

Saudi Arabia Residential Real Estate Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Saudi Arabia residential real estate market finished its activity in 2021 with a 23.3% gain in the total value of its agreements, compared to a minor loss of 0.1% in 2020, to settle at the conclusion of the year at a level of SAR 211.9 billion, up from SAR 171.8 billion the previous year. It is anticipated to register a CAGR of 11.95% during the forecast period. The recorded level of real estate deal value has been the highest since 2018, which benefited greatly from unprecedented increases in real estate loans granted to individuals for the third year in a row, whose volume is estimated to reach around SAR 150 billion this year, compared to SAR 140.7 billion the previous year.

Saudi Arabia currently has a population of 32 million, which is growing by more than 2% annually. It is dominated by young middle-class Saudi Arabians who are first-time homebuyers, as 45% of the country's population is below 20 years old. The demand from expatriates has further intensified the housing shortage, with about 5.5 million ex-pat workers in the country. With younger Saudi nationals and expatriates displaying a preference for apartments and more affordable properties, the government is taking steps such as incentivizing developers to build affordable housing projects, encouraging banks to introduce more home financing options. To fulfill its ambition of increasing homeownership by Saudi Arabian nationals to 60% by 2020 and 70% by 2030, the Saudi Arabian housing ministry announced a plan to build approximately 19,500 residential units for its nationals under the 'Sakani' housing development program. The Ministry of Housing, in partnership with the Real Estate Development Fund (REDF), launched 'Sakani II', which aimed to deliver 300,000 residential products throughout the Kingdom in 2019. The Kingdom has even introduced a rental price index to increase transparency and regulation in the residential real estate sector. These initiatives are anticipated to increase the homeownership rates in the country, which may strengthen the residential real estate market in Saudi Arabia.

Following a dip induced by the COVID-19 pandemic, Saudi Arabia's real estate market has begun to show signs of recovery. The

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pandemic has caused a widespread economic slowdown in the Kingdom, as it has in other parts of the world. However, improved business confidence in the final months of 2020, bolstered by economic reforms linked to Vision 2030 and a swift response to COVID-19, has helped drive a turnaround in performance in all major segments of the real estate market.

Saudi Arabia Residential Real Estate Market Trends

Housing Supply Continues to Rise across Key Cities of Saudi Arabia

Supply of new housing units in Saudi Arabia surged in Q-1 2021, as the government's Sakani and Wafi programs drove the building of affordable housing. According to the Housing Ministry's Housing Data and Observatory Center, new housing supply surged by 29% year-on-year in the first three months of 2021 and by 0.6% from the previous quarter.

Further, there were 344,000 housing units built in the Kingdom over the past year (Q-1 2021 to Q-1 2022). Construction started on 101,000 units in the first quarter of 2021, an 18% increase during the same period a year earlier, while 106,000 units were completed.

The average price of residential apartments fell below SAR 500,000 (USD 133,315) in the first quarter of 2021 from the end of 2020.

Moreover, residential real estate deals exceeded 255,000 in 2020, according to the Ministry of Justice data.

Apartments, Being the Preferred Type of Dwelling, Witnessed Increased Sales in 2020-2021

The recent decision to exempt real estate transactions from 15 % VAT and the implementation of a lower property tax have aided in the increase in residential market activity.

Residential apartment sales prices increased by 1.6% to an average of SAR 3,317 per square meter in Q4 2020, while residential villa prices declined by 2.0% to SAR 3,700 per square meter. In the year leading up to Q4 2020, the overall volume of home transactions climbed by 11%, while the total value of residential transactions decreased by 6%.

In Jeddah, average residential apartment sales prices fell by 2% to SAR 3,721 per sq. m. in the year to Q4 2020. Over the same time period, average villa prices declined by 3.1% to SAR 4,859 per sq. m. Residential transaction volumes and values in Jeddah climbed by 17% and 16% in the year to Q4 2020, respectively, owing to a significant increase in the uptake of bank and financial institution mortgages.

Saudi Arabia Residential Real Estate Market Competitor Analysis

The Saudi Arabia residential real estate market is fragmented with many players. Some of the major players in the market are Jabal Omar Development Company, Al Saeden Holding Company, and Emaar. The merger and acquisition (M&A) activity in Saudi Arabia is also expected to increase in the coming years, which is likely to increase real estate development, thereby encouraging more companies to enter the market.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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