The Land Market in Madina: A Behavioural Analysis*

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INTRODUCTION

This article aims at analysing the land market in Madina, which is one of the main cities of Saudi Arabia. The city has been expanding rapidly since the 1970s due to the high economic growth resulting from the increase of oil prices in 1973. This economic growth led the government to invest a large amount of resources in urban areas to build the physical and social infrastructure, which in turn created considerable employment in which influx of labour from the country and abroad resulted in an explosive urban growth. It was estimated that Madina in 1975 had a population of 100,000 where migrants comprised 64.2% of its population (Black and Cawless, 1980). In terms of area, Madina had increased its area very rapidly during the 1970s, urban development spread and increased from 1,300 ha in 1971 to cover an area of 3,483 ha in 1981 (GACDAR, 1980). This exponential growth has generated greater demand on land to build and to speculate, under such circumstances, land owners had a great influence on the development process of the city. Therefore this article aims at studying the land market in Madina using the behavioural approach (Pahl and Craven, 1975) as emphasis is directed to study the motives and operations of the participants in the land market within the context of existing land policy. The information upon which this paper is based comes from a series of interviews carried out with estate agents, planners and officials in early 1985.

POLICY CONTEXT

As exponential urban growth in the Kingdom of Saudi Arabia is a relatively recent phenomenon, an overall urban land development policy based on articulated objectives and with appropriate tools, has not yet been officially defined. The land development process has been delegated to various central government units, with each unit elaborating its own policy, administered by the relevant local ministry office with limited co-ordination with other local authorities. Inevitably, such circumstance resulted in a disordered urban growth, where channelling and directing urban growth are far beyond the power of the local authorities. Consequently urban growth was found in various directions, and did not take place in accordance with official land use and development plans.

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The first Master Plan of Madina was devised in 1971 by Robert Mathews Johnson Marshall (RMJM). This plan is out of date as urbanisation has grown to a size which was not anticipated by the 1971 RMJM Master Plan. While the plan forecast that the population would reach 2,350,000 by 1979 as a high estimate the actual figure had risen to 2,330,000 in the same year. The RMJM plan was revised in 1977 by the Group of Arab Consultants for Development and Reconstruction (GACDAR).

The Municipality tries to control urban development by land subdivision controls and building permits, but since there is not a physical plan to guide development, permission for development was given regardless of any preferred direction of growth. Urban development was facilitated by the government as finance for the public was provided by the Real Estate Development Fund (REDF) in the form of long-term interest-free loans to construct housing developments. The REDF has contributed positively in solving the housing shortages of the 1970s as the fund provides loans for all classes of the society to build their houses. Officials of REDF in Madina noted that a total of 14,000 applications were approved by the REDF in Madina between 1975–1984, which comprises around 58% of the houses built during the same period.

Further, it must be noted here that taxation on land is not applied in the Kingdom of Saudi Arabia as it does not fit with Shariah (the law of Islam) as Shariah is the principle constitution in the Kingdom.

Given this environment of policy context which resulted in market conditions which favoured the landowners to influence the development process, it is therefore essential to study the operations of the landowners in the urban land market to try to understand their influence on the development process.

THE LAND MARKET ACTIVITY

A common theme in the literature is that there is no single land market in a city (Drabkin, 1977). The land market activity in Madina differs from one area to another according to the various factors influencing land transactions in any particular area. In Madina, two main processes are seen as the main processes by which land gets to the land market, i.e. the conversion of agricultural areas to urban areas and through the subdivision of vacant land, both of which mainly take place at the urban fringe. Nevertheless, it is worth throwing some light on the land market activity in other areas.

Generally speaking, a distinction can be drawn between the land market activity in three parts of Madina: the central area, the built up area, and the new urbanising areas (Figure 1).

The market activity in the central area

The central area is essentially the area within the first ring road (Fig. 1). This area has always been the main hub of commercial and tourist activity in Madina, because the area is centred around the Prophet Mosque which is the main feature for visitors and pilgrims. The buildings in the central area are old and traditional and the streets are narrow, with the exception of some recently built buildings, including hotels, and new streets. Except for large-scale government acquisition of land in the central area for the purpose of extending the Prophet Mosque, and improving the road network, the market activity is very sluggish: there are a considerable number of vacant plots, which despite the availability of public utilities and services, have remained undeveloped. The main reasons for such sluggish activity are as follows.
First, and most important, is the limited supply of land. Owners are reluctant to dispose of and sell their land, since they do not know whether land prices will stabilise or increase in the future. Interviews with estate agents in the area in 1985 revealed that the majority of the landowners do not sell their land, in the hope that land prices will increase dramatically in the future. Landowners are, therefore, retaining their properties for speculation. The uncertainty of the market is further increased by the fact that the future development plans for the central area remain vague. Although large-scale acquisition by the government for extending the Prophet Mosque has been practised in the area, uncertainty remains as to where major projects — such as the extension of the Prophet Mosque, and the building of the New Court Complex — will be located, and the extent to which such projects will affect the existing urban structure. The absence of an official Action Plan for the central area increases the uncertainty for the landowners in the area. The second reason for the sluggishness of market activity is the subdivision of the central area into small plots, unsuitable for modern high-rise buildings, for example hotels and shopping centres. New large developments, therefore, require the assembly of land owned by several owners, which is difficult in practice and to some extent constrains development in the centre, especially when Waqf land is involved, as Waqf is a major feature of the tenure pattern of the area. A third reason, is that development of city centre sites requires more capital than suburban development; it is both more complex and more risky.

The market activity in the built-up area

This area comprises the built up area of Madina, including agricultural land within the built up area which is roughly delimited by the second ring road

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1Waqf: is a charitable endowment and it is the institution of Islamic law through which a person may dedicate property to the public good. Waqf cannot be sold, inherited, mortgaged, change of use, or otherwise disposed of.
(Fig. 1) In 1978, GACDAR estimated the total built up area as 3,650 ha, which included 600 ha of agricultural land totally owned by private owners. Unfortunately no recent figures are available about the area, which indicates the weakness in updating data and the monitoring process.

We are concerned here with the market activity in vacant land, which is relatively sluggish because of the limited supply of land. The supply is limited because most parts of the area are already developed, and the owners of the 600 ha of agricultural land are not willing to dispose of and sell the land. The latter occurs because the owners are the users of the land, who physically participated in bringing the land into cultivation and such owners are very keen to keep the land. And partly because some of the agricultural land is under Waqf tenure. Waqf tenure forms a strong institution in preventing change in the use of the agricultural land. However, other agricultural land may not be protected as, once land passes to descendants of an active farmer, the owners may not have the same attitude to conserve the agricultural land, they may rather, prefer to sell the land. There is evidence that 20% of the 600 ha of agricultural land in 1978 had been converted to urban uses by the year 1985 (as stated by officials in the Directorate of Agriculture in 1985).

The prime reason for the conversion of agricultural land to urban use is that the annual income from agricultural use is not more than 2% of the existing market value of the land, whereas if the potential development value was realised and the site is built on, it would generate at least 10% of the paid market value of the land, which is five times the income from the agricultural land.

The land market activity in new urbanising areas

These include areas in suburban locations mainly outside the built up area, where the conversion of agricultural land to urban use occurs and where vacant sites are subdivided and bought in the market.

The management of the urban fringe of Madina involves different government agencies, acting with very little co-ordination. The Municipality, in its attempt to preserve agricultural land, refuses to issue any building or subdivision permits on green irrigated agricultural land. However it is permissible to issue building or subdivision permits on dry agricultural land.

Regarding vacant land, there have been more than 200 land subdivision projects in Madina — most of them are located at the newly-urbanising areas. Landowners of the vacant land were feeding the market by subdividing their land to sell them to individuals to construct their houses taking the advantage of the REDF interest-free loans.

Vacant sites at the urban fringe are owned by large areas by private owners. It was estimated by GACDAR in 1978 that 70% of the area for new development was in the hands of big landowners, owning large areas of 30 ha and more.

Thus, the market activity in the suburbs has been very active due to the supply of land through the conversion of agricultural land and subdivision of vacant land.

In general, though the market activity in the suburbs is highly active as compared to the market activity in the central area and the built up area, the market activity in these three areas is related. For example, the large scale government acquisition of land in the central area between 1973–1976, gave the owners through compensation the wealth to buy land in the suburbs and build their houses. The effect of the land acquisition in the central area resulted in a demand for land in the suburbs.

So far, the discussion has concentrated on the issue of the supply of land but it is also vital to throw some light on the issue of demand. Since 1973, Madina has experienced two kinds of growth, urban growth and economic growth; these two
factors of growth have had a considerable effect in the land market, which has resulted in two kinds of demand, i.e., the demand for urban land to build and the demand for land for speculation.

The demand for land for building arose as a result of different factors, urban growth being the most important. The acquisition of land in the central area for non-residential use resulted in a need to rehouse the residents of the acquired land, which also increased the demand for land to build. The REDF's interest-free loans encouraged people to build houses and, therefore, led to an increase in the demand for land to build. Land is required both to build owner-occupied houses and to build apartment buildings or rented houses to meet the demands of foreigners who are by law not allowed to buy and own land in the Kingdom. Rented accommodation is also demanded by Saudis who cannot afford to own a house.

The demand for land for speculation arose as a result of the oil boom of 1973 and its socioeconomic consequences including the following factors.

Due to the rapid increase in oil prices in 1973, the money supply in the Kingdom increased rapidly. Investment opportunities in the economy were limited and risky, and many people found that investment in real estate was the best alternative. Even investment abroad became increasingly risky with the constantly changing exchange rates of most foreign currencies. Investment in land acquisition became the most profitable and to some extent, the only safe investment opportunity (SCET, 1980; GACDAR, 1979).

Land transactions during 1973–1983 provided large and rapid profits (more than 100% in a year), which increased the demand for speculation during that decade. After 1983, the fall in oil prices and the ceiling on oil production led to adverse effect on the money supply (Konash et al. 1984). Together with the fact that so many houses have been built during the past decade, this had inevitably led to reduced private investment in land. In addition, the reduction in private investment funds affected the land and property market, reducing demand and making investment in land for speculation or development less profitable, because the government provided interest-free loans to attract capitals to invest in industry and agriculture. Thus the investment opportunities become more diversified than in the 1970s; therefore investment in land has been competed for by other economy sectors such as industry and agriculture. This became the result of the national policy to encourage industry which attracted more capital to be mobilised from the land market to other economy sectors such as industry and agriculture.

MAJOR PARTICIPANTS IN THE LAND MARKET

The land market in Madina is to a large extent controlled by a limited number of participants, and transactions and sales in the market occur on two different paths: the sale of vacant land; sale of agricultural land. These two paths of sale will be discussed in turn.

Sale of vacant land

In this path of sale the original owner initiates the action of any path of sale as shown in Fig. 2, and has three choices.

The first choice is to initiate a lengthy path of sale which involves a number of transactions. This choice is to sell the land or a portion of land, usually involving the sale of a large area of land of not less than a hectare. Ironically, the customers for this kind of sale are bodies or individuals with considerable capital and they are usually estate agents, joint stock companies, or business-men.
Once the owner decides to sell the land, or a portion of it, he calls for a real estate agency to buy or find a customer for the land. If the price exceeds the affordability of the estate agency, the owner may initiate the creation of a joint stock company or may decide to sell the land to a business-man. The organisation of the joint stock company should follow well-established rules, according to which the establishment of the joint stock company is advertised in the local newspapers to invite the public to buy shares from the concerned estate agency. Each share should correspond to a standard number of square metres of the estate, but their location is not determined.

Usually, the decision of the original owner to sell the land to a business-man or initiate a joint stock company is dependent on the owner, who usually prefers the easy and quick way of sale, *i.e.* to a business-man, because it is easy for the owner to deal with one person rather than to wait for the joint stock company to be created. But if there is no business-man interested the owner may initiate the creation of the joint stock company.

Once the owner sells the land to the estate agency directly or through a joint stock company, the land is subdivided by a local or national private planning office and then should be approved by the Municipality. The sale of the subdivided land is decided by the estate agent or the share holders, and can occur as soon as the subdivision plan is approved by the Municipality and plots are numbered.

If the original owner finds a business-man who can pay the asking price, he then sells the land to him. Once the land is sold, the latter then starts with the same choices that the original owner had, *i.e.* sell the land, subdivide the land, or keep it in order to obtain a better price in future.

In most cases land is sold very quickly, even when prices are still rising, because the market is very dynamic, and a lot of resources are mobilised to invest in the land market. If the original owner or the business-man holds the land and does not sell it that will affect the market adversely and may cause a “cold” period. But since there are a lot of resources, the market has been very active and a lot of transactions have been made.

However, if the land is subdivided by the original owner, the joint stock company or business-men, the subdivided land is then put into the market to attract other consumers from the public, *i.e.* people with relatively less capital can now participate in the market because the plots of land are small.

In fact, the sale of subdivided land often takes place before the infrastructure is provided, and the only improvement on the day of sale is the asphaltling of the main streets, to give prospective clients an idea of what the subdivision will look like. The day of sale may be advertised in the newspapers to announce the

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**Fig. 2. Paths of sale of vacant land.**
auction of the land. In the case of joint stock companies, once all plots are sold, the joint stock company is dissolved and each share holder receives his share. The sale always takes the form of freehold disposal, and the buyer gets his title deed from Kitubat Adl (Real Estate Registry) and becomes the legal owner of the land in perpetuity.

Operators involved in this path. The operators involved in this path act with different motives and capabilities.

The Original Owners: These are the principal actors in the process, as the original owner decides how much of the land is to be put on the market, and the way by which the market is opened to the public. The decision of the original owner to sell the land is usually associated with a desire to realise anticipated value in the land, and many decisions to sell land occur at times when land values are rising, because original owners are well aware of other investment opportunities created by the rapidly expanding economy of the Kingdom (e.g. industry, contracting in government projects etc.), projects which need a large amount of capital. A third reason to sell land when prices are rising is that, most of the supply of land is to a large extent dependent on the original owners. If they hold the land, there will be no transactions and no supply, which may cause unnecessary problems in land development. Thus one other important reason is that the original owners are persuaded to sell the land by the potential buyers to meet the demand of the public.

Business-Men: A limited number of important business-men initiate large operations in the market. Having acquired capital in other business fields, they become interested in the high profits offered by land transactions. Once they acquire the land from the original owner, they exert the power to influence an effect in the market, either to continue the sale of large areas or to subdivide the land. In most cases, the land is subdivided at a later stage, and initially land is sold in large parcels and held for speculation by this group. Business-men are also attracted to meet the demand for building for rental accommodation by the REDF interest-free loans. Thus, their actions in the market include speculation and building. But usually the first actions by the business-men are for speculative purposes.

Estate Agencies: Estate agents are usually an important link in land transactions. Prospective sellers such as the original owner and the business-men depend very much on the estate agents and are required by them in terms of determining the asking price for the land. In the interest of their fees or commission (usually 3–5% of the deal), clearly the more highly the land is valued the more money estate agents make. Thus, estate agents have a considerable influence in shaping the prices of land. If the estate agent is financially prosperous he may acquire the land from the original owner and resell it after subdivision. Or the influence of the estate agents may be extended to form joint stock companies to acquire large areas of land by raising capital from share issues.

In the last few years estate agents have been involved in small construction programmes, for example, a few villas, two- or three-storey apartment buildings. Thus their activities have gradually been extended to include construction of housing as well as land transactions.

The majority of the real estate agents in Madina are small, usually represented by a single agent, who sometimes has another job. But since 1978 estate agents have decreased in number and the small ones have been put out of business, especially those who have another job, partly due to the government requirement for registration of estate agents at the Chamber of Commerce and partly because the government has forbidden estate agents from having a second job.
Consumers: Consumers are the last actors in the land market and are only involved in transactions of small areas of land, land that has been subdivided by any of the prosperous sellers, i.e. original owner, estate agents, joint stock companies or the business-men. Consumers only participate in the market after the land has been subdivided and put into the market, because consumers are prevented by their limited financial resources from participating in larger transactions. Consumers can be divided into two groups — those who wish to build either a house for their own occupation or to meet the demand for rental accommodation. Others may enter the market to speculate rather than to build, and this is clear from the vacant plots which exist after the sale of all the plots of a subdivided area.

Path of sale of agricultural land

The path of sale of agricultural land is almost like the path of sale of the vacant land except that the process in the case of agricultural land is longer (Fig. 3) because it involves the drying of the agricultural land to convert it to urban land.

The owners of the agricultural land, in the same way as the original owner, has three choices, i.e. to sell the land as it is with realisation of the potential value, drain the land and prepare for subdivision, or keep the land in agricultural production. The decision is therefore dependent on the owner, and it should be noted that Waqf land is excluded from this process as Waqf land cannot change its use.

If the owner or owners of agricultural land decided to sell the land, they call for an estate agent to value the land and to find a buyer for the land. Usually the customers of agricultural land are business-men. Estate agents and joint stock companies are not involved in this path as such, because they are not willing to wait for the land to drain — which usually takes 3 to 4 years, implying that the capital involved is frozen during this period. Business-men usually take the risk, although only a few of them accept the purchase of agricultural land to drain it and put it onto the market.

Therefore, owners of agricultural land who decide to sell the land find few customers, unless the price of the land is low, which may attract some business-men. Owners of agricultural land usually decide to drain the land for 3–4 years and then subdivide all or a portion of it and put it on the market.

If the land is sold after drying, a similar path as for donated land is followed, as business-men are the same in both cases and consumers involved in this path are the same as in the path of sale of the vacant land.

Fig. 3. Path of sales of agricultural land.
The point to add here is that the contribution of vacant land to suburban development was considerable between 1972–1978 (about 1,692 ha), whereas agricultural land converted to urban use in the same period was only 233 ha.

Government participation

The government has played and is playing an important role in the land market. The government is essentially involved in the provision of services and infrastructure for the subdivided land. Due to the lack of co-ordination among the government agencies concerned in the provision of infrastructure to stimulate development in areas designated in the Master Plan, actual development rather is stimulated by the market activity dictated by the original owner or the owners of agricultural land who initiate the disposal of land. Furthermore, development activity is so rapid that most government agencies concerned with the provision of infrastructure are in the process of catching up with existing development rather than planning ahead.

The Real Estate Development Fund (REDF) has been very active in recent years in stimulating housing construction activity, which consequently has led to an increase in demand for land for building, and in fact has affected speculation as owners are persuaded by the interest-free loans to build houses either as an owner occupier or for rental accommodation. Owners, like business-men, are encouraged to develop the land, and even consumers are also encouraged because REDF loans are available for housing development for both owner-occupied houses and also for building rental accommodation to meet the demand from foreigners and those who cannot afford to build a house.

REDF’s contribution to the suburban development of Madina is considerable. During the REDF’s 9 months’ closure in 1397–98 (1978) development activities were affected appreciably as indicated by the fact that the building permits issued during that period totalled 1,469 compared to an average number of annual permits of 2,300 during 1978–1984 (officially noted in: Building Permits Department. 1985).

LAND PRICES

Evolution of land prices

Aside from agricultural land, land located outside the walled city had no value in the past. During the last decade, the land development process through the conversion of agricultural land and through subdivision of vacant land has given suburban land considerable value, as demand for both land to build and to speculate has increased due to the rapid economic growth and rate of urbanisation, which has led to rapid increases in land prices over the last decade.

The available information on land prices has been gathered from different sources including land prices in 1973 from RMJM (Fig. 4), land prices in 1979 from GACDAR (Fig. 4), and the present land prices from estate agents in Madina (Fig. 4). These figures show that land prices increased sharply between 1973–1979, partly due to the high rate of urban growth, which resulted in a demand for land to build as a result of high economic growth, and partly because of the demand for land to speculate as a result of the absence of other investment opportunities in the economy during that period. Between 1979–1985 a great deal of land has been subdivided and put into the market, which has led to an increase in the supply of land. Another contributing factor was the function of the REDF’s interest-free loans to build houses, which have attracted land-owners and business-men holding land for speculation to participate in the development process to meet the demand for rental accommodation. As a result
Fig. 4. Land prices in Madina. Harra Nos and Harra Boundaries.

there has been an increased supply of land to meet the demand for building, which led to stabilised land prices during 1979–1984. In 1985, prices have been more stable than they had in the last 5 years, for a number of reasons. First, and most important, is that because so much land has been subdivided and put onto the market during the 1980s, officials regard the supply of land as in excess of demand and as a result land prices are to some extent determined by the interplay between supply and demand. Land prices therefore become stable or slightly lower as owners dispose of their land rather than withholding the land. Another reason for the stabilisation of land prices is due to the government’s emphasis on encouraging industry and agriculture, and therefore investment in land is no longer the only safe investment. In fact investment in industry and agriculture in the form of large companies opened to the public by selling of shares or individual projects attracted more people to participate in the newly-expanding economy, and led to a decrease in investment in land.

The land price structure

The general pattern of land prices in Madina can be presented as follows.

The central area, where land prices are at the highest level, because the demand in this area is usually for commercial purposes. Land prices vary from one location to another — areas adjacent to the Prophet Mosque represent the highest price in the city, where land prices are SR 40,000–50,000 per sq. m, as compared to areas relatively far from the Prophet Mosque, where land prices range between SR 9,000 and SR 15,000 in Al-Nakhawla (16) — Fig. 4.

The existing built up area where land prices vary from SR 1,000–2,500 per sq. m to SR 15,000 per sq. m along Quba Street which is a major arterial street in the city (Fig. 4).

The suburban areas where prices decrease from SR 2,500 per sq. m as distance from the city centre increases. Thus, in Eastern Harra (10) prices range from SR 1,500–2,500 per sq. m, compared to prices of SR 400–600 per sq. m in Jarph (19) which is relatively far from the city centre (Fig. 4).

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Of these three areas, suburban areas are the most relevant to this study because it is in suburban areas that most land subdivision projects take place and the most transactions are made. The central area represents the role of Madina as a religious and touring centre for pilgrims, here the highest land values are about 8–9 times the land values in the most expensive new residential areas in the suburbs. Within the built up area prices vary from one district to another according to the location and proximity to major arterial roads, e.g. Quba Street and Airport Road.

The suburban areas represent the active area for the land market, due to the development process by which land is brought to the market. Land value decreases as the distance from the city increases, with the exception of Abar Ali, where land values are as high as SR 4,500–6,000 per sq. m, the highest in the suburbs, due to the religious significance of the area which is one of the destinations of pilgrims in Madina. In the suburban areas, a wide difference between urban and agricultural land values exists, because land owners of agricultural land appreciate the potential value for urban use, as pointed out by GACDAR (1979). Land values do not, however, decrease evenly with distance from the city; prices are higher in the southern areas, as is discussed further in the following section.

In Madina the extensive use of cars as revealed from the car ownership rate, has contributed to the spreading of residential areas further from the city centre, this is also facilitated by the low cost of petrol, and the fact that the existing road network has been improved to connect suburban locations with the city centre, and reflects the preference of members of the society for individual cars, for both high and middle income groups. All these factors have contributed to the spread of development to the suburbs.

**Factors determining land prices**

The price structure of land throughout Madina is not homogeneous, as shown in Fig. 4, and prices differ markedly from one area to another. Participants in the land market, such as the original owner business-men and estate agents play a significant role in influencing land prices through their dominance in the market. Also other factors contribute to the determination of land prices, and such factors are inherent in the location of each site. The following are the factors determining land prices in general.

1. The location of land along a major street tends to increase its value. Land along Airport Road, Sultana Road and the second ring road (Fig. 4) is much more expensive than land in their immediate surroundings. Plots located at cross roads are especially appreciated for commercial activity; plots inside a subdivision block, without access to an important street are always less expensive, since they are not suitable for commercial use. An example is taken from an estate agent who is selling plots of a subdivision in Sultana (Fig. 4), where he asked SR 600 per sq. m for a plot located on a 20 metre wide street, compared to SR 690 per sq. m for a plot on the same street, located where this street crossed another street 15 metres wide.

2. The width of the street along which the plot is located also affects land prices, as a higher floor area ratio is permissible for wider streets and in turn, the value of land increases. The width of the street is also an indicator of traffic flow and therefore of the market expected for commercial activity. Most advertisements for land subdivision sales mention the width of the streets as an attractive factor for buyers.

3. The prestige of the area tends to have an effect on the land prices. It is noted that prices are higher in districts which have a prestigious element, such
as a high standard of residential buildings as evident in Eastern Harra, where land prices in the areas of good villas are SR 2,200 per sq. m, compared to adjacent traditional type houses where the prices of land are SR 1,800 per sq. m.

4. Land prices are affected by zoning regulations which affect the density of construction. Land is more expensive in areas where greater height is allowed and consequently a higher rate of occupancy. Madina is generally zoned into three zones in terms of height. In the central area, which is located within the first ring road, a height of more than 8 storeys is allowed. The second zone is the area within the second ring road, where the maximum height is 4–5 storeys, while the third zone is the area outside the second ring road, where the maximum height is two storeys (The Municipality, 1985). Land prices are different in these three zones, the highest is the centre followed by the second zone which mainly constitutes the built up area, while suburbs fall in the third zone, and represent the lowest prices.

5. The availability of services and utilities or the possible availability of services and utilities has an effect on land prices, especially the availability of paved access streets, lighting and water supply. For example, the Al Jarph area represents the lowest land price in Madina because it is very far from the city centre as compared to other suburban areas. Al Jarph does not have essential utilities such as water and electricity, and is not likely to be supplied in the near future. Therefore, land prices are the lowest (SR 400–600 per sq. m) as compared to Aloyoun area, which is almost the same distance from the centre as Al Jarph, but is a serviced area and therefore land prices are as high as SR 3,000–4,000 per sq. m (Fig. 4).

CONCLUSION

The land market in Madina has mainly been active in the suburbs due to the supply of land through the conversion of agricultural areas to urban areas and the subdivision of vacant land. The analysis revealed the important influence landowners exert on the development process, and it is therefore essential to study the motives and operations of those who participate on the land market in order to provide decision-makers with a better idea of the operation of the market and its participants. However, the government intervention in the land market through the REDF policy resulted in the facilitating of development of land rather than speculation. And the policy of diversifying the economic sector by encouraging industry and agriculture created investment opportunities, other than the land market, all which — leaving tax considerations aside — stabilised land prices.

REFERENCES