Saudi Arabia Car Rental and Leasing Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 70 pages | Mordor Intelligence

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Report description:

The Saudi Arabia car rental and leasing market were valued at around USD 1,655.19 million and it is likely to reach USD 2864.32 million, anticipating a CAGR of 9.21% during the forecast period.

The COVID-19 pandemic negatively impacted the market as initial lockdowns and travel restrictions resulted in low demand creating chaos in the market as several car rental service providers found themselves in a challenging position amid suppressed demand. However, post-pandemic, as restrictions eased, demand is expected to restore back during the forecast period. This is attributed to the people preferring private modes of transportation for visiting the office, institutions, and other places. Moreover, the players in the Saudi Arabia Car rental market are also launching new facilities for the customers, For instance,

Key Highlights
April 2022: In Saudi Arabia, the Middle East mobility company ekar has launched a contactless peer-to-peer car-sharing service. Individuals can earn money by renting out their vehicles on the ekar platform using this service.

The primary factor driving the growth of the market is tourism, as the country is a hub of holy sites, like Mecca and Medina, that witness a vast influx of tourists during Eid Al-Fitr and Eid Al-Adha festivals. Further, With growing online platforms, the car rental costs have come down significantly, which is encouraging customers to rent a car rather than utilizing taxis or public transport for their trips.

However, high leasing costs and key local players still facing losses incurred due to the impact of the pandemic and with several other alternate affordable transportation services, such as public transportation and personal vehicles, may pose a challenge for players operating in the market.

Additionally, online tourist vehicle bookings are increasing in the country due to the increased penetration of technology in various regions and growth in the number of users aged between 25 and 34 years that prefer booking vehicle rentals through online channels. For instance,

Key Highlights
There were 33.58 million internet users in Saudi Arabia in January 2021. While the number of internet users in Saudi Arabia increased by 1.3 million (+4.2%) between 2020 and 2021, with Internet penetration in Saudi Arabia standing at 95.7% in January 2021.

Saudi Arabia Car Rental & Leasing Market Trends

Growing Trend of Car Rental

Car rental services are used not only by tourists but also by locals for daily commuting. As the number of companies setting up shops in Saudi Arabia grows, so does the population of office workers, and the demand for car rental services grows at a faster rate.

Shifting consumer preferences away from traditional lifestyles and toward the use of technologically advanced personal vehicles, backed by an increase in disposable income, are the major factors driving the growth of car rental services in the country. Additionally, as a part of Saudi Arabia's vision 2030, the government is encouraging the private organization to set up their offices in the country. This is expected to witness an increase in the demand for corporate rentals and leases.

The Kingdom of Saudi Arabia aims to stop doing business with corporations and commercial organizations that have regional headquarters outside of the Kingdom. The halt will apply to government-owned agencies, institutions, and funds beginning January 1, 2024.
Following the decision, 44 global corporations have relocated their regional headquarters to the kingdom, including PepsiCo, Baker Hughes, Halliburton, Philips, Schlumberger, and Novartis.

Furthermore, to capture the growing market, some market players are expanding their fleet size with the latest models, entering new partnerships, and raising funds through investors, while others are focusing on collaborations and acquisitions to increase their service offerings in the country. For instance,

January, 2022: In collaboration with some of the country's largest car rental companies, ekar, the Middle East's largest personal mobility company, has activated car subscription within its Sea of-subscriptions across Saudi Arabia.
In June 2021, Aljomaih Auto Rental (Ajar), a franchisee of Enterprise Holdings' rental brands in Saudi Arabia, announced that it has begun purchasing new vehicles to meet rising demand. The company's fleet in Saudi Arabia increased by 27% year on year to 5,700 vehicles.

Increasing Demand for Sports Utility Vehicles

The SUV segment has been expanding at a rapid pace, increasing its market share as most tourists prefer to rent an SUV for family outings because it accommodates more people and provides ample luggage space while traveling. The country's car rental market is directly related to automotive market trends. If SUV sales increase, service providers must include the most recent SUVs in their fleet to stay ahead of their competitors.

However, recent events, such as Saudi government officials relaxing the rules regarding the purchase of SUVs with a seating capacity of seven passengers. Expats can now purchase a 7-passenger SUV in Saudi Arabia without restriction or compulsion. These incidents are expected to encourage consumers to purchase SUVs while also acting as a restraint on market growth.

However, in recent years, with various startups offering subscription-based cars and key players focusing on capturing rising market share by adding attracting SUV fleet, SUVs are expected to grow. Similarly, in Saudi Arabia, Udrive intends to increase its presence. For instance,

August, 2022: Udrive, the dedicated pay-per-minute and daily car rental platform based in the UAE, has announced its expansion into Saudi Arabia. The new operations will cater to the kingdom's growing demand from residents, tourists, students, and startups.

Saudi Arabia Car Rental & Leasing Market Competitor Analysis

The Saudi Arabian car rental and leasing market is fragmented. A majority of the market share is held by multi-national companies, such as Theeb Rent a Car, Hertz Corporation, Budget Rent-A-Car, Hanco Automotive, Sixt SE, and Key Car Rental.

November, 2022, Samaco Automotive, the official Audi dealer in Saudi Arabia, has signed a contract with Sixt Rent a Car to supply the mobility service provider with Audi e-tron vehicles beginning in 2022. The all-electric vehicles will be added to the company's fleet and made available to customers.
In August 2021, LumiLaunched a cutting-edge booking platform to improve the consumer experience in automobile rental in Saudi Arabia. The new user-friendly and smooth digital platforms will further streamline and automate the online booking process, giving customers a speedy, secure, and hassle-free experience

Additional Benefits:

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

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