during the 1970s and 1980s that was causing a high vacancy rate in major cities (i.e. 15% in Riyadh in 1991) (Mubarak, 1999).

During this era, the nature of state intervention in housing provision was characterised by a limited indirect role. The government abandoned building public housing as part of its social housing programs in the 1980s and not a single project was built until 2009. The Ministry of Public Works and Housing (MPWH) was abolished in 2003, and its responsibilities were transferred to other ministries including the Ministry of Municipal and Rural Affairs, and the Ministry of Economy and Planning. In terms of the state’s indirect role, the land grant program was preserved but in a reduced capacity, with land granted during this phase located in distant locations from urban centres and not served by infrastructure (Ghosheh & Rabenau, 2011). On the other hand, the REDF loans were minimised particularly between 1990-2005 (average of 7,581 loans per year) which was significantly lower than the average in the 1970-80s (Figure 2.6).

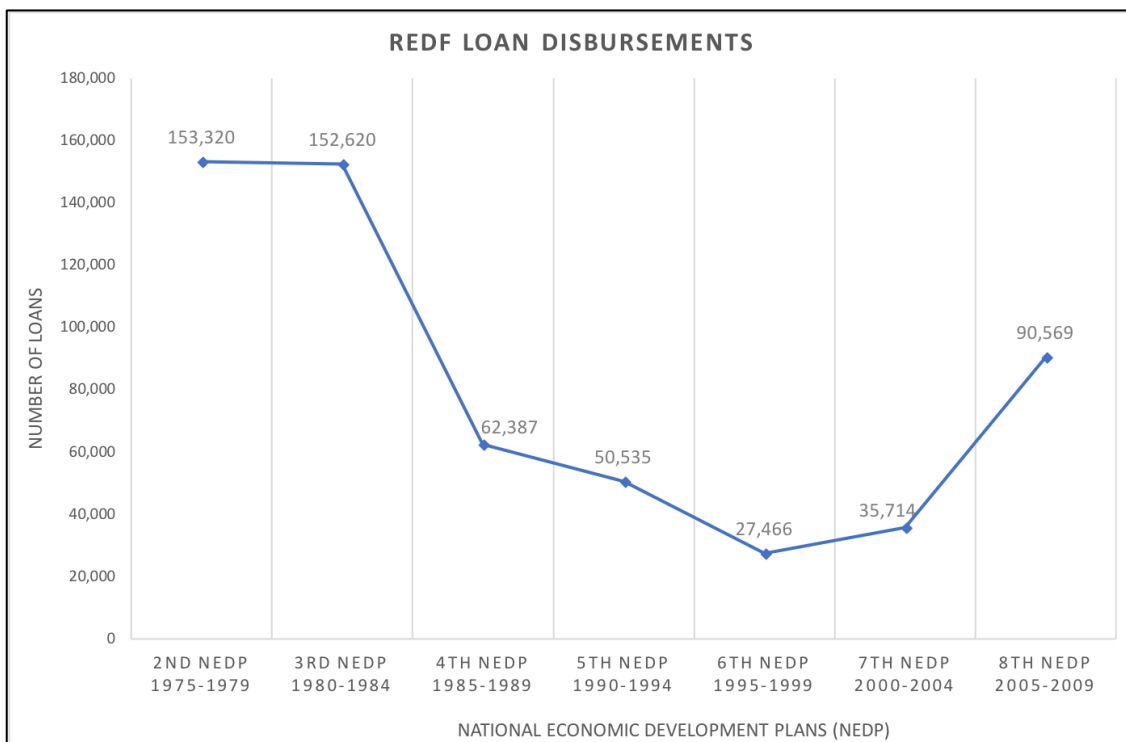


Figure 2.6: Number of REDF Loans per National Economic Development Plans

Source: MEP, 2010

The decline in the government’s role in supporting the provision of housing did not have a major impact on the housing market during the 1990s due to the relatively modest population growth in urban areas (Ghosheh & Rabenau, 2011). However, with the new millennium,

housing witnessed a significant shortage particularly in major cities instigated by a massive demographic shift causing a growing gap between supply and demand (ibid). Growing levels of urbanisation emerged in major cities due to several factors including huge rural-urban migration, an increase in foreign labour migration and centralisation of economic development activities in urban centres. Riyadh's population, for example, more than doubled in size from about 2.1 million in 1991 to 5.3 million in 2010 (HCDR, 2016). The rapid growth in urban centres confirmed that services delivery, including housing, were not able to cope with the demand.

The total retreat of the state direct role in delivering housing and its limited indirect role in providing subsidies forced households to find other means of obtaining housing. According to Mubarak (1999):

At a time of government retrenchment from its previous commitment to ensure affordable housing, family financed and private banking has emerged, albeit hesitantly, to substitute for the diminishing role of government sponsored housing. (p. 18)

Despite the introduction of private mortgage lending by commercial banks in 2000, the market for such mortgage lending remained marginal (Ghosheh & Rabenau, 2011). Family savings and reduced access to government subsidies were the main channels for housing finance during the 2000s (ibid). The absence of mortgage laws and financial market regulations that are based on market profit and collateral value, constrained the role of private banking to efficiently participate in housing delivery (Ghosheh, 2011).

According to Al-Mayouf and Al-Khayyal (2011), the accumulated demand for housing between 2005-2010 reached about 164,959 units per year. The pressing problems necessitated the government to intervene to address this huge demand for housing. Four years after dismantling the MPWH, the General Housing Authority (GHA) was created in late 2007 to take charge of the housing sector. In order to tackle the housing shortage in the country, the GHA initiated research to inform the future housing policy framework in the country and assumed a direct delivery approach launching its first project in 2009 to construct 1691 housing units for low-income groups (Al-Mayouf & Al-Khayyal, 2011).

2.3.3 The transition era 2010-2017

While the government's traditional housing policy had contributed to the improvement of the social standards of citizens in the 1980s and 1990s, the new millennium proved that such policies failed to keep up with the growing demand for housing. The *9th National Economic*

Development Plan (NEDP) 2010-2014 estimated that 1.25 million housing units were required nationwide, and of these 775,000 had been allocated to private sector delivery (MEP, 2010). According to data available from the Ministry of Economy and Planning (Figure 2.7), since 1995 the housing targets of development plans had never been met. The lack of a housing policy framework until 2007, coupled with emerging demographic and socio-economic factors fuelling robust housing demand, had a negative impact on the housing market. On the other hand, access to land was proving to be difficult as the land grant policies had contributed to an increase in vacant private land within urban centres (Ghosheh & Rabenau, 2011), which became subject to hoarding or speculation as there was no property tax or other measures imposed to discourage this practice (ibid).

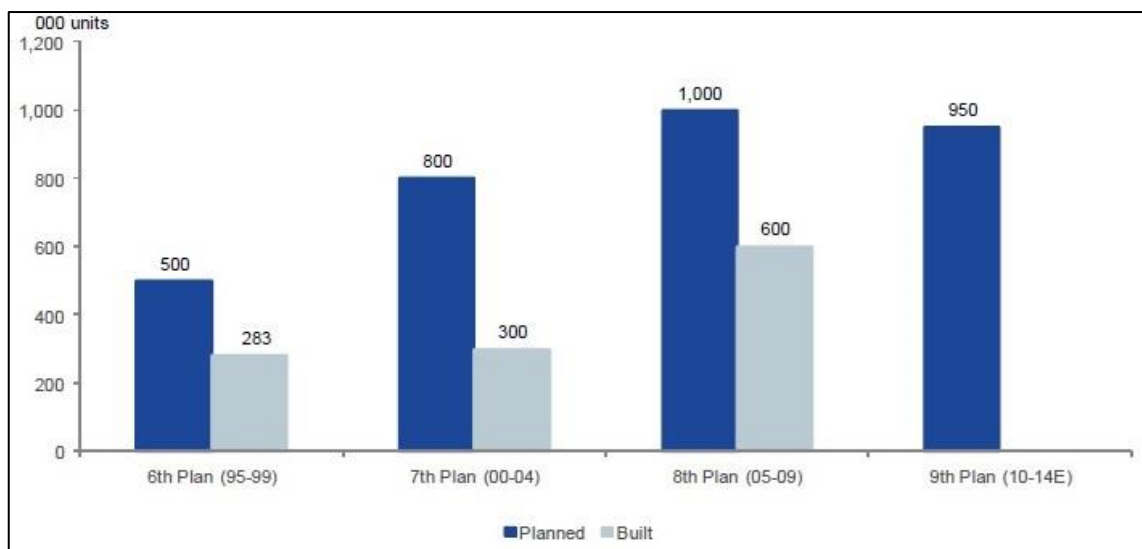


Figure 2.7: NEDP's Housing Targets and Actual Delivery

Source: MEP, 2010, as cited in Khan, 2013

The rapidly growing number of households facing housing affordability problems was an alarming indicator (IMF, 2011). The government realised that the housing policy schemes that had worked in the past were no longer effective and there was an urgent need for reforming the entire housing sector in Saudi Arabia (Ghosheh, 2011). The challenge was in devising a coherent and sustainable policy framework crucial to resolving the housing problem. The

General Housing Authority (GHA) started preparing a National Housing Strategy⁴ with an aim to:

... address the situation at the national and regional levels in order to ensure an equitable access to the housing markets for all social groups and to establish a viable housing market. (Ghosheh, 2011, p. 18)

The project was conducted between 2010-2012 and a recommended package of measures was provided to the government concluding that a successful housing strategy for Saudi Arabia is one that is characterised by balanced roles of the public and private sector.

In 2011, the government announced several social reforms aimed at improving citizens' living standards. Housing was one of the areas that needed urgent reform. The limited capacity and resources of the GHA to cope with the enormous housing issues called for action to be taken by the government to mediate the swelling housing demand (Aleid, 2017). The Ministry of Housing (MOH) was established in 2011 to replace the General Housing Authority (GHA) – Table 2.1 – to take a firmer and more effective charge of housing related responsibilities aiming to:

Facilitate citizen's access to an adequate quality housing at a suitable time in his/her life, increase the home ownership, encourage private sector's involvement in supporting various housing activities and programs, and to raise the supply of various housing types. (Ghosheh, 2011, p. 63)

Table 2.1: Changes in Housing Governance Arrangements in Saudi Arabia

1975 - 2003	2003 - 2007	2007 – 2011	2011 - present
Ministry of Public Works & Housing (MPWH)	Small departments under several government agencies	General Housing Authority (GHA)	Ministry of Housing (MOH)

Source: Researcher's own analysis

⁴ The GHA appointed the German corporation Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) to prepare the National Housing Strategy under its supervision.

Several other housing related reforms were also initiated to alleviate the increasing demand on housing. First, the long-awaited mortgage law had been enacted in 2012 to provide a new channel for housing finance in the Kingdom. Second, the government allocated USD66.6 billion to the MOH for the construction of 500,000 new housing units between 2011 and 2020. In addition, the REDF was restructured and recapitalised (USD10.6 billion injection) aiming to improve its effectiveness and increase its capacity to reduce the waiting time for securing loans. The amount of interest free loans was also raised from USD80,000 to 133,000 and the condition of owning a plot of land in order to qualify for a loan was abolished⁵. Figure 2.8 shows a significant increase in government spending on the REDF between 2010-2016 in comparison to the 1990s and early 2000s. The sharp drop from Saudi Arabian Riyal (SAR) 27.4 billion in 2015 (USD7.3 billion) to SAR11.8 billion (USD3.1 billion) billion in 2016 was due to the decline in oil prices at the time that led to a budget deficit in 2016. While it was not possible to obtain the number of loans distributed between 2010 and 2016, a recent report by the MOH (2017f) indicated that the number of distributed loans in 2017 was 85,000 nationwide while the number of eligible applicants remaining on the REDF waiting list was 503,431 nationwide at the end of 2017.

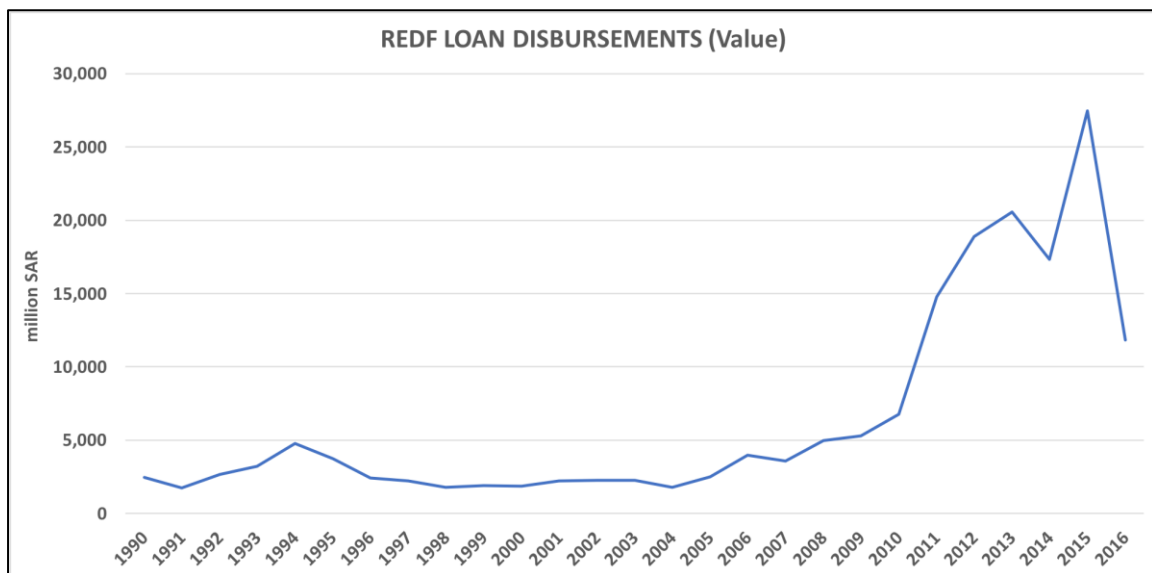


Figure 2.8: Government Spending on REDF, 1990-2016

Source: Saudi Arabian Monetary Agency (SAMA), 2016

⁵ This allowed citizens who had never obtained loans to apply for the REDF loan subsidy which opened a floodgate of new applicants added to the existing waiting list (Alshaikh & Alwazir, 2012).

2.3.3.1 Recent changes in housing policy framework

The final report of the *National Housing Strategy* (NHS) (Ghosheh, 2012) proposed a recommendation based on a ‘mixed method alternative’ where the public and private sectors must work together. This report has shed more light on the importance of providing a sound investment climate for the private sector to work efficiently towards the government vision of establishing equitable distribution and access to housing for all Saudi citizens. The NHS final report advises that the government undertake appropriate reforms in the institutional and regulatory frameworks in order to “facilitate, enable, and support the roles of the private sector” (p. 62). Despite such recommendations, the MOH resumed a direct delivery approach of housing that was originally started by the GHA to build housing for low-income segments. However, the mounting pressure on the MOH made it clear that there was a need to cooperate with the private sector to meet the required demand for affordable housing.

A new form of state-market relations in housing took place where the MOH shifted its position to a facilitating and enabling role to expand housing supply. In 2014, the MOH announced the establishment of a new *Public Private Partnership* (PPP) between the MOH and private developers to build low cost housing and a new minister was appointed later that year. The PPP program was intended to be one of the MOH’s new housing programs called ‘Sakani’ that consisted of a mix of direct and indirect government support in housing which included (i) granting a ready built housing through its PPP program; (ii) granting a ready to build plot of developed land; or (iii) an interest-free housing loan. Housing subsidies in the form of a loan and land did exist before but were transferred from other government agencies to be administrated and operated under the authority of the MOH. The housing built and delivered by the PPP was planned to be distributed to eligible households where beneficiaries can choose the desired type of housing subsidy by applying on the MOH’s housing subsidy website. Such housing support programs are only provided for Saudi nationals and eligibility is subject to certain criteria, standards and priorities that were recently determined by the MOH,⁶ such as age, monthly income, and household size (see Appendix A for more detail). However, it is important to note that even with the new housing subsidy allocation system, support is not only targeted towards low-income groups but also extends to middle- and high-income segments.

The MOH planned its first phase of the PPP in Riyadh. The first project of the PPP was to build

⁶ The MOH introduced a new housing subsidy allocation system in 2015 which differs from the old system that was based on a first come first serve basis.

5,000 housing units in the northwest side of Riyadh city on an area of 5 million sq. meters with a major construction company contracted to build the infrastructure for the site. This model used by the MOH was called Public Private Partnership on Government-Owned Land and was a direct government intervention in the form of land disposal and public subsidies. The MOH provided land that was connected to infrastructure at no cost to developers to build housing units. In addition, a direct government development grant of USD133,000 was provided to developers for each unit to be built. Developers were responsible for the design and construction of these units according to a set of guidelines that stated the criteria and requirements for building by the MOH. Furthermore, in 2016 the MOH introduced a second model of its partnership with the private sector in the form of deregulatory planning incentives as an indirect market stimulation tool. In this model, private developers were exempted from certain planning and development control regulations enabling them to achieve more development potential of their own land in return for allocating a percentage of the development as affordable housing sold at a lower market rate.

The housing sector in Saudi Arabia has continued to experience major structural changes. However, since reforms were first introduced, changes have been moving slowly and few tangible results are yet to be seen (IMF, 2015). While there is no data available to show if the 9th development plan housing delivery target was met in 2014⁷, the 10th development plan 2015-2019 indicated that 1.25 million housing units are required to be built throughout the country to meet 85% of future demand, where 300,000 units are to be delivered by the MOH, 250,000 units through the REDF and 700,000 units through the private sector (MEP, 2015). Although the state continues to investigate different strategies to alleviate the problems, it seems that the housing system continues to face several challenges, and these are presented in the next section of this chapter focusing on Riyadh's housing system.

2.4 Housing market and regulatory frameworks in Riyadh

This section examines issues that are specifically related to housing in Riyadh. The aim is to describe the context and identify issues in the housing system that hamper the contribution of market actors in delivering affordable housing. It commences by providing a brief background of Riyadh and its development followed by a description of Riyadh's land and housing market including market conditions, housing characteristics and legal and finance frameworks. The

⁷ Estimated housing demand in the 9th development plan 2010-2014 was 1.25 million units. Interestingly, the same figure of 1.25 million units was the estimated housing demand in the 10th development plan 2015-2019.

planning system framework is discussed to illustrate the issues and trends in the planning process and policies and the implications of the regulatory framework on housing. The last section highlights the main challenges faced in Riyadh's housing system.

2.4.1 Background of Riyadh

Riyadh is the capital and largest city of Saudi Arabia. The city has witnessed massive transformation growing from a small walled city less than 1 square kilometre in 1920 into a modern metropolis sprawling over 1500 square kilometres today (Al-Hathloul, 2017). The small tribal town had an estimated population of 14,000 in 1910 (Garba, 2004). With the unification of the country in 1932, Riyadh came to prominence as the capital of the country. The city's population grew from 27,000 in 1930 to 160,000 in 1960; 350,000 in 1970 to 2.8 million in 1992; and 4.8 million in 2004 to over 6.5 million in 2016 (Garba, 2004; HCDR, 2016; Al-Hathloul, 2017). Riyadh is one of the fastest growing cities in the region with a population growth rate of 4% from 2010 to 2016 (HCDR, 2016). Riyadh had an average household size of 5.7 in 2016 compared to 6.3 in 2004 with a large youth population (26% under the age of 15) (ibid). The city is divided into 14 municipal districts and 205 neighbourhoods (HCDR, 2015a).

2.4.2 Land and housing market

2.4.2.1 Market conditions

The national statistics for housing demand in Saudi Arabia shows that 250,000 units per year are required until 2020 (MEP, 2015). According to Alshaikh and Alwazir (2012): "The Saudi housing market is already experiencing a supply/demand imbalance and this trend is expected to continue as the supply of houses will lag behind demand" (p. 2). Many studies pointed out that the main reasons behind the imbalance between housing supply and demand in the Kingdom stems from the rapid population growth in urban areas fuelled by a young population, decreasing household size and rising purchasing power driven by increases in wages (Opoku & Abdul-Muhmin, 2010; Al-Mayouf & Al-Khayyal, 2011; Alshaikh & Alwazir, 2012; Khan, 2013; Aleid, 2017). However, the dynamics of housing supply and demand varies between cities as different submarkets have different conditions. This section focuses on Riyadh's housing market conditions.

According to recent data published by the Ministry of Housing (2017b), the number of new housing units delivered in 2016 was 402,627 nationwide⁸. The report indicates that Riyadh recorded the greatest shortage of housing in the country, where new housing supply accounted for 67,755 units; whereas the number of housing demand based on the MOH statistics was 128,901 showing a shortfall of 61,146 housing units (47%). Another report by the MOH (2017e) revealed that despite the shortage of housing supply in Riyadh, data from the real estate registry showed that the first half of 2017 witnessed 29,147 housing units offered for sale in the market but only 2,309 units were sold at the end of this period. This indicates that 92% of housing offered in the market did not sell within the first half of 2017 suggesting an issue in the housing market related to the affordability of these units⁹.

In contrast to the MOH statistics, a report by the High Commission for Riyadh Development (2016) revealed that Riyadh does not have a housing supply shortage as housing stock was 1.2 million and the number of households was about 1.1 million with a vacancy rate of 8%. This demonstrates a contradiction of the published data by government agencies (one of the challenges in undertaking this study). Despite stating that there was no shortage of housing supply in Riyadh, the HCRD conceded in another report (2015a) that Riyadh's housing market suffered from a shortage of affordable housing.

Land and housing prices

According to HCDR (2010), the cost of housing construction in Riyadh was about USD300 per sq. meter whereas the average land cost per sq. metre was about USD275. Based on these numbers and adding 20% for finishing, the study illustrated that a modest villa of 320 sq. metres in Riyadh costs USD218,660. However, a recent study by the World Bank (2016) indicated that real estate prices have witnessed a substantial increase in recent years pointing out that the price of land in the northern suburbs of Riyadh was about USD800 per sq. metre in 2016 which shows a stark difference from the HCDR study. The construction cost has also significantly increased according to a report by Colliers International (2016) such that, for example, a medium specification villa construction cost ranged between USD715 to 868 per sq. metre. The Ministry of Housing (2017d) has published the average prices of housing units in Riyadh in 2016 showing that a modest apartment costs around USD150,000, while the cost of a small villa is more than double at around USD347,000. These prices may vary depending on the

⁸ This number was based on statistics of new electricity connections as an indication of new housing supply.

⁹ The study demonstrated that the Absorption Rate in the market based on these statistics is about 69 months.

location and other factors. Several studies have shown that the affordability level for Saudi households is within the range of USD130,000-190,000 (Savard, Reeve, Gilmour & Ahmed, 2010; Ghosheh, 2012; Alshaik & Alwazir, 2012).

Khan (2013) conducted a study of housing affordability in Riyadh and Jeddah based on average salary levels, housing prices and the ability of households to afford the mortgage payment¹⁰. In Riyadh, the study indicated that an apartment with a size of 190 sq. metre costs about USD142,000 and the minimum household's income must be USD2,640 to afford the mortgage payments. This suggests that the majority of households can afford this type of dwelling as the average household's income in Riyadh is USD2,997 per month (HCRD, 2016). However, a villa of 300 sq. metre size that costs USD336,000 requires a household monthly income of no less than USD6,213 which is a little more than double the average household's income. This then suggests that many households in Riyadh cannot afford single family housing (villas) and would only be able to afford apartments which is the least preferred housing option (Khan, 2013). The NHS report (Ghosheh, 2012) stated that:

Many developers currently do not take the risk to develop houses for lower income segment because the targeted households cannot afford it without a mortgage. Developers prefer the high-end market with customers being able to pay cash. (p. 47)

Several studies have argued that the most significant factor affecting housing affordability in Saudi Arabia is high land prices (HCDR, 2010; Ghosheh, 2012; Alshaikh & Alwazir, 2012; Chaoul, 2013; Alzamil, 2014; Aleid, 2017). Alshaikh and Alwazir (2012) argued that: "developers tend to cater to the affluent segment of the population to make up for high land costs" (p. 3). A piece of land inside the urban fabric in many cities could cost more than half of the total development cost (Ghosheh, 2012). A survey by the HCDR (2010) of a number of housing developers in Riyadh showed that developers perceive land prices as the most impeding factor from investing in the housing sector¹¹. While land price is one of the determining factors in housing affordability, the World Bank (2016) believes that the declining affordability in Riyadh is exacerbated by the government regulatory framework, not land prices. The McKinsey Global Institute (MGI) (2014) has indicated that the share of land costs

¹⁰ The housing prices used in this study were close to the average prices suggested by the MOH data. The mortgage was calculated based on 25% down payment, an interest rate of 3.5% and loan tenure of 20 years. The monthly mortgage payment was assumed as 30% of the total income

¹¹ Other factors in the survey included weak purchasing power of households, increase of building material prices and inflexibility of planning regulations

to the unit price in Riyadh is between 25-50% placing it in the mid-low range when compared internationally (Figure 2.9).

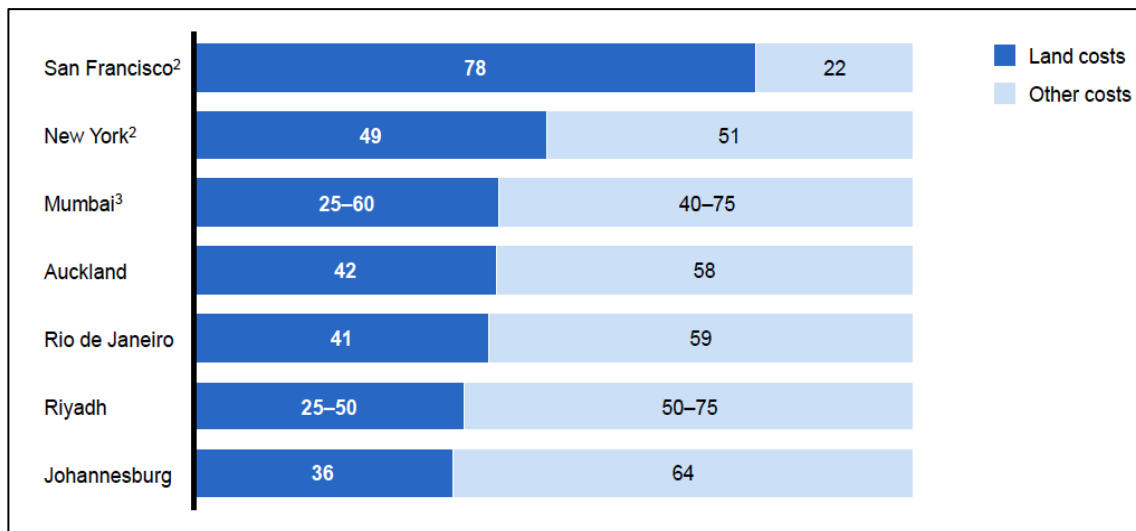


Figure 2.9: Comparison of Average Share of Land Costs in Unit Price

Source: MGI, 2014

It has been argued that the recent inflation in land prices in most Saudi cities is caused by the absence of a property tax, which consequently affects the availability of land (Ghosheh, 2011). Land hoarding and speculation is a widespread practice in Saudi Arabia (ibid). Wealthy landowners and influential individuals prefer to keep the land undeveloped, where its value keeps rising; while some speculative small investors trade land for profit (Khan, 2013; Aleid, 2017). According to MGI (2014) Riyadh has approximately 40 square kilometres of idle land (zoned residential) located inside the urban boundaries with connection to infrastructure (Figure 2.10). Such land has not been utilised for almost two decades. The absence of a property taxation system encourages (or certainly does not deter) land hoarding and speculation and restricts the availability of land in urban areas (Du & Peiser, 2014). This widespread practice of land hoarding and speculation demanded government action so in 2015 the Ministry of Housing introduced taxes on undeveloped land (with an area of 10,000 sq. metres and more) inside urban areas (known as white land fees). So far, however, the effects of this newly introduced regulation have remained unclear.

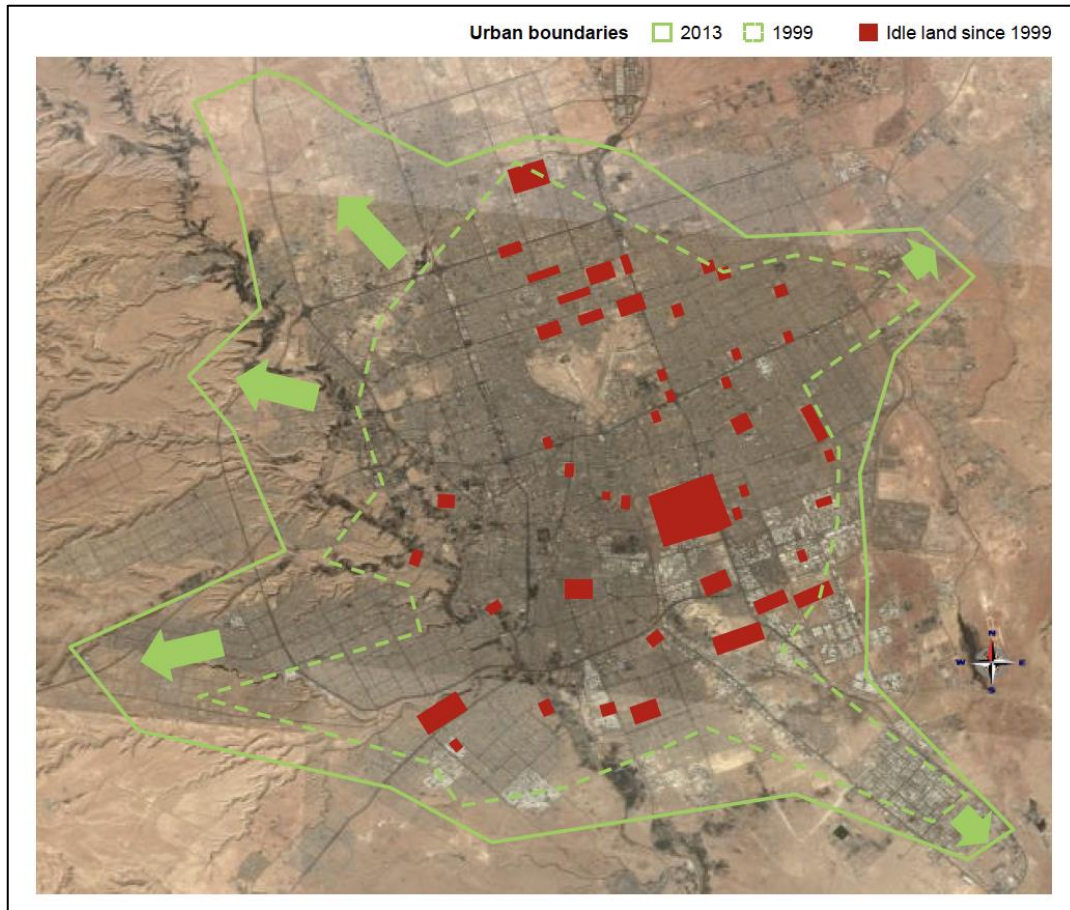


Figure 2.10: Undeveloped Land within Riyadh's Urban Boundaries

Source: MGI, 2014

2.4.2.2 Housing characteristics

(i) Type of delivery

Housing delivery in Saudi Arabia predominantly happens through the household's self-organised home construction arrangements (owner builder). The process starts with purchasing a residential plot that is ready to build on, obtaining the home design plans through an architect, and finally hiring a small contractor to build the house. The World Bank in its 2006 report estimated that owner builder housing in Saudi Arabia accounted for about 90% of the total housing delivery, which has decreased in more recent years to about 74% (Siry, 2011). Another method of housing delivery is the key-ready homes built by private development companies. The key-ready home construction option is still minor in Saudi Arabia (only popular in major cities) and only shares about 26% of the residential construction market but has been gaining popularity in recent years (ibid). In Riyadh, the number of private development companies involved in the residential market and registered in Riyadh's Chamber of Commerce is about

one hundred (Alharbi, 2012). The existing number of such development companies is relatively small compared to many small contractors that are mostly involved in owner builder housing construction activities. The performance of private housing providers in the housing market varies significantly. There are a limited number of large-medium private development companies that meet international standards compared to a much larger number of small contractors with moderate to poor performance. Small contractors usually lack the necessary financial resources to improve their performance (Siry, 2011).

(ii) Type of housing

The type of housing in Saudi Arabia includes villas, duplexes and apartments (see Appendix B for photos and floor plans). Until recently, the villa was the most popular housing type in the country and the largest category of dwelling (Siry, 2011). However, with the increase in housing demand and declining affordability, a new trend has emerged where the demand for a small house (duplex) or apartment is increasing. In a study of housing preferences among low-income Saudi households, Opoku and Abdul-Muhmin (2010) indicated that the majority of households prefer owning a small house (duplex) pointing out that there is:

... a very strong relationship between tenure preferences and dwelling type, with respondents who prefer the small house or duplex overwhelmingly opting for the buying option, whilst respondents who choose apartments prefer the rental option. (p. 224)

This new trend is accounted for by the tendency of young households and smaller families who are willing to buy smaller and more affordable types of housing. According to the General Authority for Statistics (GAS) (2016), one third of Saudi households live in apartments (about 39%), about 30% live in villas (including attached duplexes) and the remaining 31% live in traditional housing or occupy a floor in a villa. The survey also showed that Riyadh has 47% of households occupying villas, which is the highest in the country, whilst households living in apartments constitute 27%. In a recent study by the Ministry of Housing (2016), the Riyadh housing market has supplied 52% of apartments, 37% of duplexes and about 10% of detached villas out of the total housing supply in 2016. This shows a trend towards smaller housing units, such as apartments and duplexes. Another aspect of housing construction in Saudi Arabia is that most housing (about 84%) is built from concrete materials (GAS, 2016). Traditional housing in the past was built from mud and in some regions from stones. With modernisation of the country, imported western design models using concrete materials have been incorporated into the building industry.

One of the main concerns that the residential construction market suffers from is the inadequate quality of housing construction (Sfakianakis, Merzaban & Al-Hugail, 2011), which is caused by several reasons, including the insufficient experience of non-professional labourers, and the absence of technical building guidelines in the past (Siry, 2011). In 2007, the Saudi Building Code (SBC) was developed and proposed to provide a unified legal and technical guide for the construction sector. However, the SBC enforcement was planned in phases where the obligatory phase was to be executed in 2015 (ibid). The other reason for poor construction quality is the lack of skilled human labour in the field. The Saudi construction industry is dominated by unskilled foreign construction workers with very low wages making it difficult to attract skilled domestic labourers. As reported by Sfakianakis et al (2011), the inferior quality of housing construction creates an obstacle with banks who are not willing to grant housing loans to purchase housing units that are older than 15 years. This practically eliminates the growth of a secondary market with the report confirming that, “Most Saudi homes do not survive past 30 years, which has constrained the growth of a vibrant secondary market” (p. 5). This creates further challenges for the housing sector to meet the urgent demand for housing in the Kingdom.

(iii) Housing tenure

Housing tenure in Saudi Arabia is mainly divided into three types: owner occupied, rented, or provided by an employer (Alzamil, 2014). It is important to mention that there is inconsistency in the available data as different government and private agencies have published different statistics¹². Nevertheless, *Saudi Vision 2030* in its NTP (KSA, 2016a) stated that the home ownership rate in Saudi Arabia was 47% in 2016 with a government target to increase it to 52% by 2020. Despite being the largest economy in the Middle East and a high-income country, Saudi Arabia’s home ownership rate is considered low in comparison to many other countries (the NTP report indicated that the international home ownership benchmark is 64%). The home ownership rate in Riyadh at 56% sits above the national rate according to the High Commission for the Development of Riyadh (2016).

¹² The General Authority for Statistics indicated that the home ownership rate in Saudi Arabia (2016) is 63% and after excluding unsuitable housing (i.e. old houses built with clay) the rate is 49.8%. Other studies, such as the National Commercial Bank (2012) suggested that the rate is 36%.

2.4.2.3 Land title system

Proof of land ownership using an appropriate land registration system is crucial to a competitive housing system. Land title registration in Saudi Arabia is linked to two government bodies. The first body is the Ministry of Municipal and Rural Affairs (MOMRA) through its cadastre system. The cadastre system uses maps that provide details of land plots, such as boundaries and dimensions using a GPS system. However, the electronic cadastre system by MOMRA using modern geo-coding technology was only established as recently as 2004 and has still not been completed. Land mapping and surveying in the Kingdom was introduced in the seventies to regulate land title registration. In 1985, a non-standardised cadastral registration was implemented where municipalities and courts took action without accurate geo-reference information (Siry, 2011). Several issues emerged with the old land registration system that still persist today. Disputes concerning physical boundaries of properties due to the unclear cadastral mapping is an example of such issues (ibid).

The second government body responsible for land registration in the Kingdom is the Ministry of Justice via its real estate registration system (also known as the land ownership register). The land register provides a recorded proof of ownership, possession or other rights in land through a property title that can be used to facilitate transactions or prevent unlawful disposal (Siry, 2011). The Saudi Arabian land registry system is similar to the British system where the conveyance of real estate can be defined as a transfer of real estate from one person to another using an official instrument called a 'deed'. The deed includes documents that show information about the property, such as location, area, boundaries, and all ownership rights and obligations. The Ministry of Justice has about 140 'public notaries' in the Kingdom where registering and transferring ownership rights can be recorded.

There are two systems of transferring property in Saudi Arabia. The traditional/old system and the electronic deed system. The traditional system follows a manual procedure of checking the accuracy of deeds based on archived records that verifies information and checks for encumbrances. The second system of property transfer was established in 2002 under the royal decree on *the Registration of Real Estate Property*. The main objective of the new regulations was to create a public land registry that includes all ownership data and all changes of encumbrance (Siry, 2011). The electronic system aims to use a database that allows for faster and efficient land registration and transfer. The public registry is jointly administered by the Ministry of Justice (MJ) and the Ministry of Municipal and Rural Affairs (MOMRA). The

Department of Real Estate Registration in the Ministry of Justice maintains the new register in corporation with the MOMRA through its cadastral information. It is important to note that the electronic property registration system has only been implemented recently in new development areas in the cities and the old paper deeds issued through the old system are still used.

The traditional land registration system was archaic and even failed sometimes to provide proper title deeds and registration for proof of land ownership. The ambiguity and lengthy process of the traditional land registration in the past has created land ownership abuse and disputes which in turn impedes market activity. The GIZ (2011) report found that multiple land deeds for the same property are not uncommon, free land settlement without a legal deed is widespread, and the boundaries of a property are often subject to dispute. This lack of clear ownership rights provides inadequate security for investing in the property market. The old land registration system is riddled with serious legal and policy issues, many of which are taken for granted in mature economies (ibid). Despite the efforts of the Ministry of Justice to update its land registration system by transferring old deeds into the new electronic system, many issues still exist today. Until the land titling issues are resolved through a clear and sound registration system, the situation will continue to frustrate the housing sector from moving towards an effective and secure land and housing market.

2.4.2.4 Housing finance

Traditionally, housing finance in Saudi Arabia has mostly come from personal savings, loans from family and friends, or through government support from the Real Estate Development Fund (REDF). Another source of housing finance comes from private channels including commercial banks and financing companies. However, access to finance from private lending institutions, such as commercial banks, has not been easy for low and moderate-class earners (Alshaikh & Alwazir, 2012). For example, commercial banks try to avoid default problems by targeting higher income groups and imposing a minimum salary requirement as security before lending. According to Alshaikh and Alwazir (2012):

The lack of a mortgage law in the Kingdom has hindered the potential growth of the housing sector, thus causing many financial institutions and developers to maintain low-risk portfolios. (p. 6)

Prior to the introduction of mortgage laws in recent years, private mortgage lending accounted for only 2% of gross domestic product in Saudi Arabia (excluding government housing loans) compared to about 17% in the United Arab Emirates and 72% in the United Kingdom (Chaoul,

2013). In 2016, mortgage lending had increased to 8.7% of the total banking system loans (MOH, 2017c), yet this was still well below most other G-20 countries. Despite low mortgage interest rates (around 4%), government REDF interest-free loans are still the most favourable options for the majority of households (Opoku & Abdul-Muhmin, 2013; Aleid, 2017). As a popular avenue for obtaining housing finance in the Kingdom, the REDF has provided finance for over 1 million housing units with about USD72 billion loans since its establishment in 1974 until 2016 (MOH, 2017a). However, with the higher demand in recent years and the limited capacity of the REDF to respond to this demand, the waiting period for finance can take more than 15 years from the time of applying (Mahrad, 2010).

Despite the recent government injection of funds to the REDF to improve its performance, collecting the due instalments from default borrowers is the primary challenge and this obstructs its capacity to issue new loans. Half of the REDF capital at USD21.3 billion is classified as delinquent (Opoku & Abdul-Muhmin, 2013); and the default rate is very high. According to a recent report by the MOH (2017f), REDF net lending between 2006 and 2016 was USD25 billion; and by the end of 2017, USD8 billion was classified as in default. By maximising its capacity through receiving continuous government support, the REDF is seen to be unsustainable (exhausting public funds) and having an adverse impact on private financial channels (Ghosheh, 2011). Aleid (2017) argued that granting interest-free loans has impacted the culture of borrowing in Saudi Arabia where the banking sector could not compete with the generous government lending policy, stating:

... the REDF's policies played a crucial role in undermining the effectiveness of the Saudi real estate finance market ... the housing finance market does not represent a healthy environment for the banking sector, which seeks warranties and protection for their interests. The modest role played by the banking sector in the housing finance market may be a reflection of the belief that this sector needs reform and [needs to] develop in order to attract investment from the banking sector. (pp. 36-38)

The government's inability in recent years to satisfy the huge demand for housing loan assistance has necessitated increasing banking sector involvement. New finance laws in the form of a mortgage law package were enacted in mid-2012. The new laws under the authority of the Saudi Arabian Monetary Agency (SAMA) provide regulations for all aspects of the property finance market in Saudi Arabia. According to Chaoul (2013), the new law aims to "set up a Shariah compliant framework that encourages transparency, enables enforcement of judicial decisions and facilitates the creation of mortgage providers for securitisation of mortgages" (p.16). The lengthy wait for the passage of the new mortgage law was partly due

to the complexity of creating a law that fully complies with the distinctive feature of the Islamic code of conduct for financing (known as Shariah). This Islamic system basically prohibits the taking or receiving of interest in borrowing or lending and the prohibition of usury (Sidawi & Meeran, 2011). Five separate finance laws were issued to include dealing with financial institution licensing, registration of real estate mortgages, regulating financing leases and, most importantly, an enforcement law that provides a legal framework for pursuing insolvency action, which creates security for lenders.

As these new laws provide an administrative and legal framework for the property finance market in the Kingdom, key challenges still exist. One main concern for lenders is the legal uncertainty of the foreclosure process where the interference of the religious court can create significant risk (Williamson & Stark, 2013). Another challenge is the creation of a sound secondary mortgage market that will take time to accomplish. However, a significant challenge revolves around cultural attitudes towards borrowing. The cultural and religious background of Saudis encompasses negative inherited attitudes towards borrowing (Sidawi, 2009), with a strong preference for cash payments for home purchase by saving money or seeking help from family before having to rely on banks (Opoku & Abdul-Muhmin, 2013). Sidawi and Meeran (2011) posit that “there is a general aversion towards accumulating debt” (p. 138). Also, Saudi society has a high expectation of the government to historically meet the housing need of its citizens through its various housing subsidies including providing interest free loans, consequently Saudis continue to expect that housing should be subsidised by their government (Sidawi, 2009). Aleid (2017) illustrates this point in his research where he found that:

... many Saudis are highly averse to borrowing because they rely on the interest-free loans provided by the REDF, despite the potential to have to wait twenty years for a loan. (p. 38)

Such entrenched attitudes could pose further challenges for the successful development and implementation of the new mortgage law.

2.4.3 Planning system and housing

2.4.3.1 Planning system framework

The broader planning context in Saudi Arabia is entrusted with two government ministries at the national level: the Ministry of Economy and Planning (MEP) and the Ministry of Municipal and Rural Affairs (MOMRA). The MEP is in charge of the core economic development plan for the Saudi economy, which outlines national development targets, financial plans and

budgetary considerations. The MOMRA, on the other hand, represents the organisational framework that is responsible for spatial planning at the national, regional and local levels. This ministry acts as the highest central planning authority in Saudi Arabia and plays an important role in urban and regional management and development. MOMRA has many roles in the planning and development process, among these are the preparation of a national spatial strategic plan, preparation of regional plans, setting standards and specifications for local plans, and monitoring and coordination with responsible bodies at all levels in the planning process. It is represented by 16 main regional branches and 241 local municipalities serving over 5000 towns and villages across the country. There are also other government ministries that are interconnected with MOMRA at the national planning level including the Ministry of Housing (MOH), which is responsible for the preparation of housing strategies; and the Ministry of Justice (MOJ), which coordinates the land titling process. In addition, the Ministry of Finance (MOF) has the responsibility of assigning budgets for the municipality system. This section is focused on the spatial planning system framework in Saudi Arabia, in general, and in Riyadh in particular.

The planning system in Saudi Arabia is a product of the political system where it follows a top-down centralised approach (Future Saudi Cities [FSC], 2017a). As noted above, MOMRA, as the highest authority of planning, formulates and coordinates planning policies at all levels. Unlike planning in developed countries, the planning system in Saudi Arabia lacks autonomy of local government as the central government intervenes in local planning through the power of budgeting tools (Alkhedheiri, 1998). Municipal governments at the local level receive their funding from the central MOMRA to manage and provide services. Municipalities at the local level have no power to levy taxes but only collect limited revenues in the form of fees and charges, such as permit fees and business registration fees (Al-Hathloul & Mughal, 2004; Mubarak, 2004). Municipalities are mainly responsible for issuing building permits, protecting public health, maintaining public space and waste management.

Under the supervision of MOMRA, the Saudi planning system is governed and organised into several tiers. In this section, the description of these planning levels is limited to Riyadh. First, at both the regional and local level, the Municipality of Riyadh (or what is called Amanah) is an executive service body under the supervision of MOMRA that is responsible for the management and implementation of the planning and development control process in Riyadh. Riyadh Municipality (Amanah) has several sub-municipalities, called Baladyah, that function under its authority. Amanah, as a supervising authority, represents Riyadh city metropolitan

area whereas sub-municipalities, or Baldyah, represent planning at the local district level. The most important roles of Amanah relate to the implementation of the city strategic plan and granting planning permissions for development projects.

Another important planning authority in the city of Riyadh is the High Commission for the Development of Riyadh (HCDR), which is considered a quasi-planning authority with a special nature (FSC, 2016). The HCDR is responsible for strategic urban planning through its comprehensive *Structure Plan* of the city. This strategic plan is used as a reference governing the future development of the city and controlling all the factors affecting its growth through regulatory reference, several sub-structure plans and urban policies (ibid). Other key features of the HCDR include conducting metropolitan studies and coordinating the development of the city through its representative members from both public and private sector stakeholders involved in the development process. In short, the levels and agencies involved in Riyadh's urban planning system are as follows:

- Ministry of Municipal and Rural affairs (national level)
- Riyadh Municipality 'Amanah' (regional/city level)
- High Commission for the Development of Riyadh (city level)
- Sub-municipalities 'Baladyah', such as municipalities of east, west, north and south of Riyadh (local/district level).

The current planning system framework in Saudi Arabia follows several overarching plans that guide its development. At the national level, the *National Spatial Strategy* (NSS) plan was established by MOMRA in 2001 in order to tackle issues of spatial development in the country. The main objective of the NSS is to achieve long-term development balance in resource and service distribution among regions and cities through a set of measures aiming to open up new growth opportunities throughout the country (MOMRA, 2016). The planning system at the regional level consists of *Regional Strategic Plans* (RSP) that provide general guidelines for the future urban development in various regions of the country. However, these plans are usually focused on the development of core cities rather than the whole region and there is discontinuity between the NSS and the regional plans (FSC, 2017a). Planning at the city/local level consists of several plans on a variety of scales. The most important plan is the *Structure Plan* which defines the long-term future vision for the city's development. In 1996, the HCDR, in cooperation with other planning agencies, prepared the *Metropolitan Development Strategy of Riyadh* (MEDSTAR) as a comprehensive long-term strategic plan for the city to 2028 (Figure 2.11). MEDSTAR is a strategic plan that aims to identify existing issues and

opportunities and to develop dynamic strategies for the city including “economy, ecology, transportation, facilities, housing, public services, land use, and their development systems” (HCDR, 2015b, p. 52). MEDSTAR is the overarching plan for other types of plans, such as the land use plan, urban growth boundaries plan and the more detailed residential land subdivision plans.

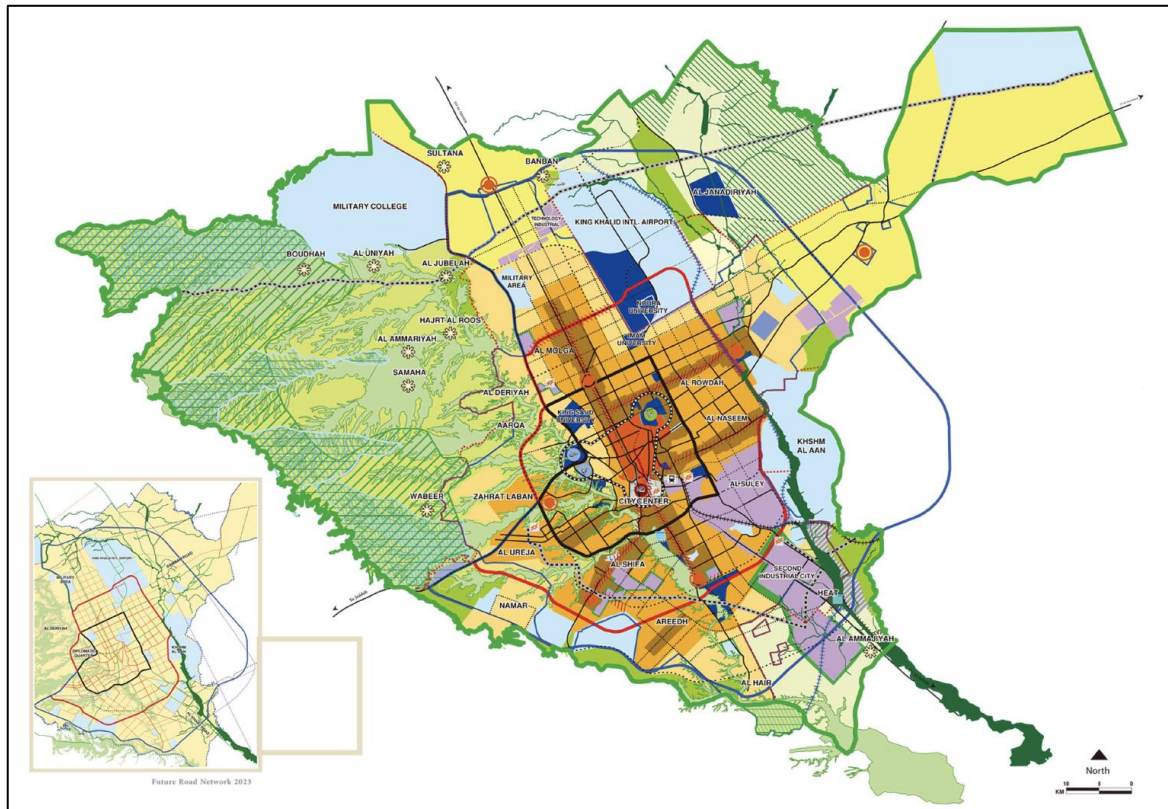


Figure 2.11: Riyadh MEDSTAR Structure Plan 2028

Source: HCDR, 2013a

2.4.3.2 Planning and housing in Riyadh

Along with the government vision to establish a modern state, modern urban planning in Riyadh commenced in 1968 when the government first commissioned the Greek firm Doxiadis International to prepare a master plan guiding the future growth of the city (Garba, 2004). The city’s first comprehensive plan was implemented in 1973 providing a linear growth concept with a principal gridiron plan containing super blocks of 2 x 2 kilometre of land separated by arterial road networks (Mubarak, 2004, p. 580). Riyadh witnessed rapid population growth that the first master plan did not adequately anticipate (Al-Hathloul, 2017). This required an urgent update resulting in a second master plan in 1982 and finally the creation of the strategic

comprehensive plan in the late 1990s. However, the gridiron pattern originated in the first plan has continued to be the main form of the city's planning (Figure 2.12). The gridiron plan was exploited by influential real estate owners laying out roads in what became a land subdivision frenzy resulting in a sprawling city, as Mubarak (2004) observed:

Such sprawl resulted partly from the privatization of Saudi life and the increasing tendency to live in detached homes, but mostly from the real estate mania of the booming decade ... it becomes possible for land owners to sub-divide the larger tracts abutting these roads which then makes it easier to sell the land to smaller land speculators. Consequently, such a process predetermines the urban form of the city for decades to come. (p. 582)



Figure 2.12: Scattered Land Subdivision on the Periphery of Riyadh Desert Landscape

Source: Mubarak, 2004

This leap-frog development through a random expansion of land subdivisions fuelled massive spatial enlargement of Riyadh (Garba, 2004). The city's continuous uncontrolled urban sprawl placed huge pressure on the provision of infrastructure and services causing an increase in cost and resulting inefficiency. In order to address urban growth management issues, MOMRA introduced the *Urban Growth Boundary* (UGB) policy in 1989 to curtail urban sprawl and define cities' urban boundary perimeters as well as to accommodate urban activities through phases within a planned time span (Al-Hathloul & Mughal, 2004). The main objectives were to encourage infill development, reduce the cost of infrastructure and preserve the natural

environment around the city (ibid). The HCDR adopted the UGB policies in Riyadh, dividing them into phases that were recently reformed to become: Phase I until 2014; Phase II until 2028; and Phase III as a designated environmental protection zone (Figure 2.13).

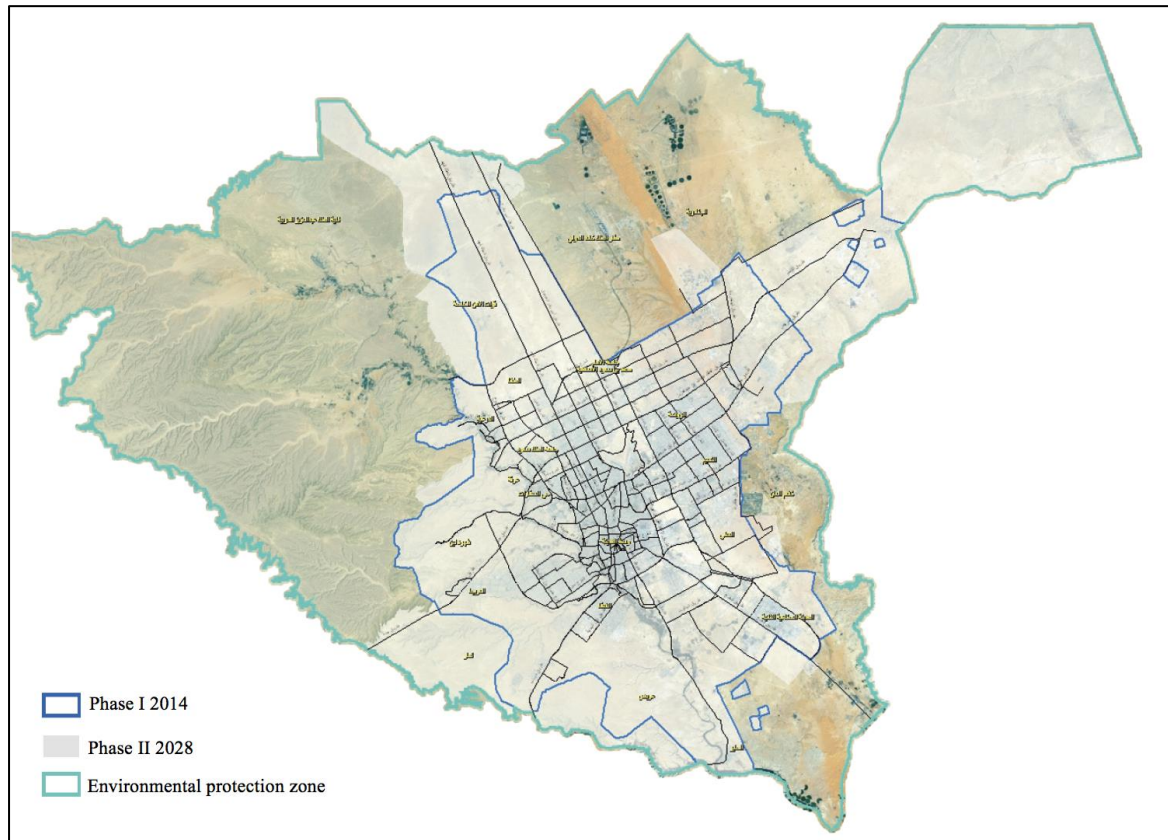


Figure 2.13: Riyadh Urban Growth Boundaries 2028

Source: HCDR, 2013a

The UGB policy plays a key role in the development process as it sets several urban control regulations, such as land allocation for development and the requirements for infrastructure delivery. For instance, developers are responsible for installing utilities in their sites as well as connecting them to the nearest network if their developments are within Phase II (MOMRA, 2016). As the UGB was an important policy in managing the growth of the city, their adoption may be considered “too little, too late” (Mubarak, 2004, p. 588). Such boundaries that are meant to cater for future land based on needs were in fact designed according to the large amount of sprawling land subdivisions that were created in the 1970s and 1980s. Al-Hathloul (2017) notes:

... as there existed plenty of subdivided land in Riyadh, the boundary delineation was not based on future requirement of land alone but the judicious use of subdivided land become a crucial factor. (p. 111)

Mubarak (2004) argued that the UGB was an anticlimactic policy functioning under two major political pressure factors:

The first has to do with pressure from land developers, most of whom acquired suburban land free from the government and then put it on the market through intermediate land speculators. The second is the fact that the central government in its efforts to avoid popular dissent, allowed peripheral land to be added to the market in order to stave off rising land prices under a stringent UGB. (p. 588)

Besides the lack of urban growth management in the past, Riyadh's substantial spatial expansion was also a result of the zoning regulations adapted by its planning agencies where minimum lot sizes and height restrictions are key characteristics. Interestingly, Riyadh city's strategic plan encourages the integration of medium to high density to support housing development (HCDR, 2013a), yet the residential density measures in the majority of the city's area are set at no more than 50 persons per hectare based on the city master plan¹³. According to a review of Riyadh's planning regulations by *Future Saudi Cities* (FSC, 2017b), the average net density in Riyadh is only 15 housing units per hectare representing a low density trend. Residential zoning regulations currently impose a minimum lot size of not less than 200 sq. metres and height restrictions of 2.5 floors which hampers the economic use of land (Siry, 2011). Medium density in the form of multifamily buildings are only permitted on major streets (30 metres or more in width). As a result, the city continues to suffer from its horizontal expansion:

The physical extent of the urban area creates a major burden for the local government and utility companies to provide extensive infrastructure and service networks to reach a small number of households. Low density development also undermines the urban agglomeration for successful economic development, and lowers workers' productivity with long commutes ... sprawl in Riyadh disproportionately impacts lower-income and more vulnerable Saudi households when land for housing is allocated in remote locations without adequate infrastructure, social services or job opportunities. (World Bank, 2016, p. 6)

The satellite images in Figure 2.14 exemplify the extensive urban expansion of Riyadh in the past 50 years.

¹³ Riyadh population density in 2013 was 43 persons per hectare according to Atlas of Urban Expansion <http://atlasofurbanexpansion.org/cities/view/Riyadh>

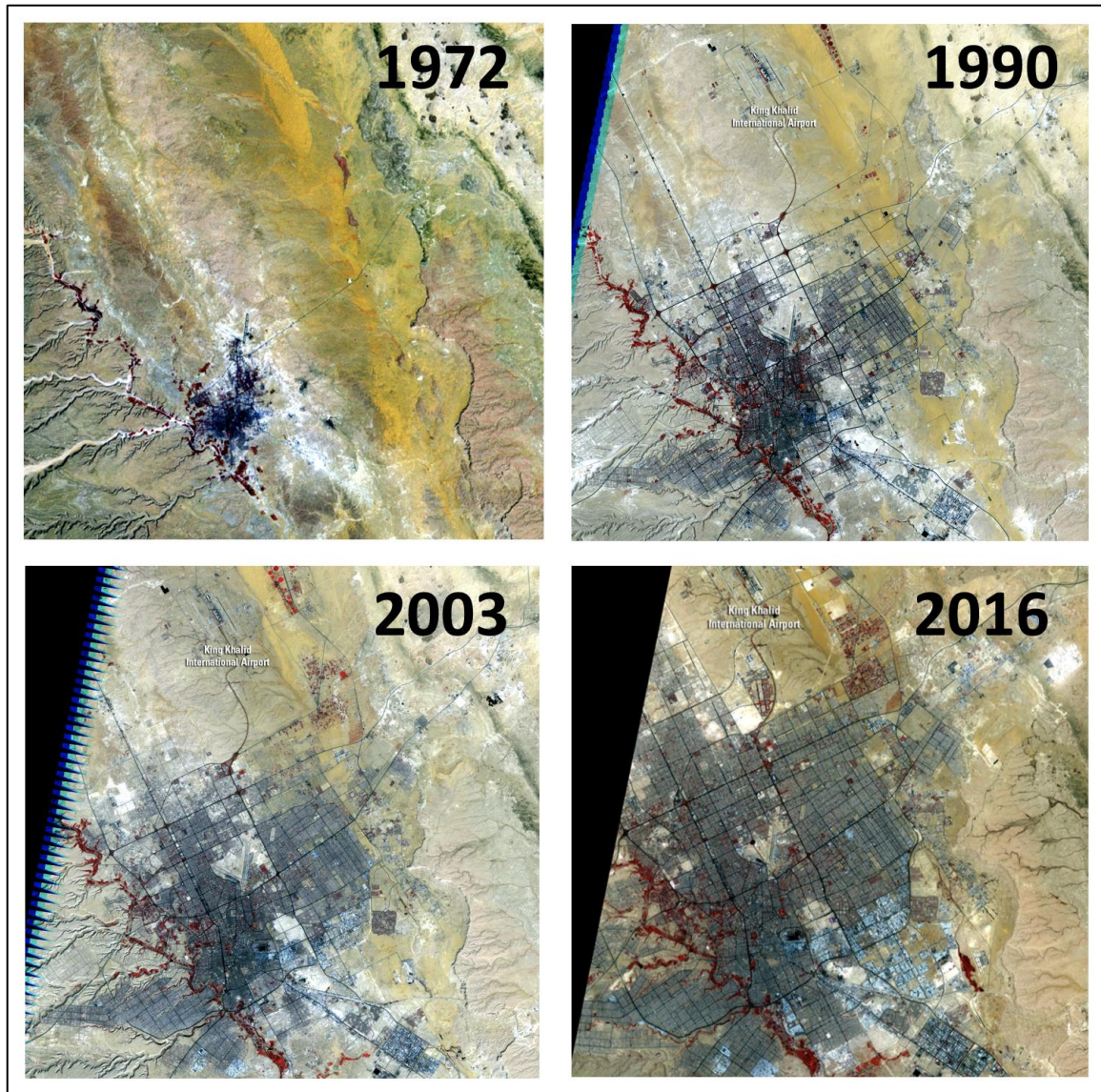


Figure 2.14: Growth of the City of Riyadh, 1972-2016

Source: U.S. Geological Survey

The residential land development process in Riyadh is predominately performed through land subdivision planning (Al-Saif, 1994; Alskait, 2003), which is a technical process that follows a regulation document published by MOMRA titled: *Guide for Residential Land Subdivision Procedures* (MOMRA, 2013), and implemented by the Riyadh Municipality. Property developers or owners of raw land who are planning to subdivide land must apply for municipal planning approval. According to the municipal code, the technical criteria stated in the guide for land subdivision must be applied before securing the approval for development. Some of these criteria, for example, include building coverage of no more than 60%, height limit of two and a half stories and minimum two metres setback from neighbours. Another important

requirement is the on-site development contribution that is standardised in most cities as 33% of new land subdivision to be allocated for public usage, such as roads and open spaces as well as for facilities, such as schools and mosques.

The residential land development process represented by land subdivision suffers from several problems that impact the provision of housing. First, the land subdivision process is fragmented, incomplete and usually driven by market pressure (Alskait & Almohaimed, 2005; Siry, 2011; Ghosheh, 2012; Abdulaal, 2012), where: “The majority of land subdivisions were legally prepared for market deals, but not necessarily practically prepared to be physically fit for development” (Abdulaal, 2012, p. 38). As indicated earlier, developers in the past used asphalt to pave the roads in the subdivided land and their task ended with the sale of parcels. This has resulted in many subdivisions lacking connectivity to public utilities (such as water, electricity, and sewerage) as they were located on the fringes of the city creating a limited supply of ready to build land.

Second, land subdivision planning also has an impact on the physical and social environment of the city. Alskait (2003) argued that land subdivision planning in Riyadh has encouraged a fragmented housing development that is characterised by an individualistic owner-builder nature with each parcel in the subdivision being built at different time intervals. He indicated that land subdivisions in Riyadh could take up to 30 years to be built thus lacking a sense of community in its development, and asserts: “Due to the length of development the subdivision becomes a factory for building houses. The final outcome is a residential area which lacks the true sense of a community” (p. 44). The lack of property taxation in the past may have contributed to this fragmented housing development on subdivisions. Individual landowners often take time to finance construction and are unhindered by extra costs such as taxes, thus, land subdivisions usually take a considerable length of time to be fully built.

Despite the adoption of several urban policies and regulations in recent years, the planning system in Riyadh does not reflect the actual population’s need for housing and hinders the efficient delivery of affordable housing (Alskait, 2003; Mubarak, 2004; Siry, 2011; World Bank, 2016). One of the main obstacles is embedded in Riyadh’s urban management where there is a lack of coordination in policy formation and implementation (Graba, 2004; World Bank, 2016). Garba (2004) further argued that “The institutional framework for managing growth in Riyadh suffers from the lack of a clear definition of the roles of agencies involved in management” (p. 605). The planning agency that oversees policy formulation is independent from the agency that implements it and such isolation in the procedures and processes are not

always defined (ibid). The ambiguity of roles and responsibilities is exemplified in the coordination of the infrastructure provision. According to the World Bank (2016) the UGB policy was implemented with no regard to the capacity of utility companies to deliver their services, which impacts on housing providers:

Decisions to approve new subdivisions are not coordinated with provision of off-site infrastructure, with the result being that many subdivision approvals significantly predate the eventual provision of infrastructure and basic services ... The utility service lag is also a challenge for developers, since uncertainty about service provision is a source of high risk for their projects. (p. 24)

Similarly, the planning process suffers from bureaucracy and red tape that negatively affect the delivery of housing (Mubarak, 2004). The planning permission process for new land subdivisions, for instance, is lengthy, vague, inefficient, and lacks objectivity, which can be a discouraging factor for private developers (Alskait, 2003; MGI, 2015). The planning system framework is lagging in providing systematic and systemic solutions to address current issues including the increasing demand for affordable housing. As described so far, these issues and challenges inherent in the Riyadh planning system present difficulties in enabling the effective production of housing.

2.4.4 Challenges in the housing system

Housing demand has risen tremendously in recent years. Despite government efforts to control this swelling demand, a growing gap between supply and demand continues to cause increase in prices and a decline in affordability. The inconsistency and ineffectiveness of government housing policy over the past two decades has contributed to the many difficulties now evident in the Saudi housing system. Aside from the emerging demographic and socio-economic factors that contribute to the explosive housing demand, the state regulatory framework is blamed for much of the housing problems (as illustrated in Figure 2.15). According to Rabenau (2011):

Saudi Arabia has both plentiful financial resources and plentiful land. But these resources are not organized effectively, in terms of an overall policy framework or the institutions needed to sustain these policies. (p. 129)

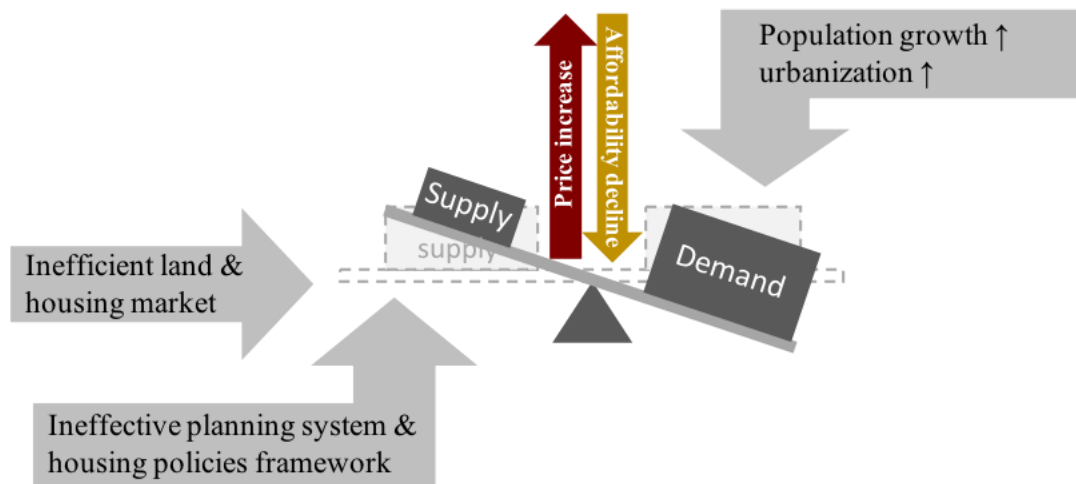


Figure 2.15: Issues and Challenges in the Housing System

Source: Adapted from Ernst and Young, 2013

Ghosheh and Rabenau (2011) assert that the problems inherent in the housing system constrain the private sector’s ability to deliver the high volume of housing required to meet demand and thus needs to be strengthened. This point was emphasised in the *National Housing Strategy* report, stating that:

A central issue to the housing sector stems from the fact that the public sector has not enabled the private sector and develops policies that do not encourage efficient use of resources. (Ghosheh, 2012, p. 48)

Market actors in the Saudi housing market have been challenged by counterproductive government housing policies, weakness of the land ownership law and the ineffective planning process and policies. In terms of housing subsidy, homebuyers are not interested in private housing finance when they can seek government REDF interest free loans (Aleid, 2017). As the REDF cannot serve all loan applications, the result is long waiting times for subsidised loans, while private sector lending capacity remains underutilised. The same holds true for buying housing in the free market where people prefer to wait for a government housing subsidy whether a loan, land or ready built unit (ibid). The result is that private development firms concentrate on the high-end market niche while housing production for low to middle income purchasers, which constitute a large segment of the market, remains inactive.

Private developers in Saudi Arabia provide virtually no low-cost housing in the market (Rabenau, 2011). The focus on building luxury housing units is one of the factors attributed to the declining affordability in recent years (Alshaikh & Alwazir, 2012; Opoku & Abdul-Muhamin, 2013). The planning system is unsupportive for the efficient production of housing

as adopted planning policies and processes have not encouraged investment in the housing sector through incentives and regulatory mechanisms but, instead, have contributed to urban sprawl and the decline of inner city residential areas. The land subdivision procedure has encouraged land speculation and contributed to land accessibility and affordability issues.

Saudi Arabia's housing problems lie in improving its institutional framework to better manage resources and enable the provision of an efficient housing market. The current institutional framework governing housing in Saudi Arabia is fragmented and significantly constrains efficient housing delivery. The housing system has seen several government policies and reforms in the past decades yet, as Ghosheh (2011) points out, it still suffers from the overlapping of tasks within and between housing stakeholders. Government bodies responsible for housing, such as the Ministry of Housing and the Ministry of Municipal and Rural Affairs, do not have a clear system in place to function in harmony with each other and also with other housing service providers. Ghosheh (2011) finds that the vast amount of confusion within and between housing institutions has resulted in tremendous inefficiencies and the waste of resources.

2.5 Conclusion

This chapter offered a review of the housing system in Saudi Arabia and Riyadh by commencing with a description of the broader contextual economic, social, demographic and political conditions that influence the different components of the system. The economic growth and development gained from the country's oil wealth has led to a shift in demographic, social and cultural lifestyle. The chapter also provided a brief history of housing policy development in Saudi Arabia (2.3), where three distinguishable eras have shaped the current state of the housing system. The third era (2010-2017) has emerged as an important transition in the development of the housing system in Saudi Arabia where rising pressure on the housing sector in recent years called for action by the government to mediate the swelling housing demand. Riyadh's housing market and regulatory framework was discussed in Section 2.4, illustrating issues and trends that affect housing provision. This discussion included housing market conditions, housing characteristics, land title and housing finance. The planning system framework and its relationship with housing in Riyadh was also described in this section. The review showed that housing in Riyadh suffers from several issues originating from the early planning of the city coupled with adopted inefficient zoning regulations and growth management measures. Finally, the main challenges in the housing system are summarised

revealing that the major issue with the system lies in its institutional framework. It exhibited how the inconsistencies and ineffectiveness of government housing policy in the past has contributed to the many difficulties now evident in the housing system. Major reforms have been recently introduced, however, few tangible results are yet to be seen. Although the Saudi government continues to investigate possible strategies to alleviate the problems, the housing system in Riyadh continues to face several real and difficult challenges. This case study investigates these challenges in more detail in Chapters 5 and 6.

CHAPTER THREE

Literature Review and Conceptual Framework of Research

3.1 Introduction

This chapter analyses and synthesises relevant literature on housing research and drills deeply into existing theoretical frameworks. The purpose of this literature review is to build a platform to effectively and efficiently investigate the state-market roles and relations in housing systems and develop a theoretical framework most appropriate for investigating the research questions framing this study. The available literature on housing systems is extensive, complicated and includes a large number of contributors from around the world. The diversity and depth of topics, concepts, theories and contexts, along with the particular uniqueness of the Saudi context, necessitated the adoption of a systematic approach to identifying, managing, analysing and synthesising the literature relevant to this study. The sections included in this chapter frame and focus this review and allowed this writer to better manage and utilise the information.

The chapter is structured as follows:

Section 3.2 provides an overview of the development of housing research in developing countries in which the theoretical debate has evolved from a 'state centred' provider approach to a more 'market oriented' enabling approach. The next section (3.3) discusses the new paradigm shift in the global housing policy debate which highlights a move towards greater state involvement and the importance of placing housing at the heart of urban planning and policies. The role of the planning system in housing is reviewed in section 3.4, focusing on the empirical literature on the impact of planning regulations on housing production. Section 3.5 presents the theoretical approaches related to this study where institutional analysis of state-market relations is found to be the most appropriate to this study's aims. Ball's (1983, 1986, 1998) *Structure of Housing Provision* (SHP) is selected as the main institutional framework in investigating the state-market roles and relations in the Saudi housing system. A synthesis of other relevant theoretical concepts is also combined to provide a suitable conceptual framework for this study. Finally, section 3.6 provides a review of the relevant literature of housing in Saudi Arabia in order to identify the current research gaps in the literature in which this study is aiming to be placed.

3.2 A review of the evolution of housing policy in developing countries

The discussion in housing system research in developing countries has revolved around the different roles of the state, market and society in delivering housing (Jenkins & Smith, 2001). The early theoretical debate started with the move towards abandoning the direct housing delivery by government to the notion that “society houses itself” (Angel, 2000). The issue of self-help housing became the central point for providing shelter for low-income groups. The realities of unwanted squatter settlements and the efforts of international organisations in supporting self-help housing ignited the reaction of academics and researchers to respond to such problems in developing countries (Pugh, 2001). The inappropriate housing conditions caused by rapid urbanisation and the challenges faced by governments in developing countries led organisations, such as the World Bank and the United Nations to intervene in providing financial and consultancy aid in the form of loans and policies to scale up housing production. This started with providing individual sites and services projects in the 1970s and moved to a much broader method that integrated the whole aspect of housing provision in early 1990, as Pugh (2001) explained:

International housing policy for the developing countries has been influenced by changing theory and ideas. The evolution has run a course from a focus upon special projects for low-income groups to a more comprehensive approach to securing whole sector housing development within a framework of economic and institutional modernisation (p. 401).

Housing system development in developing countries differs greatly from the developed world due to several factors that influence its shape. The rapid economic growth of cities in the developing world and the focus on service sector provision in urban areas creates the motivation for rural to urban migration as citizens search for better living standards and consequently add further pressure on urbanisation. This massive urbanisation in developing countries occurred in a relatively small timeframe causing implications for urban management, as Okpala (1992) observed:

The history of urban growth in most of the developed countries was spread over many centuries, accelerating in the late 19th or early 20th century. In contrast, most of the process of urbanization in the developing countries has been compressed into the last 40 years with important implications for the provision of shelter, infrastructure and services for the urbanized population (p.10).

The migration of low-income groups to urban areas led to the establishment of a new pattern of squatter settlements and urban poverty in the cities. The stronger economies and the well-established housing policies of developed countries have been successful to some extent in

alleviating such problems (Pugh, 2001). Other factors causing the high demographic growth are attributed to cultural and social values (such as early marriage, bigger households, and generations living in the same space) that are different from the housing system conditions in developed countries. However, the failure of conventional urban housing policy in developing countries to respond and keep up with the speedy and chaotic economic, social and demographic growth placed huge pressure on governments to maintain political legitimacy and avoid social instability. At the time, housing provision required a new conceptualisation, resulting in different policy approaches to deal with the housing issue.

3.2.1 Provider approach (State centred)

The dramatic demographic changes and the immense pressure on housing demand in the 1960s and 1970s confronted governments in developing countries with the responsibility of housing their urban population. Such governments sought the solution of adopting the shelter policy used in industrialised countries; where subsidised public housing with high construction standards, planning and building regulations was used to accommodate low-income residents (Blitzer, Hardoy & Satterthwaite, 1981; Mayo & Gross, 1987; Sumka, 1987). The direct housing delivery that was undertaken by central governments included the full processes of planning, design, finance, construction and allocation of housing. At that time, direct housing production by the state was thought to be an effective way to deal with the housing shortage due to a belief that state authority, with its vast resources and power, would be capable of producing sufficient quantity and quality of housing (Okpala, 1992). The adoption of this shelter solution in order to fill the housing gap was accompanied by another aim of discouraging the formation of slums. Governments in developing countries viewed squatter settlements as illegal and a “sign of failed economic and social policy” (Sumka, 1987, p. 172). Public housing was built to replace squatter settlements and slum areas in an attempt to improve living standards in the name of urban renewal (Mayo, Malpezzi & Gross, 1986).

Several issues evolved with the introduction of public housing and the clearance of squatter settlements in developing countries. Public housing did not reach many of the urban poor because such subsidised rent programs were unaffordable by the low-income segments (Mayo & Gross, 1987). Public housing units that were originally built to target the shortage of housing for low-income households were subsequently taken by middle-income households who could not afford to buy similar standard units in the free market (Okpala, 1992). In addition, some public housing was unoccupied in some places for reasons such as poor location or inadequate

infrastructure (Mayo et al., 1986). Another difficulty with direct housing delivery by governments was insufficient cost recovery and the limitation of financial resources. Units sold or rented may not provide adequate financial resources for the government to maintain the construction of new public housing projects (Mukhija, 2004). Despite extensive public housing subsidies in many developing countries, these programs have provided insignificant levels of access to housing units by the low-income population (Okpala, 1992; Keivani & Werna, 2001; Bredenoord & van Lindert, 2010).

By the 1970s, it was clear that governments could not maintain their role as a direct housing provider. The failure of the direct housing provision in delivering sufficient quantities of housing at costs affordable to the low-income groups required a shift from the provider-based approach in housing delivery by the state to explore new shelter solutions. The World Bank report, 1993 indicated that: “Governments have retreated from ambitious public housing programs that demanded heavy yet unsustainable subsidies and have increasingly opted for programs focusing on assistance rather than direct production” (p. 29). Consequently, a shift in housing policy was taken toward public assistance in the informal sector through the practice of self-help housing allowing low-income households to be supported in building housing for themselves.

3.2.2 Self-help housing approach (Society centred)

The failure of the provider approach accentuated the need to reach the lower income population by providing improved housing conditions. There was a recognition that bulldozing slums and squatter settlements did not solve the housing issue but contributed to the shortage of housing supply for low-income households (Blitzer et al., 1981). Self-help or self-built housing is described in general terms as a process involving the arrangement of an individual household to build their house by themselves or through paid labour thus providing more efficient use of housing value (Jenkins & Smith, 2001). This method of housing production in developing countries was utilised by the poor due to their inability to access affordable housing produced by the private sector or government (World Bank, 1993). Aided self-help housing, as an approach to achieving the housing needs of low-income groups, was advocated by several academics of the 1960s and 1970s, most prominently by John Turner (1972, 1976, 1978, 1983). The core argument proposed by Turner is that disadvantaged people are capable of providing their own shelters if they can be supported, not hindered, by state regulations. Turner (1972, 1976) illustrated self-help housing as a process of self-fulfilment by allowing households to

create their own living space. Turner's idea of 'aided self-help' housing was criticised by writers such as Burgess (1978) who termed it 'petty commodity' and argued that low-income housing issues can only be resolved within a socialism paradigm and not by exploiting the disadvantaged social classes.

As a theory for policy evolved around 'aided self-help' housing for low-income groups, advocated by Turner (ibid) through his research in Latin America, a new shift in shelter policies emerged from direct housing by the public sector in supporting the acquisition of housing. This shift in policy was supported by international organisations, such as the World Bank, whose initial involvement in housing in developing countries (1972-1983) was characterised by the idea of self-help housing in the form of sites and services and settlement upgrading schemes (Pugh, 2001, p. 404). The World Bank adopted and developed Turner's idea of aided self-help housing based on the three principles of affordability, cost recovery and replicability (ibid). This way projects could have been affordable to the poor as they would be responsible for paying back the loans in order to guarantee the 'replicability' of the schemes. The World Bank funded the upgrading of sites, services and settlement projects in many cities in Latin America, Asia and Africa. Government plots of land with basic infrastructure were distributed to low-income households who were then responsible for building their own housing units at their own pace and ability. Similarly, households in settlement upgrading schemes were provided with basic services and given legal tenure security which eliminated any threat from removal. Bredenoord and van Lindert (2010) explained that the government role in these schemes in the 1970's and early 1980's was to:

... create a favourable environment for development of the self-build initiatives of the urban poor... This represented a major turning point from the earlier period, when state intervention with spontaneous settlements had basically meant the eviction of the inhabitants and the clearing of their provisional shacks. (p.280)

The World Bank sites, services and slum upgrading projects, however, did not win much acclaim and, as Rothenberg (1981) critiques, did not extend further than the notion of 'symbolic schemes'. The self-help approach with its bottom-up development did not provide a solution for the enormous housing demand in developing countries (UN-Habitat, 2011). This lack of success was due to several factors including: (i) the limited scope in addressing the whole housing system problems and the exclusion of issues, such as the malfunction in land development processes and finance systems (Pugh, 2001); (ii) the focus on the low-income groups when there was a mass shortage of supply for medium income groups, creating unfair competition and conflict (ibid); and (iii) the overwhelming disparity between the small,

localised and underfunded nature of these projects and the scale of the urban challenge, including vast population and poverty growth (Bredenoord & van Lindert, 2010). Thereafter, international donor agencies, such as the World Bank, had to reform their policy for housing in developing countries, as it was evident that the small-scale self-help housing projects were no longer a viable option.

The concept of self-help housing, however, still continues its evolution as a housing solution for developing countries. Harms (1992) draws attention to the “very different social and economic significances” (p. 33) of self-help housing between the Third World and highly industrialised developed countries. Fiori and Ramirez (1992) describe the “very old challenge” (p. 23) of providing housing solutions to the urgent needs of the impoverished while, ideally, creating improvements to the social situation from which such needs originated. While more recently, Bredenoord and van Lindert (2010) assert that “self-help housing is still a widespread phenomenon, although mostly unattended or ignored by governments”; and still urgently requires a “reevaluation of ‘assisted self-help’ as part of national and local housing policies” (p. 278).

3.2.3 Enabling approach (Market centred)

After the mid-1980s, the development of the housing sector in developing countries witnessed a shift from its early focus on sites, services and settlement upgrading schemes for low-income segments to “a more comprehensive approach to securing whole sector housing development within a framework of economic and institutional modernisation” (Pugh, 2001, p. 401). This shift in direction and scope was led by the United Nations and the World Bank where a new strategy of ‘*enablement*’ became the “guiding principle for the theory and practice of housing in developing countries” (Pugh, 1994, p. 357). The concept of enablement is derived from the new political economy of neo-liberalism based on efficient market dynamism, which was envisioned to set a new understanding of housing policies in developing countries (ibid).

Neo-liberalism has altered the political economy landscape in western developed nations, resulting in housing provision that limits direct government provision in housing and introduces market actors to take over state management of housing. Forrest and Hirayama (2009) defined neo-liberalism as “a political project involving reduced state intervention in social and economic affairs and the assertion of the superiority of market processes” (p. 998). The neo-liberal transition in housing policy that originated in developed countries has transformed state-market roles and relations in housing provision and this soon spread to other

developing countries under the conditions of economic globalisation (Rogers, 2012). In general terms, reforms were introduced to improve state capacity and governance by reducing its role in production and service delivery, encouraging deregulation of public enterprises, and enhancing public sector efficiency. These were attained through the introduction of cost cutting measures, such as “privatisation, deregulation, and the introduction of a market-like mechanism in the public sector” (Shuid, 2011, p. 22).

In the context of housing in developing countries, the version of a neo-liberal ‘enabling approach’ places an emphasis on economic issues in the housing system development by focusing on market operations through state enabling strategies that “permit limited, but critical, public interventions in housing markets to leverage the activities of the private sector” (World Bank, 1993, p. 38). This enablement strategy stresses government participation in ensuring the functionality and operation of the private housing market:

Eliminating or mitigating the effects of market failure is a key feature of government’s enabling role in the housing sector, a role that deals with the causes of many urban housing problems. At the same time, governments have an obligation to avoid intervening in ways that disrupt markets and deal only with the symptoms. (World Bank, 1993, pp. 38-39)

A widespread acceptance of shifting the focus of provision from government to the private sector was taking hold during the 1980s (Keivani & Werna, 2001). The enablement approach in developing countries was first initiated by the United Nations in the late 1980s and elaborated later by the World Bank (1993) in its report *‘Enabling the Market to Work’*. This document published seven recommendations for the whole housing development process to facilitate the demand and supply sides as well as manage the housing sector. These recommendations were: (i) developing property rights; (ii) developing mortgage finance; (iii) rationalising subsidies; (iv) providing infrastructure; (v) regulating land and housing development; (vi) organising the building industry; and (vii) developing an institutional framework for managing the housing sector (pp. 39-42). Emphasising the development of the whole system aimed to improve economic productivity through private sector participation and institutional reforms to enhance market efficiency. This housing policy paper indicated that “the enablement of private housing markets has become the main focus of World Bank housing policy in developing countries as a basis for scaling up housing production and developing the housing sector as a whole” (Keivani & Werna, 2001, p. 66). Links were now being formed between housing and the wider urban economies and embedded in national economic development (Pugh, 1994).

The market-based approach of enablement was criticised by various writers (such as Baken & van der Linden, 1993; Jones & Ward, 1995; Keivani & Werna 2001; Mukhija, 2004). Their main criticism of the approach was on its overemphasis on the formal market and negligence of other housing delivery modes, such as the informal market. These writers believed that increasing the efficiency of the formal market would not benefit the disadvantaged population. They argued that the informal sector in developing countries is the key provider of housing for low-income residents and therefore should be supported:

If the Bank wants to engage the private sector in land and housing delivery, it would make sense to concentrate on the sector which has proved to be both willing and capable of catering for the housing needs of low-income groups: the informal/illegal sector. (Baken & van der Linden, 1993, p. 17)

Malpezzi (1994) responded to the above criticism arguing that the dichotomy of formal and informal market is “de-emphasised in the market-wide approach” for the reason that the informal or illegal sector is not affordable (p. 460). He explained that informality in its essence drives up the costs at the lower end of the market as there is a lack of infrastructure and finance and the disadvantaged are forced to pay rent to well-connected individuals. Malpezzi (1994) illustrates this point: “So-called 'affordable' slums are often very expensive, once one looks at prices rather than expenditures. That is why even poor households are often willing to pay significant premia for secure tenure” (p. 460).

Pugh (1994) claimed that ‘enablement’ in housing raised real dilemmas in developing countries that are attributable to the ‘overoptimism of liberalism’ and its reliance on reforming the complex institutional conditions. He described the challenges in the complexities of reconceptualising the welfare systems and the degree of state intervention in housing, which is already set at minimal to medium levels of state participation in liberalism. Yet, Pugh also believed that ‘enablement’ could have a positive impact on housing development in developing countries, as he explained:

‘Enablement’ is hard won, being itself multi-institutional in its requirements, not just a matter of harnessing markets. The enablement liberalism in housing will not be a panacea, but some useful progress can be made in specific conditions for housing-related improvement. (p. 369)

Pugh took a more favoured position on enablement in his later paper (2001) when he disagreed with Marxist scholars who criticised the enablement strategy describing it as ‘rolling back of the state’; and that the state has a key role in housing sector development. He posits, “[enablement] is not confined to economic neoliberalism and the possible reduction of state

roles, but rather the reconfiguration of state roles in policy-making, institutional reform, and for instrumental social and economic purposes in housing” (Pugh, 2001, p. 416). He adds: “Enablement has varied policy targets and evolves to adjust to the dialectic between the economic, the social, and the political in housing-related and general development agendas” (p. 417). He also asserts that an enablement strategy that favours institutional reform could benefit all the actors in the housing system including the state, market and society in the development process in developing countries. This shift in housing policy represented as the ‘enablement strategy’ by the World Bank and United Nations had dominated the policy discourse in developing countries until recently (see next section). The involvement of these and other international agencies in aiding and promoting their housing policies changed the practice of housing development in developing countries.

In terms of this writer’s research, Saudi Arabia did not receive any form of financial assistance from the World Bank or any other international organisations due to its stabilised and robust economy. Therefore, the presence of the enabling approach in housing policies in Saudi Arabia did not exist until recently (see Chapter 2 – *Recent changes in housing policy framework*). The 9th and 10th Economic Development Plans as well as *Saudi Vision 2030* have clearly stated that the Saudi Government favours market-oriented policies prescribed in the enabling approach, as endorsed by the World Bank and the United Nations, and that the market should be the main supplier of housing. However, problematic issues in the Saudi housing system (as discussed in Chapter 2) create discord between this policy for housing provision and the reality of a market unable to provide adequate housing for all society segments. The prevalent issues in the institutional framework in the Saudi housing system may have contributed to the unsuccessful realisation of an ‘enabling approach’, as stipulated in recent government policies. Perhaps this exemplifies the importance of contextualising an approach fitted to local social, economic and political conditions before attempting to adopt it as housing policy.

3.3 New paradigm shift in global housing policies

Despite domination of the enabling approach in housing policy discourse over the past two decades, housing affordability persists as a global issue impacting many cities around the world. The neo-liberal policy trend has caused new housing issues to emerge and evoke the debate in housing research in both developed and developing countries. One of the resultant issues is the weakened state role in tackling housing problems. Forrest (2008) argued that: “the reduction of direct housing provision has arguably diminished state capacity to respond as

effectively as in the past to shifting housing needs and demand of population” (p. 174). Government withdrawal from its direct role in housing delivery by assuming an enabler role has not achieved positive outcomes regarding access to affordable housing as the *World Cities Report*, UN-Habitat (2016) reports:

... the housing policies put in place over the last 20 years through the enabling approach have not succeeded in promoting adequate and affordable housing. Governments have backed away from direct supply without giving sufficient consideration to the markets and regulatory framework to enable other actors in the process to step forward and provide adequate and affordable housing. (p. 65)

The report described a range of issues with the implementation of the enabling approach in different countries. One of the main shortcomings is the increased reliance of governments on the private sector with minimal intervention and in some cases total retreat from housing provision. Governments had an optimistic assumption that deregulating markets would in itself respond to the growing housing demand (UN-Habitat, 2013). This has resulted in supply for the solvent upper-middle and high-income groups and an exclusion for the need of lower income households. The UN-Habitat’s *Global Housing Strategy* (GHS) (2013), which was introduced to set out a framework responding to urbanisation, housing and sustainability challenges, indicated that many of the drawbacks of the enabling approach relate to the inappropriate regulatory framework used by governments. For instance, the increasing inequality for access to adequate and affordable housing was exacerbated by inefficient zoning regulations that favour single-family home ownership over other types of tenure. This has created mismatch between the supply and demand for affordable housing further contributing to divisions in cities and social exclusion. According to the GHS of the UN-Habitat (2013):

The “enabling approach” has often been guided by inadequate understanding of the breadth of policies and areas affecting the supply of affordable housing. This has limited the areas of reforms of the regulatory framework to those directly implicated in housing production, with insufficient inclusion of urban planning, urban economy, land markets and fiscal mechanisms that would encourage efficient use of urban land. (p. 4)

The GHS framework further emphasises the importance of urban planning to affordable housing by arguing:

Absence of effective urban planning has a profound effect on the availability of affordable housing. The lack of an organizational framework integrating land use and infrastructure planning, including mobility and transportation, has resulted in chaotic urban sprawl, penalizing the poor ... Lack of planning and of enabling zoning regulations, which would allow and support mixed land uses, is detrimental to local economic development. (p. 4)

3.3.1 Housing at the centre of the urban agenda

With the world witnessing massive population growth from 2.6 billion in 1995 to 3.9 billion in 2014, six out of every ten people are predicted to live in urban areas by 2030 (UN-Habitat, 2015b). The unprecedented challenges of rapid urbanisation, the rise of inequality for adequate and affordable housing and the ineffective application of the enabling approach have called for the integration of housing as a main pillar of national and local urban agendas. This shift in the global housing policy debate was led by the UN-Habitat's framework, *Global Housing Strategy*, with the goal of achieving adequate housing for all by relying on the "principle of inclusive cities as the foundation for sustainable urban development" (UN-Habitat, 2013, p. 2).

This paradigm shift was further accentuated in a position paper released by the UN-Habitat prior to the 2016 Global Habitat III Conference (held every 20 years) titled *Housing at the Centre of the New Urban Agenda*. This paper proposed placing 'housing at the centre' by aiming "to shift the focus from simply building houses to a holistic framework for housing development, orchestrated with urban planning practice and placing people and human rights at the forefront of urban sustainable development" (UN-Habitat, 2015b, p. 5). The absence of effective government policies and the ineffective and weak performance of market forces had created a chasm which had not been given enough attention in the international agenda despite the rising urgency of providing adequate and affordable housing for millions of households around the globe. An important aim of 'Housing at the Centre' is to re-establish the conceptualisation of housing as a social function, which was previously altered under the neoliberalism agenda of minimal state intervention by the commoditisation of housing. Therefore, the proposed paradigm shift in the thinking and practice of housing provision repositioned housing as a priority in the urban agenda through:

... utilising national urban policies, urban planning and urban design as well as urban economy and legislation as the essential entry points. The aim is to integrate housing in the urban fabric with other uses, to integrate different economic groups, at appropriate densities to achieve better mobility and to reduce the urban footprint to ensure environmental sustainability as well as taking social and cultural needs into account through participatory approaches. (UN-Habitat, 2013, p. 5)

The new strategy stipulated the general principles to achieve its goals. At the national level, governments need to establish a long-term vision for the housing development sector through a framework of national urban policy. The objective is to plan and coordinate urban growth by

considering the inputs needed for housing, land and infrastructure. The ‘Housing at the Centre’ approach: “promotes housing policy and national urban policy blended in a context of increased importance on housing as an imperative for socioeconomic development and the sustainable future of cities” (UN-Habitat, 2015b, p. 11). The approach emphasises that housing should be paramount in both economic and social policies of a country, and governments should not only provide an enabling environment for market actors but also directly intervene if necessary to ensure access to housing for all. This should be implemented under the national urban policies through an effective coordination between the different government tiers at national and local levels as well as with other stakeholders including the private sector.

At the local level, the new paradigm asserts that housing should be at the epicentre of urban planning as residential land use in most cities accounts for more than 70% of total land use. The UN-Habitat report (2015b) argued that: “Housing has not been appropriately integrated into urban planning practice”, resulting in several urban issues arising particularly in developing countries, such as informal settlements, urban sprawl and class segregation (p. 15). The rise of spatial inequalities and social exclusion are products of the inappropriate planning mechanisms and regulations (ibid). The ‘Housing at the Centre’ approach aims at integrating housing provision to be at the core of city development and urban planning to promote sustainable social and economic practice. Some of the important guiding principles include encouraging mixed urban land uses, appropriate high urban densities, a social mix of population and integration of land use and infrastructure planning for better mobility.

It is essential to note that this new paradigm shift does not eliminate the legitimacy of the enabling approach as it remains “a valid approach and a step in the right direction” but comes to address its shortcomings in a more holistic framework that strengthens government engagement towards a leadership role for the right to adequate housing for all (UN-Habitat, 2013, p. 4). The new paradigm shift is not only exclusive to the rapidly urbanised developing world but also includes developed countries where inequality and inadequacy of access to housing has been rising. This shift is expected to prevail in the contemporary global housing policy debate for the coming years as the UN-Habitat has been a major player in the field since its Habitat Agenda I in 1976. Figure 3.1 illustrates the evolution of UN theories and practices of housing development policy since the 1970s.

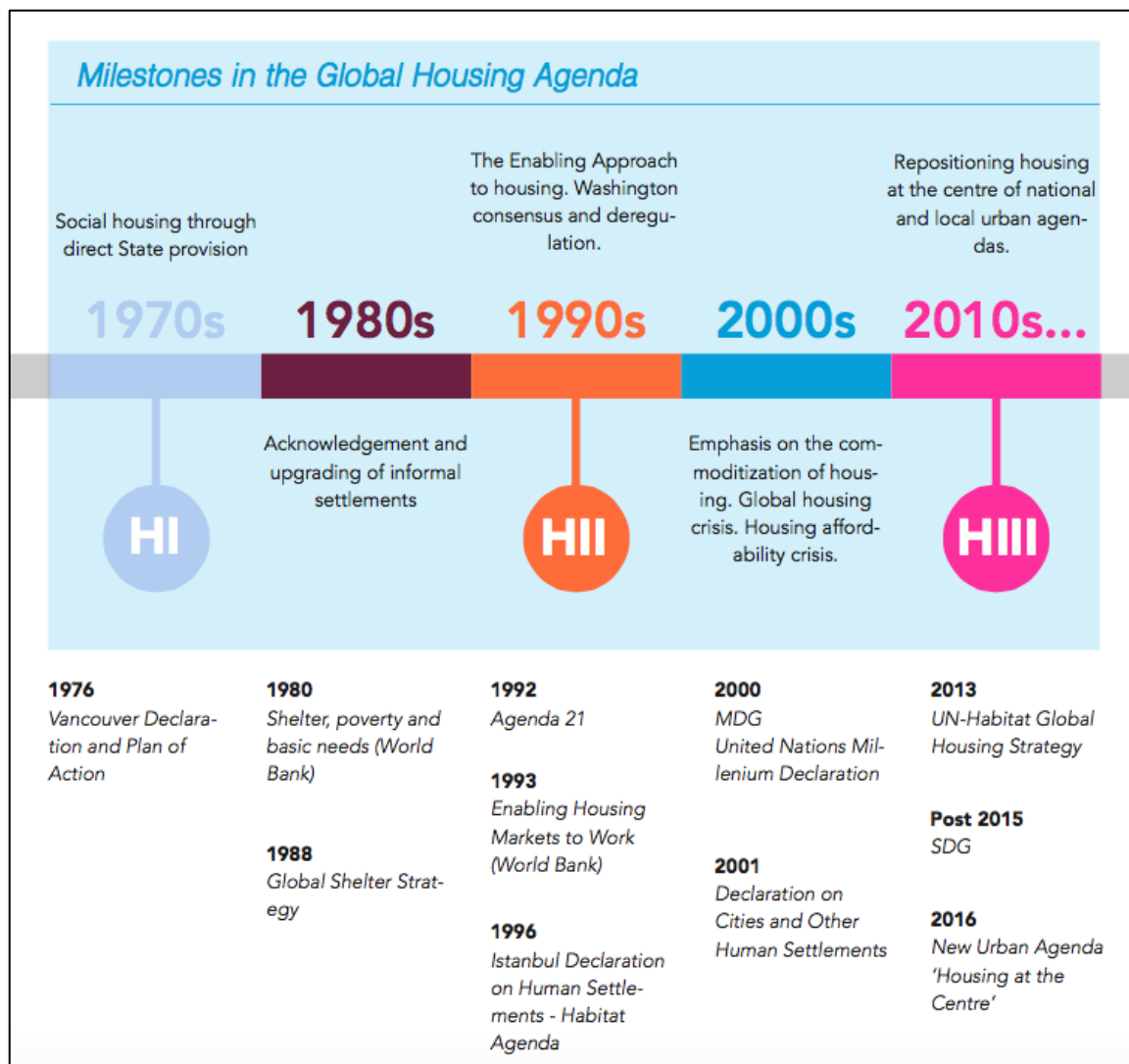


Figure 3.1: Housing Development Policy Since 1970

Source: UN-Habitat (2015b)

3.4 Planning system and housing

The main purpose of this section is to illustrate the empirical literature on the relationship between planning and housing. As emphasised in the previous section, planning plays a key role in housing and is thus becoming the focus in the new global housing strategy. In a recent book by Gurran and Bramley (2017) on the role of urban policy and the planning system in the housing market, the authors illuminate the economic, social and environmental importance of housing to urbanisation processes using international case studies to highlight the different approaches of planning system intervention in housing. Gurran and Bramley's (2017) work runs parallel with the new paradigm shift in the global housing debate which emphasises the importance of integrating housing to the centre of urban policy and planning, as they argued:

... housing should occupy a central focus of contemporary urban governance and planning. Yet in many nations, housing has failed to sustain this focus. Under the wider influence of neoliberalism, government intervention—through the delivery of public housing or the regulation of private development—has been seen to inhibit the housing market. (p. 15)

Gurran and Bramley (2017) indicated that housing challenges such as the rise of inequality, demographic pressures, environmental risks and poverty have worsened in many developed countries in the new millennium due to the weakening power of urban planning intervention in housing. There are numerous ways in which the planning system can affect housing provision in the literature so, before discussing the impact and implications of the planning system in housing, a brief explanation of the relationship between the two is outlined.

In the context of this research, the term ‘planning’ refers to a set of formal rules and regulations representing “a particular form of public policy intervention in the arena of private decisions with regard to the use of land, governed by particular legislation” (Bramley, Bartlett & Lambert, 1995, p. 38). Planning is often used to encompass general terms, such as urban planning and planning systems as well as more specific terms, such as land-use planning. These terms are used interchangeably throughout this study. According to Parker and Doak (2012), the basic objective of planning is to predict need, risk and priorities in social, economic and environmental terms and to assess different policies that correspond to stated aims and targets.

In order to understand the relationship between urban planning and the housing market, it is vital to understand the planning process and how decisions are made by planning authorities (Gurran & Bramley, 2017). In many countries, the planning process follows two main stages: forward planning and development control. Forward planning, or what is also called strategic planning, involves the preparation of plans (land allocation) for future development based on projections of population growth, infrastructure needs, natural resources and economic activities to meet the future needs of community. These spatial plans are usually prepared in line with national policy frameworks set by central governments to meet strategic visions and objectives (ibid). Regional, city, and local plans are produced as a regulatory guideline to achieve desired future goals by “establishing a legally enforceable basis for guiding future decisions and actions consistent with these objectives” (Gurran, 2011, p. 44). Strategic planning provides a context for controlling development whereas planning authorities set a framework for the land market which helps developers and investors to decide what would be permitted or not on their land and the potential effect on its surroundings (Adams, 1994).

Development control, on the other hand, involves an assessment by local planning authorities of development proposals lodged by private developers or landowners to undertake development in a certain location. The assessment is carried out based on development standards usually referred to as zoning which is ‘an operational mechanism’ that defines uses and activities within a zone as well as “specific standards and controls to govern the configuration, appearance and design of particular development types” (Gurran, 2011, p. 53). The planning authority has the power to grant planning permission based on specific planning requirements and standards that allow it to control the form of the proposed development. Compliance with strategic plans and development control standards (as well as other requirements, such as public hearings) are expected for the granting of planning permissions. However, in some planning systems, such as in the United Kingdom, a degree of discretion by local planning authorities is widely practised where negotiations can take place between local planning authorities and developers that do not necessarily conform to local development plans in return for developer contribution towards specified community benefits such as affordable housing. In general, planning authorities in most countries impose conditions on planning approvals for a variety of reasons including limiting the externalities of development and coordinating the provision of infrastructure and services. Development proposals may also be subject to other conditions, such as a contribution towards affordable housing.

As explained above, planning authorities have the power to determine the type and intensity of development. Therefore, land-use planning plays a crucial role in the housing market as it can decide the allocation of available land for housing development, the specification of type, size, design and locations of housing as well as the required provision of infrastructure, services and amenities through the use of planning obligations. This provides the state with several important levers that can influence housing development with reference to both conditions in the housing market and the overarching central government policy objectives (Adams & Watkins, 2002). Thus, the role of planning intervention in housing can be a significant factor influencing the behaviour of market actors involved in housing production (Bramley et al., 1995; Monk & Whitehead, 1999; Rowley & Phibbs, 2012).

3.4.1 The debate of ‘good planning’ versus ‘expensive housing’

The debate about the role of planning and its impact on the housing market occupies a growing body in the literature. Gurran and Bramley (2017) argued that the debate is mainly centred around competing ideological or political views about state intervention in the market and

becomes more heated during times of pressure over housing production and affordability. The authors describe the contested views of the market, state and society in regard to planning intervention. First is the view of a free market advocate (the private development industry) which claims that a regulatory planning system can impact the production of new housing by imposing constraints on private developers through the slow, expensive or uncertain planning process and the highly restrictive development controls contributing to less housing supply and higher housing prices. The second view depicts planners who advocate the importance of legislative planning power in protecting the built environment and preserving the public interest. The rationale for planning intervention is described as a way of mitigating potential negative externalities that might eradicate from private development in the land market (Bramley et al., 1995). In turn, planners argue that: “good planning makes housing better and therefore more valuable” (Gurran & Bramley, 2017, p. 85). The third view is that of homeowners, which usually supports planning to protect vested interests in living in well planned neighbourhoods with good amenities and services that enhance the value of properties. In the context of this study, the focus is on the perspectives of planners and private developers. The conflict in interests between the private development industry, which perceives planning regulation as an impediment, and the position of planners to protect the environment presents many challenges and implications for housing development in any context. Healey (1992b) indicated that planning has always been viewed as a barrier to the market but there has been a change to promote market awareness among planners. She argued that:

... the challenge is to develop a ‘market-sensitive’ style of planning, to understand precisely which trade-offs are being made as market considerations are being ‘balanced’ with those relating to environmental quality and community needs. (p. 19)

Finding the balance between economic growth, social inclusion and environmental protection can be a challenging task that is attempted to be addressed through sustainable planning. Sustainable planning has been criticised by writers, such as Campbell (1996) where he expressed doubts about the effectiveness of it, suggesting that the holistic framework of the sustainability concept, ‘the triangle model’, is too vague and hard to achieve in the real world. Planning, however, is still seen as a more accepted option for intervening in regulating the market (Jones & Watkins, 2009).

The argument that urban planning restrains economic growth has been rejected by Gurran and Bramley (2017). They argue instead that, even in markets with no planning, there will always be other factors (i.e. the varying motivations of market actors, such as developers and

landlords) that constrain the supply of new housing. Furthermore, they point out the importance of examining the costs and benefits associated with planning intervention and the vested interests of different actors, who take advantage of the rules:

... planning regulation is generally accepted as the most efficient mechanism for managing the problem of externalities and public goods ... However, as illuminated here, the differential costs and benefits of regulation—ranging from the procedural burden through to the impact of stringent development controls—as well as the differential beneficiaries of particular regulatory settings—remain important considerations in analysing outcomes of planning intervention. (Gurran & Bramley, 2017, p. 97)

It is worth mentioning that planning is only one factor affecting the production of housing as the dynamics of the housing system has several other driving powers influencing the supply and demand in the market (ibid). Another important consideration is that housing systems face different constraints in the production of housing due to their geographical unevenness (ibid). The same applies to planning as a procedure for land allocation and approaches of development controls as they differ between countries (Hincks, Leishman & Watkins, 2013; Gurran & Bramley, 2017). These contextual differences result in varying effects of planning on housing outcomes (Cheshire & Sheppard, 2004). While it is beyond the scope of this study to cover all the various aspects of the relationship between planning and housing and the degree of its impact on local housing markets, the aim is to draw broad ideas from different contexts that help explain the nature and effectiveness of planning systems in dealing with and enabling better housing outcomes. A selected review of the debate about the impact of planning on housing is provided below.

3.4.2 Selected review of the impact of planning on housing

Much of the literature on the impact of planning systems on housing markets comes from interpretations of mainstream economics. According to Gurran and Phibbs (2016), most of these studies have struggled to grasp the comprehensive nature of the planning system as it is usually perceived as a ‘regulatory burden’ imposed on private development, neglecting other important dimensions of planning that include promoting objectives and managing risks. The continuous attack by mainstream economics on land-use planning and the outcomes of development control is mainly driven by the idea that planning objectives are too broad, making it an easy target for criticism (Jones & Watkins, 2009). However, this section of the literature review does not intend to examine the economic and planning disciplinary disputes but rather it seeks to review and sample contributions from both fields that are relevant to this study. It is worth mentioning that most empirical studies on the impact of land-use planning on

housing are based on deductive quantitative models of housing economic analysis that try to measure market outcomes (i.e. the relationship between regulations and house prices). Findings of some of these studies are reviewed even though this study is more concerned with processes rather than market outcomes. It has been suggested that there is a need for future research to incorporate insights from a more qualitative institutional approach (Bramley, 2003).

Adams and Tiesdell (2010) classified the impact of planning on the housing market into three themes. The first is concerned with the macroeconomic impact of spatial planning on a country in terms of its economic growth, wealth creation and distribution between regions and areas. The second is focused on the impact of planning on local land value patterns. The third theme relates to the impact of planning on constraining developments through increasing production costs and delaying the process of delivering housing. This study disregards the first theme due to its limited relevance to the research questions and focuses on the remaining two themes. Hence, the impact of land allocation, the planning process and development control on the quantity and cost of housing production is reviewed.

There are numerous empirical studies that have attempted to measure the impact of planning on housing, most of which have been conducted in the United Kingdom and the United States. Gurrán and Bramley (2017) suggest that the variety of different approaches used in these studies to measure the impact of planning can be broadly grouped together into three measures of impact: (i) restrictiveness; (ii) uncertainty and delay; and (iii) cost. As this classification is useful in distinguishing the different type of impacts, the distinction between them can be somewhat blurry as there is often an interrelationship between these broad classifications. For instance, the restrictiveness of land-use regulations as well as the uncertainty and delay of the planning process can have a collective impact on the cost of production. Nevertheless, this classification is used to provide guidance and structure in sorting the literature in this field. The review of the literature presented under these three broad measures is selective and unable to cover the full breadth of topics and issues in detail (due to the extensive volume of literature extending beyond the scope of this research) but rather aims to synthesise relevant literature into a useful reference that can assist in analysing and interpreting this study's findings.

3.4.2.1 Restrictiveness of planning

The restrictiveness impact of planning is characterised by the relationship between land-use planning regulation, housing supply and housing price. According to Whitehead (2016) planning affects development in at least four ways, by restricting: (i) the quantity of housing

land available for development; (ii) the location of land; (iii) the way land is developed; and (iv) by altering the timing of development (p. 27). As land-use planning is envisioned to prevent externalities and provide communities with better amenities and services contributing to an increase in housing value, it also restricts urban sprawl and controls densities viewed as supply constraints. The question that attracted the attention of many researchers is whether land-use planning restrictions on housing supply contribute to higher housing prices. Or are prices determined by market demand? According to Bramley (2003), there is broad consent in theory among economic researchers that land-use planning regulations restrict significantly the supply of new housing thus contributing to increases in housing prices. However, there are contradicting points of view arguing that housing prices are mainly demand determined and planning restraints on land supply have a minor impact on prices in the short term as it can take time to be adjusted in the market (Gurran & Phibbs, 2015; 2016; Gurran & Ruming, 2016).

In the Australian context, for instance, Gurran and Phibbs (2016) argued that it is the demand that drives prices up in that “demand side pressures – particularly financial deregulation, tax changes and reductions in interest rates – offer more plausible explanations for price inflation than assumed planning system constraints on new housing supply” (p. 67). This stance is voiced in response to a political narrative that has been calling for planning reforms in Australia in order to increase housing supply and solve the housing affordability issue. Beer, Kearins and Pieters (2007) suggest:

... neo-liberalism has clearly both influenced the direction of housing affordability debates in Australia and played a determining part in the ‘roll out’ of planning policies as a mechanism for boosting the supply of affordable housing. In many ways, planning solutions are seen to be the low cost ‘technical fix’ to the challenge of providing affordable housing in high cost metropolitan housing markets. (p. 20)

The debate about the restrictiveness of the planning system and its relation to housing supply and prices has evoked several government inquiries in Australia. A prominent investigation was undertaken by the Australian Productivity Commission in 2004 to evaluate housing affordability for first homebuyers and was published in a report titled *First Home Ownership*. One of the key findings in this report was that even an efficient planning system would have made little difference to high housing prices suggesting that higher housing prices are more likely to be demand driven:

In the Commission’s judgment, given the small size of net additions to housing in any year relative to the size of the stock, improvements to land release or planning approval procedures, while desirable, could not have greatly alleviated the price pressures of the past few years. Nonetheless, removing unnecessary impediments on the supply side is

clearly important to affordability in the long run, particularly in the context of the focus on planning to contain ‘urban sprawl’. (p. 154)

Several studies in other contexts, such as in the United Kingdom and the United States, have focused on the restrictiveness or ‘negative impact of planning’ on housing supply and its relation to housing prices (Monk, Pearce & Whitehead, 1996; Monk & Whitehead, 1999; Glaeser & Gyourko, 2002; White & Allmendinger, 2003; Bramley 2003; Hui & Ho, 2003; Quigley & Rosenthal, 2005; Ihlanfeldt, 2007; Glaeser & Ward, 2009; Gyorko & Molloy, 2015). These studies share an agreement that planning regulations do have an impact on land supply that contribute to increasing housing prices. Some of these studies focused on examining the impact of planning controls on supply and prices in several housing submarkets within a country (including Monk et al., 1996; Monk & Whitehead, 1999; Glaeser & Gyourko, 2002; Ihlanfeldt, 2007). Others made comparisons between countries (White & Allmendinger, 2003); or investigated the impact of planning regulations on the housing market (Dawkins & Nelson, 2002; Mills, 2005; Anthony, 2006). In the context of this body of literature, urban containment policies and density control measures are considered to be among the most restrictive planning regulations affecting housing and are thus of particular interest to this study.

The shift in the past three decades towards sustainability and preserving the environment, led by the desire for a more compact urban form that aims to prevent cities from urban sprawl issues, has been encapsulated by the spread of growth management programs. Urban containment, or urban growth boundaries (UGBs), have become a central focus of urban planning policies in many nations around the world (Gurran & Bramley, 2017). The effects of urban containment policies on the supply of land for housing and their impact on prices have drawn researchers’ attention (Elliott, 1981; Levine, 1999; Dawkins & Nelson, 2002; Nelson et al., 2004; Anthony, 2006; Brueckner, 2009). Dawkins and Nelson (2002) provided an international comparison of the effect of different urban containment policies. In this study, the authors argued that urban containment policies do affect land prices as they limit the supply of greenfield land and increase the desirability of owning land within containment boundaries. The results of containment policies might be reflected in better amenities and services within their boundary, which then increases the demand for land (Anthony, 2006). Yet, the impact of urban containment policies on housing prices can vary depending on the nature of the urban containment policies and how they are implemented. However, Dawkins and Nelson (2002) suggest that local market demand forces could more significantly affect housing prices than the restrictiveness of urban containment policies. Gurran (2007) argued that studies that tried

to examine urban containment policies and links to the shortage of housing supply, particularly affordable housing, have not been able to ascertain a clear link between the price impact of these policies and housing.

Another important restrictive form of planning control that has been examined in several studies is the impact of density measures on housing supply and prices (Monk et al., 1996; Mills, 2005; Glaeser & Gyourko, 2002; Glaeser & Ward, 2009; Dunse, Thanos & Bramley, 2013). Density restrictions can be expressed in many ways, such as height restrictions, minimum lot size or building coverage. The move toward compact cities and global sustainability has been encouraging the promotion of higher densities in many countries to avoid the externalities associated with low density (Jenks & Burgess, 2000). In the United Kingdom, it has been argued that a strong planning stance towards sustainability in the form of high densities has significantly impacted the type of housing development by limiting the choices available to consumers and resulting in a shortage in certain segments of demand in the housing market (Monk et al., 1996; Monk & Whitehead, 1999; White & Allmendinger, 2003; Jones & Watkins, 2009; Dunse et al., 2013). Jones and Watkins (2009) pointed out:

The focus on the development of flats exacerbates a long-standing housing shortage by meeting only one segment of demand ... the relationship between sustainable planning policy and the housing market reveals that policies cannot focus entirely on high-density living or ignore short-term housing market dynamics. (pp. 159-160)

In contrary to the United Kingdom's high-density policies, low density control measures, prevail most of the United States' metropolitan areas (Mills, 2005). The restrictiveness of land-use regulation in the United States, particularly density control measures, such as height restriction and minimum lot size, is believed to have an impact on housing affordability. Ihlanfeldt (2007) has examined the effects of land-use regulation restrictiveness on prices in 100 cities in the state of Florida. His study found that restrictive land-use regulation (such as minimum lot size zoning) has contributed to housing unaffordability by limiting the choice of homebuyers to a specific type of housing (large single-family homes). The study also indicated that the restrictiveness of other land-use regulation measures resulted in an increase of development costs that are passed onto end-users. Mills (2005) demonstrated that restrictive density control measures in the United States have engendered social exclusion, where low-income and minority groups cannot afford housing in good neighbourhoods as such control restrictions limit developers from providing low cost housing choices in desired locations.

There are varying views about the relationship between density and housing prices. Some studies suggest that density control does increase housing prices (Mills, 2005), whereas others indicate that there is an indirect relationship between density and housing prices (Dunse et al., 2013); and others suggest that there is a little or modest relationship between price and density (Glaeser & Gyourko, 2002; Glaeser & Ward, 2009). However, there has not been substantial evidence of clear links between high housing prices and densities. The hypothesis suggesting that higher land prices might translate into permitting higher densities in order to maximise land value and provide affordable housing is controversial. Dawkins and Nelson (2002) argued that “housing producers do not always respond to higher land prices by increasing the density of development” (p. 10). They pointed out that private developers are more concerned with the relative market demand so, for example, if the demand is weak for apartment units, developers might not economise on the value of land by building high density housing. Similarly, Rowley and Phibbs (2012) claimed that allowing higher density (i.e. density bonuses) for developers in infill development to deliver affordable housing may not be utilised by developers as it could cause land value uplift if it is pre-identified prior to land purchase (i.e. stated in strategic planning documents). They explained that landowners would increase the price of their land – if they know that higher density is allowed – making it difficult for developers to use the value of increased density to replace the revenue lost from the affordable housing requirement.

The literature shows that there is wide agreement that the restrictiveness of land-use planning regulations can constrain housing supply and therefore contribute to housing price increases. However, measuring the effects of such restrictions and their relationship to housing prices poses a major difficulty as there are considerable variations between contexts because of differences in planning processes, the complexity of regulations and the way they are enforced. Gyourko and Molloy (2015) asserted that: “due to the difficulty of measuring regulation, theory on this topic tends to be much more advanced than empirical work” (p. 1331). Quigley and Rosenthal (2005) noted that most of the empirical evidence had methodological shortcomings in addressing the impact of land-use regulations on housing prices. They argued that these empirical studies have failed to provide definitive evidence of the regulation effects on prices. The unsystematic data used, and the variation of regulation and enforcement make findings very difficult to apply in other contexts:

The literature fails, however, to establish a strong, direct causal effect, if only because variations in both observed regulation and methodological precision frustrate sweeping generalizations. (p. 69)

They conclude that it is impossible to draw a firm general conclusion about the relationships between the restrictiveness of land-use regulation and housing prices.

3.4.2.2 Uncertainty and delay

The second broad measure discusses the impact of planning control in the decision-making process. As the planning system is established to set regulatory norms, planning control is used as a means of implementing land-use plans through the planning permission process. The need for planning consent to perform changes to the built environment is the trigger for the legislative power of planning systems in controlling private land development as development proposals are required to be submitted for assessment by local planning authorities for approval (Gurran, 2011). Planning and development control differs between nations, however, there are two distinct types of planning systems in regard to monitoring the planning process – discretionary and regulatory (Booth, 1996). *The discretionary* planning process, such as that used in the United Kingdom is based on case merits where planning applications are assessed for approval in line with an indicative local plan but a decision is not necessarily binding to it. This suggests that other factors are considered, such as ‘material considerations’, and if the proposal is deviating from the plan there is still a possibility for approval (Adams & Tiesdell, 2013). On the other hand, a *regulatory* planning process requires all planning applications to conform to predefined and legally binding plans where criteria and standards are set out in advance stating what is permissible (Booth, 1996). This approach is widely applied in the United States and in most western European countries.

These two planning processes share the common theme of providing a balance between the concepts of certainty and flexibility in decision making (Allmendinger & Ball, 2006; Gurran, 2011; Steele & Ruming, 2012; Gurran & Bramley, 2017). Furthermore, according to Gurran (2011):

There is a considerable tension between providing certainty about what may and may not occur on a parcel of land, and enabling sufficient flexibility to accommodate unanticipated proposals that may still represent good design or a positive contribution to the community. (p. 65)

Future uncertainty is an unwanted concept by both the public and private developers (Booth, 1996). Developers strive for certainty as it provides clearer investment decisions and minimises risk (Gielen & Tasan-Kok, 2010; Ruming, Gurran & Radolph, 2011; Rowley & Phibbs, 2012). Certainty is also important to the members of the public as it stipulates permissible development activities within a community providing assurance and safeguarding the public

interest. However, the certainty concept associated with the regulatory planning process has a number of issues (Gurran, 2011). First, it is almost impossible for planning authorities to anticipate all the parameters of future development activities related to a particular location. Second, preparing strategic plans requires significant resources and inputs to ensure comprehensiveness and such resources might not be available to local planning authorities. Third, maximum certainty that strictly adheres to predefined criteria can lead to rigidity in the planning process which has consequences, such as suppressing innovation and deterring development. Gurran and Bramley (2017) pointed out that: “Rigid regulatory frameworks can have house price effects by reducing the amount of development permitted within an area” (p. 110).

On the other hand, the concept of flexibility, which is promoted through the discretionary approach, is brought about in response to unforeseen future events (Booth, 1996). According to Booth (1996), the discretionary approach was based on a pragmatic tradition that accepts that it is impossible to predict future circumstances, yet retaining manoeuvrability is important for addressing future uncertainty in the decision-making process. Thus, the discretionary approach is praised for its flexibility in dealing with the complex and unexpected issues surrounding a specific project (ibid). However, discretion also comes with a range of problems and challenges that have been discussed in several studies in the British planning context (Healey, 1992c; Booth, 1995; 1996; Tewdwr-Jones, 1999; Allmendinger & Ball, 2006). One problematic argument with the discretionary system is that it allocates dominant power of control to one side (the planning authority) in the decision-making process (Healey, 1992c). Another issue with discretionary flexibility is accountability (Booth, 1995). Tewdwr-Jones (1999) stated:

... the problem with discretionary planning systems is that they are not particularly accountable ... It is extremely problematical for individuals other than the policy or decision makers themselves to identify how decisions are likely to be made. (p. 249)

Finally, flexibility can be highly unpredictable. Mayo and Sheppard (2001) argued that developers face uncertainty with flexible planning that increases their risks because of the randomness and variance of planning authority behaviour in the decision-making process, which in turn contributes to decreases in housing supply. Market actors, such as developers and landowners, are conflicted about the concept of flexibility. Adams and Tiesdell (2013) explained:

Flexibility is a doubled-edged sword for market actors. While many owners may wish to retain maximum flexibility on their own land, they would often wish to see maximum certainty on adjoining land, so as to reduce the likelihood of negative externalities. (p. 215)

There has been a tendency of convergence in some western planning systems toward a hybrid planning model where the pursuit of both regulatory ‘certainty’ and discretionary ‘flexibility’ is the holy grail of planning (Steele & Ruming, 2012). Gurran (2011) claimed that a more performance-based approach that combines aspects from both the regulatory and discretionary approaches may provide a better solution for the tension between certainty and flexibility. She explained that developers in the dual approach will have the options of sticking to the predetermined criteria and be assured of certainty, or can propose alternative solutions demonstrating that the established performance criteria are met in which room for flexibility is allowed. However, Booth (1995) suggested that bridging the gap between flexibility and certainty might not be realised simply by mixing the two approaches or transferring instruments from one type of planning to another. The context specific understanding of institutional arrangements and specifying desired outcomes is paramount to account for decisions (Steele & Ruming, 2012). It is believed that the ongoing debate about the balance between certainty and flexibility is over emphasised, as Steele and Ruming (2012) posited:

... the flexibility/certainty dilemma is something of an artifice that serves to distract professional and scholarly attention away from the substantive issues around how urban planning institutions can better engender sustainability in a period of global complexity. (p. 173)

The second planning constraint under this broad impact measure relates to planning delays in obtaining planning permission. The time taken in assessing planning applications has been used to measure the responsiveness of the planning system to housing supply as well as its effect on housing prices (Mayer & Somerville, 2000; Mayo & Sheppard, 2001; Ball, Allmendinger & Hughes, 2009; Ball, 2011). In his study measuring the time taken to obtain planning approval in southern England, Ball (2011) found that:

... planning delays play an important role in generating poor housing supply responsiveness, because it takes a long and uncertain time to gain approval for building, even when projects conform to planning guidelines. (p. 360)

He explains that the scale of planning delay is attributed to the overall nature of uncertainty in the British planning system, which is a major factor in a slow and unresponsive process in increasing housing supply. The uncertainty associated with discretionary planning processes in the form of planning agreement negotiations, such as in the United Kingdom, have been

blamed for much of the planning delays (Gallent & Carmona, 2004). The certainty and consistency of the planning process is vital for developers to account for potential costs (Ong et al, 2017). Mayo and Sheppard (2001) argued that lengthy planning delays are more problematic when there is variability in delays (uncertainty). They explain that random fluctuations in the cost of development cannot be forecast in advance by developers, resulting in an increased risk and impacts on housing supply:

The analysis suggests that it is not simply the expected length of delay in considering development proposals that is important. Indeed, changes can occur which increase expected delay and yet increase current period housing supply. The variance in the delay which might be imposed is critical. Any increase in this variance will adversely affect the current supply of housing. (p. 126)

In the American context, Mayer and Somerville (2000) argued that explicit costs added to developments, such as impact fees, have less influence on new housing construction than regulations that cause delay and lengthen the development process, which in turn decreases the responsiveness of producers to housing supply. However, the cost of holding land during the planning assessment process (i.e. interest payments and taxes) that are claimed to impact the development cost through delays (as the previous authors indicate) may not necessarily reduce the development revenues¹⁴. Gurran and Bramley (2017) suggested that these holding costs could be “passed back to the landholder, when they are accounted for in feasibility analysis” (p. 109). Keogh and Evans (1992) believed that identifying and measuring the cost of planning delay is a complicated task. They argued that the cost of delay should not only be addressed from the private cost point of view (cost of delay to developers) but also against the social benefits of planning control. Additionally, Ball (2011) argued that one of the main constraints in measuring planning delay is the difficulty in obtaining data.

Developers often argue that delay is caused by the inefficiency of local planning authorities; whereas planners believe that the delay is commonly caused by the failure of developers to satisfy planning requirements (Keogh & Evans, 1992). Planning approval and refusal rates are used to measure the efficiency of local authorities in facilitating housing supply. Gurran and Bramley (2017), however, argued that a faster approvals rate, “might not necessarily translate into housing completions or to net additions to the overall dwelling supply, due to other market

¹⁴ Some of the research about the cost of planning delays was conducted when interest rates were much higher. Currently, these economies mentioned have low interest rates compared to 15-20 years ago. In contrast, house price inflation in several cities around the world has increased. This implies that developers may benefit from such delays in buoyant housing markets. For instance, house price inflation in Sydney in 2017 was 9.4% (Australian Bureau of Statistics, 2017) where the holding cost was estimated at 6-7% indicating that the price of proposed housing units is increasing every year more than the holding cost incurred on waiting for the approval.

factors” (p. 111). According to Monk and Whitehead (1999), the delay caused by the administrative and bureaucratic planning process is possibly not always the only factor for the sluggish housing supply responsiveness but it is also a product of the behaviour of market actors. They pointed out that “landowners can exploit any oligopolistic certainty created by the planning system to delay the release of their land until prices have risen in the face of rising demand for housing” (p. 79). Gurran and Bramley (2017) explained that not only do all planning decisions take time, but housing also takes a long time to produce, and this is one of the key factors affecting the inelasticity or ‘stickiness’ of housing supply making it slow to respond to demand changes.

3.4.2.3 Development cost

The third broad planning impact measure on housing is the cost associated with the development process. As mentioned earlier, planning control and policies, such as urban containment and density measures as well as the delay in the planning process, can all impose indirect costs on housing development. Nonetheless, the focus here is on the impact of the cost directly charged to developers, which does not arise from the restrictiveness of planning regulations nor by the lengthy planning process. There is a range of direct costs imposed on development by local planning authorities (i.e. processing fees for planning applications) but the most significant is the cost of development deducted for community benefits (known as a development contribution in Australia; impact fees in the United States; or planning obligations in the United Kingdom). Development contribution is the term mainly referred to in this study. The purpose of imposing development contributions varies between countries, but it is mainly required to provide infrastructure, amenities and/or affordable housing and can be compulsory or negotiated depending on the legislative nature of the planning system (Gurran, 2011).

The impact of development contributions on housing construction has been examined in several studies, such as Huffman, Nelson, Smith and Stegman (1988), Evans-Cowley and Lawhon (2003), Ihlanfeldt and Shaughnessy (2004), Been (2005), Ruming et al (2011), Crook and Monk (2011), Crook, Henneberry and Whitehead (2016) and Murray (2017). The premise of much of the literature on the impact of development contributions on housing – particularly in relation to infrastructure charges – is often based on who bears the cost (Bryant & Eves, 2014). Nonetheless, examining development contribution effects on housing can take many forms including its impact on new housing prices, existing housing prices and land value (Crook et al. 2016). The delivery of new infrastructure to a community may have a degree of

impact on existing housing and vacant land in that area by increasing its value (Been, 2005). This study, however, is more concerned with the impact of development contributions on new housing production as opposed to the possible windfall gain on existing housing and land value. Development contributions can take several forms. In the United States, for instance, impact fees are imposed on developers to provide infrastructure and services, such as roads, water and sewer lines and schools, among other community services needed in a new development site. These development impact fees were initially intended to transfer the burden of infrastructure cost from the public to the developer (Evans-Cowley & Lawhon, 2003). This transfer of cost has triggered a long debate over who really bears the burden of development charges. The literature suggests that one of three parties often incurs the cost: developers, land seller, or the end-user (Huffman et al. 1988). Early theoretical studies, such as Huffman et al. (1988) argued that despite the original aim of transferring the burden of connecting infrastructure and services to developers, the cost is actually neither borne by developers nor landowners but is ultimately passed onto homebuyers in the form of higher purchase prices.

Research in the United States (such as Ihlanfeldt & Shaughnessy, 2004; Evans-Cowley Lockwood, Rutherford & Springer, 2009; Mathur, 2013) has mainly maintained this theoretical assumption that impact fees affect housing by increasing prices, particularly in fast growing markets, thus potentially affecting housing affordability. Yet, it seems that many of these studies have limitations in their findings. For example, Mathur (2013) concluded that impact fees increase new housing prices that are likely to reduce housing affordability, however, he concedes in his study's notes that: "The estimation of the effect of impact fees on housing affordability would require a general equilibrium framework. The empirical model used in this study is insufficient for such estimation" (p. 455). Murray (2017) argued that quantitative empirical literature is usually disregarded due to the shortcomings in the analytical models used stating that: "Overall, the lack of clean identifying assumptions in the empirical literature means that the more common result of higher DCs [developer charges] being related to, or causing, higher prices cannot be relied upon" (p. 3).

Theoretically, Evans-Cowley and Lawhon (2003) posited that developers might be able to pass the cost of impact fees charged on development to homebuyers in a strong housing market, however, in markets where there is availability of reasonable substitutes (housing choices), developers cannot sell their housing with an increased price indicating that the price is pushed back to the land seller (selling land at a reduced price). This assumption suggests that development contribution effects on housing prices depend on the nature and conditions of

local housing markets. In line with this, several scholars, such as Ruming et al, (2011); Walls and Magliocca (2011); and Murray (2017), disagreed with the theoretical debate about the possibility that developers' contributions increase housing prices and result in costs being passed on to homebuyers. In a recent empirical study on the effect of development charges on housing prices in Queensland, Australia, Murray (2017) commenced by hypothesising that if a developer buys a piece of land for 1 million dollars and subdivides it into ten plots for detached housing at a further cost of 200,000 dollars then sold these serviced plots at the time for 140,000 dollars each, his profit would be 17% of the total costs in this scenario. He further explains, however, that there are other possibilities that indicate passing on charges to buyers is not possible:

Now imagine that the market price falls to \$110,000 per lot. This is perfectly plausible, and yet, if costs can be passed on to prices, this should be impossible, since the total costs paid by this developer are \$120,000 per lot. Or imagine that the market price rises to \$160,000 per lot. Again, since there have been no costs incurred, this should not be possible. Clearly, there is no link between the costs incurred to develop new housing, and the price set by the total demand and supply in the market for housing. (p. 3)

This indicates that developers have no control over market prices and that they primarily depend on market conditions to sell their product¹⁵. Developers may raise the price of housing to the maximum the market will tolerate regardless of the development contribution costs (Evans-Cowley & Lawhon, 2003). Using an empirical model to measure the effects of development charges (DC) on housing prices based on the variation of DCs (i.e. the amount of the DCs and the size of the property) and its correlation with price and quantity, Murray (2017) concluded that development charges have no economic impact on housing prices, which supports the view of planning practitioners that charges are economically benign. In another qualitative study of the relationship between housing affordability and development contribution in Australia, Ruming et al. (2011) found that:

The majority of developers engaged in this research recognised that the final sales price of their product was largely driven by the market; indeed their inability to pass forward developer contributions under flat market conditions is a major explanation for their resistance to these charges. While some developers reported having attempted to add specific charges directly to their market price, most admitted that a direct transfer of costs or charges was unworkable due to market dynamics. (p. 271)

The authors stressed that developers are 'price takers' as opposed to 'price setters'. Ong et al. (2017) noted that reducing the production cost of new housing will not result in lower housing

¹⁵ If developers could pass development charges onto home purchasers, then they may avoid bankruptcy which is not the case in the real world.

prices as the prices are already set in the established market. Development contributions are usually perceived by developers as a tax on development that increases the cost of production (Gurran, 2011). Nonetheless, Been (2005) argued that impact fees provide certainty to developers contrary to other planning regulatory constraints that may increase their risk. He explained that impact fees are readily known to developers and can be factored into the feasibility studies before committing to the development. Therefore, the certainty provided can be used either for pushing back the cost of development contributions to land sellers or allowing for positive capitalisation of home values in strong markets (Gielen & Tasan-Kok, 2010; Rowley & Phibbs, 2012; Gurran & Bramley, 2017).

Gurran and Bramley (2017), however, noted that development contributions might affect the nature of housing production depending on how they are imposed; whereas the viability of the development plays a major role. They explained that levies that are calculated as a proportion of the total development value would have less impact on the type and quantity of housing. Yet, if a high flat rate levy is imposed on each individual dwelling rather than on the whole development, housing production might be deterred or production of fewer and larger homes will take place to avoid paying the extra cost for more units. Thus, the authors believed that development contributions are one of the factors that influence the behaviour of market actors as it can affect the design and quantity of housing as well as the willingness of landholders to sell if such contributions reduce the value of land.

Been (2005) stressed that in examining the effects of impact fees on housing prices, the promoted social benefits, such as providing better amenities and infrastructure for the community, must be taken into account. Regarding the effect of impact fees on housing affordability, he argued that the social benefit generated by impact fees may be used to offset effects (if there are any) by encouraging efficient use of land in the form of higher density development. He suggested that: “research should focus on the relationship between impact fees and programs explicitly designed to increase the efficiency of the land development process as well as programs designed to increase the supply of affordable housing” (p. 165).

In the United Kingdom, development contributions or ‘planning obligations’ have not only been used as a means of providing infrastructure and services, but also to secure affordable housing through negotiation with private developers. Obligations are secured through a negotiated planning agreement (known as Section 106), which can be delivered as a financial contribution to the local planning authority or as a physical delivery of infrastructure and affordable housing on site (Burgess & Monk, 2016). The use of planning gain in the United

Kingdom for affordable housing has been controversial, as opposed to the provision of infrastructure and services that seem to be acceptable by the development industry (Crook & Monk, 2011). Campbell, Ellis and Henneberry (2000) argued that the scope of planning obligations in the UK has shifted towards marketisation causing a dilemma for planning practice where planning decisions have been influenced by short-term planning gains:

... planning obligations have, by default, become a financial and hence a market-oriented mechanism through which the social and environmental consequences of development can be determined and costed. This marketisation of the planning process represents a significant shift in the underlying rationale for planning; a decision-making process which has long been assumed to be justified and legitimised by the capacity to judge the appropriateness of development on nonfinancial grounds. (pp. 773-774)

Crook et al. (2016) noted that the controversy surrounding the legality and ethical practice of planning obligations in terms of negotiations between planners and developers to reach financial outcomes has not limited its use. Crook (2016) claimed that planning obligations in the United Kingdom have been successful in compensating low-income groups as well as contributing to the provision of infrastructure. Planning obligations have been able to deliver more than 60% of the affordable housing supply between 1999-2009 (Crook & Monk, 2011). Notwithstanding, the success of planning obligations has relied on a buoyant housing market and the viability of such policies has come to the fore in recent market downturns as developers have become less inclined to agree with obligation terms (Rowley & Crook, 2016, p. 172). Crook and Monk (2011) suggested that: “This raises serious questions about whether planning agreements are the most effective policy intervention to address affordability” (p. 1013).

Summary

The literature on the impact of planning on housing shows that planning plays a role in constraining housing supply and increasing housing prices. Most of the empirical evidence presented followed mainstream economic traditions in which econometric models were employed to measure the planning impact. Such models demonstrate that housing price inflation and supply constraints are caused either by regulation restrictiveness, delay and uncertainty, or the cost of production showing an unfavourable perspective of regulation. However, several writers have argued that measuring the scale of these impacts is very difficult (Keogh & Evans, 1992; Hincks et al., 2013; Gyourko & Molloy, 2015; Gurran & Bramley, 2017). The difficulty lies in balancing the negative constraints caused by planning policies and processes against their social and environmental benefits (Keogh & Evans, 1992; Mayo & Sheppard, 2001; Cheshire & Sheppard, 2002; Been, 2005; Adams, 2008). Furthermore, the

variation and extensiveness of planning regulations between countries and even between jurisdictions within a country adds to such difficulty. Thus, this review of the literature has reinforced the notion that significant importance is attributed to the unique characteristics of the context in which housing and planning systems operate and function.

There is still an unresolved debate about the impact caused by planning on housing supply and prices. The argument that planning is to be blamed for inadequate housing supply and affordability problems has called for planning reforms in several countries (Gurran, Gallent & Chiu, 2016). However, it is important to note that planning is only one factor among many others that contribute to supply constraints and price inflation. In the Australian context, for example, it has been argued that planning is not the chief cause of housing affordability issues suggesting that other factors, such as market relation powers that are driven by political and ideological motives and interests, are a more likely cause of unaffordability (Gurran & Phibbs, 2013; 2015; 2016). Gurran and Phibbs (2016) proposed that: “the narrative of planning as a constraint on housing supply has been overstated” (p. 67). Nonetheless, the recent shift in the global housing debate has emphasised the greater and more important role of urban planning in promoting affordable housing and sustainable development (UN-Habitat, 2015b). Positioning the implications of the positive benefits generated from planning against the negative constraints on housing supply and prices that contribute to housing unaffordability, generates the important proposition posed by Gurran and Bramley (2017): “how to create value through good planning and infrastructure investment, without displacing affordable housing opportunities” (p. 120). This is by no means an easy task, further exacerbated by Jones and Watkins (2009), who remind us of the importance of acknowledging that regulatory planning controls, as well as the operation of housing markets, are complex and therefore any solutions will also require a level of complexity that excludes the notion of any such thing as an easy fix.

3.5 Theoretical and conceptual framework of research

Studying the characteristics of any housing system requires setting out a conceptual framework that helps guide the research (the purpose of this section). Housing studies are connected to several disciplines with vast and rich theoretical perspectives emerging across the social sciences, including neo-classical economics, behavioural and humanist perspectives, and institutionalist approaches (Milligan, 2003). Several approaches have been taken by various housing scholars to investigate particular housing problems, compare different housing system outcomes, or to follow a more comprehensive approach by studying the whole system.

Since housing is a complex and multifaceted discipline that combines policy and practice (Oxley, 2001), there are a number of theoretical approaches and practices that can be used when studying housing systems. The role of the state and market in providing housing is of particular interest to this study, setting the stage for a focus on the interactions and relationships between actors in the housing system and the institutional arrangements that mediate and govern these interactions. After an extensive exploration of the literature, the most relevant theoretical framework for this study's aims comes from an institutional approach. Hence, the Structure of Housing Provision developed by Ball (1983, 1986, 1998) was chosen to explore, examine and uncover the state and market interactions and interrelationships in the institutional context of the Saudi housing system.

3.5.1 Dynamics of state-market relations in the housing system

As mentioned earlier, most of the theoretical assumptions underpinning state-market relations in housing and property research come mainly from mainstream economics. The debate is concentrated on the effectiveness of state intervention in the market to enhance efficiency, sustainability and equity (Adams, 2008). Within this domain, Adams (2008) examined the diverse perspectives in which policy intervention in the market is probed, including: the impact of policy on the overall quantity of market supply and demand (neo-classical perspective); the extent of policy to overcome market failure (welfare perspective); and the policy effects on increasing or decreasing market transaction cost (new institutional perspective). Ball (1998) indicated that much of the literature is concerned with the effectiveness of public policy in either overriding markets or steering forces towards desired political objectives, placing more emphasis on policies rather than on markets. As the debate is often established in a binary form, this suggests that there is a separation between state and market. However, Zhang (2001) argued that a conceptualisation of contrast or separation between state and market is problematic as it can be difficult to draw clear boundaries or distinctions between the two. For example, free markets are encountered with distinct types of state policy interventions (i.e. planning control, taxation, etc.), where such inter-penetration results in different forms of institutions (ibid). Ball (1998) argued rather convincingly that: "To an extent, the perceived dichotomy between the economics of property markets and institutions is a false one ... there is a continuum of issues rather than an opposition" (p. 1502).

Several scholars (Keogh & D'Arcy, 1999; Oxley 2004; Lawson, 2006; Adams & Tiesdell, 2010) have argued that the property market in itself is a form of institution that is socially

constructed. Oxley (2004) illustrated that the decision of buying or selling in a free market may be undertaken by individuals, yet the action is governed by the wider society as property rights are enforced by the state on behalf of society to protect the public interest and allow the market to operate within the rules. He asserted that: "Housing markets and land markets, like any markets, are not mystical happenings that are separate from the activities of the state ... They are social constructs that rely on the state" (p. 60). Keogh and D'Arcy (1999) explained that the perception of a property market as a socially constructed institution does not suggest a cohesive entity, such as a government organisation, but rather implies "a network of rules, conventions and relationships which collectively represent the system through which property is used and traded" (p. 2408). They also argued that, since the market is a human construct where society interest is reflected in its scope and structure, the market structure can be altered with time depending on the needs and preferences of society. Adams and Tiesdell (2010) indicated that the social construction of markets makes them contested terrains for different powers of relations, and that: "... social interactions are thus conditioned by humanly devised rules, norms and regulations, with markets thus reflecting dominant powers and interests" (p. 193). Healey (1999) maintained that: "this active work of social construction is not neutral as far as power relations are concerned" (p. 113). Finally, Adams (2008) considered the interplay of power and interest in the market construct creating both winners and losers.

According to Tiesdell and Allmendinger (2005), the classification of state versus market has failed to provide a transformative action and calls for a state-market dialectic that is informed by "the dynamics and motivations of the various actors ... and of how the decisions that are made and actions taken, in aggregate form, become market outcomes" (p. 57). This argument emphasises how a particular policy intervention in the housing market can affect the decision of market actors, which results in certain market outcomes. Tiesdell and Allmendinger (2005) also provided an expanded conceptualisation of four broad types of state policy intervention in the housing market (specifically the broad impact of planning intervention in the market). These policy interventions are variously formulated in order to: (i) shape markets; (ii) regulate markets; (iii) stimulate markets; and/or (iv) develop the capacity of market actors. The authors argued that this "typology of planning tools" or state policy interventions can determine the possible interactions with the distinct characteristics of the market including demand, supply and risk (p. 63). This suggests that each type of policy intervention can affect the decision of market actors in separate ways resulting in different housing outcomes. For instance, Healey (1998) argued that the focus of state policy intervention in the United Kingdom on either

controlling or facilitating development activities by paying less attention to building the capacity of the industry has had unintended and adverse effects on the economy. Adams (2008) believed that Tiesdell and Allmendinger's broad type of policy classification is important in achieving successful state intervention in the market, arguing that it is essential to have an appropriate mixture of policies:

It would be mistaken to concentrate too narrowly on immediate market regulation and neglect the ways in which policies which seek to shape or stimulate the market have important and sometimes unexpected consequences on markets structures and cultures ... effective intervention in land and property markets requires the creation of a broad range of policy tools and their appropriate deployment to suit particular market circumstances, rather than reliance on a single policy tool. (p. 4573)

Understanding state policy intervention and market operations goes beyond considering the policy effects on supply and demand. Nevertheless, the role of policy in shaping the context for social relations within the development process should be recognised (Tiesdell & Allmendinger, 2005). Generally, econometric deductive modelling that has been employed in mainstream economics to measure state intervention effects on markets has certain limitations. As indicated in the previous section, such models, for example, have not been able to measure the social cost and benefits of planning and "results are perceived in generally negative terms" (Adams, 2008, p. 4571). Another significant drawback is its limited focus on market outcomes rather than the processes that led to such outcomes (Jones & Watkins, 2009; Adams et al., 2005). Whitehead and Yates (2009) explain:

The fundamentals behind economic thinking are about simplification and abstraction. These make it possible to identify significant relationships, to clarify the interdependences between determinants and to measure their importance in particular contexts. The cost of such simplification is that generally it is not possible to describe processes in detail. Instead, relationships and outcomes are analysed under well-defined assumptions (p. 2).

The simplified assumptions of mainstream economics have been challenged in housing and property research by emphasising the process in which development occurs and highlighting the importance of the impact of institutions (Ball, 1998; Oxley, 2004). D'Arcy and Keogh (2002) argued that in order to understand market outcomes, an exploration and explanation of market processes through their institutional form must be undertaken. Healey (1992a) stressed the importance of examining the social relations process indicating that there is a need to: "address both the processes which organise the relations of economic activity within the development process and point to the complexity of the event-sequences, agency interests, strategies and relations involved" (p. 34). The negligence of mainstream economics in

addressing the importance of institutions and their social relations called for the emergence of the institutional approach in examining the property market (Ball, 1998).

Adams et al. (2005) suggested that the relationship between state and market in land and property research is better understood and interpreted by utilising an appropriate institutional framework. Therefore, this study is framed by an institutional theoretical perspective in an attempt to uncover the complexity of state-market interactions in the Saudi housing system. The next section provides a review of institutionalism in housing and property research followed by an explanation of an institutional approach entitled ‘Structure of Housing Provision’ as an analytical and theoretical framework employed in this study.

3.5.2 Institutionalism in housing and property research

Institutionalism as a theoretical approach has been used in many social science disciplines including economics, sociology, law and public policy with often different approaches to the analysis of institutions (Oxley, 2004). Ball (1998) pointed out that there is no common definition to what constitutes an institution due to the variation in the ontological and methodological perspectives. He suggested that much variation exists in theorising the definition of an institution, which may range from the recognisable public bodies and agencies related to property development, to a more formalised method of determining property rights as the fundamental framework for defining institutions. Ball (1998) indicated that the majority of institutionalist literature has often made a formal distinction “between organisations (the players) and institutions (the rules)” (p. 1502).

From a new institutional economic perspective, a well-used definition is established by North (1991) where he defines institutions as: “...the humanly devised constraints that structure political, economic and social interaction. They consist of both informal constraints (sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, property rights)” (as cited in Ball, 2006, p. 23). This definition encapsulates a more intangible understanding of institutions as “the rules of the game”, as opposed to the more tangible players or organisations (Adams et al., 2005, p. 39). In the land and property market, which is more relevant to the context of this study, Keogh and D’Arcy (1999) define institutions as:

... the rules, norms and regulations by which a society functions. They impart certainty and stability to social interaction, but they also change and develop over time as circumstances and experience dictate. (p. 2407)

They argued that since rules, norms and regulations were established by society to allow the market to operate, institutions reflect power and interest that may benefit some actors more than others. Payne (2009) outlined that the majority of institutionalism theory in the literature and the application of institutional analysis are largely but not exclusively derived from either an economic perspective (in which the emphasis is on the market role); or a policy perspective (focusing on the roles of public policy and state-market relations, mainly from urban development research). In the context of this study on the Saudi housing system, the focus is on the latter as it is clearly more relevant and adds value to this research. The institutional approach from a policy perspective can provide an examination of how the state could ‘allow’ or ‘constrain’ the market in delivering housing by exploring the various forms of interactions, relationships and negotiations.

The ontological grounding of this study is derived from the *Political Economy of Institutionalism* (PEI), which provides a theoretical framework to understand the roles, relationships and interactions of state and market in the Saudi housing system. PEI is drawn from the work of Adams et al. (2005) and provides a perspective for understanding the role of public policy in transforming market cultures and practices (relationships between planning, public policy and property markets). Adams et al. (2005) explained that unlike new institutional economic perspectives that focus on how public policy alters market transaction cost (theoretically grounded in mainstream economics), PEI perceives institutions as a social construct focusing on ‘context’, ‘process’ and ‘social relations’. The social construct of institutions is a result of political, legal, social, economic and cultural factors where continuous interactions between strategies, interest and actions of market actors is shaped by the wider institutional context. The primary focus is on examining the process that leads to certain market outcomes by providing explanatory variables, such as cultural influences and institutional context, rather than by only considering economic relations to understand action. In terms of context, PEI takes a strong view of market structures as disaggregated and not unitary with each submarket reflecting:

... distinctive routines, cultures, procedures and institutions [suggesting that] the notion of a single policy response to land and property market operations is inappropriate and that a more sophisticated and varied set of responses is needed that reflects the institutional context of each submarket. (Adams et al., 2005, p. 53)

In their political economy of institutionalism, Adams et al. (2005) proposed three institutional carriers in which public policy impacts the land and property market: (i) formal rules (i.e. the planning system and legal framework); (ii) informal conventions/unwritten rules of the game

(i.e. social norms, values, customs and cultures); and (iii) actor-network relationships (the relationship between public and private sector actors/agents).

It is important to note here that this study focuses on state-market relations by considering the holistic dynamics of the housing system. Karn and Wolman (1992) argued that housing systems are anchored in a specific structural environment in each country based on the institutional context and the roles of the market and state in producing and managing housing. The institutional context factors are attributable to the differences between housing outcomes in different countries. The embedment of the whole housing system in a broader institutional context (i.e. economic, social, demographic and political processes) influences its different parts and outcomes (Burke & Hulse, 2010). Kemeny (1995) has supported the importance of the embeddedness concept by arguing that the structure of a housing system is impacted over time by the institutional arrangements, and conversely, housing outcomes can have an impact on the broader context. Milligan (2003) argued that in political economy traditions, where institutions are considered as a social construct, the concept of housing embeddedness in broader social, political and economic contexts can help in synthesising the analysis, stating that:

... the notion that housing policies (and the housing market) are social and economic constructs embedded in all layers of society and social processes offers a non-deterministic starting concept for grappling with the complexity of the issues. (p. 54)

She explained that such an approach acknowledges that housing policies and their outcomes are products of dynamic interactions of institutions' structures, patterns, ideologies, and behaviours together with the external influences of the wider economic, political, demographic and cultural forces. In the context of this research, it is more appropriate to analyse the state-market relations taking into account the embedded institutional factors influencing the whole housing system. Many researchers, such as Ball (1986), Oxley (1991), Ambrose (1992), Kemeny (1995), Jenkins and Smith (2001), Pugh (2001), Burke and Hulse (2010), Stephens (2011) and Burke (2012) have drawn attention to the importance of the interrelationships between the actors within the housing system and the role of the system in the wider economic, social, cultural and demographic context. In order to delve deeper when studying a specific part of a housing system, it is vital to examine the interactions of actors within the broad housing system and the wider institutional context to gain a better understanding of how they function. According to Oxley (1991):

Examine the operation of some sort of system in a wide context to simply understand the system better or to find ways of making the system work better ... The interrelationships of the parts of such a system might be investigated ...to better understand how markets, governments and societies function. (p. 74)

Pugh (2001) asserted that “the study of whole sector housing development is more significant than attention to parts of a housing system” (p. 399). He argued that it is vital that housing policy and research in developing countries should consider the “developmental dialectic” (p. 399) between the broader economic, social and political context. He also claimed that research has not progressed in studying whole housing system elements especially in developing countries due to its complexities and limitations. He added that most developing countries have malfunctions in their housing systems due to failure in one major element of the housing system such as underdeveloped housing finance institutions or land policies, which cause restrictions in housing supply. Stephen (2011) affirmed the importance of studying the whole housing system within its institutional context:

Establishing firm empirical foundations entails moving beyond individual housing policy instruments considered in isolation, to having a firm grasp of housing systems, by which we mean the way in which housing policies inter-act with public and private institutions that form the housing system in which policy operates. (p. 338)

Pugh (2001) argued that adopting a comprehensive approach in studying the whole system can facilitate policy reform. The success of any housing system depends on the acceptance of whole system development and the relationships between its different institutional elements. Moreover, Ambrose (1992) rejected the notion of seeing housing policy as “an entity in itself” (p. 172), without considering the housing system as a whole. He argued that a housing problem can be identified not only based on an individual housing user’s needs, but by acknowledging “that broader questions of economic efficiency, social equity and the cost-effective use of resources are involved” (p. 164).

Institutional analysis can provide a fruitful insight for examining the housing system dynamics by unpacking the ‘black box’ of processes and interactions that lead to an understanding of housing outcomes, thus overcoming the limitations of deductive mainstream economic approaches. However, it can also be a controversial approach (Adams & Watkins, 2002). Adams et al. (2005) stated that: “Institutional analysis faces a particular challenge in translating theoretical understanding into a consistent basis for empirical work” (p. 53). They argued that the qualitative nature of institutional analysis can tend to be descriptive or more like storytelling. Adams et al. (2005) suggested that the adaption of an institutional approach will require rigorous research methods to be able to validate any claims. On the other hand, Hodgson (1998)

pointed out that institutionalism may need further theoretical and methodological development, however, “institutionalism does not seek a general theory of everything but it does require a coherent framework of analysis and a workable methodology” (p. 174). He explained that the fundamental concept of institutionalism concerns “institutions, habits, rules, and their evolution”; further adding that it “does not attempt to build an all-embracing, general theory ... instead, complex phenomena are approached with a limited number of common concepts and specific theoretical tools” (p. 168).

Jenkins and Smith (2001) believed that an institutional analysis approach can enhance the links between theoretical analysis and practical diagnosis of housing systems. In their comparative study of the housing systems in South Africa and Costa Rica, they justified their choice of ‘substantive theorising’ as it turns away from ‘grand theories’ that do not consider real life practice and have instead applied an institutionalist analysis which, “accepts that knowledge is socially constructed and different theoretical approaches can have value in different contexts” (p. 504). They pay particular attention to the relationships between actors in the system and the consideration of the wider context in their analysis, explaining this as:

... the acceptance that the major actors all have roles in housing leads to an analytical focus on the *relationships* between these actors as much as, if not more than, on the relative roles they play ... an institutional approach allows the juxtaposition of social and economic as well as cultural and political values and uses these as a means to analyse context and action ... one of the potential strengths of the approach is that it allows both theoretical analysis and also practical diagnosis, in fact it requires both. (p. 504)

As there are several types of institutional analysis in property research (Ball, 1998), two institutional frameworks were closely considered and found to be most relevant to the context of this research. These are the ‘Structure and Agency’ (Healey & Barrett, 1990; Healey, 1991, 1992c) and the ‘Structure of Housing Provision’ or ‘Structure of Provision’ (Ball, 1983, 1986, 1998). Building on structuration theory, the ‘structure and agency’ framework is linked to the modes of the development process where it focuses on “the relation between *structure*, in terms of what drives the development process and produces distinctive patterns in particular periods, and *agency*, in terms of the way individual agents develop and pursue their strategies” (Healey & Barrett, 1990, p. 90). The authors explained that the structure represents the framework for agents to make their choices, where structure is viewed as *resources* that agents can access, *rules* that govern their behaviour and *ideas* that they use to build their strategies. In a later work, Healey (1992a) further developed an institutional model for analysing the property development process aiming to “combine the understanding of structuring forces within the

tradition of political economy with an appreciation of the detail of the social relations surrounding events in the development process” (p. 36). This model focuses on four different levels of analysis. The first three levels are empiricist in nature while the fourth is theoretical: (i) mapping the development process by focusing on events and agencies; (ii) analysing agencies by identifying roles and power relations; (iii) assessing strategies and interests of actors (roles and relationships related to resources, rules and ideas); and (iv) theorising the social relations in modes of production, regulation and ideology within which development is undertaken (pp. 36-37).

Healey’s structure and agency approach seems enticing for this study as it could provide an organised framework for empirical examinations. However, the framework has several shortcomings that led to its dismissal. Hooper (1992) provided a detailed criticism of Healey’s model, with some of the key issues briefly pointed out here. One problematic area with the model is it calls for a general applicability by attempting to cover all the aspects of the development process under one model. Hooper (1992) suggested that Healy’s assertion of the general applicability of the model is a call for the construction of a ‘grand theory’ and that ambiguity is a concern. Furthermore, the development process is a general term with no conceptual device, which led Healy to employ “the notion of institutional analysis as a device to move between the different levels of analysis involved in theorizing the production of the built environment. Although this notion remains underdeveloped” (p. 45). Basically, Healey’s model fell short in providing adequate explanations in terms of defining and locating institutions in the analysis. Hopper (1992) continued his critique with:

There is an equal danger that ‘institutions’ may be conceived simply as the mediating link between structure and agency, requiring theorizing only in terms of social relations and then reconnected with the material world through a link with production. (p. 48)

Ball (1998) also criticised the model by outlining that there is difficulty in understanding the approach conceptually:

... no precise definition is given of what constitutes a ‘structure’, an ‘agency’ or an ‘institution’. Structure seems to be aspects of the broad context in which agents operate. Agents seem to be key people working in institutions, in which case institutions become wrongly personified as people, although it may be the case that institutions refer to broader social rules and regulations. The reason for all the confusion may be that the approach is concerned with practical research questions rather than theoretical niceties. (p. 1512)

Subsequently, this writer was urged to more carefully consider the second approach, the ‘Structure of Housing Provision’ (SHP). The SHP, with its focus on the interrelationships of

the processes of production, consumption and exchange, showed real potential for incorporation in this study as there is no dichotomy between structure and agency. In a critical review of land development process models, Gore and Nicholson (1991) made the following useful suggestion:

... the search for a generally applicable model is, in fact, a futile one, and that energy would be more usefully expended in applying the principles of the 'structures-of-provision' approach to the full range of land-development activity, thus producing a specific model for each development sector. (p. 705)

As finding the perfect model is virtually impossible, this writer chose the 'Structure of Housing Provision' approach by Ball (1983, 1986, 1988, 1998) as the most suitable analytical framework to use in examining the state-market relations in the Saudi housing system. This approach is outlined in the next section.

3.5.3 Structure of Housing Provision

The *Structure of Housing Provision* (SHP) approach by Ball (1983, 1986, 1998) was developed to analyse owner-occupied housing and council housing in the United Kingdom. The SHP has evolved from the recognition of limitations in earlier housing research approaches that narrowed their focus on a more consumption-oriented analysis in the context of housing policies' effects with little or no attention given to the role of the state in influencing the production and exchange of housing (Ball, 1986). The SHP approach is concerned equally with the aspects of production, consumption and exchange processes of housing provision and their societal and contextual relationships in the housing system. Ball (1986) defines the SHP as: "a historically given process of providing and reproducing the physical entity, housing; focusing on the social agents essential to that process and the relations between them" (p. 158). The nature of a structure of housing provision is determined by the intervention of the various social agents in the physical processes of production, consumption and exchange (ibid). Ball and Harloe (1992) asserted that analysing the social relations in the SHP is paramount as it provides a better understanding of the issues entailed in the housing provision. Ball (1986) expressed that the structures of housing provision are dependent on the historical evolution of social relations that are subject to internal and external pressure changes. Gore and Nicholson (1991) explained:

Such structures of provision are intrinsically dynamic, mainly because of the pressures brought about by the way in which the social relations within them operate. Thus, both conflict and collaboration between agents may lead to the imposition of new legal controls or to the provision of new forms of finance, and so on. As well as this internal

change, external forces in the wider economy and in society as a whole may also bring about further adjustments in a structure of provision. (p. 726)

Hence, social relations are part of the structure of provision in which interactions occur in the physical processes of the provision (Ball, 1986) providing “the immediate context within which differences in housing systems and their outcomes can be understood” (Milligan, 2003, p. 46). The SHP framework is strongly focused on the roles of institutions and the social interrelations of actors within them. Ball and Harloe (1992) stressed that the SHP:

... gives research primacy to the institutions and agencies active in a particular way of providing housing and the dynamic inter-relationships between them by asserting that unless research is aware of their interrelation false conclusions may easily be reached. (p. 7)

Ball (1986) considers that state intervention may take place in all the physical processes of the housing provision, yet the form of intervention varies such that the state can be part of the structure of provision (direct) or instead be an external influence (indirect). Often, the role of the state is discussed as a form of political/legal intervention in the structure of provision (ibid). In his later work, Ball (1998) presented his framework as the ‘Structure of Provision’ to include all types of building provisions (not only specific to housing), describing it as:

The contemporary network of relationships associated with the provision of particular types of building at specific points in time. These relationships are embodied within the organisations associated with that type of building provision, and they may take a market or a non-market form. (p. 1513)

He explained that the ‘provision’ includes the whole range of development, construction, ownership and use, while the wide range of the organisational network (actors) and markets involved in the provision are part of the ‘structure’ of that provision. Therefore, no dichotomy is evident between agency and structure. In addition, organisation and market function under rules and constraints in which all create the channel of market relations.

The SHP approach faced several critiques from housing scholars including from Kemeny (1987) who claimed that the SHP is under-theorised and tends to place more emphasis on conventional economic supply and demand concepts by concentrating on housing market issues and giving little weight to the role of the state in housing provision. Ball and Harloe (1992) refuted the criticism arguing that the SHP is “not a theory of housing ... Rather, SHP is a meta-theoretical concept or analytical framework which, together with other theories, may be of use in the examination of particular aspects of housing development” (p. 3). It was claimed that the SHP is ‘theoretical in nature’ and provided a productive framework that allowed the examination of related housing issues since it encompassed the observed wider

context as a simple organised framework. Moreover, Ball and Harloe (1992) claimed that the SHP gave equality to production, consumption and exchange with no priority given to one or the other and took into account state intervention in all stages of housing provision. Ball (as cited in Lawson 2006) also defended his approach by criticising other housing research for being merely descriptive and unable to analyse housing in terms of the broader economic and social structures. Yet, Ball (1998) admitted himself that there were difficulties associated with the historical contingency of the approach in that they can be hard to define. The SHP, nonetheless, continues to receive the attention of housing researchers who are in search of a comprehensive housing analysis approach that considers the relationships of various parts of a housing system within the wider context. The study of SHP emphasises the whole domain of housing provision as a “unified, continuous and dynamic entity” (Milligan, 2003, p. 46).

The SHP approach is a useful analytical tool for examining the Saudi housing system as a ‘conceptual device’ that can provide this research with a practical instrument to examine the roles and relationships of the actors and agencies in the structure of provision and how they interact in providing housing. Ball and Harloe (1992) noted that the concept of SHP “is based on the recognition that there are combinations of social agents involved in housing provision that relate to each other in empirically observable ways” (p. 3). It is important to mention that while the central focus of this study is on the production side, this does not imply that the other two physical processes (consumption and exchange) are ignored. In fact, the examination of consumption and exchange are deemed essential in order to uncover how these two processes impact the production of housing. For instance, cultural factors leading to certain ways of consuming housing might have an impact on the type of housing produced (more discussion is found in Chapter 7). Ball (1986) argued that: “contradiction between the spheres of consumption, exchange, and production were important causes of change in structures of housing provision” (p. 162).

The examination of the Saudi housing system issues, by bringing together the critical spheres of production, consumption and exchange and connecting them to the big picture of complex social relations, offers a comprehensive analysis that avoids the isolation of related housing issues. In addition, the focus on explaining the different relations between actors in the system and their links to the broader social, economic, cultural and political context could provide powerful explanatory factors for the aim of identifying how the Saudi housing system functions and performs. The SHP has been developed as “a tool for explanation...of housing systems” (Lawson, 2006, p. 27), which is a key objective of this study of the Saudi housing system.

Milligan (2003) suggested that the empirical examination of the social relations (processes) in production, consumption and exchange spheres between public and private actors is a useful way of evaluating housing systems. She stated that employing the SHP is beneficial because:

It provides an established methodology for linking policy to a broader exposition of the detailed social relations and physical forms of the system of housing production, financing and consumption. It necessitates an empirical and historical focus on the relation between the actors and agencies operating in the housing system and on the social, economic and political factors influencing them. Accordingly, it draws into the analysis factors other than policy (and politics) that may have influenced specific outcomes. (p. 47)

Another asset for this study is that the SHP is considered as a methodological procedure or framework that can be useful in combination with other theoretical perspectives in guiding the empirical research and providing answers to the research questions. Ball (1998) made clear that the SHP is:

... a conceptual device for incorporating institutions into analyses of the development process. It does not constitute a complete theory in itself, rather it is a methodological theory – a series of statements about how to examine institutions and their roles rather than an explanation in itself. (p. 1514)

Thus, the SHP is a tool that can be incorporated with a variety of theoretical explanations. Ball and Harloe (1992) indicated that: “housing involves many diverse social processes whose explanation cannot be encompassed within one grand theory” (p. 6). They suggested that: “the usefulness of SHP is contingent on the questions being asked” (p. 5); and that researcher judgement plays an integral role in what institutions and relations should be considered in the analysis (Ball, 1998). Finally, the SHP approach can be applied in many contexts, including Saudi Arabia, where historical, social and economic influences can be reflected in the particular context. Ball and Harloe (1992) claimed that: “[the] SHP can accurately summarise the main forms of housing provision in countries at particular points in time” (p. 4). Thus, the framework work is not limited to developed countries, as Hooko (1999) illustrated:

Another issue pointing to the strength of the approach is the recognition of the context-bound nature of housing provision ... This is very important in the context of developing countries where the forms of housing provision are often very different from, and diverse in comparison with, the advanced capitalist countries. Hence, the usefulness of the SHP is that it is neither fixed nor static. (p. 113)

Despite the fact that it was first devised for the analysis of housing in the United Kingdom, the SHP approach has been widely utilised by housing researchers in different contexts as an analytical framework due to its principles of general application. The SHP has been used in

comparative housing system studies (Harloe, 1995; Milligan, 2003); in the United Kingdom context (Payne, 2009); in other countries, such as Australia (Burke & Hulse, 2010); New Zealand (Murphy, 2011); Canada (Moore, 2005) and Malaysia (Shuid, 2011; Hamzah, 2012). An example of the SHP adding further insight to this study is the work of Burke and Hulse (2010) who adopted an institutional framework based on the SHP to understand the features and resilience of the Australian housing market during the global economic financial crisis. These authors classified any housing system's 'structure' into four sub-systems: production, consumption, exchange and management (adding management as a fourth sub-system to the previous three of the SHP). In their description of the four sub-systems, Burke and Hulse (2010) explained the different sub-systems and their "distinctive institutional arrangements" (p. 828) that could make or prevent changes for the whole system's progress. Each of the sub-systems possesses a unique dynamic of institutional structures and arrangements and a set of actors that interrelate with each other in ways that could allow or constrain the progress of housing provision. Burke and Hulse (2010) emphasised "the linkages between production, consumption, exchange and management which underpin the performance of housing systems" (p. 836); as well as their linkages to the wider institutional context that includes cultural, economic, political and social processes.

Burke and Hulse (2010) defined management as "the term used to capture the diverse range of government instruments, practices, policies and plans that structure and direct the housing system" (p. 833) and suggested that housing systems evolve over time at different rates and directions with no unity across the system, often leading to problems in the system. They argued that in the past three decades the evolution of the Australian housing system, in particular "the suite of management instruments" (p. 833) has been lagging behind the faster demographic, economic and social changes taking place in the country. Similarly, the many changes in Saudi society (explained earlier in Chapter 2) have completely outpaced the slow and less adaptive management of the housing system. Management in the form of a regulatory environment, including housing policies and the planning system, is a particularly problematic area in the Saudi housing system (see Chapter 6) demanding analysis and reform. Thus, the Structure of Housing Provision framework in this study was modified (as illustrated in the next section) with management integrated within the SHP framework in order to fully explore the research questions and examine the state-market relations in the Saudi housing system.

3.5.4 The research conceptual framework

Due to the unique nature of the housing system in Saudi Arabia, it is appropriate for this researcher to modify and synthesise multiple theoretical concepts in order to come up with the most suitable formula for this investigation. This synthesis of approaches is described below and illustrated as a conceptual framework in Figure 3.2.

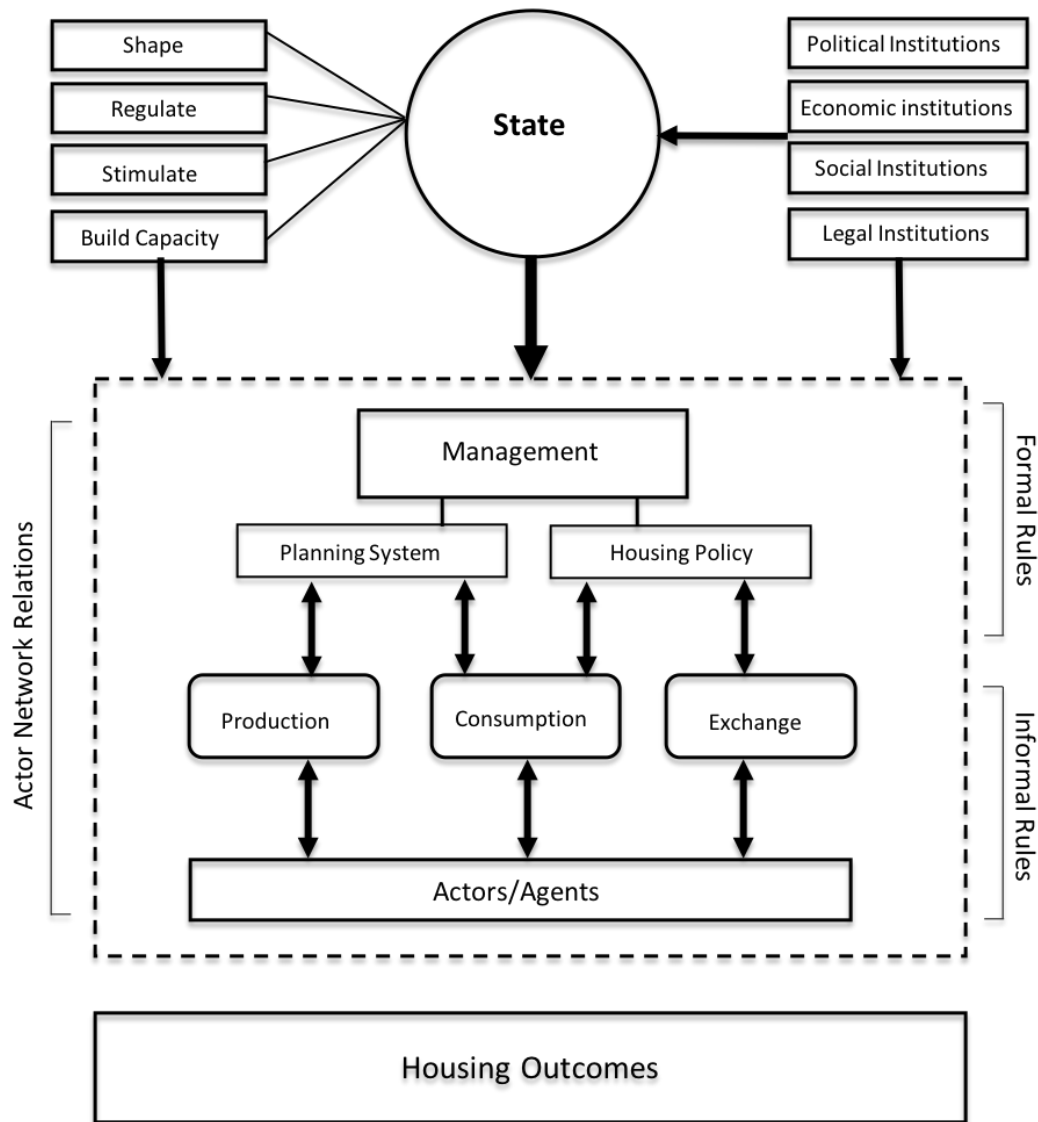


Figure 3.2: Conceptual Framework

Source: adapted from Ball (1983, 1986, 1998); Burke and Hulse (2010); Tiesdell and Allmendinger (2005); and Adams et al (2005)

A convincing case has been made for the importance of studying the social interactions between actors in the housing system, therefore the 'Structure of Housing Provision' by Ball (1983, 1986, 1998), which has been shown to be a comprehensive analytical approach for exploratory research, is used as the main framework to examine the interactions and interrelationships of the state and market that occur in the production, consumption and exchange processes of the Saudi housing system. The production process encompasses land assembly, finance, construction and the necessary planning permission. The process of consumption is concerned with the ways households consume housing depending on their access and preferences. The exchange process involves organisations that link producers with consumers, such as financial institutions and real estate agencies. In this conceptual framework, an overarching process of management is incorporated from the work of Burke and Hulse (2010) to embody the formal rules that control and guide the previous three processes. Management in this context represents the planning system and housing policy at the various levels of government.

These processes are performed by a myriad of actors in both the public and private sectors. These actors engage in each process with a variety of goals and a certain degree of control over the available resources. In this study, private sector actors comprise private residential developers, financiers (investors) and real estate agents; whereas public sector agents are represented by planners and housing officials. The thick arrows in the model represent the network of relations and interactions between the different actors/agents in these processes. These interactions and relationships are formulated and shaped by the internal institutional arrangements in the structure of provision that allow or constrain actors in carrying out their roles. The involvement of several actors in the housing system creates a contested housing environment. As various actors participate in the housing process to achieve their own goals, their interaction with each other in a competitive environment is likely to generate a conflict of interests and this can impact the housing outcomes. The broader institutional environment including social, economic, political, and legal institutions is also illustrated in the model to represent the external forces affecting the structure of the provision. It should be noted that the market is not represented in a particular box as it is part of the structure of the provision functioning under the rules and network of relationships. Figure 3.2 conceptualises the positioning of the institutions (structure/rules) and organisations (actors/agents) with production, consumption and exchange as the main processes of interactions as well as the impact of the broader external forces on them.

In line with Milligan's (2003) assertion that, instead of selecting a singular theoretical framework: "A range of theoretical viewpoints can also be brought to bear to guide, strengthen and validate the interpretation of the empirical results or to pose new hypotheses about the way in which particular housing outcomes are shaped" (p. 54) this researcher combines the SHP framework with other institutional concepts that are drawn from the work of Tiesdell and Allmendinger (2005) and Adams et al (2005). These theoretical concepts are integrated in the conceptual framework in order to: (i) provide a lens to view the role of the state (public policy) in how it can shape processes and steer the action of the market; and (ii) provide explanatory factors that were not necessarily highlighted in the SHP framework. The conceptualisation by Tiesdell and Allmendinger (2005) of state policy tools in shaping, regulating, stimulating the market and/or building the market actors' capacity represent the broad range of the state's external forces in the structure of provision. This provides "a heuristic device to help develop a fuller conceptualisation" of assessing the type and scale of state intervention and to identify how these tools impact housing outcomes in different forms (Tiesdell & Allmendinger, 2005, p. 73). The purpose of including these tools in the conceptual framework (Figure 3.2) is to focus the criterion on the state's role in 'allowing' (i.e. supporting, non-constraining) the delivery of housing.

Additionally, the three institutional features by Adams et al. (2005) were also incorporated to enhance the model by adding an explanatory theoretical viewpoint of factors, such as the informal rules of cultural norms and values of society that was not accounted for in the SHP framework. Moore (2005) pointed out that while the SHP provides important explanations of the social agents' interactions with institutions, the market and structures, "... it does not in practice appear to emphasise an equally weighted investigation of cultural 'structures' that may influence and constrain the developmental strategies and practices of relevant actors" (p. 63). Moore (2005) further argues that the SHP conceptualisation of cultural forces is only seen as "unnecessary factors of reality" (p. 63). Therefore, integrating the three institutional features of Adams et al. (2005) adds value to the framework in which cultural forces of 'informal rules and conventions' are given attention in the analysis along with the formal rules (planning and housing policies) and the network relations between the key actors in the system.

The conceptual framework in this study is an integrated model that aims to unpack the processes of institutional dynamics in the housing system that lead to certain housing outcomes through examining the contemporary network of state-market roles and relations. This would facilitate an insight into how housing outcomes are produced and what mechanisms/solutions

are needed to better improve them. By synthesising a variety of theoretical viewpoints in the conceptual framework, uncovering meaningful information about the housing problems in Saudi Arabia is now made possible.

3.6 The current state of housing research in Saudi Arabia

A review of the academic literature in Saudi Arabia has been undertaken to examine studies relevant to this research and identify further gaps in the literature¹⁶. This review indicates that there is insufficient literature dealing with the Saudi housing system issues in general, and state-market relations in particular. This section presents the empirical housing research that has been conducted in Saudi Arabia to date.

The most relevant studies for this research were those that examined the roles and relationships between the planning system and the residential development process (Mubarak, 1999, 2004; Alskait, 2003). These studies were discussed in length in Chapter 2 and are briefly summarised in this section. Mubarak (1999) conducted an evaluative study of the state housing policy in Riyadh, Saudi Arabia, taking into account socio-economic characteristics and cultural factors. The paper discussed the ways that the housing market has adapted to changes in public policy to meet housing demand. It concluded with several suggestions for housing policy improvements, such as encouraging higher densities in land subdivisions, abandoning the construction of subsidised detached single dwellings and recommending the establishment of social rental housing programs. The author also pointed out that government agencies involved in the production of housing must coordinate with the city municipality to ensure efficient use of undeveloped land. Alskait (2003) examined the issues of the planning process in governing the criteria and requirements for residential land subdivision in Riyadh. This study analysed the procedures of land subdivision planning and its different stages and was based on surveys of a number of private consultancy firms engaged in land subdivision planning. The findings showed that the planning approval process was vague, lengthy, inefficient and subjective. The study suggested that there is a need for improving the existing planning process to meet residential requirements by proposing a model for residential planning requirements.

Another study that investigated the relationships between the planning system and housing was by Mubarak (2004), where he examined the urban growth boundary policy and residential suburbanisation in Riyadh. The author argued that inefficiencies in urban planning practices and government policies have amounted to dysfunctional residential urban sprawl patterns with

¹⁶ Grey literature was examined in the previous chapter

minimum appreciation for social, economic and environmental factors. Mubarak (2004) concluded that centralised planning policy, weak municipal power, lack of public participation as well as other socio-political and cultural factors were some of the reasons behind the poor urban planning practices in Riyadh. Apart from these three studies, the remaining literature on the role of state planning policy research in Saudi Arabia has little relevance to this study. For example, there are several studies that have examined urban growth policies (Al-Hathloul & Mughal, 2004; Gabra, 2004; Mandeli, 2008; Abdulaal, 2012), however, they have very limited or no focus on the positive or negative impacts of these policies on housing.

Another group of housing research literature has focused on examining the state's subsidised housing programs including public housing. Alzamil (2014), for example, conducted a national evaluation of the state affordable housing subsidy programs to uncover the challenges faced by housing agencies in keeping up with the rising demand for such programs. The study found that subsidy programs in Saudi Arabia suffered from several issues including delays in implementing housing projects, problematic eligibility criteria where all citizens were entitled to join the program resulting in long waiting periods. Alzamil (2014) suggested that subsidy programs should be reformed and structured by considering several factors including diversification of subsidy methods to include more options, such as rental assistance instead of the focus on ownership, as well as prioritising the most vulnerable groups in the eligibility criteria. Another study by Al-Mayouf and Al-Khayyal (2011) reviewed the different phases of public/social housing policies in Saudi Arabia highlighting the changes in the policy approaches of subsidies from direct delivery of public housing to other forms of assistance subsidy programs. The study suggested that the lack of a comprehensive framework for housing provision has resulted in many challenges, most importantly, the inability of the government to keep pace with the high demand for subsidised housing. It concluded that the state role should be focused on enabling the private sector to deliver low-cost housing by facilitating its role through an efficient framework.

Other literature has investigated factors contributing to the cost of housing production. Alskait and Almohaimed (2005) examined the relationship between development cost and land prices in Riyadh. The study explained that residential land development in the city is limited to land subdivision (develop raw land and sell it to the public as plots not dwellings). They argued such methods encouraged these developed land plots to go through a phase of speculation before dwellings get built, which increases land prices. The authors proposed that the planning approval process should stipulate a minimum of 20% of the approved land subdivision be used

for housing before any land sale commenced the purpose being to limit land speculation. On the other hand, Assaf, Bushait and Al-Muwasheer (2010) investigated the main factors affecting the construction cost of affordable housing in Saudi Arabia using surveys distributed to private sector stakeholders involved in housing delivery. The survey encompassed 34 different factors impacting the cost of housing construction. The study found that inadequate labour availability, lack of coordination and cost of materials were among the top factors severely affecting the cost of affordable housing construction.

In analysing housing supply and demand, Struyk (2005) used a 'Housing Needs Model' to estimate the quantity of housing required in Riyadh over a 20-year period from 2004-2024. Struyk's model showed "a highly responsive housing development sector" (p. 157) at the time suggesting that the pattern is expected to continue into the future. Nevertheless, housing demand has risen rapidly (as discussed in Chapter 2) proving the opposite to Struyk's projections. Other housing literature has examined several specific topics including: housing preferences of low-income groups and factors influencing housing decisions (Salama, 2006; Opaku & Abdul-Muhmin, 2010); residents' satisfaction in subsidised public housing (Al-Saati, 1987; Al-Saif, 1994; Soliman, Alzamil, Alsharqawi, Hegazy & Almeshaal, 2015); access to housing finance options for affordable housing and its challenges (Tuncalp & Al-Ibrahim, 1990; Sidawi, 2009, 2014; Sidawi & Meeran, 2011; Opoku & Abdul-Muhmin, 2013); and the use of smart construction technology to improve housing sustainability (Al-Surf, Trigunarsyah & Susilawati, 2013).

The above review of the literature shows that there is a lacuna in the Saudi literature in terms of examining the role of the state's institutional/regulatory framework in the housing system and its relations with the market in addressing the demand for housing. Despite the existence of a few studies that are relevant to this research, these have been published more than 10 years ago. There have since been several significant changes in the regulatory environment in Saudi Arabia. Clearly there is a lack of academic research in the area of state-market relations in the housing system. Despite this area being under-researched in Saudi Arabia, the importance of this subject has drawn much attention in other countries, where the body of literature is immense and rich as demonstrated in this chapter. Thus, there is still much to be investigated in the Saudi housing context and this study aims to shine some light on the issues and provide a pathway for future research.

3.7 Conclusion

This chapter has provided a lens for viewing housing policy research in developed and developing countries, which became necessary to allow this writer to delve deeply into the theoretical frameworks relevant to the Saudi context. The evolution of housing policy since the 1970s has shown the development of theory and practice in the housing field where global challenges required a more holistic approach to cope with housing issues. As urban populations are rising globally, the role of urban planning and policy in housing provision is growing in importance. This chapter focused on literature pertaining to the relationship between the planning system and housing market. As most of the literature delves on the extent to which planning impacts housing through its restrictions, uncertainty or cost of production (which results in land housing supply constraints leading to higher housing prices) the research has still not been able to measure the less tangible social cost and benefits of planning.

The main objective of this thesis is to uncover the state-market relations in the housing system in order to understand the process that leads to housing outcomes. As housing research is a multifaceted discipline, Milligan (2003) posited that there is still no well-developed theory with “only some broad ideas and directions” (p. 55), thus, a more open research approach is needed. Accordingly, a combination of institutional theoretical perspectives, which proved to be most suitable to this research, were integrated into a conceptual framework to examine the processes of interactions and interrelationships between key public and private actors in the Saudi housing system. This synthesis of institutional approaches can offer invaluable insights into identifying the institutional constraints in order to gain a more informed understanding of the type of state policy needed to encourage and enable better delivery of housing by the market. Finally, this chapter reviewed relevant housing literature in the Saudi Arabian context where a deficiency in academic research in state-market relations in the housing system is evident.

CHAPTER FOUR

Research Methodology

4.1 Introduction

This chapter discusses the research methodological approaches used to collect and analyse data in order to explore answers to the research questions. This chapter is structured into six main sections. Following this introduction is Section 4.2, which explains the research approach and the rationale for choosing a qualitative research inquiry methodology. Section 4.3 sets out the research design of the study including the selection of the case study, the use of various sources of primary and secondary data and an illustration of the research stages. Section 4.4 provides details about the data collection process during the fieldwork for Stages 1 and 2; while the techniques employed in analysing the collected data are described in the following section. In Section 4.6 issues surrounding the study rigour and the quality of the research are explored. Finally, Section 4.7 highlights the ethical dimension of this study.

4.2 Research approach

This study is grounded in the context of the housing system in Saudi Arabia using the capital city of Riyadh as a case study. The central focus is to examine the state's regulatory framework in enabling the market to meet the rapid increase in demand for affordable housing. An institutional approach is utilised to investigate the state-market roles and relationships in the housing system. In order to provide structure and inform the methodology for this study, a conceptual framework was devised that synthesised several theoretical approaches drawn from the current housing and property development literature (see Chapter 3). The *Structure of Housing Provision* (SHP) by Ball (1983, 1986, 1998), which has been established as a comprehensive theoretical and analytical framework for exploratory research, was chosen as the principal framework to guide this research.

As explained in the previous chapter, the SHP focuses on the social relations between actors that are important in understanding constraints, influences, power relations and conflicts in the housing system by taking into consideration the broader institutional context in which actors/agents interact and operate. Institutional arrangements in the housing system influence the interactions and relationships of actors that allow or constrain them in carrying out their roles. These social interactions are performed by several actors in both the public and private

sectors that engage in each process of the SHP with a variety of goals and a certain degree of control over the available resources. Lawson (2006) states that: “markets are not free but socially constructed, emerging from important power relations and contingent conditions and enacted by agents with different and conflicting (not always rational) interests” (p. 48). As various actors participate in the housing process to achieve their own goals, their interaction with each other in a competitive environment is likely to generate a conflict of interests and this can impact the overall housing outcomes.

In order to understand the institutional arrangements that shape the actual operation of these actors and the influence they have on the housing outcomes, an exploratory/explanatory qualitative research approach has been taken. Qualitative research, as an interpretive and naturalistic approach, allows a more detailed and flexible way of understanding “*how* social experience is created and given meaning” (Denzin & Lincoln, 2000, p. 8). The interaction and interrelationships between actors in the Saudi housing system and the issue of affordable housing delivery, therefore, can be more clearly understood from a qualitative epistemological position. Bryman (2001) describes qualitative epistemology in social research as ‘*interpretivist*’ where the emphasis is on “the understanding of the social world through an examination of the interpretation of that world by its participants” (p. 264). The use of in-depth qualitative interviews as a primary source of data collection for this research provided deeper understanding of the participants’ experiences, perspectives, interpretations and thoughts about their roles and relations in the housing system and the issues they face. This cannot be captured by quantifiable methods.

The flexibility given by using in-depth interviewing allowed this study to drill deep into the complexities of the housing system and its institutional context. Patton (2002) states: “Approaching fieldwork without being constrained by predetermined categories of analysis contributes to the depth, openness, and detail of qualitative inquiry” (p. 14). Qualitative methods aim at capturing the points of view of participants without delimiting their responses by a predetermined set of questions. This was of significant value to this study as it allowed for the emergence of new data that had not been anticipated, thus enriching the data and the process. In contrast, quantitative methods, such as standardised questions, limit the scope of flexibility by investigating a limited set of questions that are designed beforehand seeking an aggregation of statistical data that can be generalised to a broader segment of the population. This study is more concerned with the depth of the data and the contextual understanding in addressing the research problem rather than the breadth of generalising the findings to the

relevant population. The issue of generalisability, that is ‘transferability’, is discussed below in Section 4.6. Hence, the use of quantitative methods was considered not conducive to this research and was disregarded.

4.3 Research design

This research utilised multiple methods of qualitative inquiry, in the context of a single case study design, in order to address the research questions. Yin (2003) considered this the preferred strategy for investigating the central research question given the nature of the question (a ‘how’ question); for achieving the combined goals of exploration and explanation; and as appropriate, “when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context.” (p. 1). The context of this study is the capital city of Riyadh, selected as a case study to analyse the state-market relations in the housing system, and as an example of a real-life and contemporary situation that this researcher has no control over.

4.3.1 Case study selection

Case studies have several types of variations in the literature and are often characterised by their size (bounded case), an activity, or the intention of the case analysis (Creswell, 2013). Stake (2000) classifies case studies into three types in terms of analysis intent. The first type is the intrinsic case study where a researcher is interested in the case itself for “its particularity and ordinariness” (p. 437) with no intention of making generalisations. An example of this is an evaluation of an individual, a program or an organisation. Second, an instrumental case study is where a researcher is using an in-depth case study to understand an issue to shed more light onto it or develop generalisations. This type of case study is used as a way of understanding something else, such as an existing or emerging issue, not the case itself. The third type according to Stake (2000), is the collective case study where multiples of instrumental cases are used. The collection of multiple cases may lead the researcher to a better understanding of an issue.

Stake’s (2000) first classification, the intrinsic case study, was rejected for this research as it restricts the scope of this study. Giving merely a descriptive account of the Riyadh housing system conditions would not adequately address the central research question. The intended institutional analysis of the state-market relations in the Riyadh housing system aimed to identify mechanisms that would enable better housing delivery, particularly for low- and moderate-income segments. Performing a case study only for the “description’s sake [the

intrinsic case study] is a weak position” (Silverman, 2010, p.140). Stake’s third type, the collective case study, is also disregarded due to the time limitation of this study and the complexity of housing research on such a large scale. Stake’s second type, the instrumental case study, best serves the objective of this research design so is therefore used as the preferred case study type. The main purpose of using Riyadh as a case study in examining the roles and relationships of key actors in the housing system is to provide deep insights into the issue of the institutional and regulatory framework and its impact on the production of affordable housing. This is not only specific to the capital city of Riyadh but also of value to other growing metropolitan areas in Saudi Arabia and possibly in the wider region where similar demographics, housing challenges and institutional conditions are evident.

Riyadh was selected for the case study for a number of reasons. Firstly, for its prominence as the capital and most populated city in Saudi Arabia, with a population of 6.5 million in 2016 (HCDR, 2016). Secondly, a stark imbalance between supply and demand in Riyadh’s housing market has been documented by a recent study by the Ministry of Housing (2017b). Chapter 2 – *Market conditions* – discusses this issue in detail. Thirdly, this researcher’s familiarity with the city provided insights and connections to relevant and important sources of data. Furthermore, all key government stakeholders in housing are based in Riyadh, which allowed the researcher to access and collect the primary and secondary data within a reasonable timeframe. The final reason for this case study selection was the lack of academic literature on state-market relations in delivering affordable housing in Saudi Arabia. Additionally, since this study was conducted within a limited timeframe, only Riyadh was selected as a single case study to facilitate the manageable collection of data.

4.3.2 Methods of data collection

Due to the complexity of investigating the roles and relationships of state and market actors in the housing system, this study adopts a multiple methods approach of data collection to construct answers to the research questions. The adoption of multiple methods is also utilised to enhance the quality of collected data through triangulating different data sources (The use of triangulation is discussed in more detail in *4.6 Research Rigour* below). Several types of qualitative data were gathered for this study through primary and secondary sources including: (i) semi-structured interviews; (ii) document analysis; and (iii) researcher observation.

(i) Semi-structured Interviews

The primary method of data collection for this research relied heavily on semi-structured interviews targeted towards knowledgeable informants in the private and government sectors. The interviews used topics and questions to provide guidance on issues and events identified in the literature to be investigated and were also flexible enough to allow informants to talk freely about their own experiences. Kvale (2007) describes a semi-structured interview as “an interview with the purpose of obtaining descriptions of the life world of the interviewee with respect to interpreting the meaning of the described phenomena” (p. 8). Using face-to-face qualitative interviewing for both stages of the investigation provided in-depth understanding of the participants’ experiences, perspectives, and thoughts. It also allowed points of view about the existing issues in the institutional and regulatory framework to be conveyed as well as perceptions of the way these issues impact on the housing outcomes.

The purpose of choosing semi-structured interviews as a primary method of data collection was to draw out explanations of the ways government and private market actors in the housing system influence or, in turn, are influenced by the rules and regulations within the context of the broader social, economic and political conditions. This cannot be captured by fixed, standardised and non-interactive quantitative data collection methods such as questionnaires. Robson (2002) explains: “Face-to-face interviews offer the possibility of modifying one’s line of enquiry, following up interesting responses and investigating underlying motives in a way that postal and other self-administered questionnaires cannot.” (pp. 272-273). Probing and follow up questions were important to this study as it allowed the researcher to further investigate unexpected emerging issues and clarify points raised by participants. According to Patton (2002): “Probes are used to deepen the response to a question, increase the richness and depth of responses, and give cues to the interviewee about the level of response that is desired” (p. 372). Field notes were taken during and after each interview to highlight important issues and provide more focused topics or questions to be probed in subsequent interviews.

(ii) Document Analysis

The secondary data collection method used was in the form of document analysis. According to Marshall and Rossman (2006): “Knowledge of the history and context surrounding a specific setting comes, in part, from reviewing documents” (p. 107). The documents obtained for this study were mainly drawn from published and unpublished materials, such as government and private sector reports, policy documents, academic studies and newspaper articles. The review

of these documents assisted in shaping the background and context for interviewing participants in both stages of this study. For instance, data obtained from the National Housing Strategy project (2010-2012) and other official Saudi government reports were used before conducting Stage 1 to identify issues facing the private sector in the housing system. Accordingly, the interview topics and questions were shaped to further investigate these issues, targeting different participants based on their expertise. The purpose was to uncover, explore and interpret the most significant issues affecting the performance of market actors in delivering affordable housing. Newly obtained documents during the Stage 1 fieldwork were also used for further examination of key issues revealed in this stage before conducting the Stage 2 fieldwork.

Another reason for using document analysis in this research was to “explore multiple and conflicting voices, differing and interacting interpretations” (Hodder, 2000, p. 705). Written information provided in some of the reports and documents was used to verify and validate data collected from other sources. Yin (2003) indicates that: “For case studies, the most important use of documents is to corroborate and augment evidence from other sources” (p. 87).

(iii) Researcher Observation

Observation was another useful method utilised in this study. It was employed as both a tool for data collection and for validating information obtained through interviews and document analysis. Observation takes many forms in qualitative inquiry ranging from “a highly structured, detailed notation of behavior structured by checklists to a more holistic description of events and behavior” (Marshall & Rossman, 2006, p. 98). This study mainly followed a non-participatory or what is also called ‘unobtrusive observation’. This observation technique is usually unstructured where the researcher records spontaneously what he/she saw and/or heard “in the interest of being *non-reactive*” (Robson, 2002, p. 310). The non-participant/unstructured observation took place during and after the first fieldwork trip was conducted.

This type of observation was important in keeping track of the constant changes in the housing system in Riyadh while this researcher was residing in Australia. This researcher had to adopt a flexible method in order to be updated and remain informed with his research context. Payne and Payne (2004) suggest that: “As a method [unobtrusive observation] allows researchers a degree of flexibility to ‘follow the action’” (p. 159). Non-participant observation was an

ongoing process as the housing policy framework in Saudi Arabia was undergoing continuous major changes during and after the first field trip for Stage 1 (May – June, 2015). Emerging analytical information obtained through observing housing officials' press announcements, website updates and video interviews in social media was also included. Besides the interviews and documentary analysis for Stage 1, new information about government housing initiatives and reforms, such as the *National Transformation Program* (NTP), contributed to focusing the interview topics and questions for the Stage 2 investigation.

4.3.3 Research stages

The research design for this study was developed as part of the research proposal presented to the Faculty of Architecture, Planning and Design at the University of Sydney on 18 June 2014. The proposed design followed two stages of data collection and analysis. The first stage of data collection was undertaken to assess the functionality and operation of the housing market in Riyadh. This first stage focused on key private sector stakeholders who were professionally engaged in Riyadh's housing market in order to obtain multiple perspectives and explanations of the housing issues they face and how they interact and function in the housing system. During this process, the institutional rules and regulations (both explicit and implied) that provided the 'stage' for these interactions were also uncovered.

The analysis of the functionality and operation of market actors in the first stage provided an in-depth understanding of the regulatory environment enforced by the state and identified pressing issues that claimed to be constraining the production of affordable housing from the market actors' perspective. The central research question was being addressed by answering the descriptive sub-questions: (i) What are the existing roles and relationships of key actors?; and (ii) What are the key issues in the housing system? This process also provided interpretive answers from the private sector actors' perspective to the remaining sub-questions: (iii) How do these housing issues affect them?; and (iv) What mechanisms can be provided by the state to enable better housing outcomes? (i.e. facilitating the production of affordable housing). The descriptive/interpretive analysis gained from this exploratory/explanatory stage was used to guide the deeper institutional analysis of the state's regulatory framework in Stage 2. This assisted in informing and focusing the procedures for Stage 2 by documenting the processes, features and constraints evident in the housing system in Riyadh and exposing the most significant issues to be investigated.

The emerging results from the analysis of Stage 1 highlighted that state management in the domains of the planning system and government housing policy and intervention were the most problematic issues requiring further investigation (see Chapter 5 – *Theme Four: Management*). Hence, the second stage of data collection was conducted to address the central research question by examining the state’s planning regulatory framework and housing policy in Riyadh. The purpose of this stage was to investigate the role of the state in allowing or constraining the market in delivering affordable housing. This was approached by examining the impact of planning and development controls on the production of housing in general and affordable housing in particular. Additionally, state housing policy intervention in the form of market stimulation was also investigated. This stage provided answers from planners and housing officials perspectives to both descriptive and interpretive sub-questions: (i) What are the existing roles and relationships between planners, developers and housing officials?; (ii) What are the key issues in the planning and housing regulatory framework?; (iii) How do the issues identified in Stage 1 affect developers in producing affordable housing?; and (iv) What enabling mechanisms can be provided by the planning system and/or the state-housing agency to enable better affordable housing delivery?

Data collection from both primary and secondary sources for Stage 2 focused on national and local level institutions that were involved in planning and housing. That is, information related to the rules and regulations governing the planning process, development controls, housing policy and the housing partnership program was collected. The field research for this stage focused largely on in-depth, semi-structured interviews with planners and housing officials from several government bodies. The detailed topics and questions for these interviews were developed and finalised after consideration of the results that emerged from Stage 1.

Following these two stages of examining the functionality and operation of the housing market in Riyadh and analysing the state’s planning and housing regulatory frameworks in the housing system, the results further informed the theoretical framework of this research and provided answers to the central research question and sub-questions. Table 4.1 presents a summary of the research process.

Table 4.1: Summary of Research Process

Research Questions	Required Data	Data Sources	Methods of Analysis
<p><i>Central question:</i></p> <p>How can the state’s institutional framework in the housing system be improved to better enable the market to meet the demand for housing, particularly affordable housing, in Riyadh?</p> <p><i>Sub-questions:</i></p> <ol style="list-style-type: none"> 1. What are the existing roles and relationships of key actors within the housing system? 2. What are the key issues in the housing system that influence the private sector in delivering affordable housing? 3. How do these issues affect the private sector’s ability to deliver affordable housing? 4. What mechanisms can be provided by state institutions to enable better affordable housing delivery? 	<p>Descriptive and interpretive data of the functionality and operation of private market actors to unveil processes, features and constraints.</p> <p>Most problematic issues in the state’s institutional/regulatory framework identified by market actors.</p> <p>Examination of state-market roles and relationships in the housing system through the processes of social relations that shape housing outcomes and its implications.</p>	<p><i>Semi-structured interviews:</i></p> <p>Issues related to the research questions as well as emerging insights were explored through participants’ experiences, perceptions and opinions.</p> <p><i>Documents:</i></p> <p>Broad range of written materials such as government and private sector reports, statistics and policy documents.</p> <p><i>Observations:</i></p> <p>Unobtrusive observations that followed constant changes in the research context.</p>	<p>Thematic analysis as a progressive and on-going process, guided by the study’s conceptual framework as described in sections 5.2 & 6.2.</p> <p>Coded and categorised data to reconstruct realities.</p> <p>Data identified within interviews, documents and observations were chosen for relevance in addressing the research questions.</p> <p>Followed cycles of data collection and analysis.</p>

4.4 Data collection process

As the research is designed in two stages, the fieldwork data collection process was held in two different periods in the city of Riyadh, Saudi Arabia. The first stage was conducted between May and June 2015, and the second stage took place in December 2016. The process of collecting data through semi-structured interviews in Stage 1 and 2 of this study resulted in a total of 30 interviews with key informants from the public and private sector in Riyadh (Table 4.2 provides a summary of participants selection, process and origin). These interviews provided data for Chapter 5 and Chapter 6 respectively. Access to the data and the methods of sampling and selecting participants for each stage are described below.

Stage 1: Private sector semi-structured interviews

Twenty face-to-face semi-structured interviews, at an average length of an hour, were conducted with a range of small, medium and large private sector stakeholders that were professionally involved in Riyadh's housing market. This included ten private development companies, two commercial banks, two real estate financing companies, one property investment company, one property financial consultant and four real estate agents. The process of selecting and recruiting participants was not an easy task at the start of the fieldwork for this stage. Private sector participants were difficult to reach due to the busy nature of their work. The beginning of the field trip was planned to be concurrent with the Riyadh Real Estate and Housing Expo and Forum 2015 in order to attend and initiate the recruitment process of participants. However, the majority of private sector attendees were busy and did not agree to participate in the study except for one private development company that was interviewed later. Nevertheless, other ways of recruiting participants had already been planned. The Real Estate Commission (REC) at the Riyadh Chamber of Commerce was another option for seeking participants for the study. The REC was established to improve the property development industry in Riyadh through reviewing regulations and proposing amendments to relevant authorities as well as arranging meetings and seminars for industry stakeholders.

The REC has several representative members from the private property development and financing industries who are directly involved in Riyadh's housing market. Ten such individuals were contacted directly by an email invitation to participate in the research project through their contact details on the REC website. At first, this method of recruiting did not work very well as the majority of the intended participants did not respond. However, one of the REC members that was contacted agreed to participate. In addition, he assisted in recruiting

more participants through his personal contact with members of the REC and other developers in the housing market. Passive snowballing of recruitment was possible as the first interviewee contacted his colleagues at the REC to seek their participation in this study. Fortunately, out of ten REC members, a total of eight members consented to participate and were interviewed, including five private developers and three financiers. In order to avoid bias in snowball recruitment through the REC, dual passive snowball recruitment was integrated and used through the researcher's personal and professional contacts to seek potential participants. The total number of participants interviewed through the researcher's professional contacts was eleven, including four private developers, three financiers, and four real estate agents.

The strategy used in selecting private sector participants was informed by the SHP as the main conceptual framework to examine their interactions. Private developers, financiers and real estate agents were chosen as housing market actors to represent the SHP's dimensions of production, consumption and exchange of housing. As this study pays attention to the production of affordable housing, half of the interviewees were private developers representing the production dimension. These came from ten firms including two small firms, five medium firms and three major private development firms. Two of these private development firms were involved with the Ministry of Housing Public Private Partnership program (PPP) to build low cost housing units in Riyadh. The exchange dimension of the SHP was represented by six financier interviewees who were selected based on their involvement in providing housing finance for private developers (producers) as well as mortgage financing for individual consumers (users). Finally, four real estate agents were interviewed from different parts of the city for their knowledge and experience in the local residential market reflecting the household consumption dimension of the SHP. All the private sector participants were licensed and registered with the Ministry of Commerce and Industry confirming involvement in Riyadh's housing market.

The majority of the participants held senior positions at their organisation and have a deep working knowledge of the housing market. A total of eight out of twenty participants held chief executive officer positions. The remaining participants held various positions ranging from junior executives to general managers. The various levels of participants' seniority provided a diversity of insights as each engaged in different levels of interaction in the housing market and with other stakeholders.

Participants in this stage were asked to contribute expertise and experience by answering questions pertaining to five main topics with each topic starting from general to specific questions. These five topics of inquiry were: land, planning regulations, property finance, residential construction, and the legal framework for housing in Riyadh. These private sector interviews focused on the interviewee's personal perceptions of the housing issues, the residential land development process, state intervention in housing and the regulatory environment of the housing market in Riyadh. Depending on the relevance of each topic to the participants' area of expertise, interviewees generally showed willingness to openly talk about the issues and obstacles faced with no hesitation in providing information. New topics, issues and factors affecting the performance of the housing market emerged during the interviewee's discussion and these were utilised in the analysis process. (See Appendix C for topics and questions that were used in the semi-structured interviews for Stage1). Recruiting further participants was deemed unnecessary after the twenty interviews were conducted as the researcher acknowledged that an evident level of thematic saturation from the obtained data had been reached.

Stage 2: Government semi-structured interviews

Addressing the whole housing system issues identified in the Stage 1 analysis in any greater detail was considered to be an enormous task and beyond this researcher's scope due to the limited timeframe and resources available. Therefore, bounded by time and resource limitations, it was decided to further investigate the most pressing and complicated issues revealed in the Stage 1 analysis. The planning system and the government's intervention in housing in the form of the Public Private Partnership program were found to be areas of significance requiring further investigation. Consequently, the Stage 2 fieldwork data collection was conducted with key government stakeholders involved professionally in planning and housing in Riyadh. A total of 10 semi-structured interviews were conducted with six planners and four housing officials to obtain perspectives and views on the issues raised by interviewees in the first stage.

The selection of participants for this stage was based on two main objectives: (i) assessing the impact of planning and development controls on housing production; and (ii) examining the government intervention in housing through its public private partnership program. Thus, two categories of participants were targeted for the interviews – planners and housing officials. Issues in the planning system, such as planning permission delays and strict development

control measures, were taken into account in the recruitment process as knowledgeable planners working in these areas at both national and local levels were sought. On the other hand, since the government intervention in housing is carried out by the Ministry of Housing, key housing official participants were identified during a preliminary visit to the MOH in the first fieldwork trip.

The recruitment process for planners was commenced using chain sampling through the researcher's professional contacts to identify key participants. Employed as a lecturer in the Department of Urban Planning at King Saud University in Riyadh, this researcher had connections with the urban planning community in Riyadh, which helped in facilitating access to knowledgeable informants. This process was started by asking these colleagues questions such as, who should I be talking to in regards to..? Who knows a lot about..? The referral chain of recommended informants was confirmed when repeated names were mentioned through the researcher's personal and professional contacts. Gaining access to informants would have been difficult without this researcher's professional referrals due to the fact that most of these participants held managerial positions with busy schedules and multiple responsibilities. These participants were firstly contacted by this researcher's colleagues asking for willingness to take part in the research. Once initial consent was confirmed, this researcher contacted the participants by phone to briefly explain the study and the expectations followed by emailing official letters of invitation and the *Participants Information Statements*, which included a full description of the research and the timeframe for the interviews. Six planners were interviewed comprising three national level planners from the Ministry of Municipal and Rural Affairs (Planners 2, 3 and 4); three state and city level planners from the Riyadh Municipality (Planners 5 and 6); and one from the High Commission for Development of Riyadh (Planner 1).

The recruitment process for housing officials was arranged before the fieldwork trip. As mentioned earlier the Ministry of Housing was visited in the first trip (mid 2015) and a meeting with a manager working in the PPP program was arranged and consent obtained for an interview for the second stage. The interview was confirmed by emails before the field trip and was conducted upon arrival in Riyadh. Based on the interview discussion, this housing official assisted in the selection and recruitment of three other key informants working at the Ministry of Housing. As issues arose in the discussion, he suggested meeting certain people who had greater knowledge about these topics and issues. These informants were involved in the PPP program and had essential understanding of the connection between housing policy and its

outcomes in the market. The four housing official participants from the Ministry of Housing included three participants who were involved in the PPP program (Housing Officials 1, 3 and 4) and a housing official responsible for coordination with government agencies and private developers (Housing Official 2).

Almost all the participants recruited through professional chain sampling/referrals agreed to take part in the study except for one planner who initially agreed to participate but had an emergency on the interview day and referred the researcher to his colleague instead. It is worth mentioning that the interview length was an important factor for some participants in deciding whether to participate or not. For example, one planner interviewee agreed to participate in the study if the interview had a time limit of no more than 30 minutes. This particular interview was adjusted to include the most important topics to be investigated. The rest of the interviews ranged between 45 minutes and one and a half hours depending on the interviewee's availability. This proved beneficial as it allowed the researcher to cover various topics in more detail.

The interviews for this second stage were designed based on two sets of topics and accompanying questions; one targeting planners and the other housing officials. Planners' interviews consisted mainly of topics relating to the planning process, planning policies and strategies and their relation to housing, with each including issues identified in the system. On the other hand, housing official interviews focused on examining the issues of PPP models and their requirements as well as the new planning exemptions that were recently being used as incentives by the MOH to stimulate the housing market. Both sets of interview topics and questions were devised to explore and examine participants' views on the issues raised taking into account the past, present and future. (See Appendix D for the semi-structured interview topics/questions for this stage). Probing and follow-up questions were used during the interview process. Additionally, the interview questions were constantly revisited throughout the fieldwork process to add or edit questions about particular issues that emerged and required clarification from other participants.

Interviews for both stages were recorded using a portable audio device followed by the digital files transferred onto a laptop computer. The audio recordings of these interviews were transcribed using Microsoft Word and processed manually using coding techniques in order to identify and analyse emergent themes. Since the interviews were conducted in Arabic (as participants' preferred), transcribing the interviews maintained the original language to avoid

the loss of meaning during the translation process. However, extracted quotes from the original transcripts used in this thesis were carefully and accurately translated.

Table 4.2: Summary of Participant Selection, Process and Origin

Research Stage	Criteria of Selection*	Selected Participants	Participants Description
Stage 1	Production	10 private development companies	<p>Large-scale development firms:</p> <ul style="list-style-type: none"> • Developer 1 (MOH-PPP) • Developer 7 • Developer 9 (MOH-PPP) <p>Medium-scale development firms:</p> <ul style="list-style-type: none"> • Developers 2, 3, 4, 5 & 6 <p>Small-scale development firms:</p> <ul style="list-style-type: none"> • Developers 8 & 10
	Consumption	4 real estate agents	<ul style="list-style-type: none"> • Real Estate Agent 4 (City North) • Real Estate Agent 2 (City South) • Real Estate Agent 3 (City East) • Real Estate Agent 1 (City West)
	Exchange	6 financiers	<p>Commercial banks:</p> <ul style="list-style-type: none"> • Financiers 1 & 3 <p>Mortgage financing companies:</p> <ul style="list-style-type: none"> • Financiers 2, 4 & 6 <p>Property financial consultant:</p> <ul style="list-style-type: none"> • Financier 5
Stage 2	Management: Planning System	6 planners	<p>National level (MOMRA):</p> <ul style="list-style-type: none"> • Planners 2, 3 & 4 <p>State level (Riyadh Municipality):</p> <ul style="list-style-type: none"> • Planners 5 & 6 <p>City level (HCDR):</p> <ul style="list-style-type: none"> • Planner 1
	Management: Housing Policy	4 housing officials	<p>National level (MOH-PPP):</p> <ul style="list-style-type: none"> • Housing Officials 1, 2, 3 <p>National level (MOH-Developer Services Centre):</p> <ul style="list-style-type: none"> • Housing Official 2

* Based on the study's conceptual framework (Figure 3.2)

4.5 Data Analysis

Analysing qualitative data suggests ‘transforming’ the collected data through analytical processes “into a clear, understandable, insightful, trustworthy and even original analysis” (Gibbs, 2007, p. 1). These analytical processes are usually iterative in nature as the researcher interprets and reflects on the meaning of voluminous data. The qualitative data analysis process, according to Creswell (2013), “involves organising the data, conducting a preliminary read-through of the database, coding and organising themes, representing the data, and forming an interpretation of them” (p. 179). In order to provide a deep and critical analysis impartiality was maintained throughout this process.

The data analysis used in both stages of this research followed thematic analysis through a detailed account of iterative processes. Gibson and Brown (2009) describe the term ‘thematic analysis’ as “the process of analyzing data according to commonalities, relationships and differences across a data set” (p. 127). Hence, a systematic procedure of coding was undertaken to analyse the interview transcripts by identifying repeated ideas and examining the relationships between various elements in the analysis leading up to the creation of patterns in the data. The analysis aimed at creating a step-by-step process to facilitate and manage the lengthy and complicated transcripts. Adopting the method of data analysis as suggested by Green et al (2007), involved following these four key steps: (i) immersion in the data; (ii) coding; (iii) creating categories; and (iv) identifying themes (p. 546).

After transcribing the audio recording, participants’ interviews were first organised into separate Microsoft Word files based on identification codes given to each participant. The first step of the analysis involved focused reading of the text of each participant’s interview multiple times to ‘immerse’ this researcher in the data. Green et al (2007) describes the significant benefits of engaging in this process: “Data immersion brings about clarity of the part played by both the interviewer and the research participant, and lays the foundation for connecting disjointed elements into a clearer picture of the issue being investigated” (p. 574). Immersing in the data also allowed this researcher to select the relevant text in each interview transcript. Cutting down on irrelevant text was used to reduce the mass amount of the raw text into a manageable set of transcripts. Text considered irrelevant was filed separately and kept in case it was needed at a later stage.

The second step of the thematic analysis process was coding the transcripts. Important and repeating ideas were annotated and highlighted in colours. Descriptive codes (short phrases)

were then added to the margin of the original word file of the transcripts as labels that identified key points made by a participant. These codes summarised a participant's response, whether expressed in one sentence or a whole paragraph. Generated codes could easily be referred back to as they were sequentially numbered based on each participant's transcript. This coding process was an important step in the analysis and required a clear understanding of the context and what was recorded (Green et al, 2007). As the interviewer, this researcher had the advantage of observing the participants' responses and reactions towards the questions asked. These observations were also used where applicable to inform the coding process. In analysing Stage 2, for instance, new codes emerged from planners' negative reactions when asked about the high cost of development because of certain planning control measures.

The third step of the thematic analysis was the task of creating categories. In this step, relationships were identified by making links between the generated codes in order to organise them into compatible groups or categories. This process started with creating preliminary categories based on predetermined topics in the interview questions. New emerging codes in the interview transcripts were also examined and sorted separately into new categories. Creating categories was a time-consuming process as it involved repeated grouping and regrouping of codes into different major and minor categories. As suggested by Green et al (2007), the aim of this constant process of testing a 'good fit' by moving backward and forward between codes was undertaken to assess relevance and reach compatibility and coherence.

The final step of the thematic analysis was designed to create more abstract ideas to guide the development of a theoretical analysis. According to Green et al (2007): "The generation of themes requires moving beyond a *description* of a range of categories; it involves shifting to an *explanation* or, even better, an *interpretation* of the issue under investigation" (p. 549). Thus, major categories and their codes were organised into larger groups that depicted a common theme. Linking the generated data from the third step in the analysis to a relevant analytical and theoretical concept also assisted in identifying the most pressing issues in the Stage 1 analysis that were further examined in the second stage.

The above four steps were employed separately in both stages of the data analysis. The process of identifying recurring patterns in the categories and the identification of themes for each stage is described in Chapters 5 and 6.

4.6 Research rigour

In quantitative research, validity and reliability are the most common criteria used in assessing the quality of the research. The criterion validity is mainly concerned with the integrity of the research findings, “it’s accuracy, correctness and truthfulness” (Robson, 2002, p. 170). Validity in fixed design includes variants, such as internal and external validity. Reliability, on the other hand, is concerned with replicability and whether the findings of a study can be repeatable by following the same measures and procedures described by the investigator (Silverman, 2006). In assessing the quality of qualitative research, scholars hold various positions in regard to using assessment criteria. Applying validity and reliability concepts to qualitative research have been disputed because there is no general agreement on which assessment criteria to apply (Bryman, 2001; Robson, 2002; King & Horrocks, 2010). According to Bryman (2001), some scholars are proponents for using the concepts of validity and reliability in qualitative research while others propose alternative criteria for assessment that are more relevant for such research. Lincoln and Guba (1985) suggest that qualitative research should be assessed based on different criteria than the validity and reliability methods used in quantitative research. They propose a trustworthiness assessment that encompasses four criteria: credibility, transferability, dependability and confirmability. According to Bryman (2001), the alternative criteria of trustworthiness proposed by Lincoln and Guba (1985) has “... a parallel with the previous quantitative research criteria” (p. 32). He stipulates that credibility parallels with internal validity; transferability parallels with external validity; dependability parallels with reliability; and confirmability parallels with objectivity (p. 272). Despite its parallels with the conventional quantitative criteria, trustworthiness is distinguished based on its criticism of the simple application of validity and reliability, which presumes that “... a single absolute account of social reality is feasible”; or, in other words, “... there are absolute truths about the social world” (Bryman, 2001, p. 272). The trustworthiness assessment approach argues that there can be several accounts. Gibson and Brown (2009) explain:

Validity refers to the aim of ‘measuring what you claim to be measuring’. This analytic aim can fit uneasily with the idea of the constructed nature of accounts to which much qualitative research is committed. Since meaning is constructed and open to a multiplicity of interpretation, the notion of ‘truth’ becomes something of a difficult concept to pin down. In contrast to validity, trustworthiness focuses on the context of data collection and the methods of the generation of data rather than on its inherent ‘truthfulness’. (p. 59)

This research endorses the notion of assessing qualitative research by following the trustworthiness criteria. As knowledge comes from different perspectives and cannot be

merged into a single truth in social reality, credibility of the findings should be established. In order to achieve credibility, multiple methods of data ‘triangulation’ were used to ensure accuracy, comprehensiveness, and objectivity. Triangulation is important in establishing the credibility of the data obtained by comparing different methods (i.e. interviews and documents) or even different sources in one method (i.e. interviewing informants from public and private sectors) to achieve corroboration of the data (Bryman, 2001; Robson, 2002; Silverman, 2006; Gibson & Brown, 2009). Using a single data collection method is considered too restrictive when conducting research in such a complex and multifaceted context as a housing system. Semi-structured interviews, researcher observation, and documentary analysis were used to allow for greater triangulation and a richer description of the data by providing multiple perspectives from which to investigate the research questions (Figure 4.1).

The use of triangulation aids in overcoming the bias that may occur from a single data source. The aim of this triangulation design was “... to clarify meaning, verifying the repeatability of an observation or interpretation” (Stake, 2000, p. 443). The use of multiple sources of enquiry was important, “... to best understand the research problem” (Creswell & Clark, 2007, p.62), which was investigating the state institutional and regulatory framework in enabling the private sector to provide affordable housing in Riyadh. This research was designed to facilitate the researcher in exploring the institutionalised power interrelationships of the key actors in the housing system to gain more insight in improving the resulting outcomes of these interactions. Triangulation provided significant value to this research as it revealed details of the public and private housing issues from multiple sources.

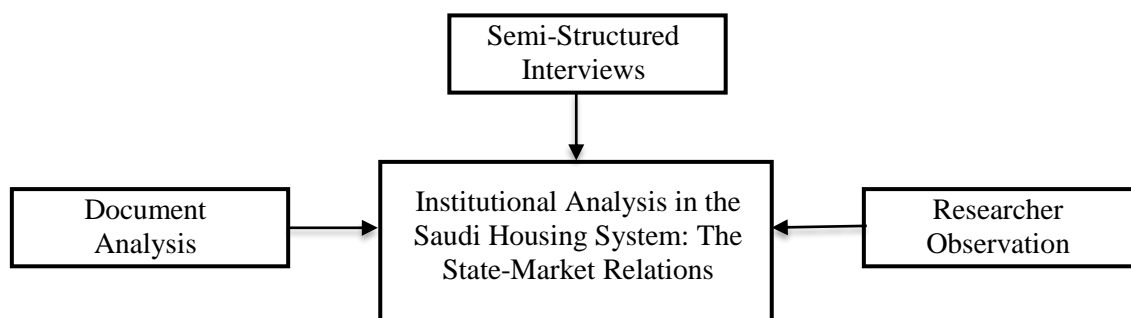


Figure 4.1: Triangulation of Multiple Sources of Inquiry

Criteria transferability refers to the generalisability of the study's findings beyond the case study setting. The issue of generalisation, or external validity, "... has been a major barrier in doing case studies" (Yin, 2003, p.37). Critics argue that qualitative research in general, and a single case study in particular, offers a weak base for generalising the findings beyond the specific context. Nevertheless, Yin (2003) explains that the findings of qualitative case studies can be generalised to other contexts through the use of 'analytical generalisation'. This is achieved by generalising the results to a broader theory instead of a population (ibid). Bryman (2001) asserts that: "People who are interviewed in qualitative research are not meant to be representative of a population ... it is the quality of the theoretical inferences that are made out of qualitative data that is crucial to the assessment of generalization" (p. 283). Thus, this study's synthesised analysis of the two stage findings, guided by the conceptual framework, provided theoretical explanations of issues in the Saudi housing context. Such theoretical insights allow generalisations to be made to other contexts facing similar housing challenges (see Chapter 7).

In terms of dependability, which parallels with reliability, Lincoln and Guba (1985) argue that the researcher should adopt an audit approach. This requires documenting the processes of conducting the research including the selection of participants, fieldwork notes, interview transcripts and decisions on how to analyse the data. The purpose of this audit approach is to ensure that future researchers can repeat the procedures used and yield the same findings. Yin (2003) explains that in order to overcome the reliability issue, the researcher has to "... make as many steps as operational as possible" (p. 38). Hence, the procedures used in conducting this study have been thoroughly documented and detailed in this thesis for the reference of future researchers. Finally, while it is impossible to have complete objectivity in social research, in order to address confirmability this researcher was constantly aware of this issue and ensured neutrality while collecting the primary data by allowing the interviewees to speak freely about the issues without dictating the directions of the answers and by using non-leading probes for clarification when needed.

4.7 Ethical considerations

Since this research involved human participants to generate primary data, an application for permission to conduct the study was submitted to the University of Sydney Human Research Ethics Committee (HREC). The application included documents, such as the *Participant Information Statement*, *Participant Consent Form*, and letters of invitation (see Appendix E).

This research was granted HREC approval in December 2014 after some minor amendments were made to the original application as requested by the committee.

All documents were prepared in English and those used in the fieldwork process were translated into Arabic. The *Participant Information Statement*, explaining the nature of the research and all relevant information regarding how to participate in the study, was provided to each participant. In addressing confidentiality, participants were informed verbally and in writing that their identity would remain strictly confidential and all information obtained through the interviews would only be used for research purposes. Participants were also provided with the *Consent Form* stating their rights and obligations. All participants agreed to sign the form indicating their willingness to take part in the study.

4.8 Conclusion

This chapter outlined the research methodology used in this study. It began by describing the chosen research approach, a qualitative design, which was carefully selected as an appropriate mode of inquiry for its flexible and emergent design in addressing the research questions. This design was based on a single case study using multiple methods of data collection. The rationale for selecting the case study and the use of different methods was also explained. Two main stages of data collection and analysis were followed in conducting the fieldwork. This chapter presented the techniques used in collecting data for each stage, indicating the use of snowballing and chain referral sampling. Data was processed and analysed immediately after each stage using a thematic analysis procedure to identify patterns. The quality and rigour of this study was addressed using a trustworthiness assessment to ensure credibility, transferability, dependability and confirmability of the findings. Before conducting the fieldwork, research ethics approval was obtained in order to collect primary data for the study.

The following Chapters 5 and 6 will report on the results of the empirical examination of this study and provide a “thick description” (Lincoln & Guba 1985, p. 359) of state-market relations in the housing system in Riyadh thus revealing the multiple realities and perspectives of participants.

CHAPTER FIVE

Private Sector's Perceptions of the Housing System

5.1. Introduction

The private sector can play an effective role in delivering housing under an appropriate institutional and regulatory environment that ensures conducive and well-balanced conditions (UN-Habitat, 2013). The review of the literature in Chapter 2 suggests that the problems inherent in the Saudi housing system constrain the private sector's ability to deliver housing where it is most needed – for low- and moderate-income groups – and thus needs to be strengthened (Ghosheh & Rabenau, 2011). Therefore, this chapter aims to capture the experiences and perceptions of key private sector actors through multiple perspectives and explanations of the housing issues they face, how they interact and function in the system and how they have been influenced by the existing regulatory framework. Examination of the housing system issues will be uncovered from the private sector perspectives. Such examinations will provide knowledge about actors' relationships in the housing system – the influence of the institutional and regulatory environment on the functionality and operations of market actors – which will provide important insights for answering the research questions.

This chapter presents results of semi-structured interviews with private sector stakeholders who were selected based on this study's conceptual framework. Twenty interviews were conducted overall, including: (i) 10 private developers who are involved in the production of medium to high end housing units as well as private developers who entered into Public Private Partnership program (PPP) with the state to produce low cost housing in Riyadh; (ii) four real estate agents who were chosen to gather their experience about the aspects of society's housing demand and the current supply situation in the city; and (iii) six financiers who provide finance to both producers of housing and users including commercial banks and mortgage financing companies. The results are exhibited under four main themes as explained below. The analysis presented in this chapter is designed to solely convey the interviewees' perceptions, thus this writer remains impartial and does not express any opinion. Critical discussion of this chapter's results are undertaken in Chapter 7. An overall summary of the results is presented at the end of this chapter.

5.2 Thematic analysis of the private sector's interviews

Chapter 2 of this thesis lays the foundation for the empirical examination of the private sector issues in Riyadh's housing system. Five major topics were derived from this study's background to guide the semi-structured interviews and elicit information from participants. These five topics of inquiry were: land, planning system, property finance, residential construction, and the legal framework for housing in Riyadh. The interviews were transcribed and analysed using a thematic coding procedure that follows four general steps as suggested by Green et al. (2007) (see Chapter 4 – Section 4.4). This section explains the rationale of the coding process particular to Stage 1 analysis of private sectors interviews.

The coding process followed three development schemes in the creation of categories in order to: (i) identify issues and obstacles faced by private sector actors in the housing system; (ii) determine how these issues influence the housing outcomes; and (iii) elicit suggested solutions to identified issues (Liamputtong, 2009). These were based on the participants' responses as follows:

- (i) Conditions: the causes of actions and factors that restrict the actions.
- (ii) Consequences: types of consequences of the actions or behaviour.
- (iii) Strategies/solutions: ways of accomplishing things; people's strategies, tactics, methods, and techniques for meeting their needs (Liamputtong, 2009).

The nature of Stage 1 interview topics and questions allowed the private sector participants to share their perspectives on the current housing market conditions at the time and the consequences of these conditions (effects) on their work, more importantly, on the delivery of housing. In addition, most of the participants expressed opinions about how these conditions could be dealt with by providing improvement strategies and solutions from their unique perspectives. The rationale for using the above schemes to create categories in the coding process was to provide a systematic analysis guided by these schemes to reveal patterns in the data. Yet, some of the categories did not include the scheme (strategies/solutions) as there was no suggested solution from participants in that specific category. The creation of codes and classification of categories was where most of the coding procedure took place. Prefigured sets of categories (topics discussed in the interviews) were initially used to classify codes followed by new emerging categories. The classification of codes into main categories that were pre-identified and also emerging was based on connections (relationships) of codes with each other.

The analysis first shows that there were interlinked categories that were then merged together to form major categories. Table 5.1 shows an example of the coding process undertaken to analyse the data of this first stage of the fieldwork.

Table 5.1: Example of the Coding Process (Category 8 - Stage 1)

Category 8: Planning system and housing		
Based on participant responses		
Condition codes	Consequence codes	Strategy/solution codes
<ul style="list-style-type: none"> • Process (time) • Unorganised procedure • Lack of timeframe • Slow correspondence • Uncooperative planners 	<ul style="list-style-type: none"> • Discourage housing investment • Increase development cost • Increase housing prices (affordability) 	<ul style="list-style-type: none"> ➤ Process • Defined procedure • Clear timeframe • Integrated system: linked title registration • Real estate authority
<ul style="list-style-type: none"> • Process (coordination) • Uncoordinated infrastructure contribution • Manipulative service providers 		<ul style="list-style-type: none"> ➤ Policy • Increase density • Provide flexibility
<ul style="list-style-type: none"> • Policy (control) • High on-site development contribution • Strict/inefficient density measures • Inflexible regulations 		

The last step of the analysis involved the creation of themes. The analytical themes for this analysis emerged from this study’s conceptual framework that utilises an adopted model of the *Structure of Housing Provision* (SHP) as explained in Chapter 3. According to Ball and Harloe (1992), the SHP is ‘theoretical in nature’ and provides a productive framework that allows for the examination of related housing issues since it encompasses the observed wider context into a simple organised framework. Therefore, in order to move away from a merely categorical description to a more thematic analytical level, the SHP physical spheres of production, consumption, exchange and management were used as analytical themes in this analysis. The generated categories in the third steps of the coding procedure exhibited relevance to the SHP analytical themes. However, employing these analytical themes into the generated categories required regrouping and merging of some the categories to reach recurring patterns in each of the themes.

This researcher believes that the themes employed assist in providing a clearer understanding of the interconnected issues in the housing system. Using the modified and adopted model of the SHP as ‘conceptual/analytical themes’ provided the analysis for this stage with a practical instrument for examining the roles and relationships of the market actors and how they interact in not just the production of housing but also in how housing is consumed, exchanged and managed. Bringing together the critical spheres of the SHP as themes and connecting them to the big picture of complex social relations, offers a comprehensive analysis that avoids the isolation of related housing issues. In addition, the integration of the SHP themes provided powerful explanatory factors for the aim of identifying how the private housing market actors function and revealing the critical issues that hinder their performance. Such classification of the issues identified under the SHP framework of analytical themes also assisted in determining the most pressing issues under each theme to be further investigated.

The analytical thematic process produced nine major categories represented under four main themes as shown in Table 5.2. This cyclical, spiralling process explained above was drawn/synthesised from the methods of Green et al. (2007) and Liamputtong (2009) and was repeated nine times for each category to ensure a thorough and detailed analysis. Results of this analysis are uncovered in the next sections of this chapter.

Table 5.2: Themes and Categories for Stage 1 Analysis

Analytical themes	Categories
Theme 1: Production	<ol style="list-style-type: none"> 1. Land accessibility & affordability 2. Land title and legal security 3. Financing for producers 4. Market characteristics and trends
Theme 2: Consumption	<ol style="list-style-type: none"> 5. Society and housing
Theme 3: Exchange	<ol style="list-style-type: none"> 6. New mortgage laws impact 7. Financing and judiciary system
Theme 4: Management	<ol style="list-style-type: none"> 8. Planning system and housing 9. Public private partnership

5.3 Theme One: Production

The production process of housing in Riyadh is a central focus of this study in which examining the issues that face housing producers is critical for understanding the processes of social relations that impact delivery, particularly for low- and moderate-income groups. In analysing the aggregate responses of interviewees, four main categories emerged to represent issues in housing production. These categories are primarily concerned with land assembly issues, legal issues with land titles, access to finance for new developments and issues in housing production trends.

5.3.1 Land accessibility and affordability

The main issue discussed by the majority of the interviewees when they were asked about the land market was the access to land and land prices. First, developers described land accessibility as an obstacle for their business. Most of the developers emphasised that there is a huge amount of raw land in the city but with limited access. As noted by Developer 4:

Riyadh has a big number of land but not all of these land are for sale. This causes an implication where land that is offered for development in the market is limited.

Interviewees provided several reasons behind this limitation on land accessibility. One of the main reasons that was mentioned by several developers and real estate agents is the unwillingness of landowners to sell. Land has become an investment channel for many households where land is bought and kept for hopeful future price rising. Four developers argued that the lack of alternative investment channels in the country is the main reason behind the shortage of land accessibility. These developers explained that investing in property (buying land whether a small piece of land by a household or large raw land by corporations) is the most secure, easy and guaranteed type of investment in Saudi Arabia. They argued that the other available investment channels are either risky (such as the Saudi stock market which collapsed in 2005); or very complicated, such as starting a business where there are difficulties in obtaining labour visas or where government employees are prohibited to open a business.

Land is available, but landlords are not obliged to sell. If the owner is not in need for the cash, like he does not have any financial obligations let's say, he would say, like the majority, if I sell the land where do I put the money?! There is no pressure on these owners to sell and also there are no other investment channels to give better investment chances. Thus, these factors limit land in entering the market. (Developer 8)

The problem of land inaccessibility was exacerbated by the absence of property taxation as described by the majority of interviewees. The Council of Ministers announced in 2014 new

tax regulations imposed on undeveloped land which will be studied and finalised for implementation in order to unlock more land and provide more housing units. Despite the widespread agreement between interviewees that the lack of taxation is part of land inaccessibility and unaffordability issues, there was a division in responses between interviewees about the impact of this new regulation. Some of the interviewees support this new regulation and view it as a development catalyst to build more housing units. Real Estate Agent 3 explained that land has been used as an asset for major corporations including commercial banks and insurance firms. These corporations invest in buying millions of square metres in property as assets due to the absence of property taxation. He stated:

When the new tax regulation on land is implemented, these assets [major corporation land assets] will cost these firms and become undesirable. The new regulation is excellent because these firms will now focus on their main activities and stop investing in property to build assets.

On the other hand, some think of this new regulation as part of the solution for accessing land but showed concern about its implementation and what will be included. These interviewees expressed concern about the implications of the new taxation, one being that the government has not provided a clear plan for implementation. This change has created uncertainty which is one of the contributing factors affecting the current slowdown in the housing market.

The second issue in the land market is the high price of land or land affordability as noted by most interviewees. High land prices are an issue directly linked to land accessibility as most of the interviewees attributed the higher prices of land to the limited supply mainly caused by the issue of land hoarding as mentioned above. Some interviewees argued that land hoarding by a few real estate investors who control the supply in the market is one of the main reasons for higher land prices.

There is land hoarding. In Riyadh for example, large pieces of raw land that can be developed are owned by a group of investors or developers ... they develop small portions of the land in stages to control the prices. (Developer 2)

Land hoarding is part of the reason for high land prices where landowners don't pay taxes on land so they don't have to sell. These land plots 'don't eat or drink' and increase in value with time. The new land taxation system is a good idea. (Developer 6)

Another reason for land inaccessibility and unaffordability as argued by several interviewees is the lack of data transparency in the market. Interviewees claimed that there is a wide spread practice of releasing fake or unreal transactions by buyers and sellers that are intended only for

increasing the land price. This practice creates inaccuracy in the published data. Developer 5 stated:

Fake sales are when land is recorded to be sold at a very high price but in reality the land was not sold for the recorded price. This type of sale sabotages the accuracy of data issued by the Ministry of Justice.

In addition, some developers claimed that there is real difficulty in accessing information in the property market. For instance, there is a lack of published data on land ownership (who owns the land?) which makes it difficult for developers to approach owners to negotiate purchase for potential land development. Developer 3 stated: “getting the information we need in the development process is complex and difficult”. Most of the interviewees view the new system of real estate registration as a solution for more market transparency that will encourage more investment in the housing market:

The cadastre system is the solution for market transparency ... The new real estate registration is on its way to be implemented, however, the wheel should have been moving faster in order for us to be able to work in a market that has clarity and transparency that allows easier investment. Having higher market transparency and easy deals encourages and stimulates both domestic and international investors in land development. (Developer 5)

5.3.2 Land title and legal security

Another significant issue described by interviewees that hinders and discourages investments in the production of housing is the encumbered legal framework. As noted by several interviewees, one of the development constraints is the proof of land ownership. Several developers mentioned that they have to go through a lengthy process of investigating the ownership for potential property for development to ensure it has a clear title. Many talked about the importance of buying land with an ‘intact deed’ to avoid possible future implications. This means ensuring that the title of the land is unencumbered with any issue, such as overlapping ownership and boundary disputes, forged deeds, or illegal prior deeds. The old manual system of property registration at the Ministry of Justice had some defects as some of these manually recorded deeds have boundary issues and lack the sequential history of buyers and sellers (see Chapter 2). These issues originated when land was granted to citizens by the government in the 1970s and 1980s outside of urban areas at the time as explained by some interviewees. With the growth of cities, this land became part of urban areas and issues with ownership records, such as the inaccuracy of recording boundaries, became evident:

Land was granted without clear boundaries where marks, such as trees or rocks were used to identify boundaries. Over time, these boundaries had modifications or overlaps resulting in deed problems, such as forged deeds, cancelation of deeds or double deeds. (Developer 8)

As described by the majority of developer interviewees, land title transfer issues are mostly related to large raw parcels of land for development. Transferring a title of land inside an approved land subdivision is not an issue. Developers and financiers explained that the lack of a linked electronic cadastre and title registration system between the Ministry of Municipal and Rural Affairs (represented by municipalities) and the Ministry of Justice (represented by public notaries) as the source of the problem. Public notaries check the land title before transferring the title and notify the buyer (developer) whether the title is clear or not. In the case that the title is clear the buyer can transfer the land title under his name. The main issue that the majority of interviewees agreed on is that the transfer of title by the public notaries does not guarantee the clarity of land title when dealing with future legal issues. Thus, developers might be surprised by issues arising in the future, such as overlapping boundaries or encroachment on roads or government land when applying for planning permits from municipalities. Developer 7 stated:

The main problem in deeds is usually in the overlapping of boundaries and this is an issue in the system. We buy a piece of land and get the title legally notarised from the Ministry of Justice and then we get surprised that the deed has an issue with the municipality [when conducting land surveying for planning permit]. The Ministry of Justices does not completely issue sound deeds.

The uncertainty and risk involved in the legal process of land registration and ownership poses serious implications for the real estate development industry. Several interviewees indicated that the reluctance of foreign investors to enter the Saudi property market is mainly due to land title issues. Developers pointed out that the Ministry of Justice took a strong action in 2014 by cancelling several deeds of large plots of land in several cities including Riyadh. The cancelations of land deeds took place due to the discovery of the previous forgery of the property titles that actually had nothing to do with the current owner of the land. This created mistrust in the property market as explained by Developer 5:

When ownership of land was transferred by a government agency, such as the Ministry of Justice represented by its public notaries, and this government agency approved, stamped and transferred the title then later must cancel the buyer's deed, this creates destabilisation and mistrust in the market.

Many of the interviewees argued that the delay in implementing the proposed electronic cadastre and title registration system has maintained the deed issues described above. The title

registration system has still not been implemented in many cities including the capital city of Riyadh. Thus, future legal issues, such as ownership disputes and deeds forgery that might lead to deeds cancelation and jeopardising developers' projects should be eliminated as Financier 6 stated:

The [new] cadastre and title registration system will have a positive impact if implemented because currently deeds are not a hundred percent proof of ownership of a property where there can be duplication in the title deed. The linked electronic cadastre registration system will provide more security.

5.3.3 Financing for producers

Developers and financiers were asked to discuss issues in the finance system that support or restrict the production of housing. Developers were asked several questions including their sources of finance and what constraints they face in accessing finance for their projects. On the other hand, financiers were also asked about their contribution to the production of housing by discussing the financing options available for housing producers, how they determine granting finance and the challenges they face.

Starting with sources of finance for developers, most developers described their sources of finance in one or multiple forms of these financing options: (i) self-funded i.e. the company capital; (ii) commercial bank loans; (iii) partnership with other companies; (iv) government or private real estate investment funds; and (v) off-plan sales. Some of the developers indicated that they use self-funding or a joint venture with other companies as preferred options of financing to raise fund for their projects. Developer 8 claimed that these two financing options are the most popular types used by developers despite their higher cost. The other types of financing sources, such as commercial bank loans and off-plan sales, were also used by some of the interviewed developers.

Generally, most of the developers did not actually have issues accessing finance for their projects. However, there was widespread agreement between developers' responses that there are constraints for accessing finance in the development industry. According to Developer 4: "As a developer we do not have a problem in accessing finance, but as an industry there is a problem". Another developer interviewee indicated the difficulties faced in accessing finance from commercial banks:

We as a real estate development company faced several problems in obtaining finance as some banks rejected us and others agreed to take the risk and finance some of our projects. There is an obstacle in accessing finance and the solution is to ensure the rights of lenders in the judiciary system. (Developer 10)

Most developers indicated that there is reservation and reluctance from banks to finance the real estate industry. Several developers argued that the higher risk involved, and the lack of protection regulations is behind the hesitancy of lenders (see Section 5.5.2 below). Commercial banks and financing companies adopt strict protection security measures to guarantee repayment of granted loans. Some developers indicated that lenders require the project's land as collateral where the transfer of property title to the lender is used as a guarantee for funding. This may have implications for developers when they do not own the land outright or just share part of it. Some of the developers claimed that lenders, especially commercial banks, care more about names and the reputation of a developer than their track record and performance in the decision of granting finance. They also suggested that personal connections with financial institutions facilitate the chance of accessing finance. Nevertheless, most of the developer interviewees agreed that lending institutions utilise fair procedures to protect their businesses. Developer 10 stated:

I personally do not blame banks and financing companies in this matter [strict lending for developers] because protecting their rights in the case of default from a developer is very difficult and may expose them to complex issues. Therefore, they protect themselves by asking for guarantees that complicate the lending process.

Developer 4 added that financial institutions are well developed and sophisticated and despite being “very conservative” at the current time they do still provide finance. He claimed that the real estate industry is not regulated enough to fit in with the banking system criteria. He also claimed that most developers are not sophisticated enough when applying for funds for their projects and lack financial expertise.

It's not about the size [of a development company] but how sophisticated you are. If the bank knows that the developer is aware of the risk involved in funding by providing all proper documents, then the bank will review it...As a company we speak their language [commercial banks] in terms of understanding the risks and doing proper cash flow whereas a lot of real estate developers have problems with that. (Developer 4)

Financial institution interviewees were asked about their perspectives of lending to developers and the challenges they face. Two executive managers of two commercial banks and a CEO of a finance company demonstrated similar views about their lending procedures for developers. These financiers argued that developers seeking loans with previous experiences, a good reputation, sound financial statements and the ability to prove financial solvency by generating enough cash flow to pay back loans are usually considered for granting loans. The two bankers explained that the use of developer's land as a collateral in some cases is to control the source of repayment as a guarantee. The CEO of the financing company stressed that besides the

assessment of the developer's financial capability and his track record, marketability of the project plays a key factor in granting finance. Financiers attributed the reluctance of banks and financing companies to fund the real estate industry to the recent market slowdown and their preference to minimise risk. As noted by Banker 2:

We have a huge amount of applications for loans but all depends on the bank's tendency to take risk ... Some banks do not prefer real estate lending [loans for developers] because the nature of this financing poses difficulties to get out of, especially at the current time where banks have to wait for the developer until he sells out his units.

Several interviewees also discussed the other types of financing sources available for developers. A property financial consultant interviewee claimed that financing sources available for developers, such as off plan sales and property investment funds, are not preferred nor utilised enough by many developers. He argued that these sources are attractive options for funding but the financial culture of developers and the real estate development industry do not support such options. He explained:

Real estate investment funds are not popular with developers because they are not used to it and these funds have some restrictions that developers do not prefer (i.e. developer cannot control the fund as it's the fund's management role). Off plan sales is also another good option but developers also avoid it because it constitutes restrictions on them through the control of the money flow through the escrow account. (Financier 5)

He also justified the disfavour of these available options to developers due to the risk involved with them arguing that the lengthy process of obtaining planning permits creates an obstacle for developers to meet the deadlines for these two financing options. He illustrated that the unregulated real estate industry and its lack of a dynamic system (where clear rules and regulations exist constituting all aspects of property development including planning permits) constrain developers to benefits from these available financing options. Furthermore, several interviewees claimed that real estate developers face challenges in accessing finance for their projects, as banks are not in favour of lending to the real estate industry due to problematic past experiences with the industry. Financier 1 explains:

Over the past four years, banks have become a little conservative in lending for one reason that the number of companies that default in payment has increased whether they were developers or contractors. There is so much housing offered for sale in the market. Banks now are more vigilant about the property market cycles. The market is full of developers whose only source of repayment is the sale of developed units, which may not be easy nowadays.

Finally, Financier 5 argued that the majority of developers currently working in the market self-fund their projects, as he noted:

Banks cannot be relied upon in financing developers and this is one of the biggest problems faced by the real estate sector ... You find real estate financing here representing 3% of the GDP whereas in the other gulf countries it reaches 20%.

5.3.4 Market characteristics and trends

This category outlines several issues discussed by interviewees including: market competition, construction quality and housing production trends. First, many developers expressed their opinion about the competition they face in the market and how it affects their work. The major factor these developers talked about is the existence of small, unorganised builders, as some of the interviewees called them. These small builders are originally government employees who collect money for investment to build housing units by hiring small contractors or in some cases illegal labourers. The collected capital usually comes from friends, family and co-workers.

The responses of developer interviewees about market competition between organised development companies and small builders were divided. Half of the developers claimed that there is fierce competition in the market to build housing units caused by these small builders. They argued that it is very difficult for well-established development companies to compete with small builders as they build relatively inexpensive housing units. These interviewees explained that the majority of small builders build poor quality housing units using cheap materials and unskilled labourers. They claimed that the end product is low in price and it is hard to come up with similar products in price because of the low overhead cost incurred by these small builders. Developer 5 reported:

As a developer, the market competition is very tough because of the presence of small developers who build about four to five villas. Their overhead is very low and the quality of their products is not at the required level. We as a development company cannot compete because we have high overhead cost and the quality is important for us because we want to maintain our name and reputation.

On the other hand, half of the developer interviewees disagreed with the above claim. In their view the market is abundant and can accommodate different products with different prices. They argued that the variety of products and prices increases market competitiveness and results in better quality and prices. It was also argued that these small builders are important in the housing market as they produce the majority of the housing units.

Developers provide different products than these provided by individuals [small builders]. For example, when I build 100 units with certain facilities and quality, I am selling a community not only housing units. Thus, the comparison is not an apple to

apple. The important point that we shouldn't forget though is that without these individuals [small builders] the majority of people wouldn't be able to buy housing. (Developer 3)

The second issue discussed by interviewees pertains to the delivery of housing and the influence of government housing policy on the housing market. Several interviewees argued that government housing subsidy policies in the form of granting free land and interest-free loans to citizens has negatively contributed to poor quality of housing. It was explained that such subsidies promote the notion of 'do it yourself', where the majority of households receive the subsidy and hire small contractors to build their houses but often the quality is not up to standards. Developer interviewees argued that households do not have the knowledge and experience to supervise the building of their houses. Therefore, most of these buildings depreciate quickly negatively impacting on the growth of the secondary housing market.

People are used to the idea 'build your house by yourself'. You find that most houses in the city are dilapidated because of the poor quality of building. Since the quality is poor it will have negative effects and cost a lot in the future as these houses will have to be demolished at some point. (Developer 4)

All financial institutions require a certain building age to mortgage a housing unit. Usually this requirement ranges between 15 to 20 years and this creates an obstacle for buyers looking for less expensive housing options. Many financier interviewees believe that this requirement is used as protection for both the buyer and the lender; and stated that there are building quality problems that present financing constraints for buyers in the secondary housing market. They argued that the lack of a unified building code and the absence of owners' associations are among the issues that hinder the development of the secondary housing market. As noted by Financier 2:

There is lack of professional development and a unified building code. Unprofessional people [small builders/contractors] are presenting the mass of development, therefore, there will always be building quality issues in the housing market. The only solution is to support professional real estate developers as they are recognised development companies that can grant warranties on housing.

Lastly, developer interviewees were asked about their housing production trends and the obstacles they face in delivering housing, particularly for low and moderate-income segments. Eight out of the 10 interviewees stated that they only build housing units for high-income earners and mainly in the form of detached and attached villas. These developers argued that the high cost of land development coupled with stringent planning control (see Theme Four – *Management*) are the main reasons preventing them from building housing for all sectors.

We would like to target in our production all segments, but we cannot. We only target the upper middle and high-income classes because the current regulations do not provide any motivation for us to build for middle and low-income people. We build a certain type of housing, such as villas and row housing and we have not entered into the construction of apartments. We sell dwellings from SAR1.2 million (USD320,000) to dwellings that reach up to SAR10 million (about USD2.6 million). Our goal in the future is to sell housing units between SAR600,000 to 800,000 (USD160,000-213,000) because this constitutes the majority of market demand but unfortunately we cannot achieve that now. (Developer 6)

The lack of housing mix choices that are affordable for low- and moderate-income households is a challenge in the housing market. Many real estate agent interviewees argued that the actual issue in the housing market is not about housing supply but the affordability of produced housing:

There is huge supply of housing in the city but most of these dwellings offered in the market are not affordable to the majority of people. The prices are increasingly going up and this is what prevents many people from buying. (Real Estate Agent 2)

Even apartments that could be somehow affordable to people, their prices are unrealistic over SAR700,000 (USD186,666) compared to their size, quality and design. (Real Estate Agent 1)

Financier interviewees indicated that the lack of housing choices that meet the need of households and their purchasing power constrain their business from thriving. Low and middle-class segments which make up the majority of demand in the market are under supplied where the bulk of supply is out of their reach.

There is the problem that the purchasing power of citizens is weak ... We have a lot of applications from people who want to obtain mortgages but there is no supply of affordable housing choices for them. (Financier 2)

This concludes the analysis of issues raised in the first theme of production. The second theme will now be explored.

5.4 Theme Two: Consumption

This theme closely examines issues in the consumption of housing from the perspective of the private sector as formed by their reported experiences in the industry. Developer and real estate agent interviewees discussed housing consumption issues from societal and cultural perspectives. One category emerged from the analysis to represent this theme as follows.

5.4.1 Society and housing

Interviewees described several housing issues that revolve around the cultural attitudes and the way housing is consumed in the city starting with the issue of housing preferences of households in the city. Many interviewees explained that households' purchasing power is weak and does not match their housing desires regarding the type of housing and its size.

The problem is there is no match between the purchasing power and the aspirations and desires of households in a large proportion of existing housing demand in the market. (Developer 5)

Developers 4 and 6 argued that land prices in the city are not even high compared to other cities in the region. They attributed the problem of housing affordability to the weak purchasing power of households and the type and size of housing they are looking for. The culture and societal way of thinking in Saudi Arabia promotes different lifestyles that focus on owning spacious housing units with a strong preference for villas, as Developer 6 indicated:

... if you compare land prices here with other neighbouring countries, you find that land prices in Saudi Arabia are low, but our lifestyle here is different as everyone wants to buy a house with an area of 500, 600, or 700 square metres when they just started their careers. I see customers coming to us and wanting to get what is called 'a lifetime home'. Why should there not be first, second and third homes? As a newly married couple with a child or two why not start with a flat? This is a cultural issue that people want to get large homes. So, the pattern here is horizontal rather than vertical which focuses on the space and that is part of the high prices.

The developer comment above was echoed by the new Minister of Housing in his first public appearance at a forum in Riyadh in 2015 where he stated that:

Housing is not a problem of resources or land, but a problem of thinking. If we cannot solve this thinking problem we will go in circles and will not find any current or future solutions ... One of the thinking problems is the idea of ownership and the dream home. Now the dominant culture among young households is to buy a house with an area of 600 to 800 sq. metres as the dream home instead of gradually buying a small house until being able to move to a bigger one. (Asbar Forum, 2015)

The issue of housing preferences and the weak purchasing power is not limited to average income households. Developer 1, who works as one of five main companies that builds low cost housing in the city in partnership with the Ministry of Housing (MOH), elaborated on housing cultural issues for low-income households. He explained that the MOH requires developers to build apartment units of minimum 180 sq. metres, which he thinks is very generous for government housing. Nevertheless, his company went through difficulties to sell their low-cost units as he explained that the majority of eligible households did not want to live

in apartment units for reasons, such as the size of the unit, the communal nature of apartment living, the large number of their family members or other cultural issues:

As a developer 180 sq. metres is high as housing for low-income people but for these beneficiaries it is considered as small space ... A lot of them asked to remove their names from the apartment housing subsidy program list so that they can get a land and/or a loan [other types of housing subsidies]. Most of the beneficiaries prefer not to live in apartments and this is a cultural problem that has nothing to do with the Ministry of Housing. (Developer 1)

All real estate agent interviewees agreed that the majority of households in the city consider the unit space as one of the main factors in buying housing. They explained that consumers have a strong preference to buy a villa over an apartment even if the households currently do not need the space. Real estate agent interviewees indicated that one of the reasons behind the disfavour of living in apartment units is the households' consideration of a future increase in their family size and the desire for a large space. Some interviewees added that the current prices for spacious apartments are already expensive and they would prefer to take on an extra mortgage to buy a villa. All real estate agent interviewees indicated that there are a large number of first time homebuyers who are not just looking for a dwelling to live in but are also to invest. This type of dwelling usually contains the ground floor for the family to live in and three apartment units on the first and second floor to be rented out to help pay for the mortgage:

The majority want to get a villa comprising one story and three apartments above it even if the family income is not enough they will still try to take out the investment. People here do not take what they need but more than they need. (Real Estate Agent 3)

Real estate agent interviewees were asked about the current apartment buildings in the city that are for sale. The majority answered that these are usually bought for investment purposes and there is also a number of households who had no choice but to buy or rent apartment units to live in.

Apartments that are offered for sale are constructed for profit maximisation by small builders with no consideration for good design, size and quality. Trust me, all the apartments that I have for sale now are small 120 sq. m and unsuitable for households to buy as a home. Yes, some people have no choice and buy them but mostly the majority who buy these apartments are investors who buy and rent. There is rarely anyone who buys an apartment in Riyadh to live in. It is supposed that apartments are only permitted to be built according to certain conditions and specifications. (Real Estate Agent 4)

The unpopularity of living in apartments as a housing choice (besides the space and price) is also attributed to the disfavour of sharing living spaces with others as pointed out by many interviewees. Interviewees demonstrated that the lack of proper owner associations to manage

residential buildings has resulted in maintenance problems which discourage households from buying apartments units.

Many interviewees suggested that the problem of housing affordability in the city is a result of cultural preferences for certain housing production trends, such as detached villas, that is supported by government policies and regulations. Developer 4 stated:

We must change our concept that a house area should be 500 sq. metres because it is illogical. Currently the 300 sq. metres [villa] sells in the market for two million Riyals [about USD533,000] which is way above the average [household] income. Households will have to have an income of more than SAR25,000 [USD6,666] to be able to buy this type of housing. Then the Ministry of Housing goes and grants housing units or land with this area [500 sq. m] to people with low-income who may not be able to maintain the unit ... the housing problem will continue if the policies do not change. If we assume that the government has the budget to buy land at this time, what about the future when there is no enough budget to buy land this way.

Some interviewees were optimistic, believing that there is a gradual change of cultural thinking towards accepting smaller units. Society is adapting to change, and households are becoming more aware of the housing problem and some can be open minded to living in apartments and denser areas, as explained by the following interviewees:

In general, the social outlook has been gradually changing over time. Ten years ago, the villa of 500 sq. metres was considered small and large villas of 1000 sq. metres were more desirable. Now the villa of 500 sq. metres is considered large and the standard size has decreased to 300-200 sq. metres. So, there is acceptance of smaller units and also apartments. In the past only foreigners lived in apartments but now you see Saudis buying apartments. (Financier 6)

Society is changing and there is a tendency towards living in apartment buildings if good design is taken into account [such as space and privacy]. I think that the vertical expansion will provide a solution for the housing crisis. There should be consideration for rehabilitation of the old city centre that is becoming a slum area and a place for crimes. This will provide a good solution as it is connected to utilities and services. (Real Estate Agent 4)

5.5 Theme Three: Exchange

This theme outlines the regulatory environment that governs housing finance, more particularly the effects of new mortgage laws that have been enacted recently. Financier interviewees discussed the issues faced in financing and the positive and negative impact that accompanied lending and borrowing regulations in the housing finance market. This theme follows two main categories.

5.5.1 New mortgage laws impact

Financier interviewees were asked to discuss the recently introduced mortgage finance laws package that was issued by the Saudi Arabian Monetary Agency (SAMA) in 2012 in order to identify its impact on the exchange of housing. The mortgage package included five laws to regulate the real estate financing industry. Interviewees expressed their perspectives on the impact and implications of these new laws on the housing market. In general, all financier interviewees viewed the issuance of the new mortgage laws package as a positive and very important government intervention to regulate the financial sector. Many believed that this new regulatory environment would take time to show a positive impact in the market.

Financier interviewees, on the other hand, discussed the negative impact of the newly introduced law on the market and borrowers. One of the requirements that was introduced in the new mortgage laws package was a 30% down payment by borrowers in order for them to qualify for mortgage financing. Lenders are allowed to finance 70% of the property value. This was the biggest obstacle for financial institutions according to most financier interviewees. Many claimed that there was a big drop in revenues (about 70% according to two financiers) after imposing this new requirement. Financier and real estate agent interviewees argued that the majority of households cannot afford to pay 30% as a down payment when applying for a mortgage. In turn, this was one of the main reasons causing the recent property slowdown as indicated by most of the interviewees. Financier 3 stated:

The main obstacle in the current mortgage financing is the mandatory 30% down payment of the property value imposed by SAMA ... Most customers do not have the ability to provide 30% of the value of the intended property to buy.

SAMA's aim of the 30% requirement was to encourage households to establish a culture of saving that helps in owning their future homes. Many interviewees believed that it was a reasonable aim but the timing of implementing it concurrently with the new mortgage regulation was wrong and problematic, as noted by Financier 5:

The mortgage law system is new and therefore was not really tested yet ... I think that applying a 30% down payment was one of the biggest obstacles that significantly reduced the volume of mortgage financing. The system needs to be tested first, and then restrictions can be applied later.

Financier interviewees also talked about current obstacles in the market that hinder the development of the new mortgage laws. Interviewees agreed that the real estate financing market lacks long-term financial resources. The current financing system could lead to a future illiquid lending market as many interviewees explained. This is due to the absence of the

securitisation process and the lack of a proper secondary mortgage market. Most property financing companies in the market are recently established, and most of these companies will face growth issues in the future as they have limited capital. Interviewees outlined that banks started recently to buy mortgage portfolios from financing companies. However, this practice of buying portfolios by banks is not sustainable and banks might not be able to take on long-term liabilities in the form of mortgage portfolios that are funded by short-term liquidity as reported by some interviewees. Financier 6, who owns a mortgage financing company, warns:

A mortgage securitisation process currently does not exist. Banks nowadays buy portfolios but sooner or later banks will face the same issue as they have a limited balance sheet. Real estate financing is a huge sector so there must be real mortgage securitisation where there is a secondary mortgage market that is structured resulting in products that can be resold to the retail market.

One of the newly issued mortgage laws was to create a government-owned mortgage firm similar to the United States model of Fannie Mae and Freddie Mac in order to develop a secondary mortgage market. The company was announced to be ready by the end of 2016 with an approximate capital of USD2.6 billion. Some interviewees believed that the company should have been in place with the announcement of the new mortgage laws. Nevertheless, many view it as a significant step in the right direction allowing financial institutions to expand their activities supported by government investment in real estate.

Financier interviewees also affirmed that other regulations, such as the implementation of the enforcement law and the electronic land title registration system are equally important in the successful development of the new mortgage laws regulations. They praised the efficient role played by SAMA, the regulatory authority for the financing sector in supervising and enforcing these new mortgage laws. Financier 2 pointed out that other government agencies should also facilitate the implementation of the new mortgage laws:

In general, I have no doubt that the new issued regulations are good and supportive and the existence of a supervisory government agency, such as the Monetary Agency [SAMA] is a strong addition to the sector ... We hope that other relevant government agencies, such as the Ministry of Justice and the Ministry of Municipality accelerate the implementation of the full application of the mortgage laws.

5.5.2 Financing and judiciary system

The second category of this theme also investigates the exchange side of housing represented by lenders. Financier interviewees discussed issues they face with the current legal system when lending to users (consumption side) and producers (production side). As mentioned in

the first theme, financial institutions utilise strict security measures in lending to producers (developers) due to the higher risk they take caused by the lack of protection and securities measures. Financing requirements to provide mortgages for users mainly depend on the buyer's income (salary requirements) and the ability to afford a 30% down payment (as discussed in the previous section). In this category, financier interviewees revealed their perspective on the legal system and the issues of enforcement and protection measures.

The biggest challenge that all financier interviewees expressed is the lack of legal protection and security for lenders. One of the five main laws introduced under the mortgage laws package is called the 'Enforcement Law'. This law was created to ease lenders' concerns about pursuing insolvency actions in cases of a borrower's default. Interviewees stressed that courts do not approve the transfer of a property title under the bank's name when providing mortgages. This issue forced many banks in the past to establish subsidiary real estate companies in order to transfer mortgage titles of properties to these companies and not directly to the bank. The reason for this is that courts reject any mortgage contract issued in a bank's name as it assumes that banks receive interest in lending and borrowing which goes against fundamental Islamic law. According to Financier 5:

The judiciary system still doesn't recognise banks. If there is a contract that has the bank's name in it the judge will not recognise it. Therefore, the enforcement law, as one of the mortgage laws package, was issued to eliminate this non-recognition of banks in the judiciary system.

Despite the issuance of the 'Enforcement Law', all financier interviewees affirmed that the law has not been enforced and implemented by courts and judges. Interviewees explained that even after the law was issued there was no change in the court system and lending institutions still function under the old system. Financier 3 pointed out:

The inherent risk that we have in the country is caused by the weak implementation of the legal system which creates higher risk in lending.

Many interviewees indicated that the interaction with courts shows bias by judges against banks thus providing less security for lenders. Interviewees claimed that in cases of a borrower's default, judges tend to support the borrower by asking the lender to give a chance for the borrower to pay. They pointed out that there are delays of verdicts by judges that could sometimes take one or two years. Financier 1 illustrates:

Banks cannot guarantee their rights and this is related to the government legislation and not the banks' fault. The last solution used by judges in case of borrowers default is to foreclose the property and payback the bank even though it is supposed to be the first

and only solution. Judges base the trials on social perspectives in which evicting households of their homes is not acceptable.

Another issue interviewees talked about was the lack of specialised courts in real estate. Many argued that judges are not informed or do not have expertise in issues, such as property finance as the current judiciary court system includes all cases under one court. The interviewees elaborated on the importance of strongly implementing the new law and the need for creating special real estate courts to protect lenders' rights.

5.6 Theme Four: Management

This theme provides an insight into the state's housing regulatory environment that shapes the outcomes of the housing market and how the private sector interviewees perceive it in either supporting or restricting them in delivering housing. As state management could include a number of broad policy areas that directly or indirectly impact the housing market (Burke, 2012), the discussion under this theme is limited to two state management domains. First, interviewees discussed the impact of the planning system on housing including the planning process and development control measures. Second, several developers who are involved in the Public Private Partnership (PPP) with the Ministry of Housing expressed their views and experiences about the effectiveness of this new government initiative in building low cost housing.

5.6.1 Planning system and housing

Interviewees were asked to discuss the issues they face in the planning system and how it supports or restricts their work. Several issues were raised, especially by developer interviewees, that pertain to the planning process and development controls. First, most developer interviewees discussed the impact of the planning permission processing time on housing. The city-wide municipality is the agency responsible for conducting the planning, monitoring and approval process. There are two stages involved when a developer applies for a planning permit. The first stage is the initial planning assessment process of the proposed development plan that mainly ensures adherence to predefined planning control criteria. The second stage commences after obtaining the preliminary approval where conditions of the approval must be met in the construction phase, such as design specifications and connectivity of infrastructure including electricity, water and sewerage, in order to secure the final planning permission.

According to developer interviewees, the average time of the development assessment for the first stage is usually one to one and a half years and one to two years for the second stage to receive the final approval. Developers described the lengthy process of obtaining planning permits as the main hurdle in the development process. This was also noted by Property Finance Consultant 5 who is the vice chair of the Real Estate Committee at Riyadh Chambers of Commerce stating: “the subject of planning permits is considered to be one of the biggest obstacles the developers face”.

Developer interviewees described their experiences and the reasons for delays in getting their projects approved. A common problem expressed by the developers is that of inadequate communication between the different departments of the municipalities and even from other government and non-government agencies involved. The manual use of communication in the form of postal correspondence (mailing) and the reliance on paper documents between these government departments and service providers could take months and this slow process causes delays in the approval process, according to most developers interviewed. When asked about the challenges perceived in obtaining planning permits, Developer 8 explained:

Government procedures, time creates an obstacle for us where the approval of just the development master plan takes one and a half years. Two-thirds of this time is wasted on correspondence between government departments.

Some developers claimed that the issue of planning delays is caused by the duplication of work. There are many parties involved in the assessment process other than the city municipality. The municipality communicates with other government departments, for example, to verify property ownership with the Ministry of Justice, where this formal procedure takes time and can be repetitive. Developer 2 explained that there is a lack of integration between government departments, such as municipalities and the Ministry of Justice. The absence of a linked electronic cadastre registration system is part of the permit delay problem where duplication of work often happens when proof of property ownership is required:

... [property] registration is still linked to public notary, province principality and municipality of the city, but these [government agencies] are still not linked to one system since it depends on the postal correspondence which is impractical and time consuming. This causes duplication of work where the same file we presented to the municipality needed to be presented again to the public notary after the approval. There should be one linked system between the two [government departments] to verify or issue the deed based on a unified GIS system.

Several developers described the planning permission process as a complex and unorganised procedure. They also expressed dissatisfaction with planners and how their indifference to time can affect the approval process, as Developer 5 explained:

There are many challenges with the municipality and the problem is time. Time for a public servant is not important or let's say not a priority. For a real estate developer time is money and if the procedure is not done on time there will be higher costs incurred by the developer that might lead to losses.

He emphasised that:

Work has to be organised and structured within the Amanah [local planning authority] and the Ministry [of municipality] so that each procedure has a specific timeframe and there is some kind of integrated system ... If the procedures are defined and confined with an exact timeframe this will positively impact the developer to reduce costs by reducing time and helping in providing products in the market leading to higher competition and less scarcity. (Developer 5)

Most of the developers elaborated on their dissatisfaction with the work provided by local planning authorities. Some developers argued that planners (or as developers call them, 'municipal employees') complicate the approval process and do not even follow the regulations sometimes. Some developers mentioned that municipal employees use unnecessarily rigid and formal procedures when reviewing development plans. For instance, there are no immediate forms of negotiations with developers to solve minor issues in the plans, instead there is a lengthy formal correspondence that can take a long time to ask for modifications. Several developers described the local planning authority's employees as unqualified, uncooperative and showing disinterest and negligence in their work. Developer 2 maintained this view as he noted:

Municipal employees complicate the process. There is no high work ethics and I am not talking about all of them but the majority of them. They show disinterest in time and I don't know if some of them have a grudge against developers and investors.

Another significant issue that was highlighted by several developer interviewees was the lack of development coordination in the planning process with utility and service providers, which significantly increases development costs. This issue involves infrastructure charges or development contributions where the local planning authority requires developers to build and connect infrastructure and services to their proposed projects. Hence, developers need to interact with utility and service providers, such as the Saudi Electricity Company, National Water Company and other telecommunication companies. Each of these service providers has certain requirements that developers must follow in order to obtain the final planning approval

as well as fulfilling the requirements of the local planning authority. According to most developers, these utility and service providers pose enormous challenges in the development industry as they follow unclear and unsystematic procedures. Many claimed that service providers (especially the electricity and water companies) take advantage of developers by requiring them to provide work that should in fact be delivered by these providers.

The municipality is supposed to coordinate the development process but what is happening now is that developers are left to deal with service providers by themselves. The issue is that there are no clear requirements by services providers used for developers to state what he is supposed to pay. They all ask for providing extra work, such as building electrical power stations etc. These providers are ruled by monopoly [single service provider] such as the electricity and water companies. Therefore, there is no competition and developers are forced to comply even if it costs them higher prices or engagement in negotiations with these providers that could take years to be resolved. (Developer 2)

Several developers argued that building and connecting infrastructure requires significant amounts of money which contribute to higher housing prices that are ultimately passed onto homebuyers, as Developer 3 explained:

The most important issue for a developer in Saudi Arabia is connecting services to the development site because it is very expensive, and this cost is added to the final product. When we talk about electricity, sewerage and water connection, if there is no main line or power station close to the site, the developer will have to pay very high costs to deliver such services. Developers are responsible for the cost of main power stations and the network, as well as substations inside the subdivision. Similar for the Water company, as we build and connect the water and sewerage network to our site. The Electricity and Water companies particularly benefit directly from the services that we provide free of charge as there is no contribution from them except that they connect us to their nearest main lines. Therefore, the excessive cost will be passed onto the end-user.

The Saudi Electricity Company and the National Water Company enjoy a complete monopoly of services. They are essentially owned by the government (74% of government ownership for the electricity company and full government ownership of the water company) and many developers described their system as riddled with inherited government bureaucracy. Developers added that these companies have an incredible amount of work overload that results in an incapacity to deliver and connect services on time. They argued that the poor cooperation of service providers with developers is the consequence of a municipal coordination shortfall and the absence of other service provider competitors, which ultimately results in delays and extra costs for developers.

However, two of the developer interviewees stated that service providers have a timetable and priorities for connecting their services based on their available resources that many developers neglect to consider when buying land in faraway locations. They added that sometimes these providers cannot connect the scheduled services on time due to their work overload which costs developers more. However, they claimed that some of the developers may choose their project locations in areas that they know will not be connected in the near future.

A developer has to check the location of the land before buying and see what zone of services his land is located in which specify the timeline delivery of services ... Let me be honest, there are many developers who buy land outside the current utility delivery zone and think that they will get exemption in connecting the services to their locations and if it doesn't happen they blame the service providers, and this is a problem we have. I know my developer friends will not be happy about what I am saying but it is true sometimes. (Developer 4)

The majority of developer interviewees argued that the lack of coordination caused by the inadequate role of the city municipality not only impact land and housing prices but also result in a fragmented and inefficient real estate development sector. The implications of having to deal with many government agencies make it difficult for developers to account for their risks as they face lengthy, complicated and unsystematic procedures.

All government and non-government agencies are planning alone without any coordination with each other. Real estate development in Saudi Arabia is outside the control of the developer in that it is possible to enter into a minor issue with the municipality or the electricity company that can hinder our work for months. In some cases, the developer does not have the control over the decision and at the same time he is the one to be blamed. (Developer 8)

Many emphasised that there must be a regulatory authority for the real estate development industry to organise and coordinate the work:

The problem is there is no one authority that developers can deal with that work on coordinating with other agencies and assume responsibility for all those who it deals with. In fact, this subject has a lot of complexities, overlapping of powers and sometimes contradictions between these agencies where developers can get caught in the middle. (Developer 5)

The solution is a real estate regulatory authority to support us as real estate developers in dealing with all relevant stakeholders. The real estate developer is treated as a criminal when dealing with government agencies especially the municipality which to me seems like a way to distract from the corruption they have on their side. (Developer 3)

Another related issue highlighted by several developer interviewees was the on-site development contribution for community services, such as schools, mosques, streets and open

space where the municipality deduct 40% of the developer's land. Developers described the deduction of their land as 'wrong' and 'greedy'. Many explained that the planning law by the royal decree of 1992 states that developers are required to contribute 33% of any land for development to be assigned for community services. However, the High Commission for the Development of Riyadh (HCDR) has recently increased the development contribution for services into a 40% deduction of developers' land in all new developments in Riyadh. Developer 8 suggested that this increase in deductions also contributes to housing unaffordability:

The current 40% deduction is very high. This will be at the expense of the final product where the end-user is the one who will be paying for it, not the developer.

Finally, developer interviewees argued that the current planning control regulations are unsupportive and impact housing affordability. An important control regulation discussed by most developers was the strict control over density. Developers pointed out that medium to high residential density measures that are used to support the optimal use of land is not utilised. In Riyadh, the majority of residential zoned land is permitted at 2.5 stories in height, with a building coverage of 60% (land that is located on major streets, that is streets with 30 metres or more in street width, are allowed a maximum of 4 stories in height). Most of the developers indicated that the maximum density regulations (height restrictions) make it unfeasible to build housing that is affordable for low- and moderate-income segments. Such restrictions on density and vertical expansion pose a challenge for developers, as confirmed by Developer 7:

Land to development ratio is unfair because the price of land is high but a developer is not allowed to build higher than two and a half stories. This is one of the implications of urban planning used by municipalities.

There was widespread agreement between developer interviewees that the municipality of Riyadh follows inflexible and rigid planning control regulations and shows no sign of cooperation with developers. For example, providing flexibility in land subdivision regulations by allowing changes to land use or permitting higher density in return for building low-cost housing is not utilised. Developers claimed that the current planning controls do not allow such flexibility that could be used to encourage more investment in housing. Several argued that planning and development control is a significant factor that contributes to the issue of housing affordability. Most developers expressed their interest in delivering affordable housing units if they are supported by regulations. Developer 10 points out:

We want to target the middle class and low-income people, but we cannot profit from it ... Accessing land that allows the construction of small units is difficult.

Municipalities also don't allow building high stories, and this is unfeasible if I pay 5,000 Riyals per metre [about USD1,300] for land and only get to build two and half stories on it. If the vertical expansion system was allowed it would have been possible to build something appropriate.

Most of the interviewees were in favour of increasing building density yet three of the developers (3, 4 and 8) were against it. These developers shared the view that the capacity of the current infrastructure cannot cope if there is an increase in planning density. Developer 3, for example, argued that the current land subdivision does not support vertical expansion where small and incompatible plot sizes on major streets of the city will make it difficult to build parking for high-density projects where parking is already an existing problem. However, they all agree that there should be reconsideration of the current density control. Some of the interviewees also pointed out that the current low density measures were a major cause of many urban problems, such as urban sprawl, traffic jams and the huge pressure on public expenditure to deliver infrastructure and connect services to the fringes of the city.

5.6.2 Public Private Partnership

In this category, interviewees were asked to discuss their experiences and perspectives about the role of government as represented by the Ministry of Housing (MOH) and its recent PPP in supporting the delivery of affordable housing. Interviews were conducted with two private developers (Developers 1 and 9) who were involved with the PPP to document their experiences. Other developer interviewees also expressed their perspectives on this government initiative.

Interviewees provided descriptions of their past experiences with the MOH since its establishment. As described in Chapter 2 (*Recent changes in housing policy*), the MOH resumed a direct housing delivery approach before changing its position to establish a partnership with the private sector to build 500,000 housing units. Many developer interviewees argued that the MOH was unsuccessful in its early efforts when it assumed the role of a builder by hiring contractors to build housing in many parts of the country. The MOH offered public competitive bidding to build housing units with contracts of SAR500,000 per unit (about USD133,000) as a ceiling amount that could not be exceeded by bidders (construction companies). Developer 9 claimed that most of the contractors who won the projects could not finish them due to limited budget constraints. He expressed his views about the first experience of the MOH:

The Ministry [MOH] dealt with this [building 500,000 housing units] like any other government project by offering it the traditional way which was public bidding for contractors ... after four years the Ministry realised that it failed to deliver and couldn't finish any of its projects till this moment. It failed because it wanted to address the problem by itself ... The Ministry should never be the executor but should be the legislator, organiser and facilitator where it gives the private sector the green light and supports it to do its role.

The majority of developer interviewees supported Developer 9's view that the failure of the MOH in solving the housing problem was a result of taking the wrong position as a provider instead of facilitator and enabler. They claimed that there was a long exclusion of the private sector by the MOH. Many developer interviewees believed that this long exclusion was led by the MOH's minister at the time who was against involving private developers to be part of the solution to the housing problem. Developer 8 points out:

The Ministry of Housing doesn't build now because of its failure in the building experience. We as developers met with the minister more than six times and discussed with him that the government cannot build except in communist countries. Why don't we cooperate as private developers with the Ministry of Housing? He responded with rejection and described us as vampires.

However, the MOH shifted its position by initiating a new public private partnership (PPP) program in 2014 to cooperate with private developers to build low cost housing for citizens. Also, the MOH minister was replaced later that year. The first project of the PPP was planned in Riyadh to build 5000 housing units in the northwest side of Riyadh city on an area of five million sq. metres. The MOH contracted a major construction company to build the infrastructure for the site.

Developer 9 was one of the five companies that joined this new PPP project with the MOH. He explained that the MOH assigned part of the project (about 1300 units) as multi-storey residential apartment blocks to be built by developers as a start to test the PPP program's success. Land was provided by the MOH to developers at no cost and developers were required to build housing units for an amount of no more than USD133,000 for each unit in their proposals. Forty-five development companies were initially interested in competing for these contracts, however, 32 withdrew after reviewing the strict proposal requirements. Several developers argued that the new PPP is not attractive for them.

The Ministry of Housing changed its direction but they still have to think out of the box. What is the desired type of partnership? We went and saw the current partnership requirements. It still doesn't make sense. This partnership is not feasible for us and if it's unviable for private developers then they wouldn't enter it. They [MOH] need to know how to attract the private sector to help, not to push us away. (Developer 4)

Let me put it this way, the partnership with the Ministry of Housing does not make an opportunity for us because any partnership depends ultimately on profitability and we do not see this one as profitable. The Ministry says we give the land to developers for free, but this does not mean that the SAR500,000 [USD133,000] is enough to build and make a profit. (Developer 3)

Only five development companies agreed to enter the PPP with the MOH including Developers 1 and 9. Both developers elaborated on their experiences working with the MOH for this PPP project. The two developers explained similar views that their motivation to enter the PPP with the MOH was to participate in solving the housing problem in the city as well as making a profit. They stated that after signing with the MOH, the number of units assigned to them was sharply reduced due to some dispute in the project's land allocation between the MOH and a third party that affected their potential profitability. Developers 1 and 9 showed both similarities and differences in their experiences and perspectives about the PPP with the MOH. On one hand, Developer 9 was not happy with the experience he had with the PPP program, as he stated:

We lived the first experience with the Ministry [MOH] and we found that the partnership of the private sector with the ministry was not encouraging to attract a lot of investors ... we as a real estate development company have taken the decision not to enter with the ministry again in any future projects as long as things are going the current way.

Developer 9 described the PPP initiative by the MOH as “timid, cold and slow”. He argued that the requirements of the proposal were excessive, unrealistic and unattractive to the private sector. He stated that the amount of SAR500,000 (USD133,000) for each unit is not feasible to build to meet the MOH requirements. He pointed out several of these requirements including: (i) design standards, such as the minimum unit area of 180 sq. metres with a certain number of rooms; (ii) the strict and tight project timeline of 20 months for implementation and final delivery; and (iii) excessive maintenance and security requirements for 10 years after units were sold. Further to these already difficult conditions, were issues with the payment schedule that forced developers to run into negative cash flow during the construction period resulting in the use of the developer's own capital or seeking additional finance. He also added that the MOH excessively intervened with their work during the early construction phase and argued that the MOH showed a lack of trust as opposed to engaging in a mutual partnership. Developer 9 claimed that the MOH did not provide any support for developers in its PPP program:

The Ministry [MOH] did not facilitate its requirements for developers and did not provide support for developers in other matters. The ministry did not provide support in coordinating with other agencies to give tax exemptions on imported building

materials, by facilitating foreign labour visas processes, or helping in accessing finance from banks. The ministry did not provide any support but on the contrary only imposition and frustration.

On the other hand, Developer 1 was less critical of the PPP program and the role of the MOH in working with developers. He believed that the PPP had some issues as did any other government initiatives. Yet, he found that the work of MOH was “well organised and supported by expertise”. When asked about the possibility of future cooperation with the MOH in entering new PPP projects he indicated:

We look forward to working with them again if it is possible to negotiate terms and requirements ... We are always in a dialogue with them and always welcome their invitations because it seems that there are other projects offered on the table. We would look at each project on its own merit. (Developer 1)

However, Developer 1 admitted that the PPP program needed improvement to serve its purpose. He agreed with Developer 9 that some of the MOH’s requirements pose difficulties for developers, such as the tight timeline for construction and the added cost of funding incurred by the developer. Developer 1 also noted that the MOH’s insufficient contract budget assigned per unit and the high building and design specifications made it unfeasible for developers to participate in this PPP. He explains:

Let me be honest with you, we will not make a single penny as profit in the sale. We are going into a loss. We didn’t know about this when we entered. It came later, while we were finalising. We decided that if we can breakeven that will be great.

Besides the MOH proposal requirements and the profitability issue, Developer 1 believes that there are fundamental issues with the PPP initiative and that one of these is the wrong choice of the project location. He argued that the MOH’s plan to build low cost housing in a faraway location from the city centre is not economical; and that the significant cost incurred by the government to build and connect infrastructure and services to the project location is illogical. He explains:

Let me tell you frankly about my issue with this, Riyadh has a large amount of land but they [MOH] chose to build residential apartments that are 50 kilometres from the city centre. Isn’t it silly? How much was the potential cost allocated and incurred by the government to house each household in that location? It would’ve been much better if they built it in a location closer to the city centre where the cost of connecting infrastructure is very much less than the cost of the current project location. The cost incurred by the government to build one housing unit is between one to one and a half million including [500,000 for the PPP’s contract] infrastructure connection and running cost. (Developer 1)

Developer 1 mentioned other issues of concern with the current PPP program. He argued that the MOH was limiting its vision by just focusing on one type of PPP. He believed that they should look into other models of partnerships that are used in other countries, such as social rental housing for low-income people. He also criticised the MOH's focus on just delivering housing units through its PPP without thinking about the social outcomes. He claimed that this PPP would have social problems in the future as it would create a segregated community that might result in future problems, such as crimes.

I think the issue is not about delivering units. It is about the outcomes and how it will benefit the community. One of these things is crowding low-income people in a contained territory creating ghettos in the middle of the desert. It is not clever to build housing units how they did it. The success is in creating proper communities and this is what they should look at. It's not savvy that the minister of housing appears on media and says we built one thousand housing units. (Developer 1)

Developer 9 concluded that the Ministry of Housing must change its current housing policy framework in order to achieve better housing delivery.

There has to be a special path for housing in general in this country that functions outside the current government laws and frameworks with its own rules and regulations. If housing was put under the umbrella of the existing rules and regulations, it would fail before it begins.

From the perspective of the private developers, the PPP is not achieving the goals as proposed by the MOH.

5.7 Conclusion

The analysis of the interviews presented in this chapter uncovered critical issues in the social interactions of market actors within the context of market operations in the housing system. A thematic coding procedure was undertaken to frame the analysis and interpret the collected data in meaningful and insightful ways. Following several steps of coding, four analytical themes were derived from this study's conceptual framework to provide a deeper understanding and interpretation of the information revealed in the major categories.

The first theme, *production*, covered issues with land assembly including access, prices and legal issues as well as access to finance for producers and market production issues and trends. First, the findings in this theme showed that there are difficulties in accessing land for housing development mainly caused by land hoarding in which scarcity of land coupled with high demand have contributed to increases in land prices. Second, the results showed that weaknesses in the property registration system created high levels of uncertainty which

negatively impacted trust in the market. Third, while most developers did not have a problem in accessing finance, there was widespread agreement that accessing finance for producers is still an issue. Finally, the results revealed that several factors have contributed to the challenge of delivering affordable housing, most notably a lack of suitable housing mix choices in the market.

The second theme, *consumption*, outlined the challenges faced in the culture of housing consumption and how it affects the production of housing. The findings suggest that the culture of households' preferences has resulted in a mismatch between desirability and affordability that further complicates access to housing. The third theme, *exchange*, discussed housing finance and regulatory issues in lending and borrowing. The results showed that although the introduction of mortgage laws have positively contributed to regulating the housing finance market, several issues, such as high down payments and the enforcement of lenders' protection laws, may still pose a challenge for the industry.

Finally, the fourth theme *management* discussed the impact of the planning system on housing supply and prices as well as the efficiency of PPPs from the private sector perspective. In terms of planning and housing, the results revealed that several important issues, such as planning delays, uncertain infrastructure charges, high on-site development contributions and stringent density controls, hinder private developers from delivering affordable housing. In addition, developer interviewees perceived the role of the MOH as inadequate in addressing housing issues in Riyadh. The results showed that developers view the PPP initiative as financially unattractive and consider that it may not provide a viable solution due to a range of issues including its strict proposal requirements.

As private market actors have conveyed their perceptions on the housing system issues faced in delivering housing, particularly for low- and moderate-income segments, the findings showed that significant claims were made under the theme *management*. As this is worthy of further investigation, the next chapter will present in depth the issues discussed in the planning system and housing policies.

CHAPTER SIX

Government Actors' Perceptions of Planning and Housing Regulatory Framework

6.1 Introduction

The analysis of Stage 1 described in the previous chapter paid attention to the broader housing system issues and how the market operates in Riyadh from the private sector perspective. The interaction between market actors and the existing housing regulatory framework unfolded in the analysis helped identify the most problematic issues that hinder housing producers from delivering affordable housing in Riyadh. As housing is a complex and multifaceted discipline, addressing the whole housing system (as identified in the Stage 1 analysis) in any greater detail is an enormous task and beyond the scope of this research due to the limited timeframe and resources available. Hence, this researcher, bounded by time and resource limitations, decided to further investigate the most pressing and complicated issues revealed in the Stage 1 analysis. As most of the issues raised by participants are deemed important, some are straightforward and could be dealt with immediately with procedural actions, such as land titling and proof of ownership. Other issues found in the analysis are perhaps more complicated and unlikely to be resolved with a single change. Such issues are not only limited to the Saudi housing system but also still exist in mature housing systems, such as in Australia and the United Kingdom.

Based on the analysis of the first stage in Chapter 5, the planning system and government intervention in housing in the form of the Public Private Partnership (PPP) are two areas of significance further investigated in Stage 2 that will be presented in this chapter. First, there is tension between developers and the planning regulatory environment, as most developer interviewees perceive government regulatory control, namely the planning process and development controls, as an obstacle to the production of housing, particularly affordable housing. Planning permission delays, strict development control measures and the weak coordination between government agencies were some of the main issues raised by developers. The second significant problematic area identified in the Stage 1 analysis is the Public Private Partnership (PPP) program by the Ministry of Housing (MOH). Developer interviewees described the government response to the market failure in the form of PPP as an inadequate and unattractive response to engage the private sector. They showed discontent with the role

played by the MOH as a state agent in enabling the market to function effectively as many argued the requirements of the PPP were excessive and unrealistic.

This chapter examines the impact of planning and development controls on housing as well as the role of the state housing agency in enabling private developers to deliver affordable housing through direct and indirect intervention. The results presented in this chapter are based on 10 semi-structured interviews conducted with key government stakeholders who are involved professionally in planning and housing in Riyadh. Six planners were interviewed comprising three national level planners (Planner 2, Planner 3 and Planner 4) from the Ministry of Municipal and Rural Affairs (MOMRA) and three state and city level planners (Planner 5 and Planner 6) from the Riyadh Municipality (Amanah) and one from the High Commission for Development of Riyadh (HCDR) (Planner 1). In addition, four housing officials from the Ministry of Housing who are involved in the PPP program were also interviewed. The analysis follows two main themes derived from this study's conceptual framework where government actors' perspectives and views on issues raised by the private developers in the previous chapter are uncovered.

6.2 Thematic analysis of planners and housing officials' interviews

Interviews of this second stage were designed based on issues in the planning system and the PPP identified by private actor participants in the first stage analysis as well as on recent reforms in the housing system that took place after Stage 1 was conducted. The interviews were divided into two sets of topics and questions, one targeting planners and the second targeting housing officials. Planners' interviews consisted mainly of topics relating to the planning process, planning policies and strategies, as well as the newly emerging planning deregulatory reforms that were introduced just before the fieldwork for this stage was undertaken. On the other hand, housing official interviews focused on probing the issues of the PPP model and its requirements in addition to other related interventions used by the MOH to stimulate the housing market. Both sets of topics and questions were designed to explore and examine participants' views on the issues raised considering the past, present and future. A thematic data analysis was employed in this second stage following the systematic step-by-step data coding procedure suggested by Green et al (2007) as described in Chapter 4. The method of analysis is briefly described below.

The data collected and analysed for Stage 2 was based on investigating the issues of the two management domains of the state: (i) the planning system's impact on housing; and (ii) the

government’s intervention in the housing market. The coding process of forming categories and identifying patterns resulted in, initially, 14 categories containing prefigured categories (issues that were raised by private market actors) and new emerging categories (issues that relate to recent MOH intervention). These categories were then revisited later in the process to form categories that share similarities with each other resulting in four major categories. These major categories were: (i) planning process; (ii) planning polices/strategies; (iii) Public Private Partnership; and (iv) related government initiatives. The first three major categories contain several sub-categories (Table 6.1).

Table 6.1: Themes and Categories for Stage 2 Analysis

Analytical Themes	Categories
Theme 1: Market Regulation	<ol style="list-style-type: none"> 1. Planning process <ul style="list-style-type: none"> • Time and procedure • Coordination • Roles and responsibilities 2. Planning policies/strategies <ul style="list-style-type: none"> • Development control • Development contribution • Planning incentives
Theme 2: Market Stimulation	<ol style="list-style-type: none"> 3. Public Private Partnership <ul style="list-style-type: none"> • Direct intervention • Indirect intervention 4. Related government initiatives

Following the formation of categories, the final step in analysing the data was the identification of themes. This step entailed moving towards a more analytical and theoretical conceptualisation. To be able to do that, this researcher sought a framework that broadly examines the state-market relations in housing that can be applicable to the formed categories as well as to other contexts. The focus was on the broader perspectives of how the states’ regulatory environment could affect market actors in producing affordable housing. Categories formulated in the analysis showed comparable patterns with the work of Tiesdell and Allmendinger (2005), Adams (2008), and Adams and Tiesdell (2013), which was integrated and synthesised in this study’s conceptual framework. The theoretical concept in these scholarly works revolves around the broad state’s policy interventions in land and property

markets which classifies them into four types: market shaping, market regulation, market stimulation and capacity building (Table 6.2). According to Tiesdell and Allmendinger (2005): “Each type is characterised by how it is *intended* to affect the decision environment of market actors” (p. 63).

Table 6.2: *Broad Types of Policy Intervention in Land and Property Markets*

Policy type	Purpose	Examples
Market ‘shaping’	To shape the context within which market actions and transactions occur	Statutory development plans Transport investment plans Code for sustainable homes
Market ‘regulation’	To regulate or control market actions and transactions, ensuring some consideration of externalities and the public interest	Development control/management Building regulations Restrictive covenants attached to sales of public sector land
Market ‘stimulation’	To make the market work better, by having a direct impact on financial appraisals	Land assembly and release Grants or tax breaks to encourage more desirable activity or taxes to discourage undesirable activity
‘Capacity building’	To build capacity of state and/or market operators	Encouraging public–private development partnerships Promoting skills for sustainable communities

Source: Adams (2008, p. 4572)

Examining the role of the state in enabling the market to deliver affordable housing is a central focus of this thesis, thus two of these state’s policy interventions that share similarities with the created categories were utilised in this step of the analysis as broad themes. The chosen analytical themes are market regulation and market stimulation. These two themes allow the exploration and explanation of the degree and balance used by the state that seek to regulate (restrict) and/or stimulate (facilitate) the market. In the context of this study, market regulation is utilised as a theme to assess the impact of the planning system on the production of affordable housing in Riyadh; whereas market stimulation is adopted to examine the recent shift in the state’s role in facilitating and enabling the work of market actors. The other two themes (market shaping and capacity building) were not applicable to the data collected in this stage. The results of the Stage 2 analysis are discussed in more detail in the following sections.

6.3 Theme One: Market Regulation

Market regulations are generally imposed by the state seeking to regulate and control market activities. Planning consent processes, development controls and zoning ordinances are types of market regulation affecting the decisions of market actors by “restricting the set of choices available” to them (Tiesdell & Allmendinger, 2005, p. 67). The aim of market regulation is to supervise the development process and the changes it produces to the built environment acting as a form of intervention that protects the public interest.

The focus of market regulation is on compelling, managing or eradicating certain activities or aspects of those activities. It thus limits individual actor scope for autonomous action, on the basis that collective gains more than outweigh any individual losses. (Adams & Tiesdell, 2013, p. 266)

This theme examines the impact of market regulation namely the planning system, on the production of affordable housing in Riyadh. In the first stage of this study, developers argued that issues and obstacles in the planning system affect their ability to deliver viable low-cost housing. Therefore, the impact of planning actions on housing production is investigated from planners’ perspectives. This theme focuses on two main categories: (i) the planning process including issues with planning delays and roles and responsibilities; (ii) planning policies and strategies which investigate development control issues including the use of density measures and the extraction of development contributions from developers. It is important to indicate that this theme focuses on the microeconomic impacts of the planning system on the housing market in the city of Riyadh and not on the broad impact of spatial planning on the country’s overall housing performance.

6.3.1 Planning process

This category examines the issues raised by private developers in the planning process. Generally, these issues pertain to the process of obtaining planning permission. Planning delays; clarity of the planning, monitoring and approval process; coordination between planning authorities and other stakeholders involved in housing; and the distinct roles and responsibilities of national, state and local planning authorities are discussed. Ball (2011) argued that the planning process could greatly affect housing production:

Developers’ desires to build can be severely dented when faced with slow, expensive and uncertain processes involved in a planning authority deciding whether a proposed development meets prescribed rules. Such planning delay can deter development as effectively as any outright ban. (pp. 349-350)

The impact of the planning process on private developers attempting to produce affordable housing is investigated in this section from state agents' perspectives. Planners and housing officials were asked to respond and elaborate on their perceptions, experiences and opinions about issues and claims raised by developers in the first stage analysis.

6.3.1.1 Time and procedure

Private developers asserted that the time taken by the planning authority to grant consent is the most problematic issue they face when lodging a development proposal. This claim was reinforced by the government in its recent *National Transformation Program* (NTP) (KSA, 2016a) document showed that the average time to approve and license new residential development projects is 730 days. Taking these government statistics into account, planners were asked if they see the planning permission process as slow and, if so, the reasons behind it.

All the six planner interviewees agreed that the time taken for the planning, monitoring and approval process was very slow in the past. They provided several reasons based on their experiences that attributed to this planning delay. First, the majority claimed that one of the main reasons behind this delay is not because of the planning process itself. Many explained that the proof of land ownership by government public notaries slows the process of granting permission.

Let's be clear, there were delays in the past, but the planning procedure was not the problem based on my experience as a member of the planning permission committee for fifteen years. The delay was to ensure the properness and clarity of the land title, as we were not to deal with development proposals until we make sure that the property ownership is correct. This has caused implications for us, but again there was no planning delay from our side. (Planner 6)

The first step a development proposal must comply with when applying for permission is to prove the correctness of the land title and the time starts to count once the application is submitted to the planning authority. The problem mentioned by many planners is the involvement of other government bodies in this process. Planning authorities send the deed (the land title) to a public notary to examine its correctness. Ensuring the clarity of titles is a crucial step to avoid issues, such as forgery, boundary disputes and encumbrances. However, according to the planners, this procedure adds considerable time to the planning evaluation process.

Some planners, on the other hand, explained that there are planning related reasons that contribute to the permission delays. The planning authority assigns committees (juries) to evaluate development proposals. These usually consist of a mixed panel of professionals and academics. Developers must present their proposals and satisfy all the notes and amendments made by the panel. In the past, there was no limit to how many times a developer had to present and show the amendments to the jury. The process of evaluating planning and design concepts can be complex and time consuming as Planner 2 noted:

Once we finish with the issues of land title and surveying with their legal and technical procedures, we begin with the issue of conceptual planning as there was no clear system in approving land subdivision. For example, a developer goes back and forth between the planner in charge and his manager. There are committees [juries] at Riyadh Municipality which are in fact very stubborn and try to impose on developers certain planning concepts. Developers present their planning and design ideas to the committee to evaluate it. This caused delays in many projects and I agree that there was a large defect in the planning process in the past.

Planners indicated that developers sometimes could take part in the planning delay as well. Planners described developers as driven by self-interest seeking maximum marketability and profitability of their projects. This sometimes causes planning permit delays as developers seek to maximise their profit by trying to manipulate the control requirements. Examples include allocating more streets of certain widths (30 metres) to allow more commercial or mixed land use in their land subdivision designs (commercial land often has higher selling prices), not following certain designs to implement traffic safety, or even rejecting the compulsory development contribution. Not only planners commented on this issue, Housing Official 2 stated:

When a developer proposes a development idea that he views as financially feasible and then the municipality comes and asks him to amend it, the developer sometimes rejects the amendments ... you find that the developer procrastinates and tries to find a personal connection to help him or he returns and tries to convince them [the planning authority]. So, the period is extended, the process becomes aimless and no one benefits.

Another issue related to time raised by private developers is the use of manual communication by the planning authority arguing that it contributes to planning delays. Planners were asked to provide their views on this issue focusing on time. Some thought it was not a significant factor causing delays and others thought it was affecting the permission time to some extent. However, during the period of conducting the second stage interviews, the government introduced a new electronic fast track licensing system for lodging development proposal

applications to accelerate the planning permission process (this is discussed under Theme Two).

When asked about their perspectives of the planning procedure, planners had different points of view. Some of the key issues discussed were the clarity and flexibility of the planning process. Developers argued that the planning permission process is 'complex, unorganised and inflexible'. The majority of planner interviewees, especially those involved in the planning, monitoring and approval process, rejected the developers' claim. These planners explained that the permit process is organised and follow clear development control requirements.

Each [developer] is entitled to his opinion and we respect that, but the planning process has clear standards and controls measures that are linked to the city's strategic master plan which cannot be bypassed. (Planner 6)

Some planners went further explaining that the problem is not in the planning process but in the private development industry that is driven by profit maximisation and financial gain objectives, as Planner 4 indicated:

The process is well defined and follows the city's master plan. Developers have certain powers that they want to change everything according to their interests.

However, Planner 3 disagreed with the above remarks by planners explaining that there was some ambiguity in the planning process mainly caused by the lack of a unified planning act:

I agree that the current process is unclear. That is why the government now is in the process of revising the National Urban Strategy and establishing a new planning act, we admit the problem ... in Saudi there is no planning act but regulations here and there... even these regulations are not clear and open to interpretation.

Planner 2 provided an elaborate explanation about the issues of clarity and flexibility of the planning process. He argued that the issue revolves around the complexity of amending planning schemes in the existing development control measures. When asked about his agreeing or disagreeing that the current planning requirements for granting development approval are inflexible and hinder the production of housing, he stated:

I partially agree. Usually a developer chooses a certain location in the city and proposes changes to its existing building regulations. For example, when a developer proposes changes to the grid design [the typical design of land subdivision in Riyadh], building heights and size of plots areas in his design to achieve certain ideas he has, then he is violating the existing system. Each of these changes has separate regulations and changing them is not under the authority of the municipality. He must submit a request for amendments to the High Commission for Development of Riyadh for exemption consideration.

I am talking about the past because the situation has now changed because the Ministry of Housing adopted new ideas. But in the past, the process of applying for a planning permit was not clear and complex and I am frankly speaking here because we are talking about changing building regulations.

The issue of flexible development control regulations has been recently addressed by the Ministry of Housing as indicated by the planner's commentary above as part of deregulatory incentives to stimulate the market. This is discussed in more detail under the theme market stimulation.

Another flexibility issue in the planning process raised by developers relates to the rigidity and formality used by planners in reviewing development plans. Developers claimed that planners do not use any form of negotiation to resolve minor issues, instead they unnecessarily complicate the process. Some planners disagreed with this claim explaining that there is a planning procedure put in place that must be followed. Planner 4 indicated that there are negotiations that take place between the municipality and the developer to discuss proposed designs and solve issues. These negotiations between the planning monitoring unit and developers are done under the supervision of the MOMRA. However, Planner 2 argued that the rigidity and formality problems stem from the bureaucratic administrative system itself:

We can't blame planners; it's the administrative system that is used not just planners as they work within the system. The administrative system doesn't care about cost where time costs money ... The system was run by a non-professional mentality that rejects the use of emails for example. That mentality was purely bureaucratic... I agree that in the past the existing system was bad and we are not talking about a planner or a planning unit but the whole system, which didn't provide flexibility and didn't serve the development process... of course these issues were in the past but now the situation has changed for the better.

Most planner interviewees believe that the planning process had issues in the past but there have been many improvements in the past four years and most of these issues are now dealt with:

The situation has changed a lot and there are great improvements. We sought development and improvement because we know that in the past there was bureaucracy and there was delay and there were weaknesses in the cadres. Now most of these problems have been avoided, but to be clear we are not saying everything is a hundred percent now. (Planner 6)

6.3.1.2 Coordination

One of the issues raised by private developers was the lack of coordination and integration between different government agencies involved in the planning and development process.

First, developers argued that verifying land ownership is a duplicated procedure that is conducted by both public notaries and the municipality causing a slow planning permission process. Planners were asked about their perspectives on this issue of coordination and integration. Some planners indicated that the procedure of proofing land titles has some issues, particularly when the public notaries verify and register the paper deed and check its content and then the municipality verifies the deed's detail on the ground to check for accuracy. This process could be problematic as outlined below:

Yes, there are duplications between government agencies because there is no proper data platform to know where the problem is. Land title is a serious issue in Saudi Arabia. Strangely, the Ministry of Justice is the agency responsible for issuing deeds where in the rest of the world it is managed by a department called Land and Survey. That's why many private land parcels are not linked to a GIS system. The Ministry of Municipality has a huge project to register all properties to the system. (Planner 3)

Planner 2 added:

We, as a ministry, do not only care about the correctness of the paper deed but we are interested in its basis on the ground. That's why there is a work conflict between these government agencies. This existing issue wouldn't have happened if deeds were not issued in the first place until it's checked if they have locations on the ground (Planner 2).

A second issue planners were asked to discuss is related to the off-site infrastructure charges. Many developer interviewees indicated that there is a lack of development coordination caused by an inadequate role of the city municipality. For example, developers argued that service providers sometimes do not have the capacity to connect their services in some locations that were already granted planning approval, which causes delays and extra costs incurred by developers. However, most planners demonstrated that the recently updated regulation of Urban Growth Boundaries (UGB) defines the requirements of connecting infrastructure and services. The main goal of this regulation is to "control urban expansion and to prevent urban sprawl in outskirts of cities without adequate urban infrastructure instalments" (MOMRA, 2016. p.23). In regard to infrastructure and services delivery, the UGB classifies the city into phases of development each specifying the party responsible for linking services depending on the location of the development (i.e. phase 2014, phase 2019 and phase 2028). Some planners mentioned that the municipality now does not grant development permission to a location that cannot be linked to services. Planner 4 asserted that the responsibility of connecting services is clear and stated in the regulation:

Urban boundaries regulation determines the developer's location based on its development phase. For example, the electricity company is bounded to connect its

service to locations in the phase 2019 whereas locations in the phase 2028 the developer is required to connect the service to the site according to the executive regulations. It is not left to the developer or the municipality or the electricity company to decide but the regulation sets the rules.

Planner 1 suggested that it is the developers' issue:

The process is clear but there is some misunderstanding from developers as some say why is the service connected to that developer's location and not mine. They don't know that it is subject to regulations that they are not aware of.

Planner 2 explained that there was indeed lack of development coordination affecting developers in the past, but this issue has been resolved:

The problem is that there was no coordination between government departments. The municipality grants the planning consent but in reality we are not responsible for it. We give a preliminary planning approval on paper and the developer must deal with another world of coordination. Problems are mainly with service providers. When developers are in the construction phase and need to connect electricity, for example, to obtain the final planning approval the electricity company requires developers to connect the lines to their location from the nearest point, which sometimes can be 5 or 10 kilometres away from the location. So who is responsible for this? Sometimes this may cost millions and connection for the project is completely disrupted ... This was true in the past, but now with the new fast track licensing system in 60 days all of these things of electricity, water and sewerage connections are presented and clear before applying for the planning permit.

More detail about the new legislation for fast track licensing is presented under the theme market stimulation.

6.3.1.3 Roles and responsibilities

The planning system framework in Saudi Arabia involves several layers of roles and responsibilities at the national, regional and local levels (see Chapter 2 for more detail). To provide a clear understanding of the interviewees' comments in this section, the levels and agencies involved in Riyadh's urban planning system are briefly described. These are as follows: the Ministry of Municipal and Rural affairs (MOMRA) (national level); Riyadh Municipality (Amanah) (regional/city level); the High Commission for the Development of Riyadh (HCDR) (city level); and the sub-municipalities (Baladyah) (local/district level).

Planner interviewees were asked to provide their views on the different roles and responsibilities of the planning agencies in Riyadh based on issues identified in the first stage analysis as well as in the literature. An important issue was the role of local planning authorities in the planning process. As outlined in Chapter 2, the planning process in Saudi Arabia can be

described as a top-down decision-making process (Mubarak, 1992). “In major Saudi cities, municipal decentralisation has amounted to mere peripheral sub municipalities with very limited powers, while major decision-making rests with the central municipality” (Mubarak, 2004, p. 574). Planners were asked to describe the roles of local planning authorities (sub-municipalities) in supporting housing production. Planner 6 discussed:

Planner: Sub-municipalities only have a supervisory role by applying regulations and they have nothing to do with planning subjects.

Interviewer: Do you think this is appropriate?

Planner: Of course, because it limits the dispersion of decision-making and the application of planning regulations.

Planner 5 argued that sub-municipalities and the Amanah represent one planning authority, where the Amanah evaluates and approves planning and development projects; and sub-municipalities supervise the work and issue building licences. Yet Planner 3, when asked about the liaison process of connecting services to approved projects, believes that the roles and responsibilities undertaken by the Amanah and its local sub-municipalities in leading the development process are limited:

Municipalities, or what they call local governments in countries such as the U.S. and Australia, are responsible for every use and service in their territory, such as water, electricity, roads, sewerage, schools and hospitals etc. Whereas here, they are responsible for limited services, such as sewerage, water, and cleaning. Therefore, the mandate of municipalities needs to be revised again to be in charge of every use. (Planner 3)

Although sub-municipalities have better knowledge in identifying their local needs than the city wide Amanah or HCDR, they do not have the authority to utilise planning mechanisms to promote these needs, such as the production of affordable housing. Planner 3 explained the reason behind this limited role of local planning authorities (sub-municipalities):

Amanah and sub-municipalities have theoretically full autonomy to the extent that their budgets are directly discussed with the Ministry of Finance. But, in the planning process, sub-municipalities are required to submit to the Amanah for approval. So far, the Ministry [MOMRA] does not feel that there is maturity in the capacities of sub-municipalities ... When I refer to capacity I mean human resources capacity and the institutional capacity of these sub-municipalities. Their institutional capacity as well as technical capacity is weak.

He also outlined that MOMRA is aware of the issues relating to the roles and responsibilities of planning agencies:

The planning system is being developed and has been reviewed. The government has realised what the problems are and I think once the roles and powers are clear between the different parties there will be no problem ... The new Planning Act will address these issues of powers.

Issues of roles, authority and power are not only limited to the local planning level in Riyadh but also expand to the higher levels of planning. Coordinating the planning process between MOMRA at the national level and Riyadh Municipality at the city level appears to be problematic according to some participants. Planner 2 who is representing the national planning level illustrated that Riyadh Municipality (Amanah) has gained a special power that is politically derived. This power or authority implicates its commitment to follow national planning strategies and guidelines:

Because of the large size of Riyadh city, the previous governor of Riyadh [the current King] wanted to reduce the burden on the Ministry of Municipality by giving the Amanah independent authority. Although it [Amanah] still functions under the umbrella of the Ministry [MOMRA], the Ministry cannot impose on the Amanah regulations related to subjects, such as densities. Thus, there are some implications. There are many issues between the Ministry and Amanah including the huge urban sprawl of the city that is unreasonable for us ... We disagree with them in some of their existing regulations. (Planner 2)

Planner 5 from Riyadh Municipality argued that the Municipality (Amanah) works in coordination with the High Commission for the Development of Riyadh (HCDR) to promote policies and regulations that are suitable for the city's needs. He explained that Riyadh Municipality is an executive body that implements regulations based on the city comprehensive master plan (structure plan) produced by the HCDR:

Planner: The High Commission is the responsible body for preparing the city strategic plan including land use regulations and the city's urban trends and it is a partner with Amanah.

Interviewer: Is there any independence in authority between the Amanah and the Ministry of Municipality?

Planner: There is a linkage with them as a regulatory body, but internally, regulation amendments are conducted through the High Commission and then presented to the Ministry ... Riyadh is largely managed by the Amanah and the High Commission follows the Amanah.

The issues of roles and responsibilities indicated above were also discussed by some housing official interviewees. Housing Official 1 asserted that these issues between planning agencies have an impact on the housing provision arguing that the limited role in promoting housing development played by these agencies in the past called for an intervention.

Housing Official 1: There are related political matters. The Deputy Ministry for Town Planning at the Ministry of Municipality has no authority on the Amanah. The Amanah changes its building regulations then informs the Ministry. There are authority and power issues between the two, which has been exacerbated throughout the years.

Interviewer: Is this why the Ministry of Housing decided to intervene in some planning legislations?

Housing Official 1: Frankly speaking, yes, this is one of the reasons because the Ministry of Municipality did not really serve housing. Private developers could take one and a half years to get their projects approved at the Amanah ... In the past, Amanah was an obstacle to housing if we are to speak openly. There is bureaucracy, delay and disinterest ... Amanah does not act as a partner with developers in the development process.

The stance taken by the Ministry of Housing intervening in planning regulation is discussed in more detail under the theme market stimulation.

6.3.2 Planning policies and strategies

This category discusses the planning policies and strategies used to regulate and control the market in Riyadh. It focuses on aspects concerning development control measures, development contributions and planning incentives. The use of development controls has a corresponding impact on the housing market. Tiesdell and Allmendinger (2005) point out that certain land development rights are obtained by the granting of planning consent. However, existing detailed development control measures and zoning ordinances can constrain the application of development rights pertaining to the range of land uses, building heights and land coverage within the zone. Another market regulation instrument discussed under this category is development contributions which are described as an additional benefit used by planning authorities as a requirement or an incentive for regulatory approval (Adams & Tiesdell, 2013). In the context of this study, certain planning policy issues identified in the Stage 1 analysis (Chapter 5) that affect private developers in delivering affordable housing are discussed. These include: density measures, development contribution requirements and the existing planning incentives to produce housing.

6.3.2.1 Development control restrictions

This section focuses particularly on density control restrictions and their impact on housing. Riyadh can be described as a low density city (see Chapter 2 – *Planning and housing in Riyadh*) with infrequent tall buildings that were constructed under special exemptions from the FAR regulations (Floor to Area Ratio). Planner interviewees were asked about the reasons behind

the application of low density development control measures. The majority discussed the relationship between low density and the capacities of infrastructure and services. Many planners indicated that areas in the city that are already developed could not bear an increase in densities because of the limited capacity of the existing infrastructure and services. Planner 1 stated:

Service provider companies, such as water and electricity, are not able to expand their services in developed areas. They need space to build stations for expansion and this is problematic. Other than water and electricity, there is pressure on community services, such as schools and health centres. Most developed neighbourhoods cannot afford an increase in the density.

Some planner interviewees were against increasing densities in the city and think the density measures that are currently used are suitable. Planner 6 argued that the current residential density measures are fair and achieve their goals. When asked if he supports the promotion of medium to high-density measures to increase housing production, he answered negatively, and explained:

The city is about to explode. Developers may wish to increase the density of their projects but these densities are linked to services and if the density increases, services must be increased too. Will developers agree to an increase in density in return for extra services? Developers will not agree because the current deduction of a developer's land for services is 40% and if we increase the density the deduction will be higher. (Planner 6)

Planner 1 has another justification for the current density measures stating:

The city is designed to be a car-oriented city. The original trend is based on low residential densities of detached houses of two and a half storeys in height.

Planners 2 and 3, on the other hand, asserted that the low density measures used in Riyadh are inefficient and cause several problems. They argued that poor planning and development control policies promoted by the High Commission for the Development of Riyadh and Riyadh Municipality have resulted in issues, such as urban sprawl, which is unsustainable and costly:

I think the horizontal expansion implemented by local planning agencies is wrong and costly. They argue that Saudi is vast and we have plenty of land so why would we smother ourselves in apartment units etc ... The global trend in urban planning is towards compact cities, but why do we have a horizontal system? Blame it on the planning system that allows more horizontal expansion than vertical. (Planner 3)

Planner 2 explained that, unlike Riyadh other cities in Saudi Arabia allow higher densities following national regulations and guidelines provided by the Ministry of Municipal and Rural

Affairs (MOMRA). He claimed that the independence of local planning authorities in Riyadh coupled with poor policies are causing urban sprawl and other issues:

There is a gap and many issues between us [MOMRA] and Riyadh Municipality. The municipality has a backward way of thinking when it comes to issues of the distribution of densities and they still insist on it. Those who live in Riyadh suffer from long commutes as the city size is 90 by 70 kilometres and this is illogical with a population of 6 million. Riyadh is not affiliated to the Ministry of Municipality but to the High Commission for the Development of Riyadh. The High Commission promotes low densities and conducts its studies based on that. They have a certain view that says the infrastructure cannot bear any increase ... The municipality must control the development and the infrastructure which follows according to the municipality's plans but not get restricted by the infrastructure. The infrastructure should be upgraded according to the city's vision. What happened in Riyadh is that they didn't increase the densities because of the incapacities of the infrastructure, which is wrong.

Planner 2 also indicated that Riyadh Municipality has introduced a problematic regulation for building smaller units called 'Duplex'. This regulation allows large plots in existing land subdivisions to be divided into smaller plots (i.e. minimum of 200 sq. metres) to increase densities. Planner 2 believes that this new regulation is causing more issues rather than solving the problem:

For example, an existing land subdivision that was planned to have services for plots of 600 sq. metres now with this new regulation allows a plot to be divided into three plots of 200 sq. metres. Not only that but the calamity is it allows each smaller plot to have three separate units. So instead of housing one family on the original 600 sq. metres now it has occupied by nine families. They sabotaged planning on the basis of their refusal to give higher building heights and the adoption of the duplex system. Now look at car parking in most neighbourhoods, there are no parking spaces and it is a problem.

Despite the disagreement of some planners to increasing densities, support for more flexible density solutions that are based on research and studies to avoid any future implications and support the production of affordable housing was evident.

I support the increase of densities but with studies that take into account such an increase and specify certain zones for higher densities that accord with the city's master plan. (Planner 4)

It is better to increase densities but that should be done with a full study that pays attention to the infrastructure and services ... it is certainly possible to have negative impact due to such an increase but it can also be solved. (Planner 5)

There is a need to increase density when possible to provide a variety of housing products. The use of white land in the city [vacant land for infill development] will provide solutions if correctly utilised due to the existence of infrastructure. The

infrastructure must be upgraded to accommodate higher densities and provide efficient allocation of resources. (Planner 3)

Some planners showed interesting reactions when asked about the relationship between low densities and housing affordability. According to developers, land to development ratio impacts housing prices as land price is high and density measures restrict building higher than two and a half storeys. These planners asserted that development controls must not be linked to prices and they be imposed to regulate not to profit the market:

We will not go into expensive or cheap prices. Whether they sell for one or thousands of Riyals this is none of our business and we cannot talk about it. We are talking about planning regulations to approve a development proposal. (Planner 6)

Planner 4 argued that density measures are not contributing to the higher land prices:

Land prices have nothing to do with densities. The prices are unfair because of the land speculation resulting in higher prices. Now developers are demanding an increase in densities due to the land prices, but this will lead to planning issues. Some of the land are in approved subdivisions with certain allowable densities. They want to convert these land into towers and this is considered as a crime against the community and public services ... Developers are smart; they want to use density regulation as a tool for profit.

The above remarks by planners indicate contradictory views to those presented by developers in Chapter 5. This is further discussed in Chapter 7.

6.3.2.2 Development contribution

The city planning authority Riyadh Municipality, requires residential developers to contribute a percentage of their subdivided land free of charge towards public areas, such as roads, pathways and parking. In addition, a percentage of the subdivision is required for community services including schools, mosques, parks, playgrounds and health centres. Developers are also responsible for installing required infrastructure within their sites including water, sewer and electricity; and may be requested to improve required infrastructure outside their sites and connect them to utility networks. The requirements for providing and connecting infrastructure depend on the location of the proposed development. As explained in Chapters 2, Urban Growth Boundaries are linked to the development control process where it defines development standards that developers must comply with. The compulsory development contribution requirements for public areas, community services and infrastructure are used as conditions for granting planning permission.

The national guideline used to set out the requirements for the on-site development contribution by MOMRA dictates that a maximum of 33% is deducted for public areas and community services. Within the required 33% deduction, a certain percentage is assigned for public areas (i.e. roads, parking, parks, etc.) depending on the design of the subdivision; this land is contributed free of charge. Developers are also required to allocate land for community services, such as schools, health centres and mosques within the 33% depending on the size of their development and the number of inhabitants. Certain planning standards set for each of these services. In the past, developers could sell the assigned land for schools and mosques back to the relevant government bodies to build their services. However, Riyadh Municipality has recently amended the contribution requirements setting a compulsory 40% deduction on developers' land. This includes an allocated percentage of land for public areas and community services contributed free of charge to relevant government bodies. The new compulsory contribution aims to reduce government spending on buying land for providing its services. Developers now are not allowed to sell back land assigned for community services that are run by the government bodies, such as public schools and mosques.

Many developers interviewed in the first stage analysis argued that the imposed 40% deduction on their land contributes to housing unaffordability as the price paid for such services is passed onto homebuyers. Planner interviewees were asked to provide their opinion about the high percentage of deduction and the relationship between this development contribution and housing affordability. Most planners believe that the 40% developer contribution for community services is fair explaining that this contribution is necessary and adds positive benefits for the community despite the arguments made by developers that it impacts housing affordability.

The 40% deduction is based on studies and decisions taken by the municipality in coordination with the ministry that are not arbitrary. This 40% deduction in Riyadh is utilised to provide more needed future services, such as government facilities and open spaces. We had requests from government bodies that needed land to build their services but we couldn't provide it under the 33%. I don't think the deduction impacts a developer's investment in housing because it provides required services. (Planner 5)

Planner 2 added:

The municipality doesn't impose the deduction to keep it for itself but to benefit the subdivision either for wider streets, pedestrian walks or parks or services required, such as schools and mosques that have been added in Riyadh. Of course, the developer seeks his own interest but the municipality believes that it is in the interest of the wider community ... I think the 40% deduction is fair in my opinion. I understand that the

developer doesn't like to give up 40% of his land that he paid for but we see it as a service provided for the subdivision. (Planner 2)

The second type of compulsory development contribution is the instalment of infrastructure and utilities by the developer. As indicated earlier, developers are required to install infrastructure in their sites and might also need to connect it to the nearest network outside their sites in consultation with respective service providers. Planner 6 indicated that developers must comply with service provider requirements, despite the possible excessive cost incurred by developers to connect the service:

Service providers require the developer to connect to the nearest network. I don't consider this as an issue; it could be expensive for developers but it is not an issue.

Planner 2, on the other hand, mentioned that service providers, such as the electricity company, can impose unfair treatment on developers requiring them to release plots free of charge in order to build power stations. This is on top of the 40% compulsory planning deduction for services. He noted:

If the electricity company wants to build a station on the site, it is supposed to buy the land for the station not requiring the developer to give it up in order to receive the service because it's not within the planning deduction. They take advantage of the developer's need to finish his project.

The commentaries above side with developers' claims in the previous chapter that service providers have used their power to gain benefits from the imperative of developers to comply with their requirements even if such requirements were not clearly stated in the preliminary planning permission.

6.3.2.3 Planning incentives

The lack of flexible planning and development controls was an issue raised by many developer interviewees in the first stage analysis. Many pointed out that the planning system does not provide incentives for developers to deliver affordable housing. They argued that there is a lack of municipal cooperation with developers as the current planning regulations do not allow flexibility that could be used to encourage more investment in housing. For example, providing exemptions in zoning and development control regulations by allowing changes to land use, or permitting higher density in return for building affordable housing are all not utilised. Planner interviewees were asked to explain if there are available planning incentive tools and mechanisms used by local planning authorities to support the production of housing, more particularly affordable housing.

The majority of planner interviewees indicated that there is flexibility in the system where special exemptions from development controls standards are available for developers. They explained that Riyadh Municipality allows development proposals with a land area of 80,000 sq. metres or more to apply for special permission through the High Commission for Riyadh Development. The HCRD provides exemptions to projects from certain development control standards, such as increasing densities and building coverage or changing the use of land in return for a 50% land deduction. These voluntary planning exemptions or incentives are usually granted by permitting higher building heights or more building coverage for developers. The high planning gain of deducting half of the developer's land is justified, as promoting higher densities requires providing more services and open space areas. Planners pointed out that exemptions are only given to comprehensive development projects. This means the developer is required not only to subdivide the land and provide services and infrastructure but also build housing as a comprehensive development. According to Planner 5:

There are exemptions provided on requests from developers who want an increase in building heights even if the proposed location is in a zoning area that only allows two and a half storeys. We have a joint committee between the municipality and the High Commission to examine developers' requests and grant the required heights, whether 5 or 6 storeys for the whole site in return for giving us a 50% deduction for services as a requirement by the High Commission. These exemptions are still used and have been available for a long time ... There are other exemptions, such as the change of land use. Any changes to the current zoning regulations must be referred to the High Commission to study it.

Planner 1 indicated that exemption requests are carefully examined by the HCRD and sometimes negotiation with the developer is required to reach an agreement about the extent of the requested exemptions.

A developer submits his plans and the requested densities needed. The application is then referred to the committee for examination and approval. In cases where a developer asks for very high densities he might be asked to modify his request through negotiations.

Some planner interviewees argued that the planning system provides flexibility but developers are always eager for more. In responding to the developers' claims of the lack of planning incentives, planners commented:

In my opinion, no matter how much you give a real estate developer, he will always want more incentives. (Planner 1)

What do they want? Do they want us to give them money! The High Commission grants exemptions as a catalyst for comprehensive development projects. Developers here

have an understanding of the development as dividing a piece of land to sell for speculation. There is no real comprehensive development. (Planner 4)

Some developers talk based on their views, which can be incorrect. Some of them want the procedures and the decisions to be based on their proposed plans. I sit with them and I know them. They seek their own personal interest. The municipality follows well-thought out regulations and there is a lot of flexibility. (Planner 5)

Despite the existence of such exemptions, local planning authorities in Riyadh do not utilise these granted exemptions in exchange for building affordable housing. When asked about the reason behind not utilising the flexible exemptions to promote affordable housing, Planner 1 explained that the planning gain is aimed at encouraging more comprehensive development projects with better urban design and providing more green and open urban spaces in the city. Housing Official 1 claimed that the HCDR's exemptions were more targeted towards other development sectors to boost the city's economy. He argued that the planning exemptions used by the HCDR did not help the production of affordable housing:

The High Commission is targeting the commercial and hospitality sectors more than the residential in its exemptions. Frankly, you can count the exempted residential projects on the fingers. Also, these residential projects of towers and compounds are unaffordable. Rafal Tower, for example, is an exempted residential tower by the High Commission but it is a luxury housing project targeted towards a specific segment of the society. The High Commission did not pay attention to the housing sector but to sectors that attract investment and stimulate the city's economy.

For this reason, the Ministry of Housing has recently intervened to provide a new set of planning incentives for private developers aiming at stimulating the housing market. This is discussed in more detail under Theme Two – *Deregulatory planning incentives*.

6.4 Theme Two: Market Stimulation

This theme examines the government intervention in housing to promote an enabling environment for market actors to deliver affordable housing. As market regulations limit the choices available for market actors, which might result in failure to meet the demand, market stimulation tools are used to facilitate the market work. According to Adams and Tiesdell (2013), market stimulation instruments "... lubricate markets by making development more attractive to market actors" (p. 268). Government intervention to stimulate the market comprises mainly two methods. These are: direct intervention, such as providing infrastructure in certain locations to promote development that was otherwise unattractive; or indirect intervention by implementing incentives that encourage market actors to undertake development.

In the context of this research, both direct and indirect government intervention attempts to stimulate the housing market are investigated. These interventions revolve around the different models and mechanisms of the Public Private Partnership in housing. The last section of this theme discusses some of the recent government initiatives that were launched to stimulate the housing market and the role of government in housing from the participants' perspectives.

6.4.1 Public Private Partnership

Public Private Partnership (PPP) in housing is a relatively new approach utilised by the Ministry of Housing to address the shortage of affordable housing in Saudi Arabia. Two models of PPP have been introduced, both aiming to stimulate the market in supplying more affordable housing through enabling strategies. The first model of the PPP is a direct market stimulation approach where government-owned land is released for private development to build low-cost housing. The government provides free land that is connected to infrastructure as well as a development grant for private developers to build housing and sell it below the market rate according to certain requirements set by the Ministry of Housing. Private developers in the first stage analysis expressed their views about the dynamics and issues of this model. The second model of the PPP is characterised by bypassing current local planning regulations to provide incentives that would attract the private sector investment as an indirect market stimulation tool. In this model, private developers are exempted from certain development control regulations enabling them to achieve more development potential of their own land in return for allocating a percentage of their development as affordable housing sold at a lower market rate. This model has been recently introduced and did not exist when conducting the first stage fieldwork for this research. The direct and indirect types of government intervention to stimulate the market are discussed below.

6.4.1.1 Land release and development grant (Direct intervention)

As explained in chapter 2, this PPP's model was a direct government intervention in the form of land disposal and development grants where the MOH provided land that is connected to infrastructure at no cost to developers as well as an amount of about USD133,000/per unit to build low-cost housing. The success of this type of market stimulation relies highly on the agreement between the government and developers in undertaking the development. Adams and Tiesdell (2013) explain:

Although the disposal of public land may serve as an immediate development stimulus, the chances of also creating successful and sustainable places are highly dependent on the terms and conditions on which any disposal takes place (p. 276).

Based on the first stage analysis in the previous chapter, many developer interviewees expressed dissatisfaction with the terms and conditions set by the MOH to implement this model of partnership in Riyadh. The issues raised by developers were discussed in depth with housing official interviewees who are involved in the PPP program to obtain their perspectives. Several developer interviewees claimed that this model of Public Private Partnership is unattractive for the private development industry. They argued that the proposal requirement is excessive and the amount of money granted for each unit is not feasible for building according to the MOH requirements. Some of these requirements that developers were unsatisfied with included the 10 years maintenance and 10 years security and cleaning, some design specifications, such as the precast construction material that is expensive, and the payment schedule that force developers to run into negative cash flow. Housing officials were asked to provide their opinion about the developers' claims.

Most of the housing officials rejected the developers' claims arguing that the PPP model on government-owned land was attractive to many private developers. They indicated that several developers have signed up to join the partnership program not only in Riyadh but also in other cities. Housing official interviewees explained that Riyadh's partnership program was the first phase of this model and there have been constant improvements to the proposal requirements in the second and third phases to better utilise the government resources. Some of the modifications to the proposal requirements were, for example, reducing the maintenance and security period to three years in the latest phase instead of 10 and introducing off-plan sales. Additional design specifications and minimum requirements for finishing have been added. The amount of the development grant was also modified based on the size of the unit built (i.e. three sizes of apartment units were introduced: 120, 180, 220 sq. metres). The USD133,000 (SAR500,000) is the maximum development grant now assigned to build bigger size units whereas smaller units are given a less amount (i.e. 120 sq. metres is granted USD80,000/SAR300,000). Housing Official 3 argued that the PPP model in its first phase in Riyadh had relaxed requirements and was too generous:

From my point of view, the first proposal requirements were very beneficial and profitable for the developer. If we talk about the construction market prices for building a unit with a size of 180 sq. metres for 500,000 Riyals, it is considered highly profitable. The average price of constructing one square metre before finishes in the market is

about 350 Riyals [USD93] whereas the price paid for developers was about 2700 per sq. metre [USD720]. Also, there were no minimum requirements for the finishes. No, it was very profitable for them but of course the developer is never satisfied and always trying to gain more profit.

Other housing officials agreed with the above remarks pointing out that the partnership model offers great potential for profits. Most interviewees also agreed that there were some issues in the first phase of the PPP, such as the payment schedule, and the ambiguity of some of the requirements. However, these were avoided in the next two phases according to Housing Official 4:

We have conducted many interviews with developers and bankers to identify the existing loopholes in the first proposal requirements and correct them ... we introduced the off-plan sales, minimum requirements for finishes, and reduced the preliminary financial guarantee payments and maintenance period. We also added detail attachment to the end of the proposal that included details and clarifications of design, finishes and other things that might be required. One of the mistakes in the first phase that made developers object sometimes was the lack of clarity of some of the requirements. That is why we modified it, improved it and it is clear now.

Another issue mentioned in the previous chapter was the interference of the MOH with the work of developers over small details, such as technical construction operations. Developers argued that they should be trusted as partners and their work should be judged based on the MOH requirements, without intervention. Housing official interviewees believed that the MOH must supervise the work of developers. They explained that the MOH has a significant responsibility and cannot jeopardise its reputation, as Housing Official 4 highlights:

The quality standards we have here in the market are not that good. This makes us wary. Therefore, we impose requirements to guarantee that eligible citizens who will buy our products will not convey a bad image about the Ministry as it has contracted with developers.

Housing Official 3 elaborated:

It is not an interference but following up the work. Yes, we imposed strict requirements but we as the Ministry [MOH] see that the real estate development industry is not mature enough and this is the problem ... We emphasise the quality of the products because we have no previous experience with these developers. Housing issues in general affect the public's opinion of us. If we don't play our role right especially in the beginning of the partnership program we will be negatively impacted. Developers are right about what they said but we will not give them our trust from the beginning of the first project. We need to check their work first.

Creating successful and sustainable places through this model of partnership was another important argument made by a developer interviewee. First, the choice of the project location

for the PPP to build low-cost housing was argued to be illogical. It was explained that it involves significant costs incurred by the government to build and connect infrastructure and services to such a far away location instead of choosing urban locations closer to the city centre that are already connected to services. Housing officials were asked about the efficiency of allocating public resources to stimulate the housing sector. Most mentioned that the chosen location was the only and most suitable location that the MOH own within the city boundaries. Housing Official 3 stated: “This land was the only land available and owned by the Ministry in Riyadh and the location is not bad”. Housing officials argued that the cost of delivering infrastructure to the location was high but it was a necessary and valuable investment in the city’s infrastructure. According to Housing Official 1:

Let’s talk in terms of planning, land in the city centre is privately owned and we do not have any authority over it. We want to provide housing products and if you put yourself in the Ministry’s shoes where you only have this location, will you leave it undeveloped? I’m with you the location is faraway and it is true that it costs a lot but it is an investment in infrastructure benefiting the people and the city. Investing in infrastructure is the best investment. The role of the state is to inject investment in infrastructure regardless of the cost. The bill was expensive but infrastructure lines will not only feed the PPP housing project but also other surrounding projects. We have opened up opportunities for development in new areas.

Another issue discussed by Developer 1 was the creation of sustainable communities and the allocation of government housing. Developer 1 claimed that crowding low-income people into one location could create a segregated community resulting in future problems. In response to this claim, housing officials expressed that the housing units are not distributed for free but sold to eligible households who can afford to pay based on certain criteria, standards and priorities that were determined by the MOH, such as income, age, household size, etc. However, in the first phase of the PPP, housing units were allocated and sold to the lowest income and biggest household size. According to Housing Official 3:

The problem with Riyadh’s project is that it was allocated to low-income people with the highest priority points. Those with the lowest income and the highest number of family members were first in the list according to the old system.

To avoid this issue, the MOH changed the allocation criteria by creating new lists of recommended housing products to be built by developers, such as apartments, town houses, and villas (each have 3 different sizes) based on the affordability level and household size, age and other criteria to be applied to different segments of the population:

We have recommended products that cover all housing segments. The eligibility has changed from one list to be divided into four or five lists. Each list has a recommended

product [i.e. 180 sq. metres apartment] and people are assigned to each list based on their affordability level and the size of their family, etc. When we work with developers on a new project we ask them to allocate certain proportions of each product, such as villas, town houses, and apartments based on the percentage needed of each product in that city. Our aim is integrating and diversifying the community. (Housing Official 3)

Finally, housing official interviewees were asked to respond to some of the developers' claims that the MOH did not provide enough support for them in matters, such as coordinating with other agencies to give tax exemptions on imported building materials, facilitating foreign labour visa processes, or helping in accessing finance from banks in its first PPP model. Housing Official 1 stated:

Real estate developers need support but this sometimes might be beyond the authority of the Ministry. Sometimes we can't force other government bodies to facilitate developers' work and this is still an obstacle.

On the other hand, Housing Official 4 argued that it is in the interest of the MOH that developers succeed and the ministry is striving to improve its work:

We still consider the experience of Public Private Partnership on government land as an initial step towards better success. It is an injustice of developers to judge it this way and want it to be perfect from the beginning ... We seek to support developers to succeed and increase their profit because that will increase their participation and continuity at the same time it will serve the housing sector. It is a mutual benefit ... we hope that the private sector looks at the size of the future business and the targeted units to be built. If they look at it in the long run, it is very profitable.

6.4.1.2 Deregulatory planning incentives (Indirect intervention)

This section discusses the indirect government intervention in the housing market as there is no immediate cost incurred by the state. The government has recently launched new incentives targeted towards unlocking privately owned land. Represented by the MOH, a new set of planning deregulations are being adopted and deployed targeting private sector investment to foster and stimulate the supply of affordable housing. The MOH in coordination with planning agencies has recently provided exemptions from the current land use and development controls regulations to encourage landowners and developers to develop vacant land also called 'white land' within urban boundaries. Examples include granting density bonuses by allowing higher Floor-to-Area Ratios (FAR), higher building heights and greater land coverage. These exemptions are utilised for infill development on urban vacant land as incentives in return for an allocated percentage of affordable housing. According to Adams and Tiesdell (2013): "Project bonuses provide a development stimulus by waiving specific regulatory restrictions in exchange for higher-quality development or other community benefits" (p. 279).

Before discussing the type and nature of the new deregulatory incentives, the reasons for this indirect government intervention by the MOH are briefly discussed. As indicated in Theme One under planning incentives, the planning system in Riyadh does not provide incentives in zoning and development control regulations by allowing changes to land use or permitting higher density in return for building affordable housing. The shortage of available public owned land in urban areas required the MOH to implement new initiatives to unlock privately owned urban vacant land to increase land access for housing development. Land taxes or what is called ‘white land fees’ have been introduced to penalise owners of vacant/undeveloped land within the urban boundaries with areas of 10,000 sq. metres or more. Seen as a negative type of incentive to private landholders, a royal decree was issued to exempt housing related projects from planning and building regulations in order to provide positive incentives to those penalised:

The ministry is giving support to private landowners willing to enter into partnership with the ministry to develop their land and avoid paying white land fees. The ministry believes that participation of the private sector on its land can help solve the problem due to the scarcity of land owned by the ministry in some major cities where the demand is high. (Housing Official 4)

The MOH in coordination with MOMRA and other planning authorities introduced new regulatory planning tools and incentives for housing projects on privately owned land with an area of 10,000 sq. metres or more. These are mainly associated with zoning which allows an increase in densities or building coverage to make housing development more profitable and attractive to the private landowners. Most of the housing officials claimed that planning regulations have not been properly utilised to support the production of affordable housing, therefore, the MOH essentially stepped in to address this issue. According to Housing Official 1:

Planning regulations in the past did not serve the ministry’s objectives at all ... We have problems, such as the enforcement of the maximum 60% of building coverage of the land area; the unused 40% of land is considered a waste. Planning controls can be used to solve the housing crisis. Our aim for the new exemptions is to increase housing supply through a maximum utilisation of land area and reducing land cost.

The new exemptions are only granted to comprehensive residential projects that deliver finished housing units and not subdivided land. The main requirement of granting any exemptions is to ensure that it does not affect the security and safety of the surrounding environment. For instance, granting higher densities by allowing extra building height must not disturb the neighbours’ privacy. In terms of the new density deregulation, the MOH created

six classifications of the maximum allowable density based on the land area where the bigger the land, the higher the density allowed (i.e. 10,000-100,000 sq. metres is allowed an extra density of a maximum 25%; whereas 500,000-1000,000 sq. metres is allowed a maximum increase of 100%). The increase of density percentage is added to the current FAR measures used, which can be in the form of extra floors or building coverage.

The MOH established a committee that examines each development proposal on its own merit. This can be described as a discretionary planning process where exemptions from the current planning controls are granted based on factors decided by the MOH that do not, for example, affect the security and safety of the existing surroundings. Approved proposals are then sent to the Municipality of Riyadh to obtain the planning permission. According to Housing Official 2:

Development proposals submitted to the committee are examined in many ways for permission. There are basic requirements that must be followed, such as conforming to the stated allowable density percentage based on the land area. Other important things include the capacity of infrastructure and services; providing traffic and environmental studies, etc. In the case where we approve the proposal, a request from the minister's office [MOH minister] for approval recommendation will be sent to the municipality to get the planning approval.

Many housing officials indicated that the process of granting exemptions to developers involve forms of negotiations to reach an agreement between the two parties. Negotiations usually take place for developments that are substantial in value and size as opposed to small projects that can be approved based on the stated criteria:

We study each of these requests case by case where we focus on the value of the project and what would it gives us in return. The committee summons the developer for negotiation and explanation if the project was large and of high value, which would benefit the city. But for small projects, such as 30,000 sq. metres there is no need. (Housing Official 1)

The MOH uses the deregulation of planning and development controls as a model of partnership with developers in return for an allocated percentage for affordable housing. The percentage assigned for affordable housing units depends on the size of the development, the number of units to be built and the final agreement between the developer and the ministry. The MOH requires developers to provide housing products based on certain types and sizes taking into account the type of demands in the city. These products are sold to eligible households according to their priority in the eligibility list and at prices set up by the MOH. As noted by Housing Official 4:

Developers are required to build and sell the assigned percentage of housing based on the Saudi Households Specification (SHS) manual, with unit sizes and prices proposed by the ministry ... The deducted percentage of housing varies from project to project based on the area and the number of units in the project as well as the ministry's need in that location ... It is possible that some developers say, I want to assign the whole project for the ministry's beneficiaries. The developer has the right to increase the percentage required by the ministry but we have the right to ask for a minimum percentage. 100 units is the minimum, but as a percentage of the project it could be 25, 30 or 50% depending on the agreement with the developer in exchange for granting exemptions.

Planner and housing official interviewees were asked to provide their perspectives on the new planning deregulations for housing and the possible implications that might emerge from them. Some planner interviewees indicated issues, such as the possible increased pressure on infrastructure and services, disturbance to the city skyline and some privacy problems with neighbours that could result from these new deregulations. However, most asserted that there are coordination issues between the MOH and planning agencies in implementing the new incentives. As mentioned earlier, the issuance of the royal decree exempting housing related projects from planning and building regulation required the MOH to cooperate with MOMRA and other planning agencies. This was to study the status quo and identify suitable ways for implementation. Many planner interviewees argued that despite the initial coordination attempts between these government agencies there are still some political implications regarding roles, responsibilities and authority issues as some planners noted:

There was an agreement between us [MOMRA] and the Ministry of Housing. The Ministry of Housing was trying to implement the royal decree as it is but we were telling them that increasing densities had to be studied within the city's master plan. It is true that Riyadh has a problem with densities but other cities do not. You cannot apply a unified system of densities to every city in the Kingdom ... We worked together with them to make mechanisms of implementation but in the end they refused to sign it. I think if the exemptions applied this way without coordination with us it will cause future problems. (Planner 2)

There is no clarity in the executive regulations to implement this supreme order. Any decree needs a manual procedure to govern its implementation but in this case, it's still vague. (Planner 3)

Planner 3 argued that the new planning deregulation reforms to stimulate the supply of housing have created a sense of resentment and conflict between the two ministries involved that was characterised by a lack of shared vision.

Another problem is with the institutions; municipalities have been operating planning in this rhythm for a century. Extracting their authority has to do with the dignity of these institutions ... Each ministry works in segregation from each other because each

ministry thinks of itself as a kingdom. There is no mutual institutional decision-making but now with the new government things are changing towards building links, as you heard about the National Transformation Program. I think the enforcement of this can be done through harmonious decisions from the senior ministers.

As this deregulatory reform was ordered by the highest authority of the country, some planner interviewees, such as Planner 4, were reluctant to comment on it:

What has been implemented by the Ministry of Housing has nothing to do with me. It is a political issue that I cannot answer because there is tension in this subject.

Housing officials, on the other hand, had different views about the new deregulation of planning and development controls. Many argued that possible negative externalities that might result from granting, for instance, density bonuses could be avoided. They explained that through their cooperation with planning agencies, potential future issues, such as the increased pressure on infrastructure and traffic problems, are identified and the process of granting exemptions is carried out by taking these issues into account:

The royal decree of exempting housing projects from building regulations has many positive advantages. The negative disadvantages are avoided in requiring necessary studies before granting the approval to ensure that any exempted project is not creating future problems. (Housing Official 4)

Housing official 1 elaborated:

The exemption approval process has preliminary and final approval. The final approval requires developers to obtain approvals from service providers. For example, we grant a preliminary approval of a certain increase in density but this is conditional based on the capacity of service providers to deliver their services for this increase. Our role here is to give potential to developers but there is always a risk. At the end of the day every location has certain potential and this of course depends on the developer's cleverness in choosing the best site for his development.

6.4.2 Related initiatives and the role of government

Recently, the government has introduced several policies and initiatives in order to stimulate the housing market. It is worth mentioning some of these initiatives that are closely relevant to this study. One significant initiative that was implemented in 2016 is the introduction of a fast track licensing system for residential projects. The Ministry of Municipal and Rural Affairs (MOMRA) launched a new online platform that aims to facilitate and accelerate the process of applying for planning permission. This new E-government online system used now by municipalities links all the parties involved in the decision making of the planning permit process, such as public notaries, service providers and other related government agencies.

Coupled with its launch, a maximum period of 60 days has been set for assessing development proposals and granting the preliminary planning permits. This was part of the *National Transformation Program* (NTP) aimed at improving the performance and the capacities of government institutions.

Planner and housing official interviewees were asked to provide their views on the fast track licensing system and the issues that planning agencies might face in implementing it. Most of the interviewees believed that the 60 day period is enough for the municipality to assess development proposals:

I think the 60 day period is enough, however, the 60 day period is counted after getting the deed approved by the Ministry of Justice. So, when we are sure that there are no problems with other government agencies, we do not have problems and the 60 days is considered sufficient. (Planner 2)

Several planner interviewees, however, mentioned that the new fast track online system requires quick responses from developers and their planning and design consultants in order to be able to achieve the goal of its implementation. For instance, many indicated that the work of some consulting firms, hired by developers, in addressing the amendments made on development proposals are not meeting the standards because they are rushing or sometimes do not respond in time.

There are some [design] consulting firms that are not properly qualified, which is an issue. The online system was developed for the facilitation of work but it faces a lack of responsiveness from them, as they are not used to it. (Planner 6)

There has to be quick responsiveness from developers and their consulting firms with the new system ... we send our notes to the developer's consultant for completion and give them a certain period to respond. If they don't respond on time the 60 day count is put on hold. The 60 day period is not considered a stick on the ministry forcing it to break the rules and regulations. (Planner 4)

Despite the new improvements to the planning permit process some housing officials believe that there are still some existing issues, as Housing Official 1 noted:

I think the new timeframe is appropriate to approve a project even if it takes up to four months ... However, the 60 days for the preliminary approval is a trick used by municipalities. Yes, they respond quickly to lodged applications but usually they give tonnes of notes and amendments to the developer which might take a long time to be addressed. It is a new process of issuing notes quicker.

Planners indicated that the new fast track system provides clarity in addressing the delay issues of the past and distinguishing the source of the problem. Planner 6 explained that: "The

situation has changed now, we insisted on implementing an online system so that there will be transparency and it becomes clear to know where the delay is”.

Another important initiative was the establishment of the Developer Services Centre (Etmam) at the Ministry of Housing. The centre was launched to facilitate the work of private developers for residential projects. Cooperation agreements had been made with 12 government agencies involved in the development process, such as the Ministry of Municipality, the Ministry of Justice and other stakeholders involved in housing to accelerate the process of obtaining required permits. Through this partnership, the centre has permanent representatives of each concerned body. The centre works as a liaison between developers and these relevant bodies. Described as a ‘one-stop-shop’, several services are provided for developers including: submission and follow up of planning permit applications, permission for off-plan sales, applications for zoning exemption requests, endorsement for construction labour visas, certificates of building completion as well as many other services. The centre follows up the application of developers through its coordination with various authorities to ensure that they are complete and approved as quickly as possible.

Most interviewees believe that the Developer Services Centre would participate in solving many of the coordination issues mentioned earlier, such as the delay in titles proof and issues with connecting infrastructure and services. Housing Official 2 explained the idea behind the creation of the centre and the importance of its work. He indicated that the goal is to identify the issues that developers face to facilitate their work and attract more investment in the housing sector:

The basic idea of establishing the centre was to reduce the time spent in obtaining the necessary permits for residential projects, which will be reflected in attracting local and foreign investors. We found that the centre needs to have strategic partners. That’s why we signed agreements with several government agencies. The centre is not a legislative body but a coordination entity that has two important tools: transparency and time. We have done several workshops and meeting with developers and relevant government bodies and found that accusations are reciprocal. Therefore, the centre is created to coordinate and measure the indicators of the work performance between the two parties.

Housing Official 2 indicated that the centre currently offers its services to developers for free, but there is a future plan for imposing fees in return for the provided services. When asked if there are any issues working with developers to provide these services he stated:

We do not face problems, but we hope that the centre through its continuous work with developers and government bodies establishes a new concept of professional work in the development industry.

Finally, participants were asked to provide their opinions about the roles and efforts played by the Ministry of Housing in facilitating the work of developers to deliver affordable housing and the balance of an enabling environment without future negative impacts. Planner interviewees had a mix of responses. Some indicated that the work of the MOH in enabling developers has been adequate to deal with the housing shortage. Yet, many believe that the support given by the MOH to the private development industry is excessive and intrusive to the city's planning and development control. Planner 2 explains:

I think the support given by the ministry [MOH] is excessive. If we speak about planning and the new deregulation of densities, it should have been studied by taking into account the whole city. They [MOH] will be creating foci of increased densities instead of looking at locations of transport hubs like train stations and public transport areas. It is not reasonable that if someone merely has a piece of land, he will be given exemptions from the current control system. The municipality is responsible for the city development control and once others get involved there will be problems.

Planner 3 argued that enabling private developers is important but the flexibility and support provided must be controlled to avoid any future implications:

There is no excessiveness in supporting the private sector. The development industry is a huge investment sector; therefore, it has to be taken into account what developers aspire to. However, flexibility has limits. I do not want to attack the private sector but there must be limits to this support. The private sector is greedy and flexibility can be dangerous. There has to be a strong monitoring process for the new enabling legislations but with no complications.

Most of the housing official interviewees explained that the roles and efforts of the MOH in supporting and facilitating the work of the private development industry are significant and follow a well thought out procedure. Many argued that supporting the market is an efficient method of meeting the demand for housing, as the government by itself cannot deliver the required housing. Enabling the private developers to build housing products is an important mission taken by the MOH as they indicated. They argued that the given support is balanced and controlled by certain procedures and requirements as stated by Housing Official 1:

The private sector is the solution to the housing shortage as it can provide products in a short time and at prices lower than public delivery. Therefore, our role is to support the private sector in terms of finance, regulations and technical support for developers. We are building a platform for developers to do their work. This platform and support is governed by requirements. Our role is to provide the right environment for any developer to invest ... The ministry's role in facilitating the work of the private sector is still in its beginning but there are constant improvements and the rules and regulations change from time to time. I think the capacity to adjust to changes is important where continuous development is sought by the ministry.

Housing Official 3 maintained the above remarks, adding that the new management at the MOH is better informed about the housing market and the ministry has learned lessons from its previous experiences:

We have to strengthen the real estate development sector because it is the market that will build units. Our Minister came from the private development industry and he is well aware of how the market works and what needs to be changed. The ministry witnessed lots of changes since he took over and the mentality is very different now. Many who work here have a great understanding of the development and finance industries. The ministry has also improved based on its experiences in the past.

It is important to note that the recent initiatives discussed under this section, such as the new fast track licensing system and the Developer Services Centre, were not discussed with private developers in Stage 1 as these initiatives were implemented after the first stage fieldwork had been completed. Hence, the developers' views of the effectiveness of these recent initiatives are not covered in this study.

6.5 Conclusion

This chapter presented the results of the second stage analysis of this research. A focus on more problematic and complicated issues revealed in the first stage analysis (in Chapter 5) was undertaken. The planning system and the government policy intervention in housing were determined to be areas of significance that required further examination. In order to obtain a better understanding of the issues raised by private market actors, planners and housing officials were given an opportunity to express their experiences and perceptions on several claims and issues made by private market actors, as well as on recent emerging reforms in the housing system. The analysis of government actors' interviews was organised into two themes that were devised from the study's conceptual framework. The first theme, market regulation, discussed issues in the planning process and planning policies that mainly covered areas related to the impact of the planning system on the delivery of affordable housing. The second theme, market stimulation, was employed to examine the role of the government in enabling private market actors to better engage in the delivery of affordable housing. The discussion of this theme included the effectiveness of the PPP model as well as the new planning deregulations used by the MOH to stimulate housing supply. This chapter allowed government actors to express their opinions about their distinct roles and relationships; and how these roles and relations positively or negatively impacted the housing market and the broader urban built environment.

Many of the issues discussed in this chapter share similarities with other planning systems and housing markets. There are competing claims and differences of opinion not only between planners and developers but also between different government actors involved in housing, such as planners and housing officials. The results of this chapter and the previous chapter will be discussed next (Chapter 7) where the conveyed perspectives of the multiple actors in the housing system will be critically assessed and policy implications will be presented.

CHAPTER SEVEN

Discussion of Findings and Policy Implications

7.1 Introduction

This chapter is focused on assessing the state-market relations in the delivery of housing, more particularly affordable housing, in Riyadh using the results presented in Chapters 5 and 6 and merging these with issues identified in the literature. The following section (7.2) forms the core of the discussion consisting of two sub-sections. The findings referred to in Section 7.2.1 revealed that the dynamics of state-market interactions are marked by tensions in the housing market which seem to impact the delivery of affordable housing in Riyadh. Five thematic topics are presented conveying a contested housing environment where the reflection of different powers and interests of various key actors are examined and critically assessed. Several issues revealed in state-market relations were found to be linked to a set of power relations that are embedded in the broader institutional arrangements of housing, further discussed in Section 7.2.2. The discussion of the main findings in Section 7.2 shows that three fundamental drivers are behind the majority of the issues in the system. These driving forces are synthesised and conceptualised in Section 7.3, leading to the development of a model that could be used to diagnose housing market issues in other contexts. The significance of these findings culminates into a number of policy implications that are aligned with this model (Section 7.4) to provide an informed improvement framework that may assist policymakers to better enable the market in Riyadh to meet the demand for affordable housing.

7.2 Summary of the main findings

7.2.1 State-market relations in the housing system

This section discusses the study's findings in terms of the state-market roles and relationships in the housing system in order to highlight the key issues that hinder a better delivery of affordable housing in Riyadh. Tensions between key actors in the housing system that contribute to the issue of housing affordability have emerged in the data. It is argued that such dynamics might be reflective of tensions evident in other housing systems in developed and developing countries. Although the context of Riyadh housing is unique in its nature with, for instance, specific political, economic and social settings, the tensions displayed between key housing actors share similarities with those between actors as described in the literature in other

contexts. Nonetheless, the parallel of issues in this case study with several other contexts (as depicted in Chapters 5 and 6) does not necessarily mean that borrowed policy solutions could be applied and implemented to improve affordability outcomes. Institutional and regulatory differences must be taken into account, as Gurran and Bramley (2017) remind us:

... similar issues do not always lead to similar policy approaches and solutions. There have been and remain quite large differences between countries in how housing is provided, financed, regulated and managed, including most obviously differences in tenure structure, but going to a deeper level of subtlety in terms of degrees and types of regulation, governance, funding and so on. (p. 73)

The findings of this study have revealed five explicit key themes that are causing tensions in Riyadh's housing market and will be discussed below. Each comprises competing claims and differences of opinion between key actors in the housing system. This writer remains impartial in order to provide a deep and critical perspective.

7.2.1.1 Planning delay, social benefits and private cost

In the case of planning delay and its effect on development costs, the findings indicate that the planning delays increase development cost to such an extent that they are considered to be an obstacle to private investment in housing. The findings confirmed that there was a considerable delay in granting planning permissions for new housing development and planners themselves admitted the existence of such a delay (see Chapter 6 – *Time and procedure*). However, it is difficult to ascertain the extent with which the planning delay deters housing development and investment as claimed by the developers. Most likely, developers knew beforehand that the planning process could take a long period of time and this might have been factored into the development feasibility study to account for the cost of development before committing to a project (i.e. passing back cost to the landowner). Previous studies, such as Mayo and Sheppard (2001) and Ball (2011) (as discussed in Chapter 3), have shown that planning delays could in practice contribute to poor housing supply through the uncertainty of the planning process, which is the determining factor, not merely the expected length of delay. The uncertainty discussed in most western literature relates to the planning decision of whether a development proposal would secure the planning permission or not depending on several factors in relation to the proposed development and the nature of the planning system (discretionary vs. regulatory). In the Australian context Ong et al. (2017) state:

... the most important aspect of the planning system from a developer's point of view is the certainty and consistency of advice provided by planning officers. Planning controls may be generally restrictive but if they are applied consistently the developer can work more easily with them to deliver housing. (p. 50)

In terms of decision and certainty, the planning system in Riyadh guarantees certainty of approval if the developer adheres to the prefigured control standards. As delays may add cost to the development in the form of holding costs, developers in Riyadh do not have to pay taxes on land while waiting for planning approval. The major holding cost that developers have to bear is the interest payments on debt (assuming that finance is obtained for development) which again can be accounted for in the feasibility study. Thus, it seems that the lengthy planning process may not be a deterring factor to the private investment in Riyadh's housing market as suggested in the findings. Additionally, as mentioned in the previous chapter, a new fast track licensing system has been introduced recently to resolve the planning delay issue although its effectiveness cannot be confirmed as it was implemented after interviewing private sector actors was completed. However, it is important to note that there is uncertainty in the planning process in Riyadh that may impact the profitability of new developments, but it is not simply caused by the lengthy time of approval (see uncertainty and risk below).

The tension between planners and developers over planning delays in Riyadh's housing market appears to reflect similar tensions in many other housing markets. Keogh and Evans (1992) found that there are always competing claims about the time taken to assess planning applications where often developers have a negative view of planning authorities perceiving them as "... inefficient, and overburdened with planning applications for minor developments which include householder applications ... unduly concerned with subjective matters like aesthetics and environmental quality"; in addition, "consultations with statutory bodies and with the public are seen as slow and sometimes excessive" (p. 689). On the other hand, these authors describe planners' perspectives of delays as "... frequently caused by the applicants changing proposals or failing to undertake satisfactory preparatory work. Where delay results from the planning system itself it is generally regarded as being for good reason" (p. 689). The perspectives of developers and planners depicted by these authors are shared by the developers and planners in this case study.

To evaluate competing claims between planners and developers, any assessment of planning processes and policies (including delay) should take into account the social benefits of planning against the private cost incurred (Keogh & Evans, 1992; Cheshire & Sheppard, 2002; Gurren

& Bramley, 2017). The findings suggest that the lengthy time required in granting planning permission was primarily caused by the planning process itself; and that the ‘good’ reason for delay – promoting social benefits and protecting the public interest as just mentioned – do not come into play. The evidence showed that most of the planning delays were mainly caused by the time taken to check the correctness of land title by the Ministry of Justice and not because of the time needed for the actual planning assessment process (based on evidence provided in the data from several planners). Also, it was conceded by some planners that the planning process is vague, complex and burdened with a bureaucratic system that has no interest in minimising time and cost. This suggests that the responsiveness of the planning system in terms of decision-making time might not be totally utilised to promote the social benefits of planning. Hence, the private cost incurred due to the lengthy delays was likely a result of ineffectiveness and lack of coordination between government agencies rather than from ensuring good planning practices.

7.2.1.2 Uncertainty and risk

The findings revealed that one of the significant tensions in the housing market pertains to uncertainty and the associated risk of undertaking a new development. Based on the results, uncertainty in Riyadh’s housing market is evident in two forms: (i) the coordination of the infrastructure provision; and (ii) the protection of property rights, particularly the issue of land titles.

First, in terms of infrastructure connectivity to new developments, the results showed that there was unresolved tension between developers and service providers about the infrastructure charges (i.e. electricity, water and sewerage). The findings suggest that there was a lack of transparency and accessibility to detailed information about the exact requirements for connecting infrastructure to new development sites. The Urban Growth Boundaries (UGB) policy, that was argued by most planners to clearly state the requirements for infrastructure contribution, tends to only provide a general guideline of the party responsible for connecting the services without stating the cost or the scale of the obligations (based on examination of the *Updated Rules and Regulation of Urban Growth Boundaries until 2028*, MOMRA, 2014). The UGB manual states that further detail of connecting off-site infrastructure will be determined with relevant service providers after the preliminary planning approval is obtained. Hence, in this case the developer seems to undergo a high level of uncertainty caused by the low amount of information provided in terms of what he is responsible for in connecting the

service to the development site, which increases the risk of investment. According to Adams et al (2005): “uncertainty refers to a lack of knowledge of all possible outcomes and the impossibility of specifying their likelihood” (p. 50). Despite the existence of the UGB policies in the planning process to reduce such uncertainty by naming the party responsible for connecting the service, the evidence showed that developers would still not know in advance the possible cost of service connection as the exact requirements remained unclearly stated when granting the preliminary planning permission:

When developers are in the construction phase and need to connect electricity, for example, to obtain the final planning approval the electricity company requires developers to connect the lines to their location from the nearest point, which sometimes can be five or 10 kilometres away from the location. So, who is responsible for this? Sometimes this may cost millions and connection for the project is completely disrupted. (Planner 2)

Several studies emphasise that an estimate of infrastructure contribution should be accessible to the developer prior to committing to a new development in order to provide some certainty and reduce risk. Ruming et al (2011) points out that: “problems arise when developers are unable to ascertain costs ahead of land acquisition” (p. 272). Rowley and Phibbs (2012) explain:

... developers need to be certain that positive cash flows will be generated by a certain date in order to pay off debt finance and secure returns. Anything that adds to the uncertainty of generating the predicted cash flow adds to the risk of the development. Infrastructure and other developer contribution requirements imposed at a late stage completely alter cash flow projections and predicted returns. Contributions that are clear before the DA [development approval] stage and can be factored into the feasibility offer far more certainty and are much more likely to be accepted by a developer, particularly if they can be passed on to the landowner. (pp. 29-30)

It can be argued that the local planning agency in Riyadh reinforces the power of service providers to control the release of valuable information that might otherwise allow developers to account for a more accurate account of risk associated with development. The evidence suggests that withholding information from developers might be used to benefit service providers to maintain their privileged position (i.e. requiring developers to fund the cost of building power stations or release a certain number of plots for free to service providers to build their services before developers can obtain full planning permission). Indications suggest that there was low-level accountability manifested in poor coordination by the local planning agency and a lack of transparency resulting in misuse of power by service providers. Both highly impact trust in the market and contribute to increased transaction costs for developers,

which may have discouraged housing development from taking place due to a higher risk. Gielen and Tasan-Kok (2010) assert that: “there must be a certain level of certainty about contributions, in order to improve the involvement of the private sector in the realization of public infrastructure” (p. 1129). This does not seem to be the case in Riyadh.

The second problematic form of uncertainty in the housing market concerns the accuracy of the land title system. The evidence confirms results from previous studies (i.e. Siry, 2011, in Chapter 2 – *Land title*) that proof of land ownership and boundary dispute issues still exist in Riyadh’s housing market. The findings revealed that inefficiency between government agencies concerned with land titles contributed to uncertainty in the housing market, which seems to account for the low trust in the legal framework and the elevated risk in the market. This could ultimately become a factor in discouraging investment in the housing market. The strain of uncertainty and risk caused by the institutional and legal framework needs to be resolved. Adams et al (2005) state: “... a prime role for public policy is to reduce or contain risk and uncertainty in order to enhance user, developer and investor confidence in new forms of development” (p. 38). Thus, land title issues in Riyadh could be resolved to build confidence and certainty in the market in order to improve the delivery of new housing development (see Section 7.4).

7.2.1.3 Planning and value capture

Another key issue in state-market relations demonstrated in this study’s findings was the relationships between planning and development in terms of value capture. Public value capture in this section refers to capturing part of the increased value of land resulting from private development investments. The discussion is specific to: (i) the on-site community services, such as schools, roads and open space; and (ii) the promotion of affordable housing which is often realised by allowing modifications to the planning rules. The findings showed that on-site community services were important to the local planning agency and were ensured through development contribution (40% land deduction). As it is important to provide adequate amenities and services in new developments, the findings suggest that public value capture of planning was limited to a strict, linear, technical planning standard that appears to overlook other needed social benefits, such as affordable housing. The results showed that even though planning flexibility did exist through voluntary exemptions available for developers (i.e. density bonuses in return for 50% deduction of developer’s land for services on land of 80,000 sq. metres and above), they were not utilised to promote affordable housing in any exempted

development. This implies two possible explanations: (i) disinterest of local planning in promoting affordable housing in new developments; or (ii) lack of knowledge by local planning of the housing affordability problem. In either case, the findings suggested that maximum public value capture seems to be inefficiently utilised as it ignored the delivery of affordable housing.

It seems that there is one plausible explanation for giving away such valuable planning negotiation tools only in return for more amenities and services. The evidence suggests that the planning system in Riyadh has no enthusiasm for growth, where value capture based on development viability appears to be non-existent. This argument seems to be concerned with the lack of autonomy of local planning agencies and the top-down process in terms of fiscal budgetary tools. Local planning agencies in Riyadh, including the city-wide municipality (Amanah) and sub-municipalities, lack the fiscal mechanisms, such as tax levies, to collect revenues that can be used to promote social and economic benefits in local areas (see Chapter 2 – *Planning system framework*). Hence, new development do not generate much revenue for municipalities either from property taxes (which do not exist) or from user charges for services. The World Bank (2016) has observed that in Saudi Arabia: “The costs of operating and maintaining infrastructure are often paid by the government, while user tariffs recover only a fraction of operating and maintenance costs” (p. 21)¹⁷. This does not suggest that local municipalities lack the adequate financial resources to perform their duties as they are funded by the central government. However, the implication is that, in practice, new housing development do not add benefit to local municipalities in terms of generating revenues but add extra work for them (i.e. maintaining streets and public spaces). This may explain why public value capture in the form of affordable housing was non-existent as the findings suggested that there was disinterest by local planning agencies in new housing development in general:

The majority of new developments are in the form of subdivided plots that get sold in the market with no housing products built that add value to the city. Developers who only subdivide land throw their burden on us and leave after getting their money. Even sometimes electricity cables and water pipes get stolen and we have to reinstall them as well as streets get worn out and we have to maintain them. (Planner 2)

There is bureaucracy, delay and disinterest. If I approve or reject a project as Amanah, what would it add to me? If approved, headache, such as garbage collection and maintenance of public space ... Amanah does not benefit from new developments and

¹⁷ However, according to the World Bank (2016), the full extent of the financial distribution of costs and contributions to deliver, operate and maintain public infrastructure remains largely unclear due to the fragmented nature of the institutional frameworks as are currently operating in Saudi Arabia.

I am speaking frankly. Look at the municipal land that got invested quickly by renting them to commercial developers for 20 years. Because this land generates money the Amanah brought the developers and kissed their hands to work with them. But residential developers giving deductions for schools and mosques really does not mean anything to them. (Housing Official 1)

If local planning authorities have insufficient ‘fiscal incentives’, such as revenue generating sources to cover their service responsibilities, the motivation to promote housing development is unlikely to be strong and thus development may not take place (Gurran & Bramley, 2017, p. 252). The disinterest in promoting new housing development also seems to be characterised by indifference to cost. This was implied from planners’ attitudes towards the development industry as several commentaries conveyed in Chapter 6 suggest that there was disinterest and a lack of awareness of market operations and the economic viability of developments (i.e. planners’ comments that developers must comply with regulations regardless of the costs and that any costs should never be linked to planning).

Previous research studies (such as Keogh & D’Arcy, 1999; Oxley, 2004) have demonstrated that the dichotomy between state and market is a false one as the market is a social construct that reflects the society’s needs and interest (see Chapter 3 – Section 2.5.1). Adams and Tiesdell (2010) argue that planners are market actors as they shape, regulate and stimulate the market even if they do not necessarily perceive themselves as being in such role. The argument to be made is that planners in Riyadh need to recognise that they are market actors and their job should reflect the needs and interests of society. Protecting the public interest from the profit driven development industry is one task; but also being aware of their work to ensure it is enhanced to meet the society’s needs (i.e. affordable housing) in line with the society’s interests (i.e. preventing negative externalities of development) is another part of their duties. The findings suggest that the tension between planners and developers, as displayed in the disinterest of planning in new housing development, might not reflect the society’s needs in terms of delivering affordable housing.

In the case of other market actors, more importantly developers, and their perspective on the public value capture and housing affordability, the findings suggest that the claim by developers that the affordability issue is directly linked to excessive on-site development contribution seems to be untrue. For example, developers argued that there was a relationship between the high deduction of land for amenities and services and housing affordability as higher development costs incurred as a result of deducting 40% of the developers’ land were passed onto homebuyers in the form of higher housing prices. Such a claim was not necessarily

true for several reasons. Firstly, developers cannot set the prices of housing based on their development cost as final sale prices of housing depend on the nature and conditions of the local housing market (Ruming et al, 2011, Ong et al, 2017, Murray, 2017). According to Ong et al (2017): "... the price of new housing is related to the price of established housing, not simply what it costs to produce" (p. 56). Even studies that suggest developers might be able to pass development costs onto buyers, such as Evans-Cowley and Lawhon (2003), argue this would only be possible in a strong housing market. In the context of this study, recent data of housing sales indicates that the housing market in Riyadh is slow in absorbing new housing in the market (92% of new housing offered in the market did not sell within the first half of 2017 – Chapter 2 – *Market conditions*). Clearly, Riyadh's housing market is not buoyant and, thus, developers would not be able to pass their added costs to end-users.

Second, the development contribution for community services in Riyadh's planning system is set clearly at 40%, which is known in advance to developers. This provides certainty to developers (Been, 2005; Gielen & Tasan-Kok, 2010) so that risks can be accounted for in the feasibility studies and the cost of development contribution (40% land deduction) would most likely be pushed back to the land seller not the homebuyer.

It is interesting to observe the behaviour of private market actors in different contexts. It can be argued that property developers around the world share the concept that development charges are ultimately passed onto homebuyers even though such a concept appears to lack logical reasoning. The quotes below reflect commentaries of two developers, one from this study's context and the second from the Australian context:

The current 40% deduction is very high. This will be at the expense of the final product where the end-user is the one who will be paying for it, not the developer. (Developer 8, Riyadh)

All we do is gather up all the costs and put a margin on it and then pass it on. It still staggers me that politicians stand up and say the developers should pay. We actually don't pay for anything. The end purchaser will ultimately pay for it. (Large Developer – QLD). (Ruming et al, 2011, p. 266)

As most of the literature posits that the development industry is driven by profit maximisation, this researcher aligns his view with Murray (2017) regarding passing on the cost of the development contribution:

Developer charges, or impact fees, do not increase the price of new dwellings. The economic incidence is purely on the developer (or landowner). Nor do they decrease the rate of new construction ... This is why the property development industry lobbies so hard to remove or reduce DCs. They are the ones paying. If they could genuinely

pass on these costs in the price of new dwellings, the industry would lobby for them, not against them. (p. 5)

In this study, the argument made by developers that development contributions were a reason for housing unaffordability because they must sell their new housing products for higher prices seems illogical. If, as suggested above, developers can profit from higher sale prices they would most likely not complain about the cost of development contributions.

7.2.1.4 Restrictive versus non-restrictive planning

An important issue expressed in the results was concerned with the restrictiveness of planning and development control regulations and their relation to housing supply and prices. The literature in Chapter 3 (see *Restrictiveness of planning*) pointed to an important question of whether planning restrictions on housing supply contribute to higher housing prices, or are they determined by market demand? The economic literature maintains that restrictive planning contributes to higher housing prices as it limits housing supply. In contrast, other scholars (such as Dawkins & Nelson, 2002; Gurran & Phibbs, 2016) argue that supply and prices are most likely to be demand driven. In the case of the Riyadh housing market, this study's data supports the argument that demand side pressures appear to have an impact on land supply and prices. Nonetheless, non-restrictive planning policies that had allocated an excess of land for housing development seem to be an original contributor to the higher land and housing prices; as opposed to the restricted land allocation argument made in the literature. This may sound illogical in an economic sense but the findings of this study support this point as will be explained below. Similarly, the results imply that restrictive planning in the form of low density control measures might not have been a factor in increasing housing prices in Riyadh but they appear to indirectly affect housing affordability.

In terms of non-restrictive planning and housing supply and prices, the results imply that the current demand pressures in the housing market seem to be a product of the early land allocation process that still impacts the housing market nowadays. The evidence revealed that access to land for new development was limited, which pushed up land prices (see Chapter 5 – *Land accessibility and affordability*). Developers argued that the limited land supply was mainly caused by private land hoarding – long-term landowners who acquired land in the past and appeared to have no motive to release it for development – leading to higher land prices. Reasons given for land hoarding included the belief that land was treated as a secure investment and the financial benefit of the absence of property taxes. Therefore, the limited supply of land

was not caused solely by restrictive planning in the form of land allocation and it appears to be the case that high demand and less supply of land caused increases in land and housing prices. It is contended, however, that such increases in land prices seem to originate from the historic non-restrictive planning represented by land allocated for housing development. As demonstrated in Chapter 2 (see Mubarak, 2004; World Bank, 2016; Al-Hathloul, 2017), the uncontrolled urban expansion of the city of Riyadh caused by the absence of urban containment policies coupled with the inefficient implementation of the UGB seem to account for the high private land ownership in the city. This implies that non-restrictive land allocation resulted in a high supply of land which, on the one hand, was envisioned to reduce land prices at the time but, on the other hand, seemingly encouraged land hoarding and speculative practices through the excess of land released in the private market. This ultimately resulted in increased land and housing prices. The vast amount of private vacant residential land within the urban boundaries (Figure 2.10) and the massive urban sprawl of the city (Figure 2.14) provide clear indications that land allocation was not restricted. Yet the evidence suggests that privately-owned land was hard to access (i.e. Developer 4 comment: “Riyadh has a big number of land but not all of this land is for sale”). Hence, non-restrictive planning may indirectly contribute to less supply of land leading to higher prices. This implies that a more relaxed planning regime in terms of land allocation may not necessarily reduce housing prices in the long run. It seems that Riyadh’s case differs from what the economic literature suggests.

Furthermore, in the case of restrictive planning in the form of low density development control measures and their impact on housing supply and prices, the results showed contradictory perspectives between developers and planners. For instance, developers argued that low density measures were a significant factor preventing them from delivering low-cost housing (i.e. height restriction makes it unfeasible to build low-cost housing and make profit especially with the high land prices); whereas planners did not prescribe to existing relationships between lower densities and higher housing prices. It is difficult to be certain about how low density control in practice has contributed to higher housing prices in Riyadh. However, the findings suggest that such restrictive control might not have contributed to higher housing prices as argued by developers but instead may have supported the production of housing choices (dwelling types) that were not necessarily affordable to low and middle-income households. This concept of satisfying prevailing consumer preferences and the impact on affordable housing will now be examined.

First, the findings showed that, strictly speaking, there appears to be enough housing supply albeit unaffordable to many households (i.e. Real Estate Agent 2: “there is huge supply of housing in the city but most of these dwellings offered in the market are not affordable to the majority of people”). This aligns with recent statistics by the High Commission for Riyadh Development (HCRD, 2016) that the vacancy rate was 8% in 2016 (housing stock was 1.2 million units and the number of households was about 1.1 million). Hence, it appears that the restricted low density control did not limit the supply of housing implying no direct link to higher housing prices.

Second, in the case of restricted density measures and housing affordability, studies such as Ihlanfeldt (2007) suggest that restricted low density contributes to housing unaffordability by limiting the choices available to homebuyers. Mills (2005) further demonstrates that such limitation of choices results in social exclusion and unaffordability in desired locations. While this study cannot confirm that restricted density had contributed to social exclusion, the results suggest that restricted density may have indirectly contributed to housing unaffordability through supporting production trends of certain dwelling types (i.e. the more expensive detached, semi-detached and attached villas) that, while satisfying the aspirations of Riyadh homebuyers, did not necessarily meet the budgets of most households. Planner 3 supports this notion:

They [local planning authorities] argue that Saudi is vast and we have plenty of land so why would we smother ourselves in apartment units etc. ... The global trend in urban planning is towards compact cities, but why do we have a horizontal system? Blame it on the planning system that allows more horizontal expansion than vertical.

However, it should be noted that there is still production of multi-family housing in Riyadh as 52% of housing delivery was in the form of low rise apartments in 2016 (MOH, 2016). Yet, the findings indicated that apartment units were not the preferred tenure type for ownership and that this delivery appeared to be predominantly for investment purposes. It can be argued that planning in Riyadh seems to abstain to some extent from promoting sustainability objectives to address both environmental (i.e. urban sprawl) and social (i.e. affordability) issues. On the other hand, planning cannot be solely blamed for housing unaffordability as the issue is deeply rooted in broader cultural factors (see Section 7.2.2).

Based on the data provided by developers, it can be argued that the advocated flexibility by developers in regard to allowing higher densities may not necessarily deliver affordable housing. As indicated earlier, housing prices are more likely to be influenced by demand side

pressures suggesting, in this case, that if developers were permitted to build higher density housing development in Riyadh, they may not necessarily build affordable housing (as the results here showed). It has been indicated (see Chapter 5) that the demand for owning apartments seems to be weak for cultural reasons. Therefore, developers might not economise on the value of land by building high-density development if unable to sell their units (see Dawkins & Nelson, 2002). Allowing flexibility only to make development viable for developers might have negative consequences, such as increasing land prices in adjacent areas, which could make matters worse (see next section). In addition, private developers are driven by profit maximisation and may not voluntarily build affordable housing, as suggested in the results, even without density restrictions (for example, exemptions in the form of higher densities in return for 50% land deduction were available to developers but no affordable housing was built). It is evident that restrictive density measures have contributed to urban sprawl issues; furthermore, developers and planners have indicated that low density control in Riyadh is inefficient, unsustainable and needs to be reconsidered in order to promote social, economic and environmental benefits.

7.2.1.5 Flexibility and conflict

Another form of tension shown in the results was exhibited in the Public Private Partnership (PPP). First, in the case of the PPP on government-owned land, the findings revealed that there was evident discord between the Ministry of Housing (MOH) and private developers on the viability of this partnership in its first phase. For example, most developers argued that the PPP was not financially feasible for them (i.e. Developer 1: “we will not make a single penny as profit”), whereas the MOH affirmed the opposite (i.e. Housing Official 3: “it was very profitable for them but of course the developer is never satisfied”). In comparing the two opposing views with a benchmark report of the construction costs in Saudi Arabia by Colliers International (2016), the average construction price range per sq. metre for low rise apartments in 2016 was USD533 – 650; whereas the development grant by the MOH to build 180 sq. metre apartments was USD740 per sq. metre. This suggests that the partnership program might not have been as enticing to developers as indicated by housing officials especially when adding other overhead costs to the above price.

The partnership they [MOH] initiated with such requirements is merely a headache that I am not interested in. Instead of getting 200 million to enter into partnership with the Ministry of Housing to build 200 units, for example, I can do without the ministry’s complications and build 50 units by myself where I have my own flexibility ... Let me

put it this way, the partnership with the Ministry of Housing does not make an opportunity for us. (Developer 3)

However, apart from the viability of the partnership in this model, several other issues, such as the lack of trust between the MOH and developers and the overall dissatisfaction by developers about the level of support provided, implies that the MOH may need to reconsider its strategy in engaging private developers and resolve conflicts in order to achieve better outcomes. Although improvements have been made to subsequent phases of the above PPP model (see Chapter 6 – *Land release and development grant*), this study cannot confirm their effectiveness as they were implemented after the completion of the first stage of fieldwork. However, it can be argued that the fundamental objective of this model of partnership in delivering Low-Cost Housing Ownership (LCHO) appears to be inefficient in terms of meeting the future needs of the wider community as only a few could benefit from such costly partnership arrangements. Adams and Tiesdell (2013) note that public stimulus instruments can be socially unjust and/or economically ineffective which also seems to be the case in this study:

... unintended consequences exist with any stimulus instrument, which raise important questions about whether such instruments provide value for money or are socially just. The first of these is what might be called ‘deadweight loss’, where any real benefits produced are outweighed by the cost. (pp. 284-285)

A second tension in policy related to the PPP pertains to the recurring theme of desired planning flexibility that was manifesting differently than the usual planners versus developers’ flexibility conflict. The findings revealed that there is tension between planning agencies and the Ministry of Housing (MOH) over the introduction of discretionary flexible planning incentives which were intended to stimulate the housing market and enhance the delivery of affordable housing (see Chapter 6 – *Deregulatory planning incentives*). The findings suggest that recent pro-development attitudes of the MOH portrayed in bypassing local planning regulations to stimulate new infill housing development (i.e. granting density bonuses in return for a certain percentage of housing to be sold at lower market prices to the MOH beneficiaries) appear to be problematic in terms of their potential effects on the city’s planning. The intervention of the MOH in the planning system, albeit for the good reason of utilising planning regulations to promote the production of affordable housing, seems to be simply for quantitative purposes with little consideration for qualitative integration of housing for sustainable social, economic and environmental planning objectives that the new global paradigm shift in housing is encouraging (see Chapter 3 – *Housing at the centre*).

Certainly, owning a piece of land with an area of 10,000 sq. metres or more within Riyadh's urban boundaries may not be a good enough reason to grant higher densities. It is reasonable that the MOH seeks solutions (such as enforcing taxes on vacant land) to unlock the mass of private urban land in order to stimulate infill developments and potentially increase the supply of affordable housing. Nonetheless, the adopted system of implementing discretionary flexibility in the form of granting higher densities as a catalyst for taxed land based on the land area appears to be too simplistic and may not achieve its goal. Firstly, as mentioned in Chapter 3, incentivising developers by granting density bonuses in infill developments could cause land value uplift if such incentives can be pre-identified prior to land purchase (Rowley & Phibbs, 2012). In the case of Riyadh, the MOH announced the incentives which became known to both developers and landowners. Hence, density bonuses for supplying affordable housing units may not be captured by the developer but rather the landowner who would increase the land value knowing that higher densities are permitted on the land (in the case where the developer does not own the land). Therefore, the system adopted by the MOH (granting additional density to taxed land) seems to be counterproductive to its original aim because if developers cannot benefit from these incentives by having to pay higher prices for land, new development may not occur.

Second, apart from the issue of ensuring that incentives are benefiting producers, the scope of these incentives appear to overlook the possible undesirable consequences. The new paradigm shift 'housing at the centre', affirms that housing should be integrated into sustainable planning where mixed urban land-uses and appropriate higher densities are linked with better mobility and services (UN-Habitat, 2015b). This does not appear to be the case in Riyadh as all vacant land in the city could score a windfall gain from these new exemptions regardless of spatial potential. It may well be the case that the planning system in Riyadh lacks the efficiency to confer social net benefit and account for the future needs of the population by not effectively utilising planning instruments to promote affordable housing. However, the results demonstrate that the opposing argument made by planners, such as the negative externalities that may arise from this new form of flexibility, also appear to be a valid concern.

Encouraging densities to achieve efficient and sustainable housing objectives cannot be realised only by unlocking private land using land taxes and density bonuses. The key concern is diverging from the original aim of planning to improve the built environment in order to achieve short-term gains (that is, delivering more housing units for the MOH pre-approved beneficiaries). Gurrán and Bramley (2017) argue that reducing planning into merely "a set of

regulatory barriers that must be cleared to liberate the housing market” would lead to “devastating social, environmental and economic effects” (p. 383). In the case of possible negative externalities, such as the capacity of infrastructure and services, it can be argued that the infrastructure provision may not be as problematic as suggested by some planners. For example, current infrastructure especially in the city centre and inner-city areas should be upgraded to accommodate more densities and promote sustainable form. The expansion of the city through spreading new developments further out is costly and inefficient which will require more investment in infrastructure resulting in diminishing the savings on overall city infrastructure investment (Brueckner, 2009). However, other negative externalities, including traffic congestion and pressure on services (such as schools, hospitals and other community services), may arise if exemptions are not properly coordinated with local planning agencies.

This study’s findings indicate that there seems to be an unresolved tension in terms of policy intervention in planning (such as the MOH intervening with the work of planning agencies). This intervention is marked by a neo-liberal concept in the form of enablement that was mobilised against rigid planning practice that strictly adheres to predefined criteria. It can be argued that such tension and conflict (such as the planners’ views of enablement as intrusive to planning practices) may not lead to desired housing outcomes. It is demonstrated that delivering housing to low- and moderate-income groups in highly pressured urban centres will require some form of government intervention (Rowley & Phibbs, 2012; Ong et al, 2017). Nevertheless, insights of the appropriate targeted policy interventions to assist affordable housing supply should take into account undesirable consequences where issues have to be settled through mutual collaboration between the MOH and MOMRA (see Section 7.4).

Discretionary planning and the issues associated with its flexibility is still an ongoing debate in several mature planning systems (see Chapter 3 – *Uncertainty and delay*). Previous research indicates, for example, that the dilemma of achieving balance between flexibility and certainty in planning systems is very challenging, complicated and can be unsettling in many contexts (see Steele & Ruming, 2012). This seems to be the case in Riyadh’s housing context as the findings illuminate issues of power struggles and arbitrary decision-making between the two ministries involved in the new discretionary planning process. This may continue to limit efficiency, in the form of accountability and uncertainty of decision-making as already seen, and lead to other potentially debilitating issues in the future. Gurran (2011) suggests that a hybrid system that combines aspects of both certainty and flexibility might provide a solution

to the tension between flexibility and certainty, which may be well served in Riyadh's housing context.

In the context of this study, it is argued that a hybrid planning system has been forced on top of the regulatory system as the certainty that existed in the zoning system was combined with a new discretionary flexibility. On the positive side, this may provide a voluntary space for innovative solutions within predefined criteria to achieve better outcomes. However, the involvement of two government agencies – with different sets of objectives – to create a hybrid planning system could make the task even more formidable. The potential for enabling housing with better performing planning as argued by Steele and Ruming (2012), “will require a better institutional understanding and articulation of what the desired outcomes might be— particularly within an era defined by economic reform where flexibility appears manifest at the higher government and appointed independent body levels” (p. 173). The study's findings suggest that delivering sustainable, affordable housing could be problematic given that a shared institutional common vision between the government stakeholders involved appears to be lacking.

7.2.2 Embedded institutional arrangements and power relations

The literature has affirmed the importance of taking the wider institutional context into account when analysing housing systems to understand the broader influences that determine the social interactions between actors (see Chapter 3 – *Institutionalism in housing*). Burke (2012) emphasises that housing market behaviours and outcomes are not just about demand and supply, “but rather a product of the institutional context in which markets are embedded” (p 35). Milligan (2003) points out that the concept of housing embeddedness in the broader context can provide a way to synthesise the analysis of actors' relations in the housing market:

Policy and its effects come about through the complex interaction of longstanding structures and patterns of institutions, ideas (and ideologies) and behaviour in national housing systems and changing exogenous influences deriving from broad economic, demographic, technological, social and political changes. Conceptually aware and historically specific analyses of social policies and their outcomes are necessary to unravel the relationships and to highlight the particular significance and ongoing social, political and economic sustainability of chosen policy paths. (p. 40)

The discussion in the previous section indicates that there were key issues in the roles and relationships between key actors resulting in tensions in Riyadh's housing market. Many of these key issues appear to be more embedded in the broader social, political and economic forces of the institutional context. This broader context provides deeper understandings and

better explanations of the issues that have emerged out of the discussion above. The main objective of this section is to unveil the bigger picture of state-market relations and how and why they function in certain ways that shape the housing outcomes. The evolution of urban and housing policies in Saudi Arabia (see Chapter 2) has already provided a basis for uncovering some of the issues that cause tension in the housing market.

This thesis contends that the long-standing policy of lavish housing subsidies used for decades to promote home ownership has resulted in the creation of a unique consumer culture. The findings suggest that a culture of entitlement has now been firmly entrenched in Saudi society. Consequently, such elevated expectations of the government's role in providing housing may in fact act as a barrier to the implementation of more sustainable housing policies that could be used to better promote the efficient use of resources and enhance the quality of urban life. Such a 'culture of entitlement', fuelled by lofty expectations, may originate from an implicit administrative anxiety that seeks to maintain stability in the Kingdom by using housing policies as a means to achieving such stability. However, the recent downturn in the economy has necessitated a new form of government intervention in housing that may not be compatible with the continuous use of such housing policies. This is discussed in more detail below.

7.2.2.1 Social, political and economic forces

Firstly, this discussion will revolve around the effects of state housing policies on the efficiency of the free market approach and the implications of cultural factors. The findings suggest that demand side housing subsidy policies appear to be counterproductive to supporting housing supply in the market. The evidence revealed that there was a slowdown in the housing market in recent years mainly caused by several government reforms that were intended to regulate the housing market and enhance housing supply (these include new mortgage laws and down payments, land fees on urban vacant land and the injection of funds to the MOH to support housing subsidies). The findings suggest that this slowdown may be related to homebuyer's anticipating that access to suitable housing is to be resolved through extensive support by the government. For example, several interviewees indicated that the recent government reforms had negatively impacted the housing market, as exemplified by Financier 3:

... the new 30% down payment requirement of the property value to obtain a mortgage and imposing land fees on white land coupled with some rumours that prices will go down, led many people to wait assuming that the government will provide them with housing. The majority of people have applied to the Ministry of Housing's website and pretty much anyone who doesn't own a house and applied got approved. Therefore, these people consider that with their applications being approved they would soon get

subsidised housing from the government and yet are still waiting. These previous factors have led to a decline in mortgage financing not only in our bank but in all other banks over the past year.

The recent state intervention in the housing market as described in Chapter 2 and illuminated in the findings (Chapters 5 and 6), appear to be positive in terms of, for example, introducing new mortgage laws to regulate housing finance and imposing taxes on vacant land to encourage infill development. However, these measures also appear to be countered by other policies – particularly the housing subsidies – and the citizens’ reluctance to purchase a property while they maintain such elevated expectations of the government providing finance for housing.

This evidence aligns with previous research findings (Aleid, 2017) that show government housing subsidy policies contradicting other housing policies that promote the free market approach. For instance, despite the introduction of mortgage regulations to ensure access for mortgage financing in Saudi Arabia, the findings suggest that buyers were more inclined to wait for housing subsidies, whether an interest-free loan, free land or ready built housing. This provides a plausible explanation for why housing producers (i.e. developers and small builders) have been focusing on the high-end market where buyers are not reliant on subsidies even though such housing remains unaffordable for the majority of households.

It is argued that the weak supply of affordable housing choices in the market is exacerbated by the culture of entitlement and high expectations of home seekers in Riyadh. As demonstrated above, the slowdown in the housing market, for example, appears to be affected by the expectation that the government will step in and assist first homebuyers in obtaining housing by providing financial assistance. It is believed that other reasons provided in the data, such as the difficulty in accessing mortgage financing, appear to be less problematic. For example, the 30% down payment that was considered a hindering factor to access housing was soon reduced to 15%, implying that access to finance may not be the issue. The findings show that a high proportion of housing supplied was unaffordable to most buyers, yet housing producers continue to supply such unaffordable housing choices. This implies that housing production trends were focused on a narrow segment of society that is not waiting for government support in the form of a housing subsidy. Hence, the expectation of buyers to obtain government housing support, even if they can access mortgage financing, seems to provide a clearer explanation for the limited housing supply for the low- and moderate-income segments. Obtaining housing subsidies in any form, whether interest-free loans or free land, means

lowering the housing purchase cost providing a much better deal for aspirant homebuyers than the free market approach.

Evidence in this study demonstrates that the above proposition of a culture of entitlement has further implications in terms of promoting diverse and affordable housing types. For example, the results show that even low-income earners who were prioritised in the MOH subsidy program to obtain low-cost ownership housing in the form of apartment units through the PPP program were not happy with the government efforts. Developer 1 elaborates that, when marketing these units to beneficiaries: “A lot of them asked to remove their names from the apartment housing subsidy program list so that they can get land and/or a loan [other types of housing subsidies]”. The results confirm previous research findings (Opoku & Abdul-Muhmin, 2010; Khan, 2013) that households in Riyadh appear to have no preference for owning apartments as a housing choice for several reasons, including limited space, sharing facilities and privacy issues (see Chapter 5 – *Society and housing*). This suggests that the issue of dwelling preferences is highly linked to expectations and a prevailing perception of entitlement that may prevent the market from delivering diverse and cost-effective choices to address housing affordability and urban sprawl.

The aspiration of home ownership supported by government strategies (i.e. raising the rate of home ownership through subsidy programs) which is reflected in a particular tenure form (i.e. households’ preferences for villas rather than apartments) appear to be embedded in the buyers’ minds of what a dream home entails. Whereas home ownership is accepted as a positive concept, the dream home culture might have been envisioned by buyers to be more than just a comfortable and safe shelter but rather a commodity that can also generate income. The results showed that many first time homebuyers usually look for housing that includes separate units and can be rented to assist in paying the mortgage (such as a villa with separate top floor unit). For example, Real Estate Agent 4 stated that: “most of the houses sold in the market are for housing and investment at the same time”. Apartment units appear to be solely bought for investment (i.e. private renting) and not as a residence for owners to live in. This suggests that the disfavour associated with more affordable housing choices, such as apartment units, is closely related to the continuous ambition of wealth creation through property that has been historically supported by generous housing subsidies. Subsequently, prospective homebuyers can, if patient enough, obtain interest-free loans that allow significant lowering of housing costs; and at the same time entice housing choices that can generate an income. Clearly, these

options would not be affordable to most households without the extensive government support offered.

Secondly, it is proposed that there are exogenous political factors in the form of implicit power relations that positively and negatively impact the housing market in Riyadh. On the positive side, the findings suggest that there is a strong commitment by the central government agency responsible for housing (MOH) towards attempting to address the housing problem, such as establishing the PPP, imposing taxes on vacant land etcetera, (as presented in Chapters 5 and 6). This commitment can be attributed to a strong political will where facilitating access to housing for all citizens appears to be the main objective that is highlighted by direct intervention in the housing market (for example, issuance of royal decrees to make new policy reforms as laws). Gurran and Bramley (2017) argue that strong central government supervision over housing is crucial to overcome local barriers. In the case of this study, the central government (MOH) seems to have the capacity to mandate new reforms, backed by monarchical consent, to achieve its goals despite any existing obstacles in the local context (i.e. bypassing local planning regulations for new housing development that allocate affordable housing). The strong role of the Ministry of Housing, supported and promoted by the ultimate authority of the King, can be regarded as a positive force in terms of mobilising resources and implementing policies.

On the negative side, attempted solutions made by the central government seem to provide a fix for the political problem rather than providing comprehensive solutions for the housing problem. This plausible contention is formed from witnessing the apparent motivation of the central government to solve the housing problem, as well as from understandings closely drawn from the data, literature and observations. It signifies how the MOH's actions of moving and shaking the housing system to expand home ownership have actually been unsuccessful in achieving the desired effect. The justification for this contention is described below.

Even though Saudi Arabia is not a democracy, similar trajectories in terms of achieving political objectives are shared. The concept of public counter-intuitive opinion is particularly important to this discussion. In democratic societies, politicians often try to appeal to local constituencies (voters) by following short-term policy goals that may not necessarily result in desirable outcomes. Rakodi (2001) explains:

... the time scale of political decision makers is relatively short, giving rise to a need for demonstrable results in terms of improved services and visible projects, hindering the institutionalisation of new policies and approaches, and inhibiting following through on initiative. Short term achievement may lead to re-election. (p. 219)

The idea of short time horizons for policymakers and the appeal to voters to get re-elected does not manifest in the same way in the Saudi Arabian context (see Chapter 2 – *Political structure*). It can be argued that housing policymakers, particularly at the ministerial level, are subject to similar scrutiny where delivering fast results may serve the unstated motive of ensuring political stability that is absolutely essential for the governing authorities. Hence, policymakers, where time sensitivity and demonstrable results are important for them to keep their jobs, are under intense pressure to appease the high authorities as well as the public.

This issue is worthy of further examination to gain a deeper understanding of the implications for housing outcomes. In his paper, McConnell (2010) discusses government policy success and failure from three different dimensions: (i) *process* (identifying the problem, examining a potential policy and making a decision); (ii) *program* (new policy/implementation); and (iii) *politics* (political repercussions). He explains that in order to understand the dynamics and features of policy processes and programs, politics must be taken into account:

... if we are to fully grasp the multi-dimensional nature of policy and what governments do, we need to recognize that programs have political repercussions. The choices of government (including timing of decisions and the symbolism of particular forms of action or inaction) have consequences for the reputation and electoral prospects of politicians and their capacity to manage political agendas. (p. 350)

Furthermore, McConnell (2010) argues that policymakers often react to problems through certain policies that may not essentially solve the actual problem but give the public the impression that such policies are effective:

... it is often easier for governments to deal with symptoms rather than tackle underlying social causes ... [such policies] demonstrate that government is trying to deal with the problem and responding to popular concerns can become the definition of success, whether or not the response effectively engages with a wicked problem. (p. 385)

This, in a sense, explains the concept of public counter-intuitive opinion as the government is perceived as doing its job to solve the problem but, in reality, the chosen policy is merely a reaction to the public concerns. McConnell (2015) further points out that the complexity and multiplicity of social issues may provide an explanation for why policymakers often tend to react towards solving problems in certain ways:

... government may succeed in perpetuating its governance ideas by initiating policy with a high placebo content, demonstrating that a policy is in place to tackle a particular 'wicked problem', but which fails to actually deliver on programme goals because of the complexity and intractability of problems with multiple individual, institutional and societal causes. (p. 238)

Despite its application in western democratic countries, the argument made here is that there is an interplay in the Saudi context where the objectives of policymakers appear to be running a parallel course. It is posited that housing policymakers in Saudi Arabia may not pay enough attention to the policy processes; rather, the thorough analysis and deep consideration for the genuine issues that is needed in housing, is undermined by a focus on politics. That is, the focus is on delivering fast and agreeable results designed to ensure political and social stability. For example, sustaining the generous housing subsidies, which fundamentally undermine the basic relationships in the housing market as demonstrated, appears to serve such unstated motives. Alzamil (2014) argues that subsidy programs in Saudi Arabia are not based on affordability measures, suggesting that "Subsidy programs should serve the principle of affordability through directing financial resources for vulnerable groups with the housing market" (p. 224). The short-term gain of achieving fast results by allocating subsidies, without strict consideration to financial means, may well be argued to be unsustainable in terms of the efficient use of public resources as well as having a negative impact on the free market to deliver housing in general, and low-cost housing in particular.

Other government interventions discussed in the previous section, such as the PPP and the deregulation of planning, may also not yield the desired outcomes as hastily produced policies could ignore potential implications and create bigger problems. Hence, the inclination of the MOH to respond to public concerns by instigating quick policy fixes could be more likely to originate from implicit power relations rather than from a concerted effort to build an efficient housing policy framework.

Finally, the significant wealth generated by oil in the past decades has negatively influenced the behaviour of local governments where enthusiasm for promoting economic growth (described under *Planning and value capture*) appears to be hindered by a strong central government control over resources. It is argued that the centralised municipal system, particularly in terms of financial resource allocations, has impacted the appetite of local planning authorities to be proactive in encouraging new housing development since new growth does not generate revenues and the cost of maintaining infrastructure and public services is not recouped. As local municipalities receive most of their budget from the central

government, they are often poorly financed and cannot anticipate the level of funding to be allocated to them (Helmi, 2015), which makes the delivery and maintenance of needed infrastructure and public services burdensome. Mubarak (2004) explains:

Municipalities are short of financial resources and manpower while local autonomy is usurped by national ministries and agencies in the national capital, and so conflicting authority and interests are the norm. The contemporary history of urban management in Saudi Arabia corroborates such observations ... Oil has created an influx of capital into cities, but the magnitude of development has placed a great strain on housing and the infrastructure of the municipalities. (p. 577)

The persistence of enforcing a centralised system, in which reliance of local authorities on the central government to fund their activities, can be argued to be an unsustainable practice in urban management. Mubarak (2004) believes that the lack of local autonomy, which has prevented effective urban management, is used to retain political power by the central government over localities. However, there seems to be other power relations at play specific to the socio-political aspects of this issue. The lack of local revenue generating mechanisms and the limited power given to local authorities to realise growth benefits appear to also be for the reason of ensuring stability by the central government. As discussed in Chapter 2, public services in Saudi Arabia are provided free of charge by the state and this is the general expectation of citizens. This hinders the implementation of more effective ways of generating local revenue sources. Mandeli (2008) outlines:

Although the central authorities support the idea of privatization, some institutional and organizational constraints still hinder the realization of this policy. One major problem is political. Even though the revenue earned from municipal investment through privatization would allow the reduction of government expenditure for service delivery, many social commentators in academic and private forums view this development decision as self-defeating. They believe that service delivery is a means to enhance civic responsibility, therefore, it is unrealistic to levy any direct or indirect fees on citizens for public services and infrastructure. (p. 530)

Despite the recent fall in oil prices and the government moves towards privatisation in its *Vision 2030* document, local municipalities are still dependent on the central government for funding their activities. According to the NTP (KSA, 2016a), only 11% of municipality budgets are financed by internal revenues, which is targeted to increase to 40% by 2020. However, the report did not indicate how the new target would be achieved. Utilising local revenue mechanisms, such as property taxation (except the newly introduced fees on vacant urban land) that are used in most countries appear to have been overlooked for the reasons explained above. Thus, the lack of resources allocated by the central government and the absence of local

revenues tied to growth have generated impacts in the housing market. Addressing these issues may provide more efficient and sustainable housing delivery.

7.3 The fundamental drivers: A model for diagnosing processes and outcomes in housing

This section provides a synthesis of the analysis presented in the previous two sections (7.2.1 and 7.2.2) by revealing three fundamental drivers of the core issues that have significantly impacted housing affordability in Riyadh.

Table 7.1 culminates the key issues discussed in this chapter using an inductive institutional analysis to connect the drivers with the issues that are causing the tension in the housing market and placing strains on the delivery of affordable housing for low- and moderate-income groups. The table presents the non-linear dynamics of social interactions between the key actors in the system where the interrelationships between the issues and the multiplicity of their drivers shows the complexity of the housing system. Issues in one driver can feed back to impact the decisions environment of actors in another driver in an interactive way. For example, the issue of the PPP success is politically driven but also interconnected with the economic driver of motivation as the decision of developers to join such a partnership may not be aligned with their motivation of profitability, which positions the political and economic drivers at odds. A further explanation of the drivers follows.

Table 7.1: Summary of Key Issues and their Fundamental Drivers

Issue	Evidence	Driver of the issue
1. Uncoordinated planning process – Local planning authority	Delay caused by land title adding unnecessary development cost – admitted by planners	<p>Economic</p> <p>1. Lack of motivation and alignment</p>
2. Creation of high uncertainty – Local planning authority	Limited access to information – i.e. unknown off-site infrastructure contribution	
3. Misuse of power – Utility/service providers	Taking advantage of developers – i.e. building power station	
4. Ignoring social planning responsibility – Local planning authority	Flexible exemptions but not for affordable housing	
5. No enthusiasm for growth – Local planning authority	No revenues generated from new housing development	
6. Disinterest of market operations – Local planning authority	Planners indifference to cost and economic viability of new developments	
7. High land prices caused by land hoarding – Landowners	Relaxed land allocation in the past: vast amount of private ownership/ unwillingness to sell	
<p>Interconnected issues from other drivers to driver 1 Issue number: 8, 11, 12, 13</p>		
8. MOH solution: limited success of PPP	Not financially attractive to developers/costly and only benefit few	<p>Political</p> <p>2. Driven by fast results rather than comprehensive solutions</p>
9. MOH solution: bypassing planning regulations for taxed land	Potential negative externalities to city’s planning/density bonuses for taxed land may not deliver affordable housing	
10. MOH solution: counterproductive subsidy policies to market approach	People waiting for support to purchase desired housing/focus of producers on high-end segment	
<p>Interconnected issues from other drivers to driver 2 Issue number: 7</p>		
11. Density control and affordability: restrictive density effect on supply and prices	No direct relationship between restrictive density and housing prices – enough supply but not affordable	<p>Social</p> <p>3. Culture of consumption</p>
12. Density control and affordability: lack of diversity in housing mix	Indirect relationship between restrictive density and affordability – encouraging the production of unaffordable dwelling (villas)	
13. Density control and affordability: demanded flexible density by developers	Flexible density may not deliver affordable housing – weak demand for apartments	
14. Monetised housing and dream home	Housing that can generate income: high expectation for dream home	
<p>Interconnected issues from other drivers to driver 3 Issue number: 9,10</p>		

1. Lack of motivation and alignment: The analysis shows that key actors, such as a local planning authority, lack the motivation to promote growth due to strains on financial resources to deliver and maintain public services. This has ignited tension, particularly between planners and developers, where the push to retain financial sustainability of the city organising body and the pull towards making profit by developers have caused development friction. Such tension is characterised by a high level of uncertainty and a lack of accountability. The interrelationship between the different motivations of actors appears to be markedly unaligned which further amplifies the tension in the market.

2. Driven by fast results rather than comprehensive solutions: In terms of housing policies, the analysis shows that policymakers lack the understanding of private market actors' operations. Produced policies, such as housing subsidies and the PPP, are working against free market fundamentals which further exacerbates the affordability issue rather than actually helping to solve the problem. The inadequacy of deeper analysis, a lack of reasonable knowledge of the development process combined with a lack of initiating comprehensive solutions, appear to be the product of political motives (as explained in the previous section).

3. Culture of consumption: This is ingrained in the way housing is perceived which, in the Saudi context, manifests as a culture of pursuing housing as a wealth generating commodity. Consumer ambitions have resulted in production trends that are unaffordable for the majority, yet such views are still upheld. An important factor pertaining to many of the issues is the financial risk of producers in undertaking certain types of housing development. The analysis shows that the delivery of multi-family housing is deemed to be risky due to the consumer culture and this has fundamentally hindered the promotion of diverse and affordable housing choices.

Drawing from this synthesis, a conceptual model has been created to present a holistic method for diagnosing housing market issues which may be applicable to any housing context (Figure 7.1).

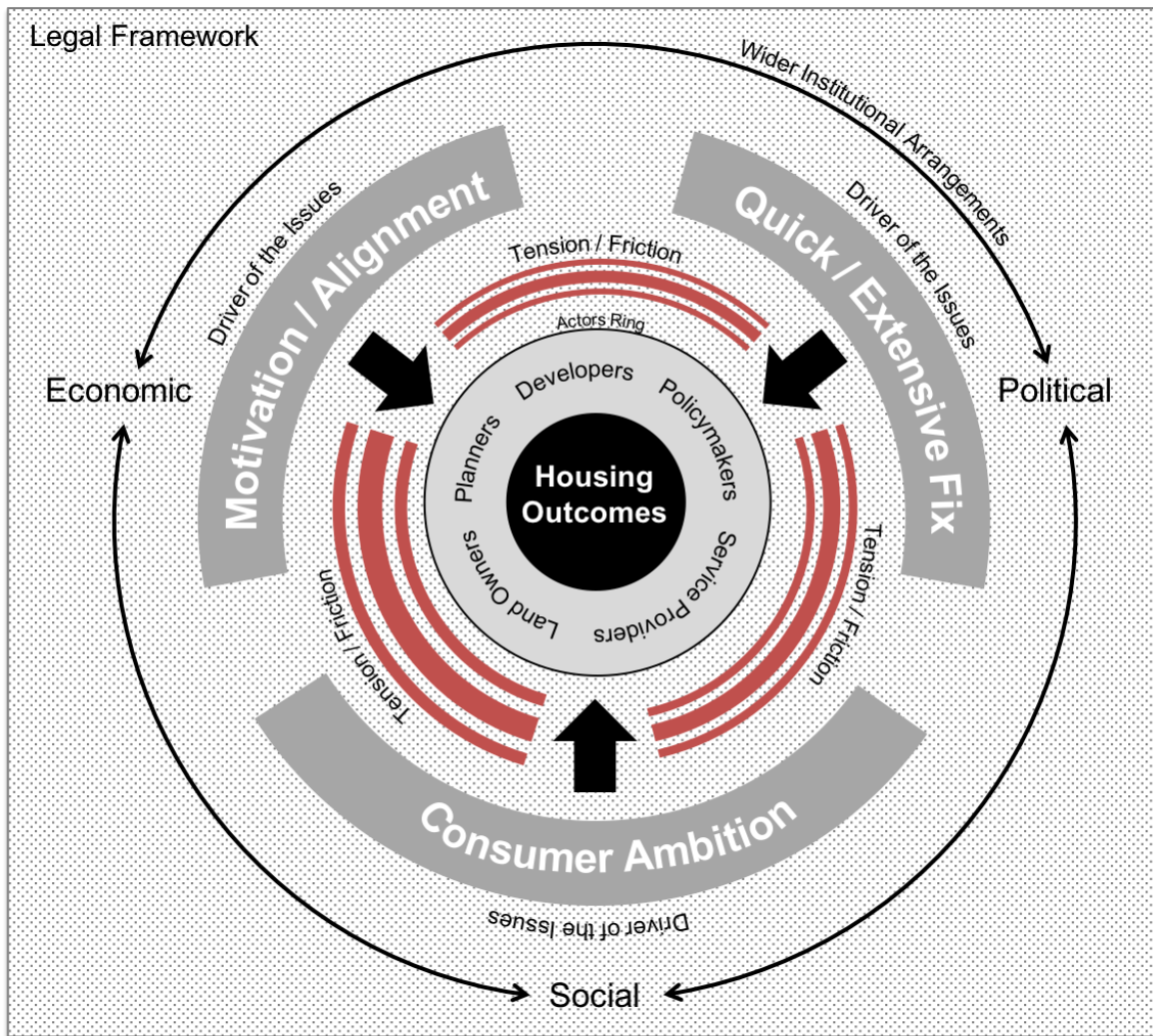


Figure 7.1: The Operations and Processes of Housing Markets: The Fundamental Drivers behind Strategies and Outcomes

The model depicts the social interactions and interrelationships between key actors in the housing system which determine the housing outcomes. These interactions and interrelationships are conceptualised as a network of processes that are influenced by a set of driving forces that fundamentally shape the operations and the outcomes in a housing market. The model provides an evolved analysis of this study’s original conceptual framework and highlights a new perspective of the complex dynamics of housing systems. In this conceptualisation, the legal framework is viewed as the platform that the whole housing market is built on. A solid platform of well-defined and enforced property rights in the housing market is required for it to properly function. Similarly, the housing market can be realised as the stage for the actors to perform within the structural forces of political, social and economic institutions that influence and contextualise the actors’ performance.

The most important features of this model are the three fundamental driving forces behind housing issues which stem from the wider institutional arrangements. Such housing market issues are inherently interlinked to these fundamental drivers. As derived from this research, *Motivation and Alignment*, *Quick or Extensive Fix*, and *Consumer Ambition* are the significant drivers that determine the network of processes that lead to housing outcomes. Each driver plays a role in influencing the actions of actors culminating in a unique network of social interactions. As this process involves several actors with varying interests, strategies and objectives, a synergistic tension is created (as can be seen in any housing market). This model illustrates the operation of these drivers in managing this interactive and fluid tension (shown in red), which increases or decreases contingent upon how each driver manifests in a particular housing context and where equilibrium of the tension is the desired state.

As illustrated, the drivers in the model are multi-dimensional and indicate the intensity of the tension/friction at play at a point in time. For example, a lack or non-alignment of motivation amongst actors; a quick policy fix by government officials; or a wealth-centric ambition by consumers, can amplify tension in the housing market. More specifically, in the case of motivation, individual actors have varying degrees of motivation (considered normal in any housing market), but problems may arise when there is a lack of incentive by actors to perform sufficiently; or actors' motivations are not aligned in a cohesive way (i.e. push and pull forces such as the motive of promoting sustainable urban form versus the motive of profitability). In terms of the driver of consumer ambition, maintaining the status quo and the self-interest of affected parties can increase the tension (i.e. opposition to increased density in affluent areas; 'Not In My Backyard'). Finally, the tendency for a quick policy fix, such as a push towards planning reforms (as an easy technical solution that does not involve government spending) can also negatively impact the tension.

Conversely, the fundamental drivers can be utilised positively to reduce the tension in the housing market. This operates, for example, by working on aligning motivations, providing comprehensive solutions through extensive action, and shifting consumer ambition to be more fundamentally attentive to the greater good. These powerful drivers operate by constantly impacting the social relations of the actors either positively (i.e. reducing tension/friction) or negatively (i.e. increasing tension/friction) within an adaptive and complex system. This synergistic force creates the housing outcomes and to improve these, the drivers, as the source of this force, must be the focus of change.

7.4 Policy implications for the housing system in Riyadh

Arising from the research evidence, this section presents several policy implications for the current institutional framework in Riyadh's housing context. From the synthesised analysis in the previous section, assisted by the conceptual model (Figure 7.1), five key themes are presented with several policy implications drawn from each. These themes are: basic housing market infrastructure, price and non-price signals, transparency and information, cultural change, and capacity building. The scope of each policy implication is by no means inclusive as each is positioned within a realm of complexity and subject to internal/external impacts. A representation of the key themes and issues emerging from this research is outlined below.

Theme 1: Basic housing market infrastructure

This theme represents the basic legal framework that is required as a foundation for any housing market to function and perform. While well-defined and enforced property rights are taken for granted in mature housing systems, significant issues remain evident in the Saudi legal framework. The findings of this study suggest that legal issues with land titles may still be impacting confidence and trust in the housing market. Improvement in this area is likely to have a positive impact on the housing market.

Policy Implication 1: Strengthening property rights through a sound cadastre system

The current method of how the cadastre system runs seems problematic and could be reformed in order to address some of the more challenging issues evident, such as boundary disputes and the overlapping of tasks between MOMRA and MOJ. An increase in confidence and trust in the market may be achieved as follows:

- MOMRA, instead of the MOJ, could take full authority over the issuance of land titles. A land registration department established under MOMRA could facilitate both legal and technical tasks to be merged. This may avoid the problem of issuing any deed before a technical land survey is undertaken thus ensuring there are no future issues on the ground.
- Establishing an external tribunal for real estate matters under the MOJ's authority may create an independent channel for resolving any disputes that may arise within the MOMRA process.

Theme 2: Price and non-price signals

This theme emerged as a ‘carrot and stick’ mechanism to influence change in market actors’ behaviour. It aims for alignment and harmonisation of varying interests and objectives to accomplish efficient, sustainable and affordable housing delivery. The theme includes monetary and non-monetary policy responses based on the issues in the housing system. The policy implications below may not only provide improvements to the economic motivations of actors but may also help in triggering change in individual and organisational cultural attitudes.

Policy Implication 2: Introducing revenue generating mechanisms for local planning agencies with a gradual introduction of a property taxation system

As evident in the research, one of the issues that appears to impact housing production was the absence of fiscal revenue mechanisms for local planning agencies to capture the value of new developments (see *Planning and public value capture* above). Introducing property taxes is unlikely to be welcomed by citizens, yet a move in this direction has already been made with the recent introduction of other taxes in Saudi Arabia. The collection of a Value-Added-Tax (VAT) occurred for the first time in Saudi’s history in 2018; and vacant land taxes were introduced in 2015. Annual property taxation on both land and structures and capital gains taxes on property sales are lucrative sources of revenues that are worthy of consideration. Such taxes could be used to enhance the infrastructure and service provision in local areas and as levers to encourage affordable housing delivery (i.e. tax breaks). This could potentially align Saudi Arabia with the global practice of using taxation tools to generate revenues for local planning agencies.

Policy Implication 3: Re-assessing vacant land taxation and planning deregulatory incentives

The findings suggest that the MOH deregulatory incentives based on land taxation may not deliver affordable housing and could lead to negative consequences (see *Flexibility and conflict* above). Thus, in order to unlock urban private land (to address land hoarding) and provide incentives for infill developments the MOH may consider granting density bonuses based only on vacant land taxes as follows:

- Allowing flexible density for taxed land, especially for vacant land that is in certain desired locations (near transport hubs or within the city centre and inner-city areas – see 5 and 6 below).

- Imposing progressive location-based taxes on vacant land. For example, land that is closer to the city centre may be taxed at a higher rate rather than the 2.5% flat rate as stands on all vacant land (above 10,000 sq. m) within the urban boundaries.
- Density bonuses incentives could be restructured to be based on merit (case-by-case), which may help avoid land value uplift.
- Solutions to unlock land already served with infrastructure in prime locations may not only include higher taxes and flexible planning regulations but compulsory government purchases may also be considered (see 7 below).

Policy Implication 4: Restructuring housing subsidies to better target those in need

The findings revealed that both demand and supply side housing subsidies appear to be counterproductive to a free market approach due to the relatively easy access for first homebuyers regardless of financial ability (see Appendix A). Restructuring housing subsidy policies may provide more efficient delivery of affordable housing for those most in need:

- Subsidy target group – the MOH could realign housing subsidies to be specifically targeted to low- and moderate-income segments (for example, the threshold could be lowered and based on income that is below the city median to facilitate greater access for those most in need).
- Type of subsidy – subsidies could be allocated to include Low-Cost Home Ownership (LCHO) as well as social housing rental choices.
- In terms of demand side housing subsidies, the MOH may consider granting interest-free loans only for apartment buyers to stimulate high density development (see Theme 3 below). The free land subsidy could then be abandoned as no subsidies for detached homes would be available.
- To address cultural preferences, households eligible for housing subsidies but who may not wish to buy apartment units could apply for social rental housing until they can afford their preferred type of dwelling in the free market.

Restructuring housing subsidies as outlined above has the potential to unlock a huge demand for housing. If subsidies are no longer so freely available, households capable of accessing housing in the free market would then be encouraged to make a purchase. This may have the effect of encouraging housing producers to capitalise on this new demand.

Policy Implication 5: Reorganising Urban Growth Boundaries (UGB) policies to promote more diverse housing for infill development sites

While there appears to be enough housing supply, the findings indicated that it may not be affordable for the majority of households. The findings also revealed that planning appears to contribute indirectly to the housing affordability problem by reinforcing certain types of housing produced (i.e. detached and attached villas). The excessive allocation of land coupled with low density measures may also present difficulty in accessing land for development. Attention to current and future needs for a balance between types of tenures could be achieved through the following measures:

- The HCDR could consider a new UGB boundary limit that puts on hold (for a designated period of time, such as 5 years) new housing development in locations that cannot be connected on time with infrastructure by service providers even if they are located within the current boundaries (most land not connected to services is located on the urban fringes).
- Increasing the current densities in the city centre and inner-city areas based on case merit (see 6 below), to a higher density and ‘mixed land use’ (not only commercial/offices but also residential) to accommodate more population in such areas that are already linked to infrastructure and services.
- Residential densities may also be increased near transport hubs to better improve mobility (Riyadh Metro is scheduled to open in 2019 with six lines and 85 stations [HCDR, 2015b]). This may provide positive incentives for new housing development near train stations.
- Any limited capacity of infrastructure in these areas could be increased and upgraded to allow for the increase in densities (see 7 below).

This could shift the focus of new developments into inner city areas to encourage more diverse housing delivery. However, to facilitate delivery of affordable housing this shift is better accompanied by incentives for developers, such as density bonuses (see 6 and 7 below).

Policy Implication 6: Introducing mandatory inclusionary zoning on selected locations

The findings showed that the delivery of affordable housing through planning mechanisms was not utilised in Riyadh despite the existence of some flexibility for doing so. Mandatory

inclusionary zoning could be implemented in certain areas of the city to produce affordable housing:

- In locations within the city centre and inner-city areas as well as locations near train stations that allow higher densities (following on from 5 above).
- By capturing the value of such prime locations in the form of deducting a certain percent of the development for affordable housing in return for the higher densities promoted and the existing surrounding infrastructure and amenities.
- By basing the deducted affordable housing on the economic viability of the development (see also *Capacity building* – implication 18).

Policy Implication 7: Using land assembly instruments and public investment in infrastructure

The MOH could reconsider its supply side housing subsidy in the form of PPP for building LCHO (serviced land with infrastructure as well as development grants provided to developers). Greater efficiency may be obtained if the MOH focuses on:

- Instead of building housing units via PPP, the MOH could acquire land in strategically desired locations (i.e. near transport hubs but not necessarily within the inner-city areas) and provide necessary physical infrastructure to make these locations attractive for development.
- Using compulsory land acquisitions to combine private fragmented ownership into larger parcels of land ready for development.
- Achieving connectivity to required physical services through PPP infrastructure projects.
- Cooperating with MOMRA to grant higher densities and allow mixed land uses.
- Selling to private developers prepared and assembled land to build multi-storey housing based on a predetermined number assigned for affordable housing in return for the density and infrastructure provided.
- Allocating the acquired new affordable housing for either LCHO and/or social rental housing.
- Considering the option after selling the land to developers to purchase a sizeable number of units in the proposed development (i.e. 50%) at a discounted rate for buying in bulk. Half of these units could be sold in the market and the other half retained for

social housing. Developer risk may also be minimised as difficulties in obtaining finance for the development and guaranteeing cash flow are lessened (adopted from Rowley & Phibbs, 2012).

The aim of the above is to foster conditions that may deliver more sustainable, diverse and affordable housing; where the MOH operates in cooperation with MOMRA and private developers to participate in delivering enhanced residential communities that may not only benefit the few (i.e. the allocation of LCHO through the current PPP), but may also provide benefits to the wider community. More delivery options of affordable housing in several desired locations is also attractive to both developers and end-users.

Policy Implication 8: Introducing new utility and service providers to increase competitiveness

One of the issues revealed in this study is the misuse of power by utility and service providers as well as their incapacity to deliver services on time. It is therefore worth considering ways to diminish the monopoly of utility companies by introducing new competitors into the market. Providing competition into the market may encourage utility companies to provide better services and greater cooperation.

Policy Implication 9: Allowing incremental densities in certain built-up areas

The findings showed that there is a stronger inclination by homebuyers to purchase housing inclusive of opportunities for generating income (i.e. housing with separate units that can be rented). Incentives for current homeowners to provide affordable rental housing and generate income from their properties could be encouraged. This concept is adopted from the *Global Housing Strategy* UN-Habitat (2013) and could be adjusted to suit the Riyadh context as follows:

- In cooperation with the HCDR and Riyadh Municipality, the MOH could identify potential existing locations that could be granted an increase of density (i.e. from 2.5 storeys to 3 storeys or 3.5 depending on the capacity of the infrastructure and services). Such locations would have to be agreed upon with local planning agencies.
- The incremental increase of density in identified locations could be in the form of a conditional incentive (voluntary) for willing home owners who would like to add structures on their existing property as affordable rental units.

- Certain specifications may be imposed for added units besides a rent ceiling (i.e. a contract could be signed for a designated period of time).
- Small loans could also be granted to support building these units.

This situation could be a win-win approach by providing affordable rental housing units that could be managed by the MOH while generating extra income for homeowners.

Theme 3: Transparency and information

The analysis revealed that housing policies may have been used to address socio-political issues rather than the actual housing problem. This theme, however, is not focused on politics but rather stresses the importance of transparency and information to better formulate housing policies that may provide solutions to the housing problem and maintain efficient use of public resources. Thorough analysis of the housing market and access to robust and unbiased information is seen as a significant factor in accomplishing desired housing outcomes. Such policy implications include:

Policy Implication 10: Enhancing accountability and building trust

As discussed earlier, the MOH solutions to the housing problem seem to be driven by the desire to achieve fast results which have implications for the housing market. Housing policymakers may benefit from distancing themselves from political forces in order to foster more productive levels of accountability and trust. Prioritising comprehensive analysis of the housing issues that pays attention to market operations may well avoid policies that have negative repercussions on private market actors (as outlined in the previous theme, especially implications 3 and 4). This may provide a step forward in terms of building trust and reducing tension among market actors and may ultimately lead to effective solutions and practices.

Policy Implication 11: Establishing an independent institution for housing research

This may be effective to not only hold policymakers to account, but also to enrich housing research in Saudi Arabia. Such an independent (non-government) body could provide annual housing market reports, recommendations and directions in a clear and neutral voice.

Policy Implication 12: Establishing a national housing data bank to assist stakeholders

The MOH could consider initiating a data platform that provides market statistics that could be utilised in numerous ways by professionals and academic researchers, such as formulating feasibility plans and conducting research.

Policy Implication 13: Compiling information readily available for housing producers

This pertains to the issue of uncertainty and risk. The findings showed that the lack of information provided in development plans in terms of infrastructure provision resulted in high levels of uncertainty. Improvements could be made to reduce risk associated with such uncertainty by increasing transparency and the availability of information:

- Service providers, including electricity, water and sewerage, could be required by Amanah (Riyadh municipality) to provide, in a timely manner, a full-cost estimate of off-site infrastructure (if required) for new proposed developments. This may be done through a request by a developer prior to submitting an application for the preliminary planning permission in order to assist them in accounting for all possible costs.
- Amanah and HCDR could consider building a land information system using a GIS data base (digital maps) for physical infrastructure in cooperation with service providers to clearly indicate coverage of services, capacities and plans for connections (see *Capacity building* – implication 17 below). While this may be a costly project, it may also be a worthy investment and have practical uses in other areas.

Theme 4: Cultural change

Emerging from the research analysis, one of the fundamental drivers in the housing market is the culture of consumption and how housing is perceived. It is argued that there is a pressing need to promote sustainable and affordable housing delivery by encouraging a diverse housing mix in infill developments. Higher density in the city centre and inner-city areas may provide a viable alternative option to accommodate a growing population rather than maintaining the traditional detached housing approach. Changing the cultural perspective towards accepting higher density living is certainly a challenging concept but gradual change is possible. Healey (1999) makes the critical point that: "... cultural underpinnings are not fixed and given, although they may be slow to change. They are actively made, remade, and transformed in the

dynamics of the social relations that intersect in localities” (p. 113). With this in mind, the policy implications outlined below, coupled with those already mentioned in theme 2 (i.e. implications 4 and 5), may initiate a gradual shift into changing the culture of consumption.

Policy Implication 14: Consulting with the public and applying specifications and standards for building dense housing

Findings implied that consumer ambition in Riyadh, particularly young households aspiring to own detached housing as a first home, may be shifted if cultural issues (such as space and privacy) and building quality issues are more carefully considered. Therefore, the MOH and MOMRA could jointly establish a specialised team of experts to consult with the public (particularly young households) to propose new standards for alternative design typologies for future dense housing. Furthermore, new building code/regulation for multi-family housing could be established to ensure better design and quality. As increasing density does not necessarily mean height, this may include differing criteria depending on the type of development (i.e. low-rise, medium-rise and residential towers) to allow more suitable choices for higher density living.

Policy Implication 15: Encouraging the return to the old city centre

City living may provide an enticing option for young households given the advantages of access to employment, transport and amenities. Riyadh’s old city centre has untapped potential for accommodating new housing development due to its connectivity to physical and social infrastructure as well as its proximity to jobs (several government departments and private companies are in this area). The MOH, in cooperation with HCRD, may consider using some of the measures in theme 2 (such as compulsory purchase of land and inclusionary planning mechanisms) to offer affordable housing in this underutilised urban precinct. This concept is closely aligned with a recent proposal by the HCRD to regenerate the old city centre (Riyadh Central Area Urban Renewal Program, HCDR, 2015b). (See Appendix F).

Policy Implication 16: Engaging the private development industry with the sustainability concept by supporting innovation

It has been demonstrated that Riyadh clearly suffers from urban sprawl issues. Planning for housing in Riyadh could encourage housing producers to be active participants in developing a sustainable city of the future by inspiring innovation. Housing producers could then draw from new and unconventional perspectives to transform the culture of housing consumption in

Riyadh by providing more appealing and innovative housing that are not only environmentally friendly but also meet the needs of the population in terms of social, cultural and religious dynamics (i.e. space, privacy, separation). As Tiesdell and Allmendinger (2005) aptly suggest: “Challenging – and perhaps – altering established or conventional cultural perspectives involves creativity and encouraging actors to think ‘outside the box’” (p. 71). For instance, encouraging creative solutions in building suitable multi-family housing may be found in the use of inspiring architectural and engineering design where the traditional Arab house (with an internal courtyard that ensures privacy) is adapted in a dense urban setting.

Theme 5: Capacity building

The necessity of changing the culture of the consumer also extends to a need for cultural and behavioural change in market actors interactions to better align affordable housing delivery objectives. The issue of market actors pulling in different directions (due to different motivations and objectives) could be addressed via capacity building tools aiming to improve understandings of each other’s roles. Capacity building tools involve enhancing the ability of market actors through various forms, including knowledge, networks and rules of operation (Tiesdell & Allmendinger, 2005). The findings suggest that capacity building measures seem to some extent to be absent in the state institutional framework in Riyadh, which has led to several problematic issues in the housing market (i.e. lack of mutual vision in implementing policies caused by institutional fragmentation). Capacity building instruments are important tools that could be integrated into Riyadh’s housing system in order to achieve better housing outcomes. It could be argued that the success of the previously suggested measures rely on how well capacity building is implemented. Tiesdell and Adams (2011) make this clear:

While capacity-building actions could be regarded simply as further forms of market-shaping or market- stimulating instruments, they are better seen as means of facilitating the operation of these other policy instruments. The effect of future regulation and stimulus actions, for example, may depend on an institutional and human capacity that does not presently exist – hence, appropriate capacity building is a condition of future success. (p. 26)

Capacity building is a rich and extensive field of research that extends beyond the scope of this study. Nonetheless, several policy implications are presented here to address key issues arising out of this discussion. These capacity building instruments may be considered by planners and housing policymakers as well as private developers in Riyadh.

Policy Implication 17: Promoting a collaborative approach

The findings illustrate a lack of mutual vision between several government and non-government agencies involved in housing provision that might have hindered decision-making processes. Promoting collaboration to resolve entangled and interconnected responsibilities is vital, as more efficient knowledge and information exchanges may surely yield improved policy outcomes. The following may facilitate this objective:

- Establishing an inter-agency taskforce that is responsible for more informed decision-making through policy dialogue may not only co-ordinate responsibilities and tasks between stakeholders but also engage actors in policy preparation and formulation.
- This taskforce may jointly function under the authority of both MOMRA and MOH to implement policies. In the case of Riyadh, the HCRD could play a major role as outcomes can be integrated into the formulation of strategic planning for housing in the city.
- Stakeholders from both ministries (preferably high-level), the HCDR, Amanah, relevant government agencies, service providers, private developers' representatives (through the Real Estate Commission at Riyadh Chamber of Commerce) and local council members representing the public may hold regular meetings (i.e. monthly) to discuss issues and formulate plans.
- This body could adopt performance criteria to measure efficiency and progress.

Prioritising objectives and how they may be accomplished could be the essence of this collaborative approach. Government agencies, such as MOMRA and MOH, may benefit from devolving power and functions in order to achieve more positive outcomes.

Policy Implication 18: Improving actors' knowledge about market viability and the regulatory framework

A culture of unawareness and disinterest in the development market operations, particularly among planners, emerged in the findings. Planners are market actors, so in order to achieve the aim of improving housing outcomes, need to be aware and knowledgeable about housing market cycles and the economic viability of new developments. For instance, ensuring effective implementation of inclusionary zoning (number 6 above) may depend on dedicated, experienced and well-informed planners. Gurran and Bramley (2017) contextualise this point: "... the capacity to understand development feasibility and to accurately determine the value

of planning ‘gain’ is critical” (p. 359). Similarly, developers could reciprocate understanding by being aware of planners’ work in order to facilitate harmonisation in the planning and development process. Measures that may be helpful include:

- Establishing training programs and workshops to improve the capacity and knowledge of municipal employees.
- Adopting sophisticated feasibility tools to test the viability of planning schemes and assist planners and housing policymakers in the negotiation process for potential contributions by developers. Such tools have been used by planning agencies in several countries. For example, in Australia, the New South Wales Department of Planning and Environment has established an interactive GIS software application called the *Urban Feasibility Model* which is used as a development negotiation instrument that calculates housing, employment and the economic feasibility of new developments at particular locations.
- Promoting summer internship placements for university students to be exposed to a relevant field aligned to their major area of study. For example, planning students could be encouraged to join private development companies; similarly, property development majors could engage with local planning agencies to gain and exchange practical knowledge and increase awareness.

Policy Implication 19: Engaging and building the capacity of community housing providers

One of the solutions to delivering affordable housing that has been used in several countries is through engaging not-for-profit community-based organisations, but these exist on a very small scale in Riyadh. Government agencies, particularly the MOH and MOMRA, could encourage not-for-profit developers to participate more actively in the delivery of affordable housing by providing incentives, such as land grants, funding and planning exemptions, to expand and scale up the work of these organisations.

7.5 Conclusion

This discussion highlighted key issues in Riyadh’s housing market where tensions in state-market relations appeared to hinder the efficient delivery of housing, particularly for low- and moderate-income earners. It can be concluded that housing in Riyadh has not been placed at the centre of urban planning policies and practices. The uncertainty caused by poor coordination and lack of transparency; the planning indifference towards market operations

marked by the dismissal of promoting affordable housing; and the enforcement of control measures that support unaffordable housing production trends are some of the significant revelations that support this conclusion. Such negligence in planning policies forced an outsider intervention (the MOH deregulatory planning policies) which may not have necessarily resolved the issue.

The implications of the wider institutional context (social, political and economic) reflected in implicit power relations conclude that three fundamental driving forces are behind the many issues causing the tension in the housing market. First, the culture of consumption, manifested by the dominance of single-family homes evident in preferences, entitlement and expectations and cultivated by long-standing urban and housing policies, has fostered a unique consumer culture that perceives housing as a wealth generating commodity. Second, the tendency of policymakers in solving the housing problem might have been influenced by a powerful political factor forcing a desire of achieving fast results rather than ensuring comprehensive solutions to the issues. Thirdly, the lack of motivation of actors to efficiently perform in the market was evidently marked by the absence of economic incentives and non-alignment of the different and often conflicting motivations and objectives. These three fundamental drivers have amplified the tension in Riyadh's housing market leading to undesired housing outcomes.

The institutional analysis of the complex dynamics of interactions and relationships between issues, drivers and actors has culminated in the creation of a conceptual model that presents a holistic method for diagnosing housing market operations. Finally, this chapter presented several policy implications derived from the synthesis of the empirical findings, the conceptualisation of an adaptive and complex system as a newly evolved model, and the emergent five key themes. This integrated process ultimately and comprehensively addresses the central research question of this study.

CHAPTER EIGHT

Conclusion

8.1 Introduction

This study was grounded in the context of the housing system in Saudi Arabia. The main aim was to investigate the research questions by uncovering the state-market roles and relations in housing in order to cast light on the unknown processes (the ‘black box’) that affect the way actors perform. This ultimately shapes housing outcomes, including the ability of low- and moderate-income segments to access housing. The study analysed and synthesised multiple institutional theoretical concepts that were drawn from related literature to provide structure and focus for this investigation. Insights from relevant scholarly work, including Ball (1983, 1986, 1998); Adams et al (2005); Tiesdell and Allmendinger (2005); and Burke and Hulse (2010), were implemented into a unique conceptual framework to facilitate the examination of social interactions between key actors in the housing system, while also taking into account the embeddedness of housing in the broader institutional context. By examining this contemporary network of state-market roles and relations, new understandings about the processes of institutional dynamics in the housing system were realised leading to the creation of a refined model that depicts the network of processes that influence housing outcomes.

This final chapter now presents a conclusion to the overall outcomes of the research and is divided into five sections. The next section (8.2) provides answers to the research questions by bringing together a summary of the key findings as well as policy implications for improving the institutional framework in Riyadh’s housing system. The research aim is addressed by uncovering the institutional processes of state-market relations that shape the housing outcomes. The following sections outline the research limitations (8.3), identify future areas of research (8.4), and lastly a final concluding statement by the researcher is presented (8.5).

8.2 Answering the research questions

Emerging from issues identified in the literature, combined with this researcher's observations, this study focused on the following central research question:

How can the state's institutional framework in the housing system be improved to better enable the market to meet the demand for housing, particularly affordable housing, in Riyadh?

Taking into account the embeddedness of housing in the broader institutional context and the implicit power relations that influence the operation of market actors, answers to the four research sub-questions are now presented which ultimately lead to answering this central research question.

8.2.1 Research sub-question 1: Roles and relationships of key actors in the system

What are the existing roles and relationships of key actors within the housing system?

The existing roles and relationships of the key actors in Riyadh's housing system seem to be marked by acute tension. Key actors involved in the delivery of housing who have been directly or indirectly investigated in this study included planners, developers, housing policymakers, service providers and landowners. Five key dynamics were revealed and are summarised here:

(i) Despite the uniqueness of the Riyadh context, interviews of developers and planners described in detail in chapters 5 and 6 highlighted that the interrelationships between these actors appear to share distinct similarities with those described in the literature. Essentially, developers perceived planning as a regulatory burden that hinders their work; whereas planners viewed developers as only being concerned about profit maximisation with little consideration for the built environment. The analysis showed that planners' and developers' roles and relationships in the housing system are significantly non-aligned thus hindering the attainment of affordable housing objectives (see Chapter 7 – *Planning and value capture*).

(ii) The inherent tension evident between planners and developers has also extended to impact the provision of infrastructure where poor planning coordination has resulted in lack of transparency and access to information. This situation favours service providers who are then inclined to use this unfair advantage to extract extra benefits from developers thus increasing development risks (see Chapter 7 – *Uncertainty and risk*).

(iii) An examination of historic land allocation planning combined with the experiences of developers as expressed in the interviews, revealed that landowners lack the motivation to release their land into the market, which further complicates the delivery of housing for developers (see Chapter 7 – *Restrictive versus non-restrictive planning*).

(iv) In order to curtail the land hoarding practice, housing policymakers imposed land taxation on vacant land and introduced new planning exemptions (bypassing current local planning regulations) to incentivise landowners/developers who are penalised by these taxes. However, the perception by planners, as expressed in the interviews, is that housing policymakers' intervention can be an intrusion to good planning practices (see Chapter 7 - *Flexibility and conflict*).

(v) While housing policymakers are trying to reform the housing sector to enable developers to be more engaged in the delivery of affordable housing, discord is evident between developers and housing policymakers particularly in the public private partnership initiative (PPP). Developers perceive the PPP as unattractive and unfeasible for them whereas policymakers think the opposite. Such conflicting views are likely to limit the success of such an intervention that is specifically directed at improving housing outcomes.

8.2.2 Research sub-question 2: Key issues in the housing system

What are the key issues in the housing system that influence the private sector in delivering affordable housing?

According to the evidence derived in this study, there appears to be no problem with the provision of adequate housing supply in Riyadh. However, there are indications that the housing system still struggles with delivering housing products for low- and moderate-income segments. To answer the above question, the analysis of this research leads to the conclusion that issues in the housing system are driven by three fundamental factors:

1. A lack of motivation of the main actors
2. The tendency for policymakers to reach for the quick policy fix
3. A prevalent culture of housing consumption

As the first driver, lack of motivation is a powerful force. While private market actors in Riyadh appear uninterested in delivering affordable housing without some form of government intervention (i.e. incentives/disincentives for developers), the planning system as a main type

of regulatory intervention seems to lack the motivation to promote housing growth due to insufficient fiscal incentives. A lack of enthusiasm by the municipality for facilitating and promoting new housing development was evident (see Chapter 7 – *Planning and value capture*). This has an impact on the delivery of affordable housing where there is an absence of planning intervention mechanisms to address the affordability issue and the diversity of housing choices.

In addressing the housing problem, it was found that housing policymakers are more driven by achieving fast, temporary results rather than comprehensive, long-term solutions. The MOH interventions display a lack of sufficient analysis to inform necessary reforms that would more adequately address the housing affordability problem (see Chapter 7 – *Flexibility and conflict*). For instance, overly generous housing subsidies programs are sustained in spite of their contradiction with free market principles and local planning regulations are bypassed with little coordination with relevant bodies.

The third driver, the culture of housing consumption, originates from the historic urban and housing policy framework in Riyadh. This framework has been encouraging certain trends of housing preferences that has greatly contributed to the housing affordability issue, resulting in a culture of consumption amongst Saudi residents that perceives housing predominantly as a commodity rather than a shelter. Consumer ambition has been found in this study to be one where expectations and preferences do not match affordability, yet a culture of entitlement is characterised by a view that the government remains responsible for subsidising housing for all citizens. With declining oil revenues and the necessity of the governing authority to appease their citizens' needs, policymakers in Riyadh are still grappling with the affordability problem. The tendency to opt for a quick policy fix to a problem that is deeply embedded in a complicated institutional context is unsustainable. Deep understanding of the problem to reach appropriate solutions followed by affirmative action presents a more viable option.

8.2.3 Research sub-question 3: Effects of the key issues on affordable housing delivery

How do these issues affect the private sector's ability to deliver affordable housing?

Due to the focus of this question on the private sector, more particularly housing producers, the answer is centred around the motivation of producers to take part in the provision of affordable housing. The motivation by private developers for financial profitability and

minimising development risks was evidently hindered by the three fundamental and interconnected drivers, as explained above.

Firstly, as described earlier, the lack of enthusiasm of local planning agencies to promote new housing development seems to affect the financial viability of development or even deter housing development from taking place. For example, planning delay was found to be a product of inefficiency and poor coordination of the planning process rather than the more respectable reason of ensuring quality decision-making, which in turn adds unnecessary cost to developments (see Chapter 7 – *Planning delay, social benefits and private cost*). However, while there are several issues in the planning regulatory framework that may reduce the potential profitability (i.e. planning delay; density restrictions), or even deter housing development altogether (i.e. uncertainty of off-site infrastructure charges), the bigger issue in the planning system is manifested in the lack of planning mechanisms that encourage the production of affordable housing. The push factor (characterised by little enthusiasm for new housing) by the local planning agency in order to maintain financial sustainability, works as a barrier to the provision of affordable housing. As they are driven by the motivation of profitability, developers will not voluntarily build low-cost housing if there are no regulations that force them to do so. Hence, the motivations of planning agencies and developers act against the delivery of affordable housing.

Secondly, a quick policy fix as a fundamental driver has affected the motivation of private developers to build affordable housing as existing policies appear to not support an efficient free market approach. The findings showed that private developers are not motivated to join the PPP as it does not offer enticing financial returns for them. Moreover, housing subsidies programs, such as interest-free loans and free land grants, have played a part in influencing the housing production trends towards the high-end market where buyers are not reliant on lengthy government support. The analysis also shows that planning exemptions in the form of density bonuses may cause land value uplift in which the intended benefits for private developers by permitting higher density in return for building low-cost housing may instead be captured by landowners (see Chapter 7 – *Flexibility and conflict*).

Lastly, the third fundamental driver is interconnected with the second driver where a unique culture of housing consumption has evolved through the government urban and housing policy framework. The findings suggest that first homebuyers are not interested in the market approach as they can obtain a government subsidy which lowers their purchasing costs. This

has reinforced a concept of buyers' ambition towards wealth creation depicted in preference for a certain type of housing (large family homes) that is not affordable without a subsidy. The implication of such a concept is that private developers are not motivated to deliver affordable housing products as there is weak demand for multi-family housing (apartments), which decreases their appetite to take a risk in building a more diverse and affordable housing mix.

8.2.4 Research sub-question 4: Policy implications for better affordable housing delivery

What mechanisms can be provided by state institutions to enable better affordable housing delivery?

The analysis of the data revealed that five key thematic areas may need to be addressed in order to enable better affordable housing delivery in Riyadh. The first theme is related to the legal framework in the housing system where a sound land titling system is required as a basic housing market infrastructure. This has been identified as an issue in other developing countries (World Bank, 1993; UN-Habitat, 2016) and land titling is clearly an area of deficiency in Riyadh's housing system. A sound cadastre system that is well-defined and enforced may assist in building confidence and trust in the housing market. The second theme is price and non-price signals that function as a provider of incentives and disincentives for private market actors to align market behaviour with affordable housing policy objectives, such as revenue sources for infrastructure to support housing development. In the case of Riyadh, policy implications included the introduction of property taxation, restructuring housing subsidies, and utilising land assembly instruments and public investment in infrastructure.

The third theme that emerged addresses the issue of transparency and information, in which analysis of housing issues are better left unhindered by political interests (i.e. producing counter market policies to ensure socio-political aims). Implications drawn included the establishment of an independent body to provide impartial analysis to the housing market. Theme four concerns the issue of housing consumption and culture/consumer ambition through long-term policy reforms that aim for a gradual cultural change. Here policy implications revolved around encouraging the promotion of a diverse housing mix including the enforcement of building specifications for denser housing and challenging the conventional multi-family living concept through innovative solutions. Finally, capacity building was presented as the fifth and final theme that enhances the social interactions between actors in

the system through a set of tools that facilitate greater awareness of each other's roles. Policy implications under this theme included the promotion of a collaborative approach between the different housing stakeholders as well as providing measures for knowledge and information sharing.

In conclusion, the sub-questions framing this thesis have been answered in this chapter following detailed analysis conducted in the previous chapter. That being so, the central research question for this study has been investigated in a holistic manner through the examination of these sub-questions. Thus, it is concluded that the state's institutional framework in the housing system can be improved to better enable the market to meet the demand for affordable housing in Riyadh.

8.3 Research limitations

As is the case for any research, this study acknowledges its limitations. Firstly, the results were based on a single case study in which the findings can only provide an explanation for the housing problem in Riyadh, thus making generalisations for other settings not applicable. Generalising the results was not attempted as differences in institutional contexts makes every housing system unique and thus the results could never be generalised. Instead, transferability of the findings to other settings was made through "analytical generalization" (Yin, 2003, p. 37), where the theoretical inferences yielded out of the inductive analysis of the results provided a conceptual model that can be applied to other housing contexts. This model could be used as a holistic method for diagnosing housing market issues.

Secondly, due to the complexity of the subject and the time and resource limitations of the PhD process, certain elements of the housing system could not be comprehensively investigated. While attempting an examination on several grounds, it was beyond the capacity of this researcher to investigate issues from the wider perceptions of, for instance, local communities, utility companies, and not-for-profit organisations. As a single researcher, multiple realities were reconstructed drawing on the perceptions of a small number of actors in the system, which limits the results given the extensive range of social interactions in the housing system.

Thirdly, issues of political sensitivity may have hindered participants from providing frank responses as they were apprehensive about possible repercussions. In fact, some preferred not to comment on certain topics regarding government policies, such as the MOH intervention in bypassing planning regulations. While this may be a common limitation when interviewing

government officials in any context, in this case, an adequate number of respondents were interviewed and triangulation measures were used to minimise this apparent limitation.

Finally, it is important to note that this study offers a “slice of life” (Lincoln & Guba, 1985, p. 155) in which its findings reflect a specific period and place. This study was carried out during a time of structural change in Saudi Arabia where several reforms in the housing policy framework were still taking place. Hence, changes that were undertaken after the second stage of the fieldwork (December 2016) were not accounted for in this study.

Despite these limitations, this study has successfully achieved its aim of uncovering processes that hindered efficient delivery of affordable housing in Riyadh. Such revelations can be used to inform further areas of research as discussed below.

8.4 Further areas of research

The findings of this study point to several areas for further research. While quantifying the effect of the planning and housing regulatory environment was not the aim of this study, adding insight from quantitative inquiry to the institutional analysis could add value to the examination of particular issues revealed in this study’s findings. For example, one of the issues that could benefit from adding such an insight is related to the examination of the scale of off-site infrastructure charges in order to understand its impact on housing delivery. The size, type and cost of relevant infrastructure charges from historical data using economic modelling could provide useful data on the extent of the issue and guide strategies to resolve uncertainty and risk issues. Another interesting area to be quantitatively examined could be monitoring the results of the new fast track licencing system to measure its effectiveness in reducing cost and time of new developments and its role in improving housing outcomes.

Uncovering the processes of social relations in the housing system by acknowledging the distinctive features of the local institutional context has cast light on various critical issues that may now encourage further research to improve the delivery of affordable housing in Saudi Arabia. The following suggestions for future research are drawn directly from this study.

(i) The culture of housing consumption proved to be crucial as it was one of the fundamental drivers behind the housing affordability issue. The complexity of integrating the concept of sustainable planning for housing and the issue of consumer ambitions is an interesting area of research. Further research to examine housing diversity and social mix in Riyadh is needed.

Although the study's findings revealed that home purchasing attitudes are dominated by preferences for detached and semi-detached housing, a mixed method study (qualitative/quantitative) to examine the current housing form in the city and the potential for integrating housing diversity through planning regulations with quotas of size, design, type and location could provide some deep insights into both acceptable and affordable housing choices. Such research is advised to consider the social mix requirements in relation to the motivation of actors (i.e. the financial viability for developers) as well as consumer ambition (i.e. household needs, preferences and perception of the affordability concept).

(ii) Another important issue is the financial challenges faced by local government in promoting economic growth and funding local infrastructure and services in Saudi Arabia. As insufficient fiscal incentives appear to indirectly impact housing delivery in Riyadh, further research is needed to propose innovative strategies for reforming and restructuring the municipal financing system. Such research should consider the underlying drivers of aligned/non-aligned motivation and the quick/extensive policy fix for deeper understanding of the issue.

(iii) Capacity building is another area of interest (and one of the emerging themes) that can be further researched in order to address the housing affordability issue in Saudi Arabia. For example, investigating capacity building approaches for non-profit community housing development organisations is a topic that remains under-researched, but which would add much value to Saudi housing literature.

(iv) This study's findings highlighted several areas of inefficiency in the institutional framework in the housing system (i.e. coordination between key actors in the system) that, without a doubt, have contributed to the problematic delivery of affordable housing in Riyadh. Many of these issues have been dealt with in several mature housing systems and yet the dilemma of housing affordability persists. Thus, the efficiency of the legal and institutional framework may not be enough to reach solutions for housing affordability. The institutional model developed in this study (Figure 7.1) provides a deep insight into the complexity of housing system issues by moving beyond state and market efficiency and providing a clearer focus on the root of the problem. Therefore, the potential exists for further application and development of this analytical framework by future researchers.

8.5 Final statement

With a purpose to shed light on a phenomenon that has had little attention, this study embarked on the complicated and challenging task of examining the institutional processes of state-market relations in the housing system in Riyadh. A detailed and authentic account of the issues that are likely to impact on a more efficient delivery of affordable housing were investigated, analysed and discussed to achieve the research aims. While this study is significant for researchers and policymakers in Riyadh, hopefully the findings also make a valuable contribution to the current body of knowledge on state-market relations in housing systems and provide a stimulus for further exploration and action.

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Appendices

Appendix A: Housing Subsidy Requirements and Allocation Criteria – MOH

In 2015, the Ministry of Housing established a new system constituting the requirements of eligibility for housing subsidies and the process of allocation. This came after the old system that used to grant a subsidy to Saudi nationals given priority to those who applied first. The housing subsidy can be in the form of one of the following three types: (i) ready built housing (apartment, duplex or villa); (ii) ready to build piece of land; (iii) interest-free loan (maximum amount of USD133,333). The information below is taken from the *Executive Regulation for Organising Housing Support* (MOH, 2015).

General requirements for eligibility:

1. Applicant must be a Saudi national
2. Applicant (if husband or father) must be at least 25 years old. This requirement does not apply if the applicant is the wife or the mother
3. Applicant must be resided in Saudi Arabia (excluding nationals who live abroad for the purposes of working for the government of Saudi Arabia, studying or seeking health treatment)
4. Applicant or any of his/her household members does not currently own housing
5. Applicant has not previously obtained government housing subsidy support
6. Applicant does not have the ability to buy suitable housing. This is determined by the applicant and his/her household members owning combined assets with market value of no more than SAR2,000,000 (USD533,333). This includes cash and cash equivalents, securities, any kind of commercial activities, such as companies, and or real estate of any kind.

Allocation of housing subsidy and priority lists:

1. The MOH created priority lists for each type of housing subsidy support (i.e. ready built unit, land or loan). Priority lists for ready built housing and ready to build land are organised according to the cities and governorates where the residential projects are located (through the PPP projects). Priority lists for housing loans are divided by regions of the Kingdom.

2. Approved applicants (based on the requirements for obtaining housing subsidy) will be listed in one of the priority lists based on his/her selection of the type of housing subsidy.
3. Applicants are listed in the priority lists based on points granted to them in accordance with a point system as described below (priority is given to higher accumulated points). The ministry regularly evaluates and updates applicants' points.
4. The MOH may amend the mechanism of granting points specified below from time to time and the amendment shall apply in the event of its approval to all applicants enlisted including those listed prior to the date of amendments.

First, the applicant shall be awarded points based on the number of household members up to a maximum of 20 points according to the following table:

Number of households (including applicant)	Granted points
6 or more	20 points
5 or more	15 points
4	10 points
3	5 points
2	0 point

Source: MOH, 2015

Second, the applicant shall be awarded points based on the financial situation of all members of the household included in the application. The maximum number of points awarded under this criterion is 20 based on the type of subsidy requested by the applicant and the household's monthly income as indicated below:

Total monthly income (applicant & his/her household members)	Granted points based on requested type of subsidy	
	Loan	Units or Land
SAR 3,000 (USD800) or below	20 points	10 points
SAR 3,000 – 4,000 (USD800-1,066)	20 points	12 points
SAR 4,000 – 5,000 (USD1,066-1,333)	20 points	14 points
SAR 5,000 – 6,000 (USD1,333-1,600)	20 points	16 points
SAR 6,000 – 7,000 (USD1,600-1,866)	20 points	18 points
SAR 7,000 – 8,000 (USD1,866-2,133)	20 points	20 points
SAR 8,000 – 9,000 (USD2,133-2,400)	19 points	19 points
SAR 9,000 – 10,000 (USD2,400-2,666)	18 points	18 points
SAR 10,000 – 11,000 (USD2,666-2,933)	17 points	17 points
SAR 11,000 – 12,000 (USD2,933-3,200)	16 points	16 points
SAR 12,000 – 13,000 (USD3,200-3,466)	15 points	15 points
SAR 13,000 – 14,000 (USD3,466-3,733)	14 points	14 points
SAR 14,000 – 15,000 (USD3,733-4,000)	13 points	13 points
SAR 15,000 – 16,000 (USD4,000-4,266)	12 points	12 points
SAR 16,000 – 17,000 (USD4,266-4,533)	11 points	11 points
SAR 17,000 – 18,000 (USD4,533-4,800)	10 points	10 points
SAR 18,000 – 19,000 (USD4,800-5,066)	9 points	9 points
SAR 19,000 – 20,000 (USD5,066-5,333)	8 points	8 points
SAR 20,000 – 21,000 (USD5,333-5,600)	7 points	7 points
SAR 21,000 – 22,000 (USD5,600-5,866)	6 points	6 points
SAR 22,000 – 23,000 (USD5,866-6,133)	5 points	5 points
SAR 23,000 – 24,000 (USD6,133-6,400)	4 points	4 points
SAR 24,000 – 25,000 (USD6,400-6,666)	3 points	3 points
SAR 25,000 – 26,000 (USD6,666-6,933)	2 points	2 points
SAR 26,000 – 27,000 (USD6,933-7,200)	1 point	1 point

Source: MOH, 2015

Third, the applicant shall be awarded points based on age with 15 as the maximum number of points awarded under this criterion:

Applicant age	Granted points
35 and less than 36	1 point
36 and less than 37	2 points
37 and less than 38	3 points
38 and less than 39	4 points
39 and less than 40	5 points
40 and less than 41	6 points
41 and less than 42	7 points
42 and less than 43	8 points
43 and less than 44	9 points
44 and less than 45	10 points
45 and less than 46	11 points
46 and less than 47	12 points
47 and less than 48	13 points
48 and less than 49	14 points
49 and above	15 points

Source: MOH, 2015

Fourth, the applicant shall be awarded points according to the precedence of his/her application (time of lodging the application). The maximum points awarded to the applicant according to this criterion is 10 where one point is granted for each year passed since the application is lodged.

For example, a household of 4, with a total monthly income of SAR11,000 – 12,000, aged 35-36, and on the list for 5 years would be calculated as $10+17+1+5 = 33$ points for a loan/unit/land subsidy.

Appendix B: Types of Housing in Riyadh: Photos and Floor Plans

1. Examples of different housing types in Riyadh (Photos)

1.1 Villas (single family)



Detached Villa

Source: Esimsar (2018d)



Attached Villa

Source: Esimsar (2018c)

1.2 Villas containing separate units



Villa (Ground Floor/Half of First Floor) + 1 Apartment First Floor & 1 Apartment Second Floor

Source: Esimsar (2018e)



Villa (Ground Floor) + 2 Apartments First Floor & 1 Apartment Second Floor

Source: Esimsar (2018f)

1.3 Apartments



Apartment Building in the City North

Source: Esimsar (2018b)



Apartment Building in the City East

Source: Esimsar (2018a)

2. Examples of different types of housing (Floor plans):

2.1 Villas (single family)



Large Detached Villa (600 sq. m)

Source: Arab Arch (2018b)



Ground floor



First floor



Annex

Medium Detached Villa (350 sq. m)

Source: Arab Arch (2018c)



Ground floor



First floor



Annex

Attached Villa (245 sq. m)

Source: Arab Arch (2018a)

2.1 Apartments



Apartment Prototypes Offered by a Private Development Company

Source: Alarjan (2018)

Appendix C: In-depth Interview Topics and Questions – Stage 1

TOPICS & QUESTIONS FOR SEMI STRUCTURED INTERVIEWS – STAGE 1

(Private Developers)

Participants will be asked to inform their experience, perception and recommendations about Riyadh's housing system performance and the role of the state in the housing system and its relationship with the private sector. Five main themes structure the interviews. Topics and questions for each theme are shown below:

Theme one: Land

In your opinion, what are the main issues or obstacles affecting the current land market?

I. Topic: Access to land issues

- a. According to government statistics, land supply in Riyadh is considered sufficient, so what problems/obstacles are private developers facing regarding **access to land**?
- b. Various reports have identified that the absence of property taxation is one of the reasons that restrict the availability of land through **land hoarding**, what do you think of the government's new tax regulation on undeveloped land in urban areas?

II. Topic: Land price factors

- a. Some private developers prefer to trade land for profit (**land speculation**) instead of developing and be left with small residual value, what is your opinion about this?
- b. According to various reports, **Land prices** inside the urban boundaries can cost more than half of the total development cost, how can private developers deal with this to develop land within the urban boundaries?

IV. Topic: Role of government in the land market

- a. The government has introduced significant reforms in the last 5 years, what do you think are the **government policies** that positively or negatively affect residential land development?

Theme Two: Finance

In your opinion, what are the main issues or obstacles affecting the current real estate finance system?

I. Topic: Sources of finance

- a. What are the main **sources of finance** available to private developers?

II. Topic: Access to finance

- a. What constrains private developers from **accessing finance**? (i.e. credit rating, transparency, financiers requirements, cost of finance, etc)

III. Topic: Housing investment

- a. How viable is housing for profitable investment? (i.e. return on investment, cost of capital)
- b. How does the Ministry of Housing's approach of directly building housing affect **market competitiveness**?
- c. What do you think of the new **Public Private Partnership** between the Ministry of Housing and private developers?

IV. Topic: Housing affordability

- a. Private developers are known to target the high-income segment in their projects (housing priced at more than SR1 million), what are the reasons that discourage private developers from **providing housing for low and moderate-income segments**? (i.e. housing units between SR400-600,000)

V. Topic: Government support

- a. Regarding finance issues, in what ways does the **government support** or restrict private developers? And how could the government be more supportive?
- b. What impact has the **new mortgage law** had on private developers?

Theme Three: Planning

In your opinion, what are the main issues or obstacles affecting the current planning system?

I. Topic: Initial planning authorization

- a. What are the challenges for obtaining development approval? (i.e. time and efficiency)

II. Topic: Impact of planning and zoning regulations

- a. How do the **existing planning regulations impact** positively and/or negatively private developers in delivering housing? (i.e. regulations, such as height restrictions, minimum lot size, etc)
- b. Would private developers consider higher density and vertical expansion regulations as a positive change in the housing market? Will such housing be marketable?

III. Topic: Land subdivision

- a. What are the main issues or challenges with the current land subdivision process?
- b. How does coordination (between public/private agencies) affect the process and efficiency of land development?
- c. How does the **delivery of public utilities** regulation affect the process and efficiency of housing production? How can this be improved in your opinion?

IV. Topic: Government support

- a. How can the government provide **planning incentives** to encourage more housing production?
- b. What would be the ideal role for planning agencies to support land development?

Theme Four: Construction

In your opinion, what are the main issues or obstacles affecting the current construction industry?

I. Topic: Quality standards

- a. A main concern when buying a house is the quality of construction, some buyers say **construction quality** of key-ready homes is poor, what would you say to them?

II. Topic: Production trends

- a. According to recent studies, about 75% of housing delivery happens through **construction by individual households**, in your opinion why is key-ready home construction by private developers still relatively small? Which delivery option do you think is ideal?
- b. What is this company's target group? How do consumer preferences and demands impact development decisions? (i.e. type of housing to build)

III. Topic: Government policy

- a. How are government policies affecting construction issues for this private developer?

Theme Five: Legal

In your opinion, what are the main issues or obstacles affecting the current legal system?

I. Topic: Land acquisition and title registration

- a. What problems are faced by private developers in securing **land titles**?

II. Topic: Legal framework

- a. How does the legal framework support or restrict private developer's ability to deliver new housing developments?

TOPICS & QUESTIONS FOR SEMI STRUCTURED INTERVIEWS – STAGE 1

(Financiers)

Participants will be asked to inform their experience, perception and recommendations about Riyadh's housing system performance and the role of the state in the housing system and its relationship with the private sector. Five main themes structure the interviews. Topics and questions for each theme are shown below:

Theme One: Finance

In your opinion, what are the main issues or obstacles with current housing finance that affect financial institutions' participation in the housing system?

I. Topic: Mortgage financing

- a. What are the current mortgage **financing options** available for **users**?
- b. What are the current **requirements for obtaining finance** for users? (i.e. minimum salary, etc)
- c. How high is the demand for mortgage financing? What is the share of residential loans?

II. Topic: Impact of new mortgage law

- a. What is the **impact of the new mortgage law** on financial institutions?
- b. What are the **biggest challenges** facing financial institutions in providing mortgages according to the new laws? (i.e. development of securitisation market)
- c. Is the new mortgage reform sufficient to increase private investment in housing production? What do you think would make a difference?

III. Topic: Financing for developers

- b. What **finance options** are available for private **developers**?
- c. What is the share of this type of finance?
- c. What are your key **factors** that determine the security measures for providing **finance for private developers**? (i.e. financial strength, experience, type of development, etc)
- d. **Off-plan sale** for developers is subject to restrictions, how does this impact providing finance for private developers?

IV. Topic: Government support

- a. In what ways does the **government support** or restrict private financial institutions with housing finance issues? And how could the government be more supportive?
- b. The REDF is no longer providing loans as the government is considering options to enhance its integration with the banking sector (i.e. long-term funding facility, guarantee for lenders), how could this affect financial institutions?

Theme Two: Legal

In your opinion, what are the main issues or obstacles with the current legal system that affect financial institutions' participation in the housing system?

I. Topic: Land title registration

- a. How does the current **land registration** system affect financing options?
- b. How effective is the new mortgage law in regard to unregistered land or unclear land titles?

II. Topic: Lenders protection

- a. How does the new '**enforcement law**' support or restrict your ability to provide mortgages? (i.e. default and foreclosure process)

Theme Three: Land

In your opinion, what are the main issues or obstacles with the current land market that affect financial institutions' participation in the housing system?

I. Topic: Land location and price

- a. How does development site selection (location) affect the decision of granting finance to private developers?
- b. According to various reports, land prices inside the urban boundaries can cost more than half of the total development cost, how does this affect private developers in securing finance for their projects?

II. Topic: Role of government in the land market

- a. What are the government policies regarding residential land that positively or negatively affect financial institutions?

Theme Four: Planning

In your opinion, what are the main issues or obstacles with the current planning system that affect financial institutions' participation in the housing system?

I. Topic: Planning permission

- a. When private developers apply for finance do they have any **planning issues** (i.e. obtaining development approval) that impacts access to finance?

II. Topic: Impact of planning and zoning regulations

- a. What are the impacts of planning and zoning regulations that could hinder private developers from obtaining finance for their projects?

Theme Five: Construction

In your opinion, what are the main issues or obstacles with the current construction industry that affect financial institutions' participation in the housing system?

I. Topic: Housing quality and financing

- a. It is reported that banks usually do not grant housing loans for buyers if the housing unit is older than 15 years. This may eliminate the **growth of a secondary housing market**, what are the solutions in your opinion?

TOPICS & QUESTIONS FOR SEMI STRUCTURED INTERVIEWS – STAGE 1

(Real Estate Agents)

Participants will be asked to inform their experience, perception and recommendations about Riyadh's housing system performance and the role of the state in the housing system and its relationship with the private sector. Five main themes structure the interviews. Topics and questions for each theme are shown below:

Theme one: Land

In your opinion, what are the main issues or obstacles affecting the current land market?

I. Topic: Access to land issues

a. According to government statistics, land supply is considered sufficient, so what problems/obstacles are **buyers** facing regarding **access to land**?

b. Do you think the absence of property taxation restricts the availability of land through **land hoarding**? And do you support the government proposed tax on undeveloped land in urban areas?

II. Topic: Land price factors

a. How are buyers affected by the widespread practice of **land speculation**?

b. What are the other reasons behind the high land prices?

III. Land market transparency

a. How do real estate agents determine the availability and value of land? What valuation process do you use?

b. The land market is said to **lack transparency** (i.e. no dependable real estate transactions data), how does this affect the land market?

IV. Topic: Role of government in the land market

a. What role does the government play in monitoring land transactions? And what should be done to improve the role of government in such matters?

Theme Two: Finance

In your opinion, what are the main issues or obstacles affecting the current real estate finance system?

I. Topic: Sources and access to finance

- a. What are your experiences regarding **availability and accessibility to finance** for **buyers**?
- b. What is the **impact of the new mortgage law** on the property market?

II. Topic: Housing market trends

- a. How is market trend impacting on the availability of housing to meet **consumer tenure choice**? (i.e. prices and type of tenure)
- b. What issues arise regarding **household preferences and affordability**?

Theme Three: Planning

In your opinion, what are the main issues or obstacles affecting the current planning system?

I. Topic: Existing housing stock

- a. How are consumers responding to buying or renting in inner-city old districts?
- b. What is the demographic of households buying or renting in these areas?

II. Topic: Development control

- a. What issues regarding **access to housing** are prevalent? (i.e. preferred location, mobility, or available housing choices)
- b. Would you consider **higher density and vertical expansion regulations** as a positive change in the housing market?
- c. Will dense housing be marketable?

Theme Four: Construction

In your opinion, what are the main issues or obstacles affecting the current construction industry?

I. Topic: Quality of available housing

- a. A main concern when buying a house is the **quality of construction**, some people say construction quality of key-ready home is poor, what would you say to them?

II. Topic: Property maintenance

- a. Property maintenance plays a minor role in Saudi Arabia which may eliminate the growth of **secondary market**, what are the solutions in your opinion?

III. Topic: Production trends

- a. About 75% of housing delivery happens through individual construction housing by households, in your opinion why is key-ready home construction by private developers still relatively small?
- b. Which **delivery option** do you think is ideal?

Theme Five: Legal

In your opinion, what are the main issues or obstacles affecting the current legal system for real estate?

I. Topic: Transfer of property

- a. From your experience, what issues arise regarding transfer of title and deeds?

II. Topic: Rental market

- a. What issues arise regarding the regulation of the **rental market** and the existing tenancy laws?

II. Topic: Multi-family housing

- a. According to a report by the Ministry of Housing, less than 20% of the apartments are owner-occupied, what are the implications of the lack of **owner association laws**?

Appendix D: In-depth Interview Topics and Questions – Stage 2

TOPICS & QUESTIONS FOR SEMI STRUCTURED INTERVIEWS – STAGE 2

(Planners)

This research process includes two stages of data collection. Stage 1 was conducted with the private sector to identify the issues that they face in Riyadh's housing system. These private developers expressed concerns with the planning system that affect the efficiency of their work. Therefore, Stage 2 of this research is undertaken to verify and examine these concerns from the planners' perspective.

Several studies in the literature show that private developers have a tendency to hold negative views about the planning system. This researcher is aware of this bias and hence maintains a neutral position on the information obtained from the developers in Stage 1. When responding to comments that will be raised in this interview please keep in mind that these are solely the opinions of the private developers participating in this research.

Issues based on Stage 1 analysis

Issue 1: Slow process of planning permits

Many developers described the process of obtaining planning and development permits as the main hurdle in the development process (Lengthy process 2-3 years on average).

According to the National Transformation Program, 2016, the average time of granting planning approval for new residential projects is 2 years

- In your opinion, do you think the planning permit process is too slow?

(i) Manual correspondence

A common problem expressed by some developers is the manual usage of communication in the form of postal correspondence (mailing) and the reliance on paper documents between government departments.

- Do you think manual correspondence negatively impacts the time of granting the approval?
- How do you think the use of an electronic communication system instead of manual correspondence with other government departments would help in accelerating the planning approval process?

(ii) Lack of integration between government departments

Some interviewees mentioned that another issue of delays in receiving planning approval is caused by the duplication of work (i.e. verifying property ownership with the MOJ where this formal procedure takes time and can be repetitive).

- Does the absence of the linked electronic cadastre system slow down the process of granting approvals as developers need to apply separately with new files to public notaries to prove land ownership?
- Are there any other reasons that can slow down the process of granting a planning approval for private developers?

(iii) Complex and inflexible planning process

Some developers expressed the planning and development approval process as a complex and unorganized procedure. Some also believe that the planning regulations are inflexible and dated which hinder their projects to be approved.

- Is the process of applying for a planning permit well defined with clear requirements for developers to follow?
- To what extent do you agree or disagree that the current planning requirements for granting development approval is inflexible and hinder the production of housing?

(iv) Uncooperative planners

Some developers mentioned that planners use unnecessarily rigid and formal procedures when reviewing development plans. For instance, there are no immediate forms of negotiation with developers to solve minor issues in the plans other than using a lengthy formal correspondence that can take a long time to approve modifications.

- As time is very important for developers, do you think planners are uncooperative and unnecessarily complicate the approval process for developers?

Issue 2: Stringent development control

(i) Low density measures

An interviewee stated, “Land to development ratio is unfair because the price of land is high but a developer is not allowed to build higher than two and a half stories. This is one of the implications of urban planning used by municipalities”.

- What are the main reasons behind the application of low-density measures for residential zoned areas in the city?
- Is there consideration to increase the density of some residential zoned areas in the city?

- Do you believe that promoting medium to high-density measures could provide a solution for delivering more affordable housing?
- In your opinion, what are the implications, obstacles or impacts of promoting medium and high density? (i.e. the capacity of the current infrastructure including services such as water, electricity, open spaces, schools, parking, etc.)
- What are the solutions in your opinion to avoid such implications?
- Do you think that increasing density in the city would contribute to solving other issues, such as urban sprawl problems? Could this also decrease the pressure on public expenditure to deliver infrastructure and connect services to the fringes of the city?

(ii) Land subdivision

Some developer interviewees mentioned that most land subdivisions in the city do not support the production of affordable housing as plots in these subdivisions were planned to have big areas (i.e. 600-900 sq. meters) and obtaining planning approval to change land sizes or land use has proven to be difficult.

- Do you agree this is a constraint? What do you think of this issue?
- How can land use regulations be more flexible?

(iii) On-site development contribution for public services

Some developers mentioned that the percentage deducted from their land contribute to housing unaffordability as one developer stated, “*The current 40 per cent deduction is considered very high for us which adds to an increase in price for the final product*”.

- Is it true that municipalities deduct more than 33% of land for public services?
- Why do municipalities deduct more than the stipulated 33% of land for public services?
- Is the percentage of deductions clearly stated in city plans so developers know about it? How does it work?
- Do you think that the increase of the deducted percentage contributes to housing unaffordability?

Issue 3: Lack of development coordination

(i) Inadequate role of the city municipality

Many developers believe that there is a lack of development coordination caused by an inadequate role of the city municipality resulting in development fragmentation. For example, service providers sometimes do not have the capacity to connect their services

in some locations that were already granted planning approval which causes delays and extra costs incurred by developers

- Do you agree this is an issue? What are the main reasons behind this lack of development coordination?
- Do you think that there should be a regulatory authority for real estate development that assumes the role of coordination between developers and all other agencies involved instead of the municipality role?

Issue 4: The role of local planning authorities (sub-municipalities) in urban development

The planning process in Saudi Arabia can be described as a top-down decision-making process (Mubarak, 1992). “In major Saudi cities, municipal decentralization has amounted to mere peripheral sub municipalities with very limited powers, while major decision-making rests with the central municipality” (Mubarak, 2004, p. 574).

- What are the roles and responsibilities of LPA to support housing production?
- To what extent centralization in the planning system affect the role of local authorities (sub-municipalities) in supporting the production of housing? (i.e. levers available to LPAs to promote low cost housing through the planning process)

Issue 5: Lack of planning incentives

Many developer interviewees pointed out that the current planning system does not provide incentives for developers to deliver affordable housing choices. Many argued that there is a lack of municipal cooperation with developers as the current planning regulations do not allow flexibility that could be used to encourage more investment in housing. For example, providing exemptions in land subdivision regulations by allowing changes to land use, plots areas or permitting higher density in return for building low cost housing are all not utilized.

- Do you believe that the use of planning incentives in exchange for allocating percentage for affordable housing by developers would be an efficient tool to promote more production of low cost housing?
- In your opinion, what are the reasons behind the lack of using planning regulations to deliver affordable housing?
- In your opinion, what would be the implications of using planning mechanisms to encourage more production of affordable housing?

Issues from planners' perspective

- Are there any other main issues in the current planning system that you think hinder the production of affordable housing? (Issues other than the ones we raised).

Issues in the broader housing system

- From your perspective, are there other main broader issues that affect the production of housing other than the planning system that you would like to share?

Planning system improvements/alternatives

- In general, what kind of improvements or changes to the current planning system do you think would help increase the efficiency of housing production?

TOPICS & QUESTIONS FOR SEMI STRUCTURED INTERVIEWS – STAGE 2

(Housing Officials)

This research process includes two stages of data collection. Stage 1 was conducted with the private sector to identify the issues that they face in Riyadh's housing system. These private developers expressed concerns with the efficiency of the new Public Private Partnership. Therefore, Stage 2 of this research is undertaken to verify and examine these concerns from the MOH's perspective.

Several studies in the literature show that private developers have a tendency to hold negative views about the government role in housing. This researcher is aware of this bias and hence maintains a neutral position on the information obtained from the developers in Stage 1. When responding to comments that will be raised in this interview please keep in mind that these are solely the opinions of the private developers participating in this research.

Issues based on Stage 1 analysis

1. Unsuccessful pervious delivery by MOH

Developer interviewees believe that the MOH had unsuccessful previous experiences in dealing with the housing problems before the PPP program. The majority view that the failure of the MOH in solving the housing problem was a result of taking the wrong position as a provider instead of facilitator and enabler. They claimed that there was a long exclusion of the private sector by the MOH. A developer stated:

The Ministry [MOH] should never be the executor but should be the legislator, organizer and facilitator where it gives the private sector the green light and supports it to do its role

- To what extent do you agree with the developers' view?

2. Unattractive partnership for the private developers

Model 1: Public Private Partnership on government owned land

About 45 real estate development companies entered the bidding for Riyadh's PPP project on government land and 32 withdrew after reviewing the proposal requirements as noted by some developer interviewees.

- Do you believe that the proposal requirements were unattractive to developers?

Some developers who won the bidding for this PPP project were interviewed. They claimed that the proposal requirement is excessive and the amount of 500,000 riyals for each unit is not feasible to build according to the MOH requirements as one developer stated:

Let me be honest with you, we will not make a single penny as profit in the sale. We are going into a loss. We didn't know about this when we entered. It came later, while we were finalising. We decided that if we can breakeven that will be great

- Do you believe that the assigned amount for each unit is enough to build according to the MOH requirements and allow the developer to make profit?

Some of the main proposal requirements that developers were unsatisfied with included the 10 years maintenance and 10 years security and cleaning, some design specifications such as the precast construction material that is expensive, and the payment schedule that force developers to run into negative cash flow.

- What is your comment about these issues?

Another issue mentioned by a developer is that the MOH did not follow the government system of purchase and contracts in its requirements for proposal which asked for 2% of preliminary financial guarantee instead of 1% and provides an initial payment of 10% instead of 20% if a developer wins and signs the contract.

- Developers view this as discouragement of investment in housing. What is your view?

One of the issues that developers mentioned is the coordination with service providers and other government agencies (i.e. aviation authority) where developers are responsible for dealing with these agencies to connect services or obtain permits which take extra time and cost.

- To what extent should the MOH coordinate with these providers/agencies to facilitate the developers' work?

One developer argued that the tight project timeline of 20 months creates an obstacle for his company and mentioned that the MOH is not always on time (i.e. granting approval for starting construction).

- What is your view on this argument?

Another developer mentioned that the MOH's consultant company intervenes very much with the work of the developer, such as the technical construction details.

- Should developers be trusted as a partner, where their work will be judged based on the MOH requirements, without intervention?

One developer believed that the MOH did not provide any support for developers in its first PPP model as he stated:

The Ministry [MOH] did not facilitate its requirements for developers and did not provide support for developers in other matters. The ministry did not provide support in coordinating with other agencies to give tax exemptions on imported building materials, facilitating foreign labour visa processes, or helping in accessing finance from banks

- How do you respond to this statement?

Regarding future partnership with private developers in Model 1, one developer explained:

We found that the partnership of the private sector with the ministry was not encouraging to attract a lot of investors ... we as a real estate development company have taken the decision not to enter with the ministry again in any future projects as long as things are going the current way

Whereas another developer stated:

We look forward to working with them again if it is possible to negotiate terms and requirements

- Do you believe that the MOH needs to reconsider its requirements for the model of the PPP on government owned land beyond the changes already made in the RFP 2 to attract more private developers? Note: developers are still not happy about the changes made in RFP 2

3. General issues with the PPP model 1

One developer pointed out that the choice of the project location for the PPP to build low cost housing is illogical. He explained that it involves significant costs incurred by the government to build and connect infrastructure and services to such far away locations instead of choosing urban locations within the city that are already connected to services.

- To what extent do you agree with him?

In Riyadh PPP model 1, the planned number of residential units to be built is about 5608 units, 969 are apartments and the remaining 4639 are villas; whereas in other cities, such as Jeddah, with similar land project size the number of total units planned to be built is about double (10600) and all of them are apartments.

- On what basis did the MOH decide on the numbers and types of units?
- In Riyadh, why is the number of apartments small compared to villas?

A developer mentioned an important issue when he stated:

I think the issue is not about delivering units. It's about the outcomes and how it will benefit the community. One of these things is crowding low-income people in a contained territory creating ghettos in the middle of the desert. It is not clever to build housing units how they did it. The success is in creating proper communities and this is what they should look at

- The PPP model 1 in Riyadh is creating a segregated low-income community which might result in future problems. What is your view on this?

- There are several models of PPP used in different countries, why is the MOH using this PPP model of building on government owned land? Did they consider other models/alternatives?
(i.e. The use of cheap land and incentives provided by the government to build housing units on these land by developers in exchange for being able to sell an agreed part of the projects in the open market and offer the rest to low income households at agreed prices. This mode is a solution to the crowding problem)
- The PPP is focused on partnering with formal private development companies and does not consider the other modes and actors of the housing provision such as small builders/developers whereas the majority of housing units is delivered by them. How can these small scale developers be supported?

Issues from PPP officials' perspective

- In your opinion, what are the main issues with the PPP on government owned land model, other than what we already discussed?

Issues in the PPP model 2

The MOH has recently established a second model of the PPP called incentivized construction on developer owned land as the MOH provides incentives to developers to encourage the development of housing for low to moderate-income segment.

- What are the reasons behind introducing this model?
- What types of incentives are provided by MOH to attract private developers in this model?
- Which of these incentives is not provided in the PPP model 1 government owned land?

In the PPP East Gate project, 7000 villas are to be built by the private developer on his land in the east fringe of the city.

- Why do you support building villas in such far away locations that would put pressure on connecting infrastructure and increase urban sprawl issues instead of supporting high density projects inside the city?

PPP improvements/alternatives

- Do you think that the MOH should consider other models of PPP to improve its partnership with the private developers?

Appendix E: Human Research Ethics Committee Documentation

1. Participant Information Statement



**Discipline of Urban and Regional
Planning
Faculty of Architecture, Design and
Planning**

ABN 15 211 513 464

PETER PHIBBS
PROFESSOR

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NSW 2006 AUSTRALIA
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AN INSTITUTIONAL ANALYSIS OF STATE CAPACITY IN THE SAUDI ARABIAN HOUSING SYSTEM: A CASE STUDY OF RIYADH

PARTICIPANT INFORMATION STATEMENT: INTERVIEW

(1) What is this study about?

You are invited to take part in a research study about the state's capacity in the Saudi Arabian housing system using a case study of Riyadh. This study focuses on examining and evaluating the state's institutional capacity in housing to better enable the private sector to deliver housing, and thus make more homes available in Riyadh. The study will examine the roles and relationships between the state and the private sector in order to identify the issues that influence the performance of the housing system in Riyadh and how these issues affect the private sector's ability to deliver housing. The aim of this study is to produce an informative framework that may assist key stakeholders to improve the housing system to perform better in Riyadh.

You have been invited to participate in this study because of your professional involvement in the housing market in Riyadh. This Participant Information Statement tells you about the research study. Knowing what is involved will help you decide if you want to take part in the research. Please read this sheet carefully and ask questions about anything that you don't understand or want to know more about.

Participation in this research study is voluntary. So it's up to you whether you wish to take part or not.

By giving your consent to take part in this study you are telling us that you:

- ✓ Understand what you have read
- ✓ Agree to take part in the research study as outlined below
- ✓ Agree to the use of your personal information as described.

You will be given a copy of this Participant Information Statement to keep.

(2) Who is running the study?

The study is being carried out by the following researchers:

- Fawaz Alasmari, PhD candidate, Faculty of Architecture, Design and Planning, University of Sydney
- Professor Peter Phibbs, Chair of Urban and Regional Planning, Faculty of Architecture, Design and Planning, University of Sydney

Fawaz Alasmari is conducting this study as the basis for the degree of Doctor of Philosophy at The University of Sydney. This will take place under the supervision of Professor Peter Phibbs, Chair of Urban and Regional Planning, Faculty of Architecture, Design and Planning.

This study is being funded by King Saud University, Saudi Arabia, through the Saudi Arabian Cultural Mission in Australia.

(3) What will the study involve for me?

This study will be conducted in Riyadh, Saudi Arabia and will involve a number of data gathering methods, including interviews. One-on-one interviews will be conducted with a number of private sector and government entities related to this research topic. You will be asked to contribute your expertise and experience by answering questions pertaining to land development processes, the planning system, the property finance system, residential construction, and the legal framework for housing and other factors affecting the performance of the housing system in Riyadh as relevant to the area in which you work.

Interviews can be held in Arabic or English depending on your preference (the interviewer, Fawaz Alasmari, speaks both languages) and will be recorded via audio-tape.

(4) How much of my time will the study take?

One interview will run for approximately 1 hour at the location of your choice.

(5) Who can take part in the study?

Participants from private and government sectors who have knowledge and professional expertise in the specific areas that the research is targeting are invited to take part in this study.

(6) Do I have to be in the study? Can I withdraw from the study once I've started?

Being in this study is completely voluntary and you do not have to take part. Your decision whether to participate will not affect your current or future relationship with the researchers or anyone else at the University of Sydney.

If you decide to take part in the study and then change your mind later, you are free to withdraw at any time. You can do this by emailing Fawaz Alasmari at any time (email address can be found below).

You are free to stop the interview at any time. Unless you say that you want us to keep them, any recordings will be erased and the information you have provided will not be included in the study results. You may also refuse to answer any questions that you do not wish to answer during the interview.

(7) Are there any risks or costs associated with being in the study?

Aside from giving up your time, we do not expect that there will be any risks or costs associated with taking part in this study.

(8) Are there any benefits associated with being in the study?

We cannot guarantee or promise that you will receive any direct benefits from being in the study.

(9) What will happen to information about me that is collected during the study?

The type of information that you will be asked to provide includes information about your organisation and its involvement in the housing market in Riyadh. The audio recording of the interview will be used for research analysis purposes only. A report of the study will be provided for the PhD thesis requirement and further publications such as journal articles or conference presentations may be submitted, but individual participants and their organisations will not be identifiable in any case.

The audio recording and transcript of the interview may be accessed by a third party (i.e. transcription services) if the interview is held in Arabic. All aspects of the study, including results, will be strictly confidential and only the researchers will have access to information on participants. All data collected will be stored with the lead investigator at the University of Sydney and will be destroyed following the 7 years period of data retention.

By providing your consent, you are agreeing to us collecting personal information about you for the purposes of this research study. Your information will only be used for the purposes outlined in this Participant Information Statement, unless you consent otherwise.

Your information will be stored securely and your identity/information will be kept strictly confidential, except as required by law. Study findings may be published, but you will not be individually identifiable in these publications.

(10) Can I tell other people about the study?

Yes, you are welcome to tell other people about the study.

(11) What if I would like further information about the study?

When you have read this information, Fawaz Alasmari will be available to discuss it with you further and answer any questions you may have. If you would like to know more at any stage during the study, please feel free to contact:

- Professor Peter Phibbs, Chief Investigator, Chair of Urban and Regional Planning, Faculty of Architecture, Design and Planning, University of Sydney, Australia
Email: peter.phibbs@sydney.edu.au - Telephone: +61 2 9351 3668
- Fawaz Alasmari, Research Investigator, PhD candidate, Faculty of Architecture, Design and Planning, University of Sydney, Australia
Email: fala1002@uni.sydney.edu.au - Phone: +966 5 0882 2001 (Saudi number)

(12) Will I be told the results of the study?

You have a right to receive feedback about the overall results of this study. You can tell us that you wish to receive feedback by ticking the relevant box on the consent form. This feedback will be in the form of a one page summary of the study result. You will receive this feedback after the study is finished.

(13) What if I have a complaint or any concerns about the study?

Research involving humans in Australia is reviewed by an independent group of people called a Human Research Ethics Committee (HREC). The ethical aspects of this study have been approved by the HREC of the University of Sydney [*INSERT protocol number once approval is obtained*]. As part of this process, we have agreed to carry out the study according to the *National Statement on Ethical Conduct in Human Research (2007)*. This statement has been developed to protect people who agree to take part in research studies.

If you are concerned about the way this study is being conducted or you wish to make a complaint to someone independent from the study, please contact the university using the details outlined below. Please quote the study title and protocol number.

The Manager, Ethics Administration, University of Sydney:

Telephone: +61 2 8627 8176

Email: ro.humanethics@sydney.edu.au

Fax: +61 2 8627 8177 (Facsimile)

This information sheet is for you to keep

2. Participant Consent Form



**Discipline of Urban and Regional
Planning
Faculty of Architecture, Design and
Planning**

ABN 15 211 513 464

PETER PHIBBS
PROFESSOR

Room 544
Wilkinson Building G04
The University of Sydney
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Web: <http://www.sydney.edu.au/>

AN INSTITUTIONAL ANALYSIS OF STATE CAPACITY IN THE SAUDI ARABIAN HOUSING SYSTEM: A CASE STUDY OF RIYADH

PARTICIPANT CONSENT FORM: INTERVIEW

I, [PRINT NAME], agree to take part in
this research study.

In giving my consent I state that:

- ✓ I understand the purpose of the study, what I will be asked to do, and any risks/benefits involved.
- ✓ I have read the Participant Information Statement and have been able to discuss my involvement in the study with the researchers if I wished to do so.
- ✓ The researchers have answered any questions that I had about the study and I am happy with the answers.
- ✓ I understand that being in this study is completely voluntary and I do not have to take part. My decision whether to be in the study will not affect my relationship with the researchers or anyone else at the University of Sydney now or in the future.
- ✓ I understand that I can withdraw from the study at any time.
- ✓ I understand that I may stop the interview at any time if I do not wish to continue, and that unless I indicate otherwise any recordings will then be erased and the information

provided will not be included in the study. I also understand that I may refuse to answer any questions I don't wish to answer.

- ✓ I understand that personal information about me that is collected over the course of this project will be stored securely and will only be used for purposes that I have agreed to. I understand that information about me will only be told to others with my permission, except as required by law.
- ✓ I understand that the results of this study may be published, and that publications will not contain my name or any identifiable information about me.

I consent to:

- **Audio-recording** YES NO

Would you like to receive feedback about the overall results of this study?

YES NO

If you answered **YES**, please indicate your preferred form of feedback and address:

Postal: _____

Email: _____

.....

Signature

.....

PRINT name

.....

Date

3. E-mail invitation

Name of participant

Organisation

Address

Dear (title and name),

I would like to invite you to participate in a research project titled:

An Institutional Analysis of State Capacity in the Saudi Arabian Housing System: A Case Study of Riyadh

I will be investigating the state's institutional capacity in the housing sector in Riyadh with the aim of better enabling private developers in the future to deliver housing in Riyadh. This research project is the basis for the PhD degree that I am undertaking at the University of Sydney, Australia, and is funded by King Saud University.

As part of the qualitative component of this research project, I will be interviewing state and private sector stakeholders in Riyadh, particularly those involved in land development processes, the planning system, the property finance system, residential construction, and the legal framework for housing. I have identified you as a potential interviewee.

While participation in this study is completely voluntary, your input would be greatly appreciated. The interview will take between 40-60 minutes and will be arranged to suit your convenience. For more information please see the attached *Participant Information Statement* which covers the interview process and how the information collected will be used.

Please do not hesitate to contact me if you require any further information about the study or your involvement.

Thank you in advance for your valuable contribution to this project.

Kind regards,

Fawaz Alasmari,

PhD Candidate, Urban and Regional Planning and Policy Program

Faculty of Architecture, Design and Planning

Room 523, Wilkinson Building G04 | The University of Sydney | NSW 2006. Australia

M. +966 508 822 001 (local) | M. +61 401 328 628

E. fala1002@uni.sydney.edu.au

4. HREC approval letter



Research Integrity
Human Research Ethics Committee

Monday, 15 December 2014

Prof Peter Phibbs
Urban & Regional Planning & Policy; Faculty of Architecture, Design & Planning
Email: peter.phibbs@sydney.edu.au

Dear Peter

I am pleased to inform you that the University of Sydney Human Research Ethics Committee (HREC) has approved your project entitled "**An Institutional Analysis of State Capacity in the Saudi Arabian Housing System: A Case Study of Riyadh**".

Details of the approval are as follows:

Project No.: 2014/858
Approval Date: 12 December 2014
First Annual Report Due: 12 December 2015
Authorised Personnel: Phibbs Peter; Alasmari Fawaz

Documents Approved:

Date	Type	Document
24/09/2014	Participant Consent Form	Participant consent form
24/09/2014	Other Type	Research timeline
24/09/2014	Other Type	Introduction letter (MOH)
24/09/2014	Other Type	Introduction letter (MOMRA)
24/09/2014	Other Type	Introduction letter (REDF)
24/09/2014	Other Type	Introduction letter (RCOCI)
24/09/2014	Other Type	Introduction letter (MOJ)
24/09/2014	Recruitment Letter/Email	Email invitation letter
24/09/2014	Interview Questions	Topics & sample questions for interviews
26/11/2014	Safety Protocol	Version 2
26/11/2014	Participant Info Statement	Version 2
26/11/2014	Other Type	Interviews contacts list

HREC approval is valid for four (4) years from the approval date stated in this letter and is granted pending the following conditions being met:

Special Condition/s of Approval

It will be a condition of approval that independently certified translations of the public documents are provided either from a NAATI-certified translator or from a suitably qualified person accompanied by a statutory declaration certifying the documents as a true and accurate of the English version. A statutory declaration form can be found at <http://www.ag.gov.au/STATDEC>.

Research Integrity
Research Portfolio
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NSW 2006 Australia

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sydney.edu.au

ABN 15 211 513 464
CRICOS 00026A



Condition/s of Approval

- Continuing compliance with the National Statement on Ethical Conduct in Research Involving Humans.
- Provision of an annual report on this research to the Human Research Ethics Committee from the approval date and at the completion of the study. Failure to submit reports will result in withdrawal of ethics approval for the project.
- All serious and unexpected adverse events should be reported to the HREC within 72 hours.
- All unforeseen events that might affect continued ethical acceptability of the project should be reported to the HREC as soon as possible.
- Any changes to the project including changes to research personnel must be approved by the HREC before the research project can proceed.
- Note that for student research projects, a copy of this letter must be included in the candidate's thesis.

Chief Investigator / Supervisor's responsibilities:

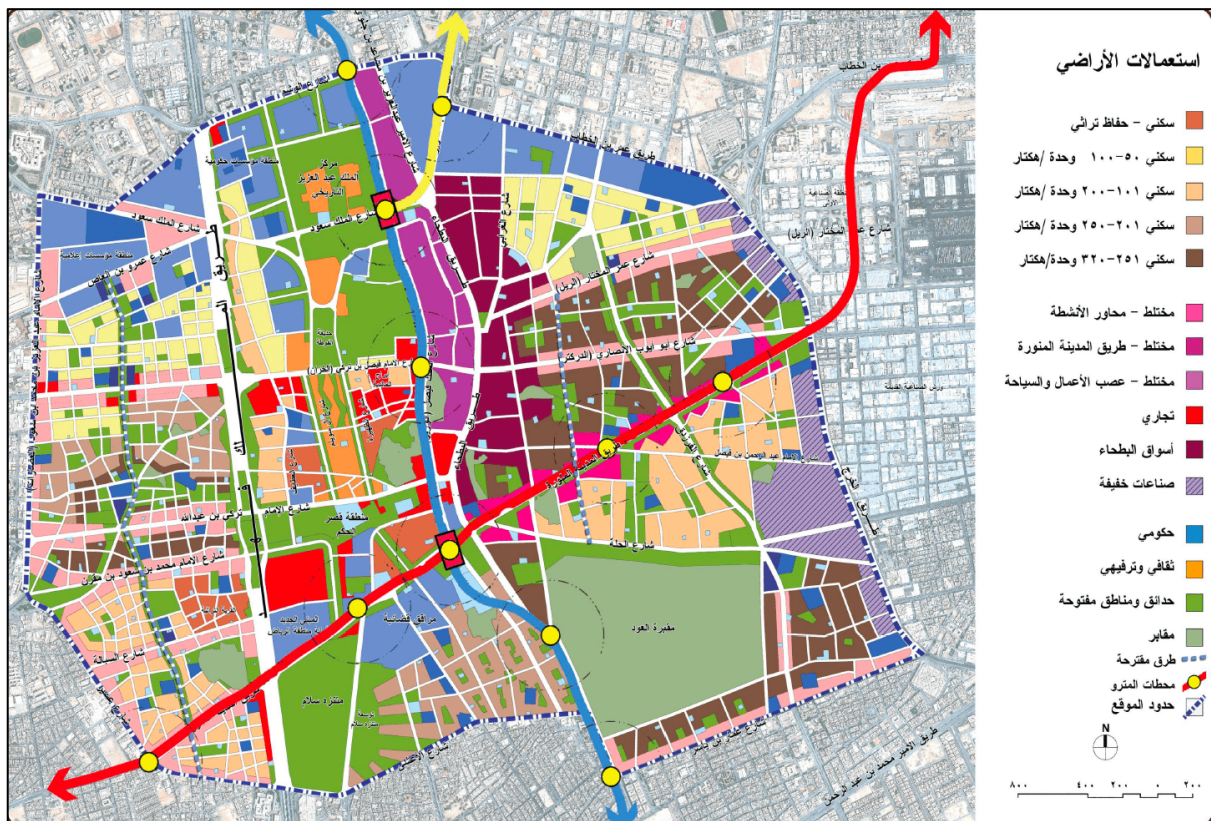
1. You must retain copies of all signed Consent Forms (if applicable) and provide these to the HREC on request.
2. It is your responsibility to provide a copy of this letter to any internal/external granting agencies if requested.

Please do not hesitate to contact Research Integrity (Human Ethics) should you require further information or clarification.

Yours sincerely

Dr Stephen Assinder
Chair
Human Research Ethics Committee

This HREC is constituted and operates in accordance with the National Health and Medical Research Council's (NHMRC) National Statement on Ethical Conduct in Human Research (2007), NHMRC and Universities Australia Australian Code for the Responsible Conduct of Research (2007) and the CPMP/ICH Note for Guidance on Good Clinical Practice.



Proposed Master Plan

Source: HCDR, 2013a



Future Development of the City Centre

Source: HCDR, 2015b