

*The inaugural edition of Knight Frank's Saudi Arabia
National Housing Survey*



SAUDI ARABIA NATIONAL HOUSING SURVEY 2020



FUNDAMENTAL CHANGES



Knight Frank's Saudi Arabia National Housing Survey is a detailed quantitative and qualitative survey, which highlights the residential demand preferences of owner-occupiers, renters and those living with their families across Saudi Arabia's major cities.

The subject of affordability has become one of the most prevalent challenges facing the Saudi Arabian housing sector. This is a challenge which has stemmed from Saudi Arabia's rapid population growth, which is estimated to have increased by over 520% over the last 50 years to 2020. This significant growth in population has been coupled with an increase in the Kingdom's urban population, where at 2020 it is estimated that 84% of the population live in urban centres, up from 49% in 1970.

Alongside this we have also witnessed the demographic makeup of Saudi Arabia change considerably in the recent past. As at 2018, 58% of Saudi Arabia's citizen population was under the

age of 30. Alongside this younger demographic we have also seen the average household size decrease from 5.6 in 2010 to 5.5 in 2019, a trend which is expected to only intensify over the next decade.

Throughout this period despite shifts in demographics, a reduction in household sizes and on-going cultural reform, we have seen very little change in the nature of housing supply across the kingdom. The majority of new stock is centred towards large villas on the periphery of the ever-expanding urban boundaries of Saudi Arabia's major cities. This type of product is one which the new demographic cohort will struggle to afford or have any desire to occupy.

More so, affordability, which is often used as a precursor for estimating effective demand, is often looked at as a singular quantitative matter. This arguably provides limited reliable information to underpin any conclusions when estimating effective demand.

To bridge the gap in this understanding, Knight Frank has undertaken its inaugural Saudi Arabia National Housing Survey. The survey aims to strengthen our understanding of the quantitative and qualitative factors underpinning effective demand on a national and city level across the Kingdom.

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THE SURVEY



Knight Frank's Saudi Arabia National Housing Survey 2020 is a representative survey of 1,000 Saudi nationals aged 18+, with a bias towards those aged between 18 – 44 years and those living in the major urban centres of Riyadh, Makkah, Madinah, Jeddah and Dammam. The fieldwork for this survey was carried out in December 2019 to January 2020 by YouGov on behalf of Knight Frank.

The survey was setup to understand the factors underpinning current tenure status and future demand drivers for the following groups: owner-occupiers, tenants and those living with families.

The survey consists of over 70 questions in total across the three following groups:

Owner-occupiers



For owner-occupiers, the survey looks to examine the path these individuals took to becoming an owner-occupier, including but not limited to type of home, method of purchase and household makeup. It also examines future demand preferences ranging from type of property, price, location, service expectations and community requirements in the event owner-occupiers are looking to move along the property ladder or purchase additional residential real estate.

Renters



For renters, we look to understand the type of home rented, how long they have been renting for, average percentage of income spent on rent and the factors that have led to these individuals renting. We also look to provide insight into demand preferences for both those who are looking to continue renting and those who are looking to purchase a home.

Living with their families



Finally, for those living with their families we look to understand the drivers behind this decision as well as their demand preferences going forward (for renting and owning), looking at both the quantitative and qualitative factors driving these trends.

The results of this survey are a unique insight into various segments of the Saudi Arabian residential market.

The full survey contains almost 12,000 data points, which show detailed quantitative and qualitative breakdowns of demand by age, city and income levels. This detailed data will allow developers, both in the build-to-sell and build-to-rent segments of the market, to further understand the current state of the market and the requirements of future demand pools.

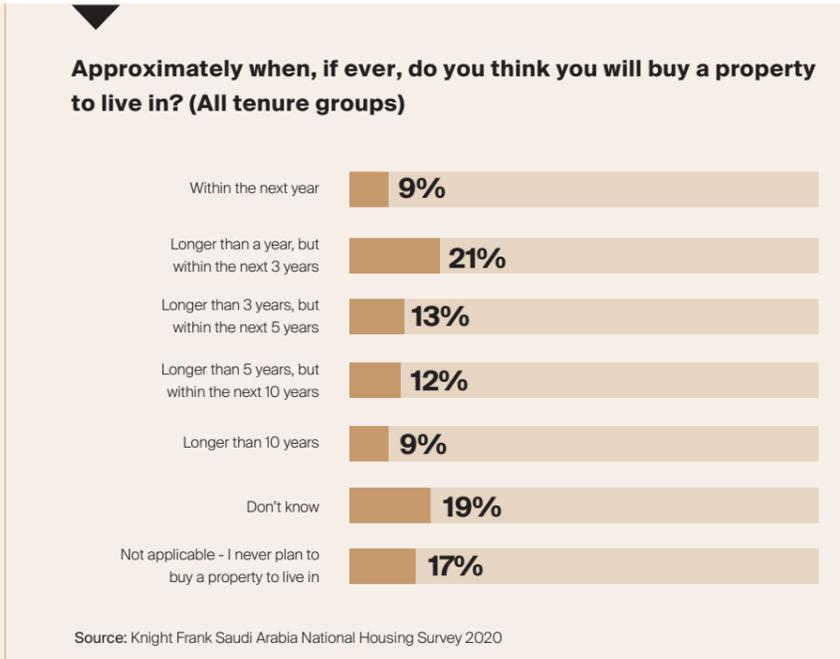
SAUDI ARABIA NATIONAL HOUSING SURVEY KEY FINDINGS

In this section we highlight some of the key findings from the survey with a focus on demand drivers underpinning future property purchases.

56% of those renting said they were looking to buy a property in the next five years.

When looking at the timescale that potential buyers are estimating to purchase a new residential property, across all tenure groups, 43% said they were looking to buy a property in the next five years.

For those renting, 56% are looking to purchase a property in the next five years, whereas only 29% of those currently living with their families are expecting to buy a home over this period.



Demand for properties below SAR 1 million is highest.

Examining the budgets of these respondents, 65% of those surveyed have a budget of under SAR 1 million.

For those currently renting, 71% would expect to spend up to SAR 1 million on a property purchase and only 12% expected to spend in excess of this sum. Demand for properties above SAR 1 million is highest amongst owner-occupiers where 31% are expecting their next property purchase to be above this value.



“56% of owner-occupiers own a property less than 200 square metres in size.”

“Whilst 51% of all respondents currently live in an apartment, 61% are looking to purchase a villa when they next move.

Which of the following types of home are you most likely to buy the next time you move home? (All tenure groups)

An apartment	28%
A Villa	61%
Neither of these	3%
Don't Know	7%

Although there is clearly still a preference for villas over apartments, there is still a considerable segment of the population who are looking to purchase an apartment when they next move. We estimate that at least a third of the market still retain a preference for apartment living. This number is only likely to increase when we consider those who are undecided.

Source: Knight Frank Saudi Arabia National Housing Survey 2020
Note: Due to rounding, some totals may not correspond with the sum of the separate figures.

If you had to choose, which, if any, of the following would encourage you to buy an apartment? (All tenure groups and top five factors, most to least important)

- If there was an apartment located close to lifestyle amenities (e.g. communal space, leisure anchors, sporting activities, waterfront location, walkable green landscaped areas/ parks etc.)
- If it was in a convenient location
- If there was an apartment in a high rise building within a vibrant community
- If there was an apartment in a low rise building in a community setting
- Other

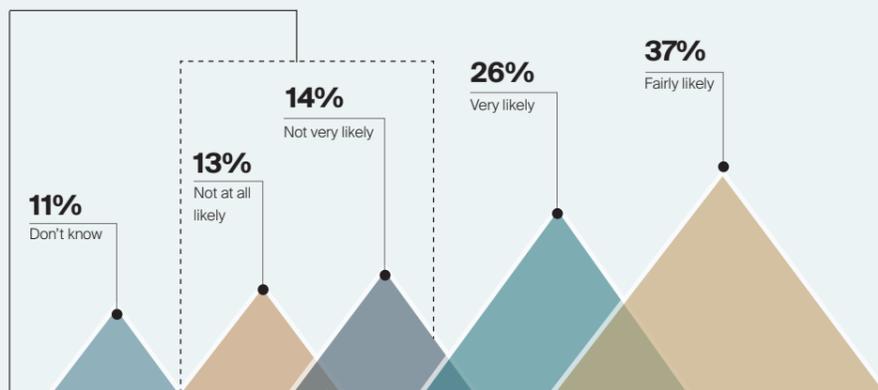
“These responses show that whilst there is clearly still a preference for villas a few select factors could help sway preferences

Amongst all tenures, the most common two attributes that would encourage those who would prefer a villa property currently to choose an apartment would be the provision of lifestyle amenities in and around the apartment building and the convenience of location. Respondents also showed preferences towards high-rise apartment buildings as opposed to low-rise buildings.

Source: Knight Frank Saudi Arabia National Housing Survey 2020

“Over 62% of potential buyers surveyed would be likely or very likely to purchase an off-plan property.”

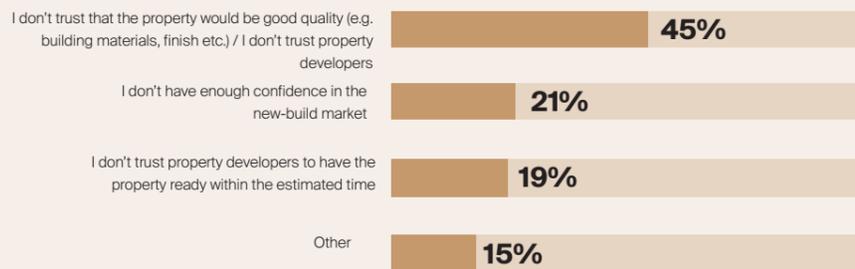
How likely, if at all, would you be to consider buying a property off-plan the next time you buy a new home to live in? (All tenure groups)



Source: Knight Frank Saudi Arabia National Housing Survey 2020
Note: Due to rounding, some totals may not correspond with the sum of the separate figures.

“The 27% who would be unlikely to purchase an off-plan property cited a lack of trust in property developers.”

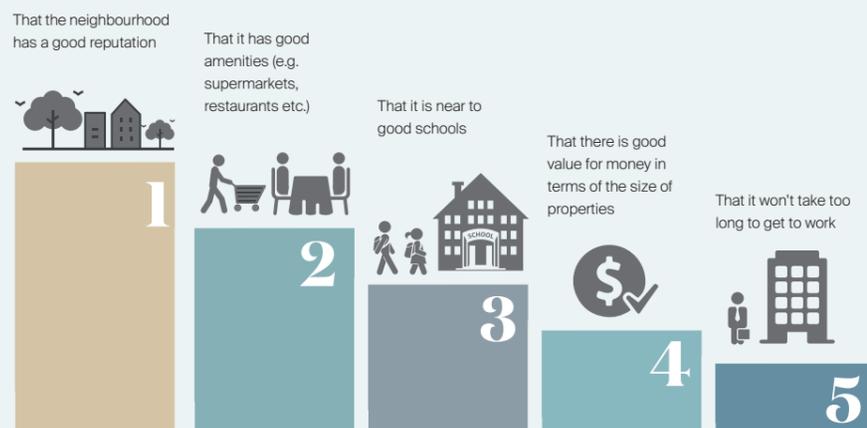
Which, if any, of the following are reasons you not wanting to buy a property off-plan? (All tenure groups, those who would not buy off-plan)



Source: Knight Frank Saudi Arabia National Housing Survey 2020

“When choosing an area to live in, the reputation of the neighbourhood and access to amenities were the leading factors in our respondents' decision-making.”

Which, if any, of the following factors would be important to you when choosing an area to live in? (All tenure groups and top five factors, most to least important)



Source: Knight Frank Saudi Arabia National Housing Survey 2020

“Our respondents suggested that the most important attribute they would require in a home would be a garden, closely followed by a modern design.”

Our survey shows that demand has already shifted from properties designed in a traditional Arabic manner to properties with modern architectural designs. Despite these changes in tastes some more traditional features such as the provision of an additional living room ranked as an important attribute across all tenure groups.

Top five facilities of importance (All tenure groups and top five factors, most to least important)

1
Garden



2
Modern design



3
More than one living room



4
Off-street parking



5
A swimming pool



Source: Knight Frank Saudi Arabia National Housing Survey 2020

KEY TAKEAWAYS

Using the data from Knight Frank's National Housing Survey we are able to identify critical factors which must be met to capture the majority of demand.

Whilst there are a range of demand pools, our focus is to identify the key factors which capture the majority of demand.

A key component of the Housing Vision Realisation Program (HVRP) is to provide housing solutions that enable the current and future generation of Saudi citizens to own and benefit from homeownership by increasing the supply of affordable housing.

In an attempt to quantify this, Knight Frank has

analysed the survey data across all tenures to establish key quantitative and qualitative measures that developers should focus on to capture the majority of demand.

First, from a qualitative perspective one of the key factors underpinning demand is the size of the unit. Relating this back to the HVRP, the appropriate provision of this component will be a key factor in delivering improved standards of living and in turn ensuring long-term demand. Our data across the three tenures shows that the vast majority of demand is for units below 200 square metres.

Secondly, the HVRP lists the provision of affordable housing solutions, namely increased supply of affordable homes and the reduction of the house price to income ratio to five, as one of its most important goals. Given these parameters, from a quantitative perspective Knight Frank's data shows that the vast majority of demand is for units priced below SAR 1m.

Using these two key parameters of the HVRP, the data from the Knight Frank Housing Survey shows that if developers were able to meet only these two requirements, they would be able to capture an estimated 65% of demand.

Key takeaways from the National Housing Survey



Size

Less than 200 Sqm



Price

Less than SAR 1M



Demand

65%

Source: Knight Frank Saudi Arabia National Housing Survey 2020

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