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Transforming the Housing

Sector in Saudi Arabia

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Saudi Arabia housing transformation in numbers

Home ownership reached



62%
in 2020

Real Estate sector contributes

7% of GDP to the Saudi economy

Real Estate sector generated



40,000 job opportunities in 2021

Increasing home ownership for Saudi families

1.2m Saudis have benefited from initiatives introduced by the Ministry of Municipal and Rural Affairs (MoMRA)

Home ownership down payment reduced



From
30%
to **5%**

Reshaping the homeownership journey

Reforming the housing sector in Saudi Arabia and improving the access of Saudi families to housing that meets their needs is a major element of the Kingdom's Vision 2030. Since 2017, when around 1.6m Saudi nationals were on waiting lists for government housing programmes, the Ministry of Municipal and Rural Affairs (MoMRA) has rolled out a number of programmes and initiatives to increase the availability of affordable housing and improve accessibility to financing options. Many Saudis had limited options available to them in the market, particularly in light of high mortgage interest rates and long waiting lists for government-backed interest-free loans.

In an interview with Al Arabiya News, His Royal Highness Prince Mohammed bin Salman bin Abdulaziz said home ownership was 'one of the most important challenges that existed' before the implementation of Vision 2030. 'We had a housing problem that we could not resolve for 20 years,' His Royal Highness added. 'The level of housing did not increase, it was always between 40 and 50 percent.'

The central aim of Vision 2030, articulated in the leadership message written by His Royal Highness, is to



‘ Build a thriving country in which all citizens can fulfil their dreams, hopes and ambitions. We will not rest until our nation is a leader in providing opportunities for all... and high-quality services such as employment initiatives, health, housing, and entertainment.

HRH Prince Mohammed bin Salman bin Abdulaziz -
Saudi Arabia Vision 2030

The Vision states that 'housing is the foundational asset that is capable of shaping and influencing the vibrancy of families, communities, and broader society.' Transforming the housing sector and increasing investment in housing meets the objectives of Vision 2030 in multiple ways:

- Creating sustainable job opportunities,
- Increasing the contribution of the private sector,
- Engaging non-governmental organisations (NGOs), and
- Driving economic growth.



The transformation journey and major initiatives

The Saudi Housing Programme was created in 2018 with the objective of increasing access to affordable, quality, safe and well-located housing for first time buyers. The Housing Programme replaced a government-led system that suffered from long processing times and low citizen satisfaction levels. In achieving its objectives, the Programme would need to address challenges including a growing population, rapid urbanisation, an insufficient supply of affordable housing, and an unregulated self-build market.

Over the past six years, the Ministry of Municipal and Rural Affairs and Housing, under the leadership of His Excellency Majed bin Abdullah Al-Hogail, has developed a new ecosystem for the housing sector, including the formation of more than 16 separate entities that oversee and manage key elements of the market. In an interview with Oxford Business Group, H.E. Majed Al-Hogail, said “our two main key performance indicators target increasing home ownership from 48% to 60%, and reducing loan waiting time from 15 years to five years, in the context of a dramatically increasing population. The most important change we have made regarding this is moving from a model of direct lending to one of indirect lending. This process has enabled the subsidisation of more loans, and the empowerment of new generations and underserved borrowers, with an impact on broader GDP. We find that each riyal injected into the sector directly contributes 2.7 riyals to GDP.”

‘ **Our two main key performance indicators target increasing home ownership from 48% to 60%, and reducing loan waiting time from 15 years to five years**

His Excellency Majed bin Abdullah Al-Hogail

A range of initiatives, many in collaboration with the private sector, has improved the supply of housing, enhanced access to finance for Saudi families, and reformed housing and planning policies. The Ministry has worked closely with the private sector to facilitate the journey of ownership, incentivise developers, and provide housing solutions and products that meet the needs of citizens at competitive and subsidised prices, in line with the Vision 2030 framework. The transformation programme has four dimensions: financing, real estate development, regulations, and the beneficiary journey.

Key initiatives driving the housing sector transformation



Injecting liquidity into the market

The Saudi Real Estate Refinance Company (SRC) was set up by the Public Investment Fund in 2017 to inject liquidity into the real estate market and improve homebuyers' access to sustainable financing solutions. The SRC's loan portfolio reached SAR 6.5 billion at the end of 2020 and SRC intends to refinance 20% of Saudi Arabia's total residential mortgage market by 2025.



Tax reform

VAT waiver on real estate sales (which attracted the basic VAT rate of 15%) was abolished in 2020. In its place, a real estate disposal tax of 5% was introduced, and an exemption for first-time buyers of properties worth up to SAR 1 million. Additionally, an initiative known as the 'White Land Tax', which applies a 2.5% tax to undeveloped residential land with the intention of improving the supply of land for construction, was launched.



Reduced down payments:

The Saudi central bank has had a significant impact on the growth of the housing sector, reducing the minimum down payment required for property purchases from 30% to 5% of the purchase price.



Developing new mortgage products:

Mortgage lending is a relatively recent concept in KSA but in 2018 the government announced its intention to double mortgage lending and increase the number of banks offering home loans. The SRC has been particularly influential in promoting long-term fixed rate mortgages.



A new regulator for the housing sector

A central regulatory entity for the real estate sector, the General Authority for Real Estate, was set up in 2017 to regulate the real estate sector, stimulate investment, and protect consumers.



More security for off-plan transactions

The Wafi Programme was created by 2018 legislation and regulates the off-plan property sales and rental process and transactions.



A home ownership association

The Mullak Programme, launched in 2020, strengthens the relationship between landlords and joint-ownership housing and occupants through the establishment of regulations and property management services. Its initiatives include a platform that allows maintenance companies to present their services to owners' associations.



Shrakat

is a partnership between the Government and private sector to provide solutions and residential products that meet the needs of citizens at competitive and supported prices.



Digitally-enabled support

Sakani is a real estate initiative to support and enable Saudi citizens to own their first home. Beneficiaries can apply online or through the Sakani app and get instant approval. Sakani's remit also includes the creation of new housing stock, the allocation of building plots, and financial support including subsidised mortgages. Sakani also assesses the socioeconomic state of housing applicants and matches them with sustainable housing solutions based on their financial capability.



A stronger rental market

Ejar is a rental services app that regulates the relationship between all parties in a real estate rental process, and aims to encourage a tenancy sector that is characterised by transparency, trust and neutrality.



The National Housing Company (NHC)

The National Housing Company (NHC), it's an investment arm of the initiatives of the Ministry of Municipal and Rural Affairs and Housing. Which became an effective enabler of solutions for the Saudi real estate market.



Planning reform

The Real Estate Developers Services Centre (Etmam) streamlines and accelerates the process of licensing and approving housing development by private developers, creating a more attractive and efficient investment environment.

Key results achieved to date

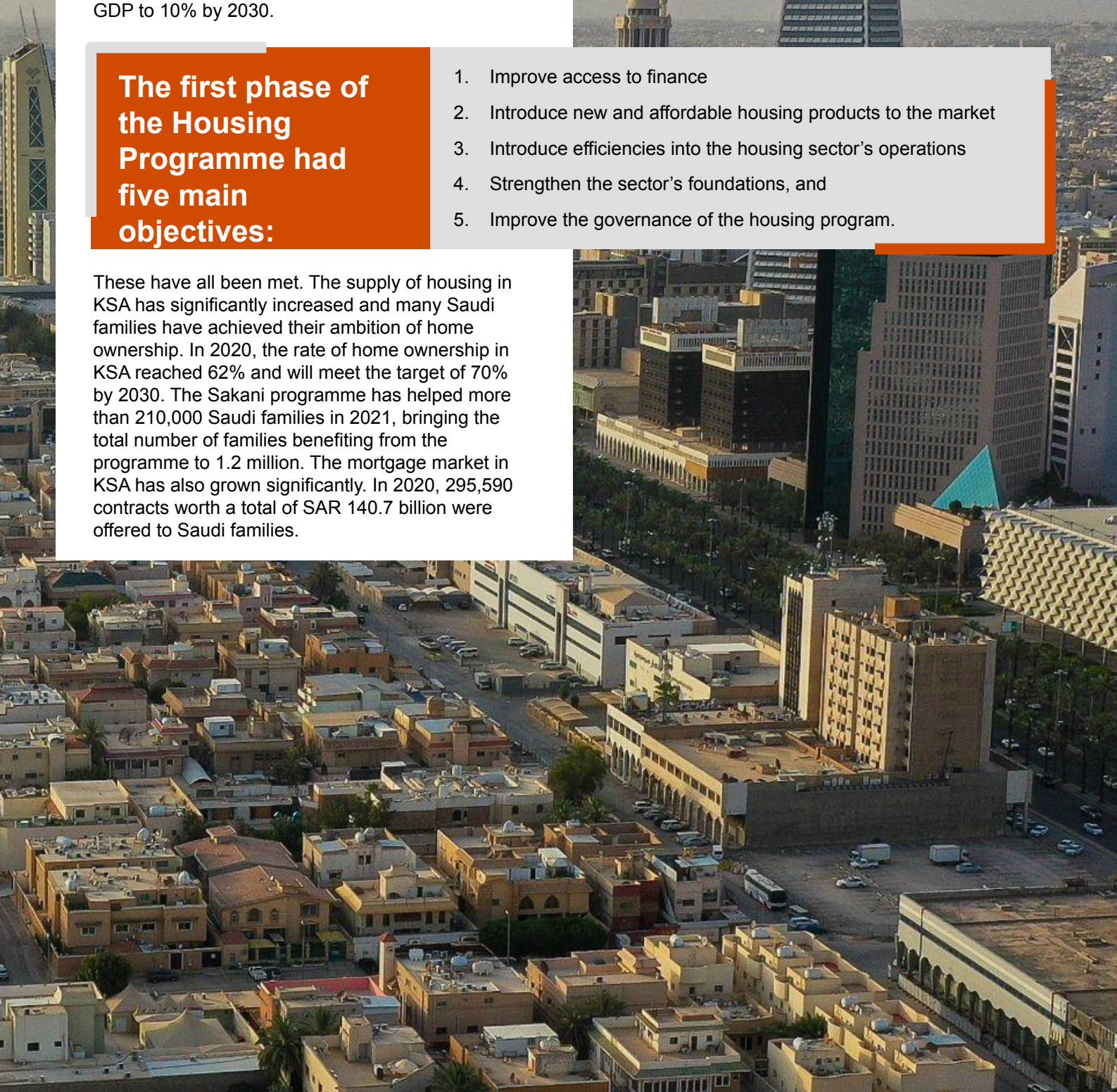
Under the leadership of the Minister of Municipal and Rural Affairs and Housing (MoMRA), His Excellency Majed bin Abdullah Al-Hogail, the housing sector has been radically transformed. The key aim of Vision 2030 – to increase the rate of home ownership to 70% - will be achieved by 2030.

Real estate is a vital element of the KSA economy, contributing around 7% of GDP, supporting numerous other sectors, and generating 40,000 job opportunities in 2021. As the KSA economy continues to diversify, the sector will become more influential - the goal is to increase the sector's contribution to GDP to 10% by 2030.

The first phase of the Housing Programme had five main objectives:

1. Improve access to finance
2. Introduce new and affordable housing products to the market
3. Introduce efficiencies into the housing sector's operations
4. Strengthen the sector's foundations, and
5. Improve the governance of the housing program.

These have all been met. The supply of housing in KSA has significantly increased and many Saudi families have achieved their ambition of home ownership. In 2020, the rate of home ownership in KSA reached 62% and will meet the target of 70% by 2030. The Sakani programme has helped more than 210,000 Saudi families in 2021, bringing the total number of families benefiting from the programme to 1.2 million. The mortgage market in KSA has also grown significantly. In 2020, 295,590 contracts worth a total of SAR 140.7 billion were offered to Saudi families.



Future outlook

The next stage of the Housing Programme will focus on the most underprivileged segments of society, and on increasing the involvement of the private sector. The contribution of the private sector is essential in supporting the resilience and sustainability of the sector under different economic conditions.

Over the coming decade, the Kingdom will need to create approximately 1.2 million new homes to reach a housing stock of 4.96 million houses by 2030. Housing demand is expected to increase from 99,600 houses in 2021 to 153,000 houses by 2030 with an average of 124,000 houses over the period.

The Kingdom of Saudi Arabia has made remarkable progress in transforming its housing sector in the past decade. It is predicted to achieve its objectives of 70% home ownership, and a housing sector that contributes 8.8% of national GDP, by 2030. The Government's robust policies and initiatives, including the activation of numerous finance products, is propelling the sector forward, addressing the key challenges faced by the housing market, and making home ownership a possibility for new generations of Saudis. The transformation of KSA's housing sector is a true success story and the results will be felt across the Kingdom for years to come.

Contact us

If you would like to learn more about the housing sector or how we can support you in your transformation journey, please reach out to:



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