

HOUSING

20.1 INTRODUCTION

Housing is one of the most important social and economic sectors in contemporary societies. It has received increased attention by successive Saudi development plans in general, and by the Eighth Development Plan in particular. Council of Ministers Resolution No. 136 of 2007 established the General Housing Authority and entrusted it with a number of tasks, foremost among which are to: increase home ownership, increase supply of housing and residential land, build adequate housing for the needy, develop a comprehensive housing strategy for the Kingdom, and propose regulations, systems, policies and organizations pertaining to housing. In addition, the capital of the Real Estate Development Fund (REDF) was increased, enabling it to increase the number of housing units financed and increase the rates of building housing for the employees of a number of military, educational and health agencies. The private sector continued to build residential projects and develop land and housing schemes.

The housing sector in the Kingdom faces several issues and challenges, including: adequacy of supply of housing units, rate of home ownership, prevailing price and rent levels for housing units, and availability of finance for housing and residential land.

The Ninth Development Plan aims to: complete preparation, adoption and accelerate implementation of the comprehensive housing strategy, reduce the growing gap between housing supply and demand by starting to implement housing programs of various kinds in all regions of the Kingdom, continue to support resources of the Real Estate Development Fund, work and follow up on the organizational development of the sector, approve and apply real estate financing and mortgage regulations, approve and apply regulations on rights of tenants and owners of residential units, and develop regulations to encourage private sector participation in housing activities and programs. The Plan also aims to improve the quality of housing, through adopting appropriate standards for housing density,

rationalizing residential spaces, encouraging the use of economies of scale in all stages of house building, and applying the Saudi Building Code.

This chapter reviews the current conditions of the housing sector and highlights the developments and achievements under the Eighth Development Plan. It also discusses the key issues and challenges to be addressed under the Ninth Development Plan, and presents the housing demand forecasts, the future vision, general objectives, policies and targets of the Ninth Plan.

20.2 CURRENT CONDITIONS

20.2.1 Overall Performance

Housing objectives of the Eighth Development Plan were mainly two; first, to provide adequate housing for every family who does not own a house, needy families, in particular; and secondly, increasing home ownership by citizens. Under the Plan, progress was made towards achieving both objectives. According to the General Census of Population and Housing carried out in 2004, the total number of residential units at the end of the Seventh Development Plan was about 4 million. The number of housing units constructed under the Eighth Development Plan, estimated on the basis of the number of building permits issued, was about 600 thousand; an increase of 34% over what was added under the Seventh Development Plan. This brought the total number of housing units at the end of the Eighth Development Plan to about 4.6 million. Moreover, density of occupancy, represented by the average number of persons per unit, improved, dropping from 6.1 individuals to about 5.7 during the same period.

The private sector played a key role in meeting the needs of the market, as well as in funding most housing construction under the Eighth Development Plan. Having increased under the Eighth Development Plan at an average annual rate of 15.4%, real estate loans from commercial banks point to the growing role of the private sector in providing and financing housing.

The capital of the Real Estate Development Fund increased progressively by SR43 billion during the 2005–2008 period, which enabled it to increase the volume of loans granted to about SR19.5 billion, compared with SR8.6 billion under the Seventh Development Plan; with the number of housing units financed increasing to approximately 105 thousand units, compared with about 43 thousand units under the Seventh Development Plan.

The Eighth Development Plan aimed to provide about 66 thousand housing units under the Social Housing Program to meet the housing needs of needy families. In 2006, the state appropriated SR10 billion from the budget surplus for this program. Developments in the housing sector required a review of the institutional and administrative arrangements to ensure achievement of the set objectives. Responsibility for this program was transferred to the General Housing Authority upon its establishment in 2007. The Authority began work by launching in 2009 its first housing projects for the needy in Hafer Al Baten, Qurayat, Arar, and Jazan. Under the Eighth Development Plan, housing activities carried by charitable bodies increased; most notably by King Abdullah Bin Abdul Aziz Foundation for Development Housing, which provided housing for the most needy. Housing activities of charitable societies are expected to expand under the Ninth Development Plan.

20.2.2 Home Ownership

Data of the General Census of Population and Housing of 2004 showed that about 60% of the 2.7 million Saudi households owned their homes, and the 2007 demographic survey did not reveal a significant change in this rate. The Census also showed that about 35% of Saudi families lived in rented units, and 5% reside in units provided by employers.

20.2.3 Types of Housing

Statistics derived from the General Censuses of Population and Housing in 1992 and 2004 point to a clear improvement in the types of

housing, with housing units providing comfort and welfare (villas and apartments) increasing, and the share of traditional and other housing types decreasing (Table 20.1).

Table 20.1
Housing Units by Type
General Censuses of Population and Housing
1992 and 2004

Type of Housing Unit	1992		2004		Change 1992–2004		Average Annual Growth Rate (%)
	Number	Relative Share (%)	Number	Relative Share (%)	Number	Relative Share (%)	
Villas	454365	16.4	729780	18.3	275415	22,6	4.0
Traditional Houses	909005	32.7	1114456	27.9	205451	16,9	1.7
Apartment	847233	30.5	1505429	37.7	658196	54,2	4.9
Floor in Villa or Building	241317	8.7	386911	9.7	145594	12,0	4.0
Other Housing	325002	11.7	255207	6.4	-69795	-5,7	-2.0
Total occupied units	2776922	100.0	3991783	100.0	1214861	100,0	3.1

Source: Central Department of Statistics and Information.

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These statistics cover housing for both Saudi and non-Saudi households. In 2004, households living in villas and traditional houses constituted 46.2% and households living in floors or apartments constituted 47.4%.

The vast majority of housing stock consists of small units. Residential units consisting of one or two bedrooms represent 64.3% of the total housing stock; those of three bedrooms 19.1%; and larger units (more than three bedrooms) 16.6%.

20.2.4 Institutional and Organizational Development

Under the Eighth Development Plan, there were structural improvements in the housing sector aimed at developing the management of housing policy and raising its efficiency, as well as strengthening the financial and technical capacity of the agencies concerned. The General Housing Authority (GHA) was established in 2007. Responsibility for the Social Housing Program was transferred

from the Ministry of Social Affairs to the General Housing Authority at the beginning of fiscal year 2008. Similarly, responsibility for developing and implementing housing strategy and establishing a housing information base was transferred from the Ministry of Economy and Planning to GHA. The capital of the Real Estate Development Fund was increased and new procedures for regulating lending and collection were established. As a result of increased capital and enhanced collection, loans granted increased to levels greater than under the Sixth and Seventh Development Plans. Moreover, preparation of draft financing and mortgage regulations, which will create, when approved, to a suitable environment for effective participation of companies and banks in real estate financing.

20.3 ISSUES AND CHALLENGES

20.3.1 Affordable Housing

Data from the 2004 General Census of Population and Housing show that 56.3% of the total housing units occupied by Saudi households are characterized by density of occupancy per room above the national average, i.e., they are overcrowded. Generally, these units consist of one or two bedrooms. The demographic survey conducted by the Central Department of Statistics and Information in 2007 did not note any changes in density.

Addressing the multi-dimensional issue of enabling citizens to secure adequate housing at a reasonable cost and with a capacity commensurate with the size of the family requires building the largest possible numbers of housing units, as demand of Saudis for two-bedroom and three-bedroom housing units is estimated to reach 450 thousand units (300 thousand two-bedroom units and 150 thousand three bedrooms units) by the end of the Eighth Development Plan. It also requires taking into account residential overcrowding when planning and implementing real estate financing programs supported by the state, whether through the Real Estate Development Fund or other housing programs.

20.3.2 Home Ownership

The long-term strategy of the Saudi economy aims to raise the rate of home ownership among the citizens to about 80% by 2024. Notably, results of the General Census of Population and Housing in 1992 and 2004 and the demographic survey carried out in 2007 have shown the rate of Saudi home ownership to be stable at about 60%.

Delay in implementation of the Social Housing Program, the limited number of agencies that offer housing to their employees (both public and private), and insufficient private real estate funding have all contributed to delayed progress in this area. Hence, achieving progress requires strengthening the capacity of citizens to finance the building of homes. In this regard, real estate funding and mortgage systems are expected to expand private lending, especially to middle-income groups, which represent the largest segment among citizens.

20.3.3 Costs of Housing Units

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The surge in demand for building and construction materials (locally and globally) in recent years resulted in a significant increase in construction costs, which led to significant increases in both house prices and rents under the Eighth Development Plan.

This poses a challenge to both the public and private sectors and requires the development of an effective strategy to secure economies of scale in the housing sector. In view of the prevailing economic and social environment, meeting the structural demand for housing requires adopting standards and normative designs that facilitate construction of large numbers of units of affordable housing. It has also become necessary for these standards to include regulations to ensure rational use of resources, such as energy and water, and rationalize total areas of houses.

20.3.4 Real Estate Development Fund (REDF)

Despite increasing the capital of Real Estate Development Fund under the Eighth Development Plan by SR43 billion, the backlog of more than 500 thousand funding applications points to the importance of

strengthening its financial resources, in order to reduce the current long waiting period. Reduction of the waiting period and covering the growing demand require strengthening resources of REDF at rates that may be difficult to maintain, regardless of the size of public resources or improvement of rates of collection of existing debt.

Addressing this situation requires reviewing lending strategy and improving means of collection, along with enhancing funding opportunities from private sources, especially that implementation of financing and mortgage regulations has started.

20.3.5 Real Estate Financing

Although the domestic market has an abundance of liquidity, real estate finance is limited. This constitutes a major challenge, especially since finance of the real estate sector in the Kingdom is still below prevailing global levels. At an average of 8.1% under the Eighth Plan, it is half that of countries of the European Union, which may be due to the lack of financing and mortgage regulations over the past period.

However, in spite of the various constraints in the market, in the past few years, provision of mortgage finance by commercial banks has expanded, and the number of companies specializing in finance and real estate development increased. These companies are expected to play a growing, important role in the real estate market.

When they come into force, finance and real estate mortgage regulations are expected to safeguard the rights of creditors and debtors and enhance the role of the banking sector and finance companies in meeting the needs of the real estate and housing markets.

20.3.6 Requirements of Housing and Urban Planning

Analysis of the demand for new housing units under the Ninth Development Plan shows that 70% of total demand is concentrated in major urban centres. However, meeting this demand faces numerous challenges; foremost of which is that of providing residential land

supplied with highly efficient and sustainable infrastructure and public services. Hence, modern non-conventional mechanisms are required, such as increasing the density of residential units and commercial facilities through vertical expansion in the cities, taking advantage of vacant land within urban boundaries, and delivery of services to the housing-grant schemes, and redevelopment of old residential neighbourhoods and unplanned settlements.

20.3.7 Housing Sector Database

The General Census of Population and Housing, the periodic demographic surveys, and the housing strategy provide a good basis for building a database for the housing sector, enabling researchers and developers to derive national indicators and compare them with international indicators. As in developed countries, and in order to inform economic and social development and urban planning, there ought to be comprehensive, permanent records of housing units compiled on the basis of registration of established residential units, rather than licenses granted, since the latter may not reflect the actual number of housing units or their structural features. In this context, of importance is the completion of the housing strategy, and publication of data on house and land prices and rent categories, in order to provide transparency in the real estate market.

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20.4 DEMAND FORECASTS

Demand for housing under the Ninth Development Plan was estimated on the basis of the following assumptions:

- During the period, the Saudi population will grow at an annual average rate of 2.23%, and Saudi households will increase by 750 thousand, which will require about 800 thousand housing units.
- During the period, the non-Saudi population will grow at an annual average rate of 1.86%, which will require about 200 thousand housing units.

- Meeting unsatisfied cumulative demand for housing units by the end of 2009 will require about 70 thousand housing units.
- Replacement of dilapidated housing units will require about 70 thousand housing units.
- Covering a reserve housing stock (about 10% of demand) will require about 110 thousand units.

Table 20.2 shows a summary of forecasts of demand for housing units. The number of housing units required to satisfy this demand is 1.25 million units, for which the area of land required to be added under the Ninth Development Plan is estimated at 350 million square metres, assuming that the average total area required for each housing unit is 280 square metres. Table 20.3 shows the distribution of demand for housing and residential land by administrative region.

The Ninth Development Plan envisages satisfying 80% of the demand by building one million housing units by the Public Housing Authority, Real Estate Development Fund and the private sector.

Table 20.2
Demand for Residential Units
Ninth Development Plan

	(Thousand units)
New housing units (Saudis)	800
New housing units (non-Saudis)	200
Housing units to meet unsatisfied demand for housing carried -over from the Eighth Development Plan	70
Housing units required for replacement	70
10% reserve units to ease rent inflation	110
Total housing units for the Ninth Development Plan	1250
Annual average number of units for the Ninth Development Plan	250

Source: Ministry of Economy and Planning.

Table 20.3
Demand for Residential Units and Land
by Region
Ninth Development Plan

Region	Number of Housing Units (Thousand Units)	Area of Residential Land (Million Square Metres)
Riyadh	325.0	91.0
Makkah	370.0	103.0
Madinah	81.2	22.6
Qassim	51.0	14.27
East Region	166.3	46.50
Asir	83.1	23.27
Tabuk	38.9	10.89
Hail	20.5	5.74
Northern Borders	11.5	3.22
Jazan	50.1	14.04
Najran	21.6	6.86
Baha	17.3	4.83
Jawf	13.5	3.78
Total	1250.0	350.0

Source: Ministry of Economy and Planning.

20.5 DEVELOPMENT STRATEGY

20.5.1 Future Vision

A housing sector able to provide comfortable, well serviced housing for the various social segments in all regions, with the private sector playing a pivotal role in providing financing and in construction, backed by an advanced real estate market, supportive legislation and regulations, and comprehensive up-to-date population databases.

20.5.2 Objectives

- Providing citizens with decent, appropriate housing.
- Increasing supply of housing and residential land.

- Encouraging greater private sector involvement in supporting housing activities and programs.

20.5.3 Policies

- Giving priority in government support for the housing sector to groups that are unable to secure adequate housing through market mechanisms.
- Strengthening the role of the Public Housing Authority and developing its capabilities.
- Developing the capacity of the Real Estate Development Fund and improving its effectiveness.
- Raising the rate of home ownership for citizens to keep pace with best international practice.
- Applying the Saudi Building Code in housing projects.
- Extending facilities and services to all housing projects.
- Giving priority to the development of housing-grant schemes in all regions.
- Redeveloping old neighbourhoods and unplanned settlements.
- Reducing the cost of building materials and residential land.
- Issuing financing and mortgage regulations and expediting their enforcement.
- Developing a comprehensive housing strategy for the Kingdom and sub-strategies for the administrative regions.
- Diversifying methods of funding and support from the public and the private sectors.
- Giving priority to housing through market mechanisms to meet the rising demand for residential units.
- Encouraging charitable and cooperative housing and issuing special regulations for them.
- Establishing a housing database covering all regions.

20.5.4 Targets

- Establishing one million housing units to meet 80% of projected demand for housing under the Ninth Development Plan, distributed throughout the regions, to be built by the following parties:
 - The Public Housing Authority: construction of 66 thousand housing units in all regions.
 - Real Estate Development Fund: Financing the construction of 109 thousand housing units, through providing 90 thousand loans in all regions.
 - A number of government agencies: construction of 50 thousand units for their employees.
 - Private sector: financing and building 775 residential units in all regions.

- Providing about 266 million square metres of land for housing projects expected to be built by both the public and the private sectors under the plan in all regions and providing these lands with infrastructure. Table 20.4 shows the distribution of specific targets for housing units and residential land by administrative region.

- Completion, by the Public Housing Authority during the plan period, of the engineering designs for all projects entrusted to it as well as supervisory tasks; and of the housing strategy of the Kingdom; in addition to conducting research as needed, and establishing a housing database.

- Initiating enforcement of the Saudi Building Code to the residential sector by the Ministry of Municipal and Rural Affairs.

Table 20.4
Distribution of Target Housing Units and Land
by Region
Ninth development Plan

Region	Real Estate Development Fund (Thousand Units)	Public Housing Authority (Thousand Units)	Private Sector (Thousand Units)	Total Housing Units* (Thousand Units)	Residential Land (Million Square Meters)
Riyadh	23	4	198	225	63
Makkah	20	4	229	253	71
Madinah	9	6.5	50	65.5	18.3
Qassim	9	4	32	45	12.6
East Region	13.5	4	103	120.5	33.7
Asir	7	4	52	63	17.6
Tabuk	4.5	4	24	32.5	9.1
Hail	5	6	14	25	7
Northern Borders	3	6	7.5	16.5	4.6
Jazan	5	6.5	31	42.5	11.9
Najran	4	6.5	14	24.5	7
Baha	3	4	11.5	18.5	5.1
Jawf	3	6.5	9	18.5	5.1
Total	109	66	775	950	266

* Add to the total 50 thousand units built by government agencies for their employees on 14 million square meters of residential land.

Source: Ministry of Economy and Planning.

20.6 FINANCIAL REQUIREMENTS

Under the Ninth Development Plan, the financial sums allocated to government agencies in the housing sector (Public Housing Authority) amount to SR435 million. In addition, housing projects in various regions and their infrastructure are to be financed by allocations approved for the Authority from the budget surplus, amounting to SR10 billion.

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