

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

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Report description:

Key Highlights

Saudi Arabia's Luxury Residential Real Estate Market is expected to register a CAGR of more than 5% during the forecast period. In December 2021, Saudi Arabia's luxury residential real estate market began to show an overall improvement in business activity following the downturn caused by COVID-19. Property tax relaxations, meeting labor shortages, and affordable housing programs under various stimulus packages have been crucial factors of success for luxury residential real estate companies across Saudi Arabia.

Developers and investors are targeting the northern part of the country to develop compounds. Prominent among them is Shams Ar Riyadh, which would be the most significant upcoming residential compound (expected to deliver around 950 units, villas, and apartments). Antara residential compound is another large-size development, offering about 520 units.

Compounds can be categorized into four typologies, A, B, C, and D, depending on the scale of development, level of services, facilities, and amenities they offer. Class A compounds usually include a land area greater than 50,000 sq m, while class B exists with a land area between 20,000 - 50,000 sq m.

Meanwhile, class C & B compounds' land area ranges between 10,000 - 15,000 sq m and 5,000 - 10,000 sq m, respectively. The typical size for an apartment and villa in a type A compound varies from 65 to 140 sq m and 160 sq m to 1,100 sq m, respectively. In addition, this category includes the highest area per unit. It offers additional services and facilities like housekeeping, shuttle service, internet, school, clinic, sports court, special security services, mini market, banquet halls, library, gift shop, and a barbershop.

Apartments and villas in class A compound command average annual rentals of SAR 80,000 (USD 21,269) to SAR 250,000 (USD 66,463) and SAR 160,000 (USD 42,536) to SAR 480,000 (USD 1,27,610), respectively, while observing an average occupancy rate of 86%.

Based on this, rentals per square meter for apartments and villas translate to SAR 900 (USD 239) for 2,200 per sq m and SAR 800

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(USD 212) for 1,600 per sq m, respectively. Similarly, rentals for apartments and villas in class B compounds range between SAR 750 (USD 199.49) for 2,000 per sq m and SAR 850 (USD 226.08) for 1,450 per sq m, respectively. In contrast, average annual rentals vary from SAR 76,000 (USD 20,214) to SAR 220,000 (USD 58,515) and SAR 130,000(USD 34,577) to SAR 400,000 (USD 1,06,392.60) for apartments and villas, respectively. Both class A and B compounds command a healthy occupancy rate of around 86% - 87%.

Saudi Arabia Luxury Residential Real Estate Market Trends

The demand for Apartments remains high due to cultural preferences in Saudi Arabia

Apartments sales and rental rates are under pressure due to economic slowdown and taxes such as the ex-pat dependent levy. Moreover, the demand for apartments is lower than for villas. However, the popularity of apartments is increasing relative to previous years in Saudi Arabia as a higher number of new developments are introducing apartments. The multi-dwelling model allows for more revenue generation potential and can quickly transform into a rental model if the sale absorption is not fast enough.

New apartment developments with modern fixtures and fittings, in addition to private basement parking, are still being considered future investments. Unlike villas, existing apartments in the eastern and central parts of Saudi are more attractive in terms of location due to their proximity to the central business district of Riyadh. The land availability in the eastern part is relatively higher compared to the main areas.

For new apartment developments, central areas are still fetching the city's highest sale price, varying from SAR 3,000 (USD 797.94) to SAR 4,700 (USD 1,250.11) per sq m. The apartment sale prices on the northern side ranged from SAR 2,000 (USD 531.96) to SAR 4,300 (USD 1,143.72) per sq m. Apartments in the south achieved prices between SAR 1,500 (USD 398.97) and SAR 4,000 (USD 1,063.93) per sq m. In the eastern part of Riyadh, sale prices range between SAR 1,500 (USD 398.97) and SAR 3,600 (USD 957.53) per sq m. In the western part of Riyadh, apartments have been observed to vary from SAR 1,500 (USD 398.97) to SAR 3,000 (USD 797.94) per sq m.

Riyadh is Witnessing Significant Growth in the Luxury Residential Market

Riyadh is the capital and the largest city of Saudi Arabia, with a total population of 6.5 million, whereas the population of Riyadh province is around 8 million. Its location along the center of the Arabian Peninsula, coupled with increasing economic activities, makes it a preferred business destination for Saudis and non-Saudis who live and/or work in the city.

Sale prices and rental rates of villas have declined during 2021. The trend was first noticed after the white land tax implementation, which led to cautious behavior from investors and end-users, resulting in many drop-in activities in the sector.

Based on industry experts, the northern and central areas of the city, such as Al Ghadeer, Al Nada, Al Malga, and Al Wurud, districts command the highest rental rates in Riyadh. The average rental rates of villas vary between SAR 70,000 (USD 18,618.70) and SAR 205,000 (USD 54,526.21) per annum on the northern, central, and western sides. The average rentals range between SAR 44,000 (USD) and SAR 155,000 (USD) per annum in the eastern and southern parts of the city.

For new villa developments, the sale price of villas located in the central part of Riyadh ranged between SAR 4,000 (USD 11,703.19) and SAR 6,500 (USD 1,728.88) per sq m. The villas' sale prices on the northern side went from SAR 2,300 (USD 611.76) to SAR 5,500 (USD 1,462.90) per sq m.

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Villas in the south reached prices between SAR 1,800 (USD 478.77) and SAR 3,500 (USD 930.94) per sq m. Sale prices in the eastern part of Riyadh ranged between SAR 2,000 (USD 531.69) and SAR 4,500 (USD 1,196.30) per sq m. In the western part of Riyadh, villa prices vary from SAR 2,000 (USD 531.69) to SAR 4,000 (USD 1,063.38) per sq m.

Most of the new supply is focused toward the city's north and east, while the center is saturated with various developments. Vacant land parcels are becoming more scarce.

Saudi Arabia Luxury Residential Real Estate Market Competitor Analysis

The Saudi Arabia Luxury residential real estate market is fragmented with many players. Some of the major players in the market are Al Saedan Real Estate, Kingdom Holding Company, Ewaan, Al Ra'idah Investment Company, SEDCO Development, Jabal Omar Development Company, Makkah Construction & Development Co, and Emaar.

The merger and acquisition (M&A) activity in Saudi Arabia is also expected to increase in the coming years, likely growing luxury residential 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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