Knight Frank

DESTINATION SAUDI

The ultimate guide to global demand for real estate in Saudi Arabia

2024

OUR 2024 DESTINATION SAUDI BRANDING

The design on our cover takes inspiration from the humble mashrabiya trellis, an ancient and exceptionally effective method used on windows to shield homes from the midday sun. Our modern interpretation incorporates patterns analogous with Najd heritage designs.

Its colour palette evokes the rich green shades synonymous with Saudi, while the bright gold symbolises both the Kingdom's rich historical past and the bold future that is unfolding as Vision 2030 is realised.

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WELCOME

Over the last 12 months, the Kingdom's ambitions have grown, with nearly US$ 250bn in construction contracts awarded towards the nearly US$ 1.3 trillion worth of infrastructure and real estate projects unveiled since 2016. There is a sense of growing momentum as the country races towards its Vision 2030 deadline to complete what will undoubtedly be the first of many transformative phases as Saudi Arabia emerges as a new global economic powerhouse.

Positivity around the economic metamorphosis has been further amplified with the recent announcement that Riyadh will host the World Expo in 2030 and that the Kingdom is the sole bidder for the 2034 FIFA World Cup.

Meanwhile, the residential real estate market is facing challenges linked to familiar peaks and troughs of global property cycles.

Affordability, a lack of appropriately priced homes and the shortage of well-managed build-to-rent stock are curbing deal activity. All the while, 660,000 homes are racing to complete around the country, many of which will be housed within Giga projects.

That being said, this January, the government unveiled a range of five new Premium Residential Visa options, including a long-awaited property-ownership-linked visa. This will help to create supplemental demand from international buyers who have been waiting for a change to the ownership laws.

We anticipated this change, and I am proud to present the findings of our inaugural 2024 Destination Saudi report, which investigates the depth of demand for real estate in the Kingdom from Muslim HNWI around the world, with a specific focus on demand for property in the Holy Cities of Makkah and Madinah.

Our research also unpicks the links between religious tourism and the desire to invest in the Kingdom, as well as attitudes towards branded residential property.

Separately, we have also focused on domestic demand from the Kingdom's expat population to help present a global view of the appetite to invest in Saudi Arabia's property market.

I invite you to explore our findings and welcome the opportunity to discuss our analysis and insights with you in more detail.

James Lewis

Managing Director, MEA

DISCOVER MORE INSIGHTS

INTRODUCTION

TO INFINITY AND BEYOND

Vision 2030 represents Saudi Arabia's blueprint for a future that envisions a society rooted in tradition, with its sights firmly set on a future where economic growth is not underpinned by hydrocarbon revenues. At the heart of the transformative plans sits the goal of providing world-class housing to Saudi nationals. And it is this ambition that has so far unveiled no less than 15 new super-cities, including NEOM, the ultra-futuristic, US$ 500bn metropolis that promises to redefine urban living.

A striking turning point

When the Saudi government announced Vision 2030 in April 2016, it signified a bold commitment to transform the nation's economic landscape. The initiative's primary goals include curtailing the country's oil dependency, diversifying its revenue streams, and increasing its global competitive edge. This strategic pivot is set against the backdrop of a rapidly evolving global economy and the Kingdom's unique position within the Islamic world and international community.

Focus on the National Transformation Plan is evident in the staggering amount of investment being funnelled into real estate development. There are projects totalling more than US$ 1.25 trillion, of which US$ 250bn worth of contracts have already been awarded as the vision rapidly transitions to reality.

Looking ahead to 2024, the forecast for Saudi Arabia's economy is exceptionally promising, with a projected GDP growth rate of 4%, surpassing the global average of 2.9% (Oxford Economics)

Global GDP growth forecast

Source: Knight Frank, Oxford Economics

Vision 2030 highlights

5.7% Boost the FDI contribution to GDP from 3.8% to 5.7%	**15** Rank among the top 15 largest economies. Saudi Arabia is currently the world's 17th US$ 1 trillion economy	**SAR 7 trillion** Increase the Public Investment Fund's assets from SAR 600 bn to SAR 7 trillion
7% Drive down the unemployment rate from 11.6% to 7%	**SAR 163 bn** To increase non-oil government revenue from SAR 163 bn to SAR 1 trillion	**30%** To increase women's participation in the workforce from 22% to 30%

Source: Knight Frank, Vision2030.gov.sa

> **"The Kingdom's march towards Vision 2030 is unveiling one of the world's most dynamic economies and creating a new global economic superpower."**

Faisal Durrani
Partner - Head of Research, MENA

EXPERT INSIGHT

Commercial investment opportunities in Saudi Arabia

The commercial real estate market in Saudi Arabia presents an opportunity-rich landscape, though not without its challenges. As the Kingdom continues to diversify its economy, the commercial real estate sector has shown robust performance, with yields remaining strong and currently standing at 7.75% for offices and 8.25% for industrial warehousing, for instance.

Investment transactions have historically involved local market players, including funds, REITs, private equity houses, and high-net-worth individuals (HNWIs), pointing to a solid foundation of domestic confidence in the market's potential.

> **The market is already evolving. An increasing number of family-owned enterprises and funds, for instance, are leveraging sophisticated, agent-led processes to divest from core assets.**

However, despite growing interest from international investors, foreign ownership restrictions have so far limited their market entry, highlighting a significant area for potential policy evolution. The market's current structure, characterised by a scarcity of institutional-grade assets, poses additional hurdles for deal-making. This also highlights the need for strategic development of institutional-grade assets to satisfy the growing demand.

And the market is already evolving. An increasing number of family-owned enterprises and funds, for instance, are leveraging sophisticated, agent-led processes to divest from core assets. This maturation signals a readiness for more nuanced and advanced investment strategies, setting the stage for even more dynamic growth.

Looking ahead, the investment landscape in Saudi Arabia's commercial real estate sector is poised for significant expansion, particularly if regulatory reforms can ease foreign ownership restrictions. With prime yields hovering between 7-8% across various asset classes, the attractiveness of the market is clear.

Moreover, there exists a notable opportunity for foreign developers to make their mark. By entering the market and constructing state-of-the-art buildings, they can not only capitalise on the current demand for high-quality assets but also contribute to the sector's overall upliftment, driving further investment and growth.

Andrew Love
Regional Partner - Head of Capital Markets & Occupier/Landlord Strategy and Solutions, MENA

DISCOVER OUR SERVICES

OUR SURVEYS

Knight Frank's Destination Saudi surveys were conducted in partnership with YouGov. We conducted two surveys – one of the Kingdom's expats and the other of HNWI in mainly Muslim-majority nations – to understand the appetite to own residential real estate in the Kingdom.

SURVEY 1

506 high-net-worth-individuals (HNWI) with a personal net worth of over US$ 500,000 (excluding the value of their main home) from nine countries with a sizeable Muslim population (Algeria, India, Indonesia, Iraq, Iran, Malaysia, Pakistan, Singapore and Turkey) were polled on their real estate aspirations in Saudi Arabia, with the particular focus on Holy Cities of Makkah and Madinah.

Survey 1 at a glance

506 HNWI

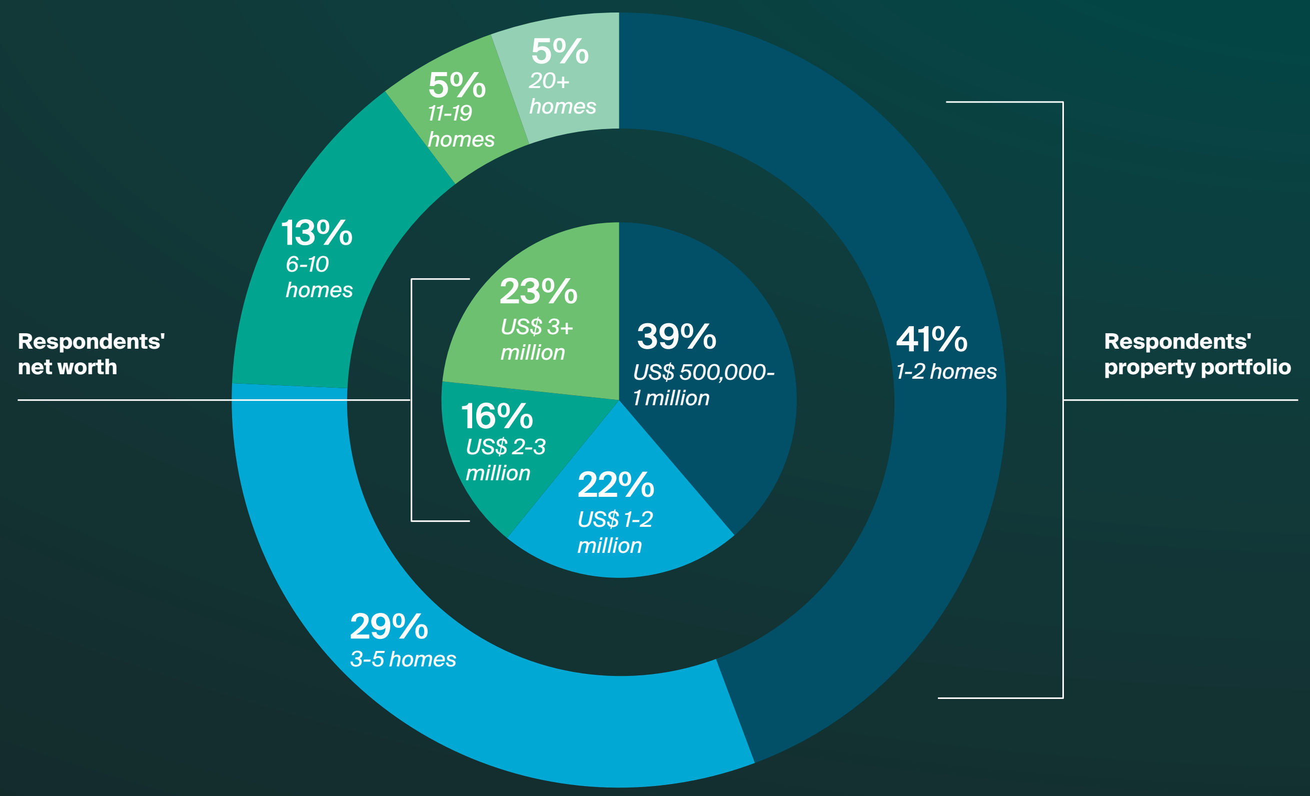
9 countries covered

2,258 homes owned globally

US$ 1.25 bn combined net worth

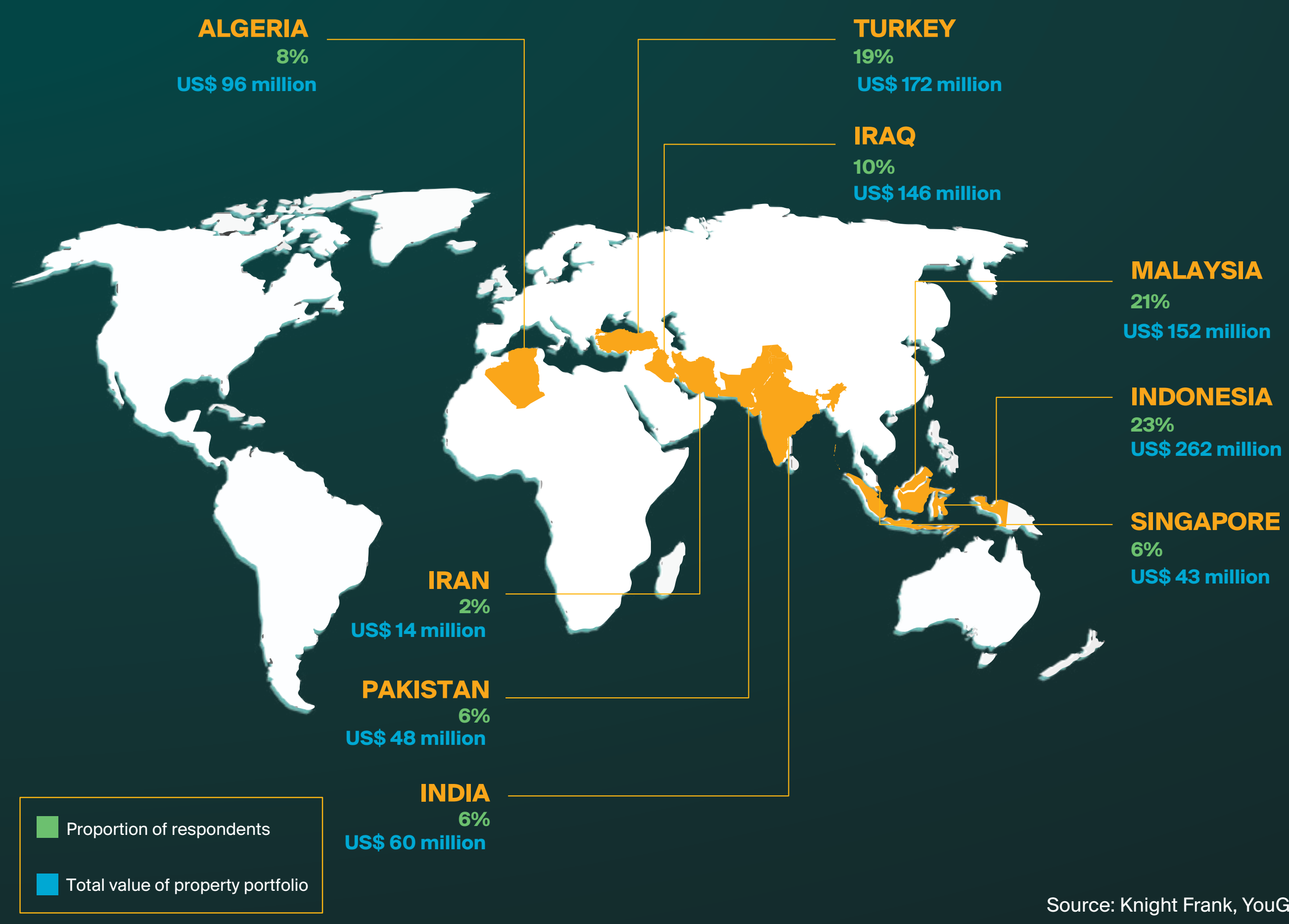
Source: Knight Frank, YouGov

Respondents' property portfolio and net worth



Source: Knight Frank, YouGov

Respondents' country of origin



Source: Knight Frank, YouGov

OUR SURVEYS

SURVEY 2

In our second survey, we spoke with 241 expat residents across Saudi Arabia to investigate their attitudes, appetite and desire to own property in Saudi Arabia.

Survey 2 at a glance

241 expats

32% aged 18-34

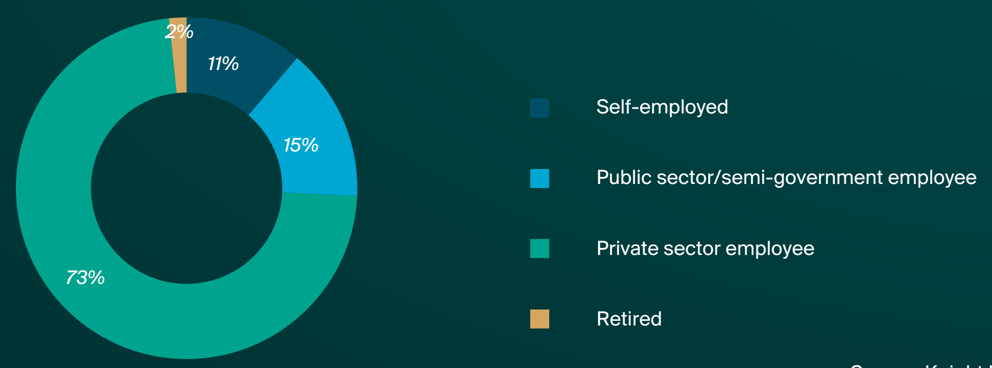
56% living/ working in Saudi for >10 years

55% Riyadh based

73% Private sector employees

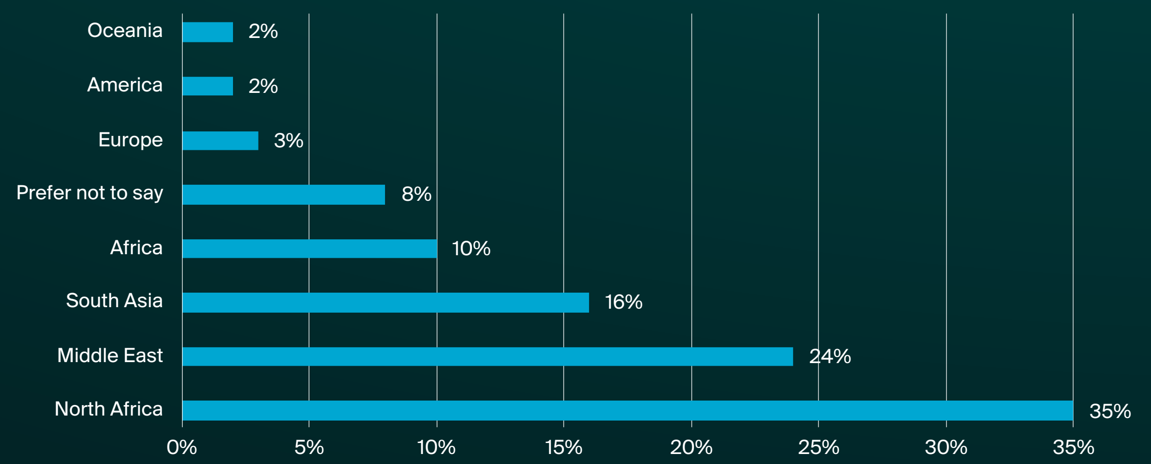
Source: Knight Frank, YouGov

Respondents' employment status



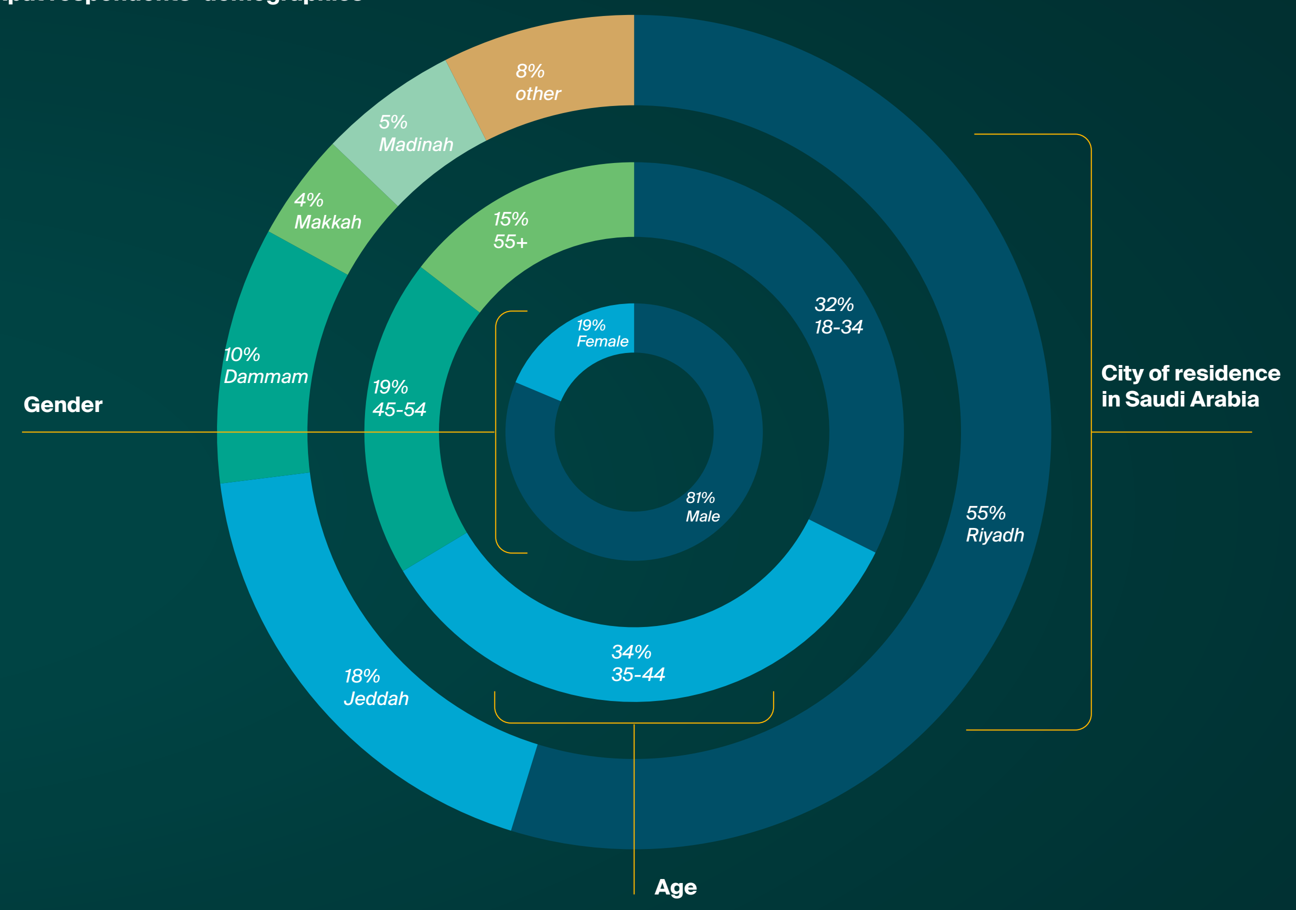
Source: Knight Frank, YouGov

Expats' place of origin



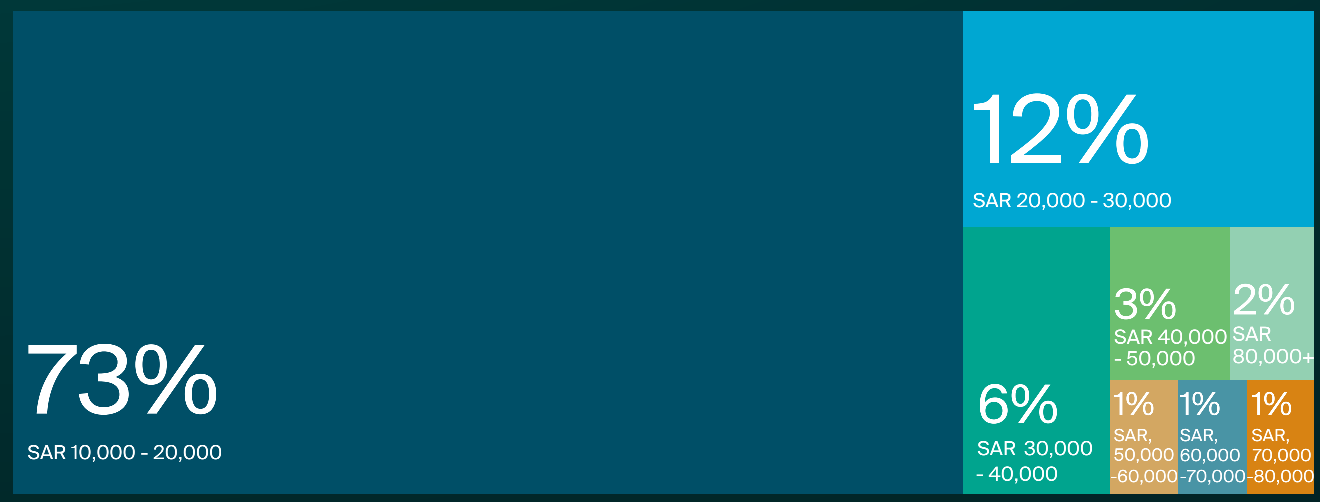
Source: Knight Frank, YouGov

Expat respondents' demographics



Source: Knight Frank, YouGov

Current monthly income



Source: Knight Frank, YouGov

GLOBAL MUSLIM HNWI DEMAND FOR SAUDI REAL ESTATE

GROWING GLOBAL GAZE

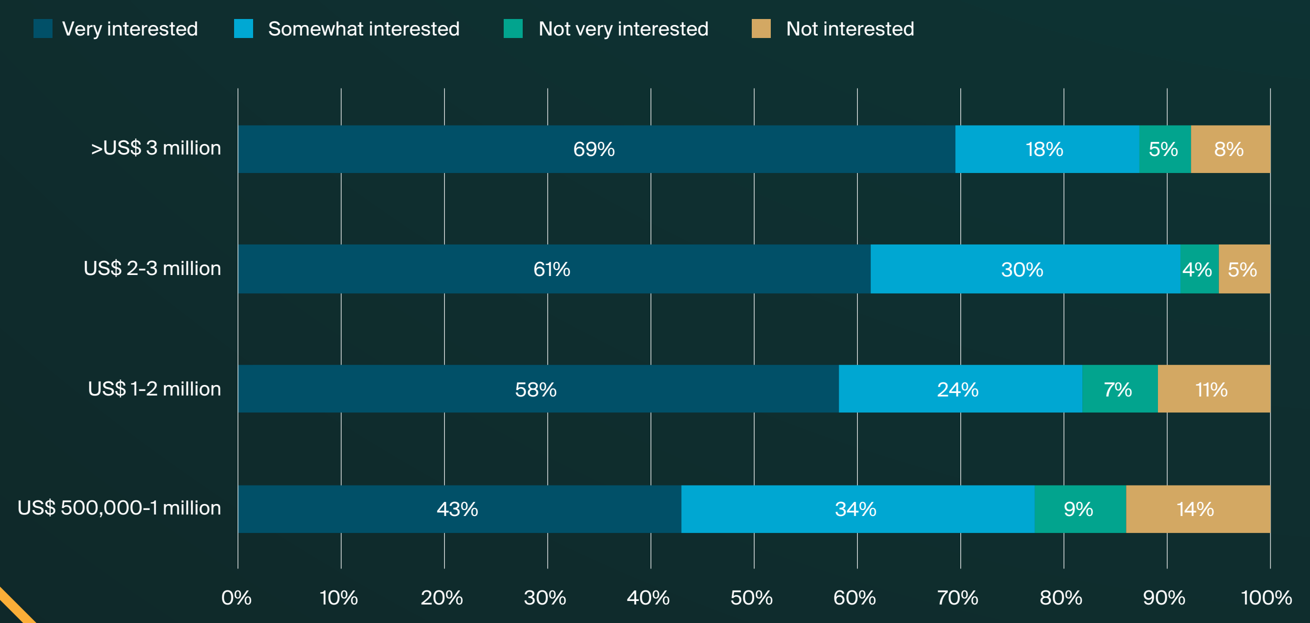
The real estate market in Saudi has long anticipated a change in the foreign ownership rules. A significant milestone was reached at the start of the year when a raft of new Premium Residency Visa options were unveiled, including a real estate ownership-linked visa, which is likely to pave the way for international buyers and investors.

Impact of new real estate ownership Premium Visa

The new Premium Visa for property owners is a welcome move by the authorities. It is likely to bolster demand at a time when there are affordability issues and shifting residential market demand dynamics. The latter is largely driven by a greater desire among young intra-Saudi migrants to rent rather than own. However, the visa comes with the requirement that the property (or properties) must have a minimum value of SAR 4 million and be fully owned outright, setting a significant threshold for eligibility.

For now, wider domestic affordability issues are contributing to a fall in home sales. Indeed, residential transactions, which accounted for 58.7% of all real estate deals by total value, registered a -16% fall in the number of deals to just under 150,000 sales between January and November 2023.

HNWI appetite to own a home in Saudi Arabia (by net worth)



Source: Knight Frank, YouGov

Survey 1

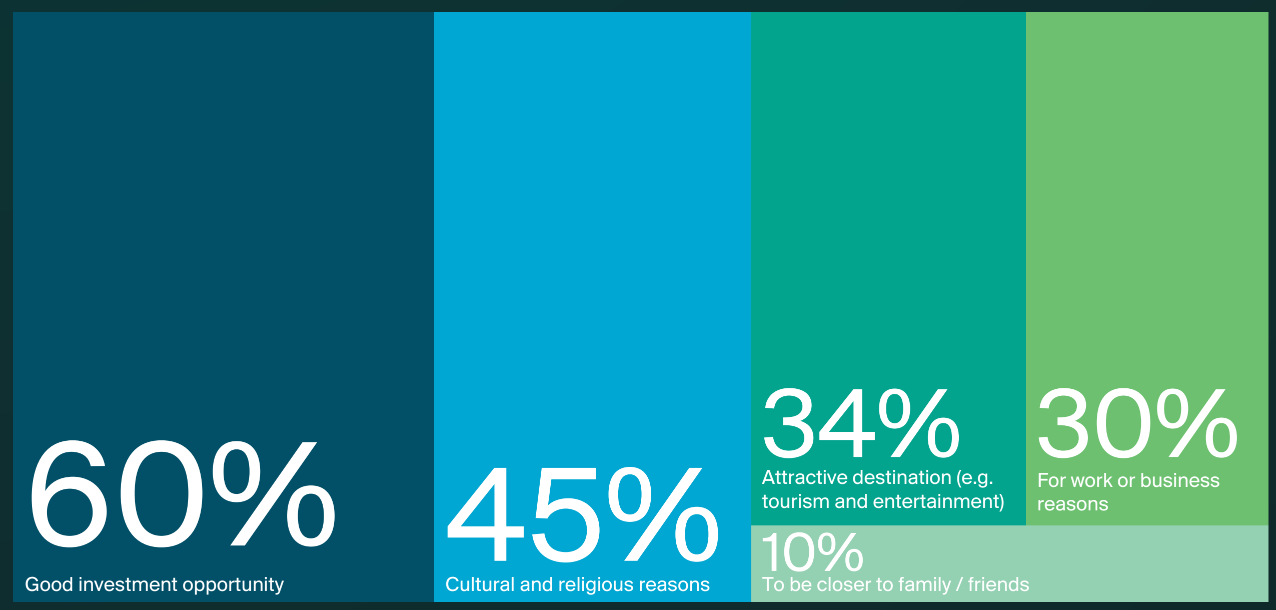
International appetite

In our first survey we found that 82% of international HNWI buyers are keen to own real estate in Saudi Arabia. And 73% of those who want to use the property as their primary residence are 'very interested', while 61% of holiday home buyers share the same level of enthusiasm.

Demand drivers underpinning the desire for a home in the Kingdom stem largely from viewing Saudi Arabia as a 'good investment opportunity' (60%), with 'cultural and religious reasons' ranking as the second most important consideration (45%).

Of those who said they were not interested in making a property purchase, the top drawback cited was a lack of resonance with 'the lifestyle and culture' (55%), followed by a 'lack of personal ties to the region/country' (33%).

Main motive for purchasing a home in Saudi Arabia



*Percentages indicate number of times each option was selected by respondents

Source: Knight Frank, YouGov

GROWING GLOBAL GAZE

Investment targets

When asked about where in Saudi Arabia they will most likely purchase property, 30% of our respondents cite Makkah as their primary target. Riyadh (25%) ranks second, while Madinah (19%) is the third most popular investment destination.

Of those considering the Kingdom as a permanent home base, a third (33%) are focussing their attention on property options in Makkah, while Riyadh (27%) is the next most popular choice.

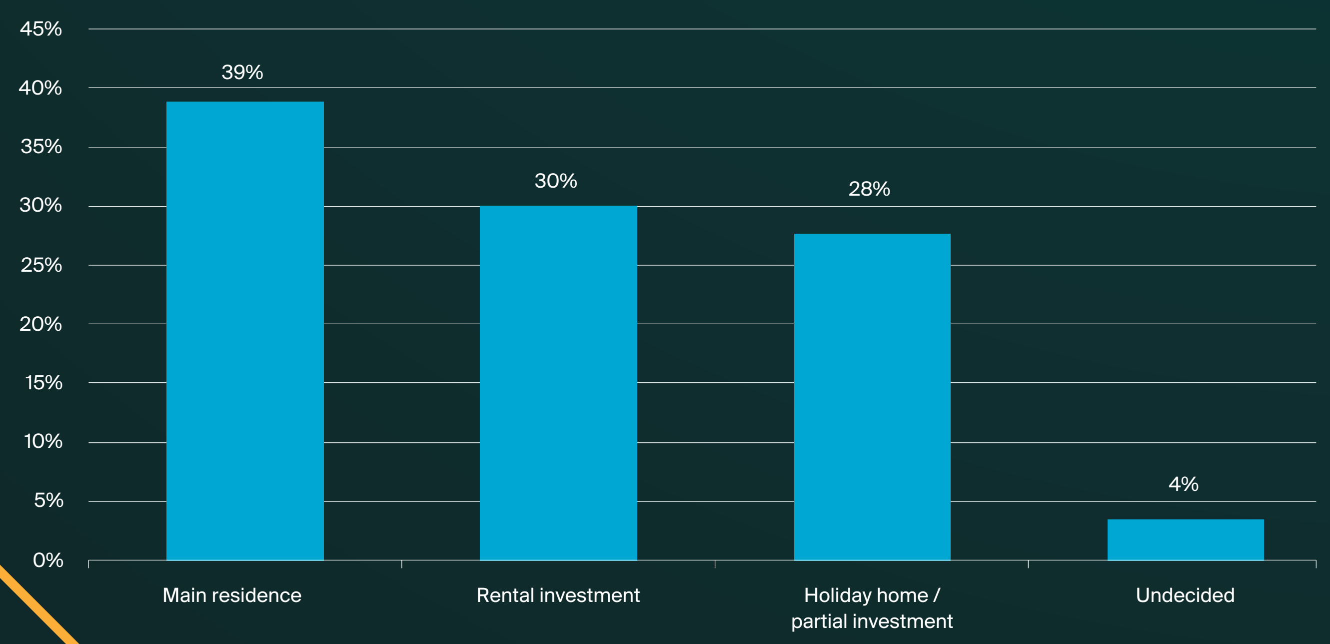
Investors have a slightly different view, with respondents choosing Makkah and Riyadh equally as their top two investment target locations (28% each).

Horses for courses

When segmenting target investment locations by nationality, there are clear divisions in the aspirations of our HNWI sample. Most Indonesians (45%), Pakistanis (43%) and Turks (42%), for instance, are focused on Makkah, whereas the Saudi capital is highly coveted by more than half (55%) of our Algerian HNWI respondents, in addition to HNWI from India (43%).

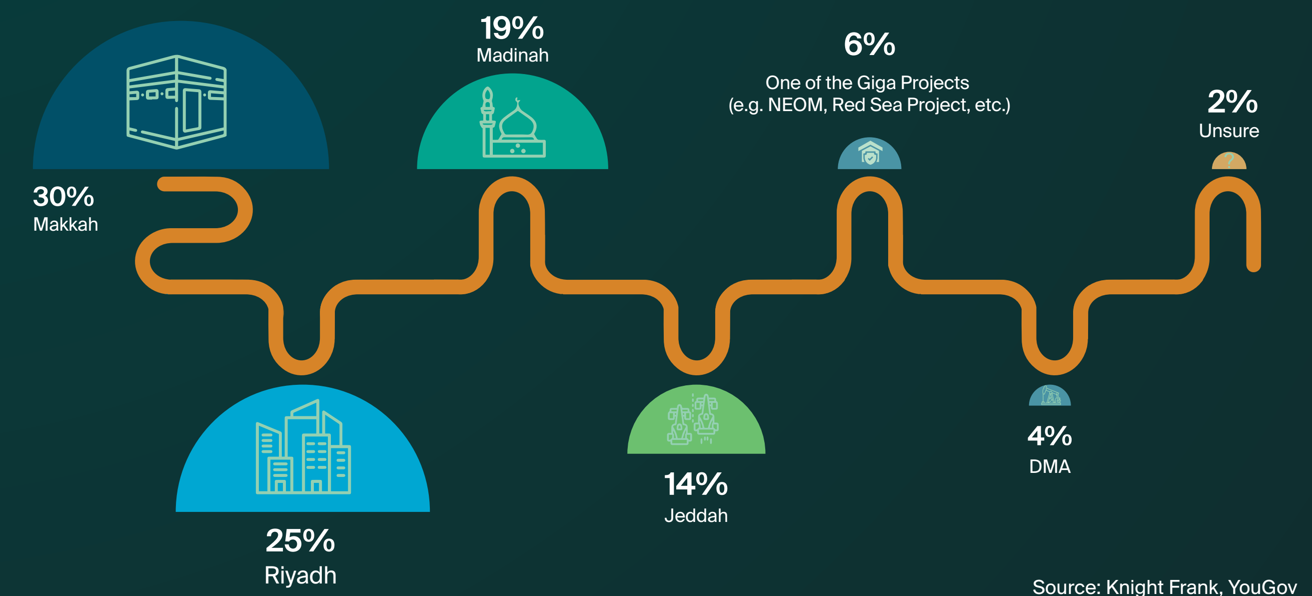
In stark contrast to all other HNWI groups, 67% of Iranians are interested in the Red Sea gateway city of Jeddah.

Reason for wanting to buy real estate in Saudi Arabia



Source: Knight Frank, YouGov

Top target locations



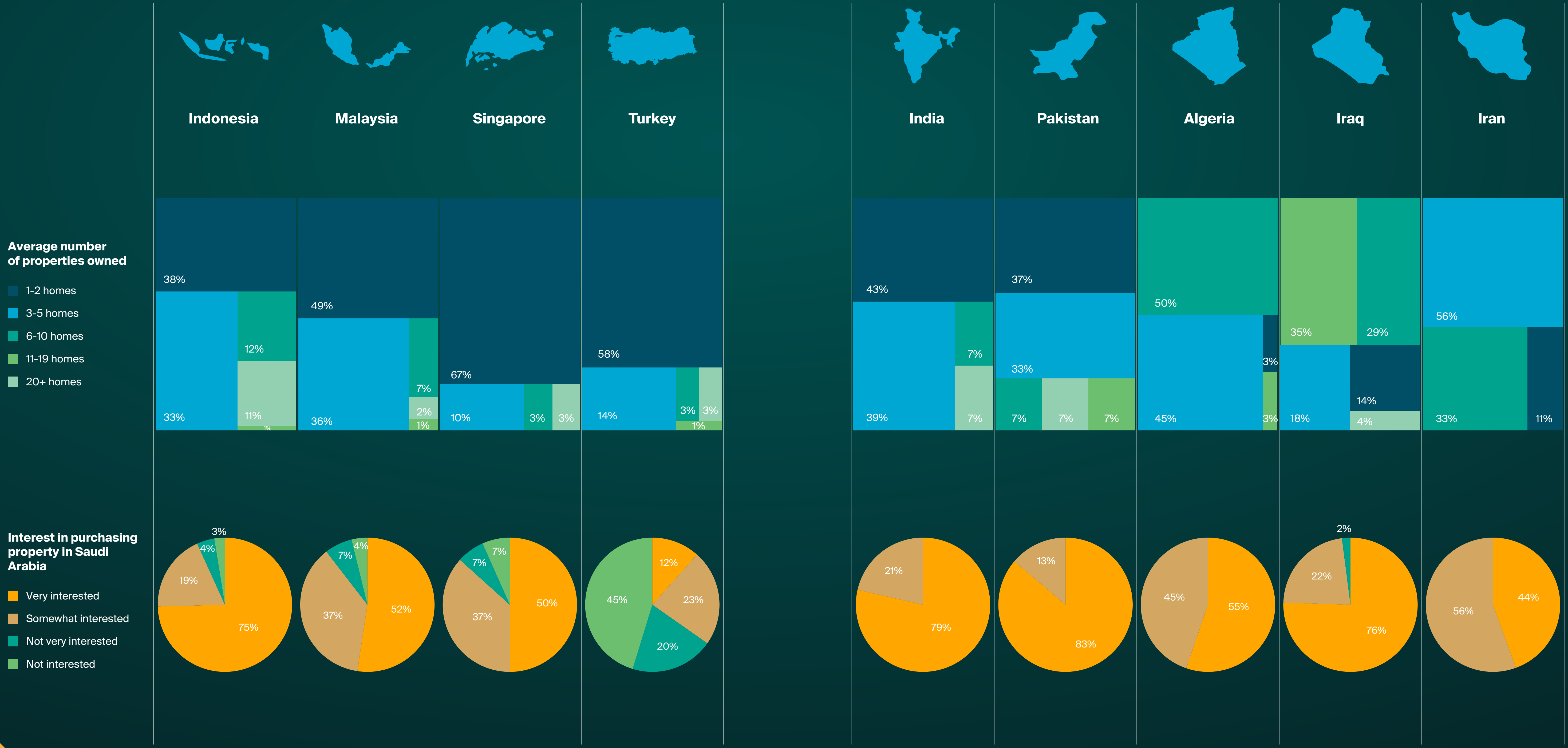
Source: Knight Frank, YouGov

> Of those considering the Kingdom as a permanent home base, a third of Muslim HNWI are focussing their attention on property options in Makkah.

NEED TO KNOW:

- **82% of global Muslim HNWI are interested in making a property purchase in Saudi Arabia**
- **60% view Saudi Arabia as a 'good investment opportunity'**
- **The top investment drawback cited by global Muslim HNWI is the lack of resonance with 'the lifestyle and culture' (55%)**
- **30% of those looking for a holiday home in Saudi Arabia list Madinah as their preferred location**
- **67% of Iranians are interested in an acquisition in the Red Sea gateway city of Jeddah**

MUSLIM HNWI PROPERTY PORTFOLIOS AND PURCHASING APPETITE



Source: Knight Frank, YouGov

PREMIUM RESIDENTIAL VISAS

SPECIAL TALENT RESIDENCY (NEW)

For professionals specialised in healthcare, science and research

ELIGIBILITY CRITERIA:
- Employment;
- University degree;
- Min 3 years of work experience
- Endorsement letter

DURATION: 5 years (renewable)
APPLICATION COST: SAR 4,000 (one-time)

GIFTED RESIDENCY (NEW)

For individuals nominated for specified exceptional awards approved by the Ministry of Culture and the Ministry of Sports

ELIGIBILITY CRITERIA:
- Ministry endorsement;
- Ability to bear the cost of living in Saudi

DURATION: 5 years (renewable)
APPLICATION COST: SAR 4,000 (one-time)

INVESTOR RESIDENCY (NEW)

For individuals interested in investment activities in Saudi Arabia

ELIGIBILITY CRITERIA:
- Investment license;
- Commercial register and articles of incorporation minimum SAR 7 million investment

DURATION: Permanent (provided certain conditions are met)
APPLICATION COST: SAR 4,000 (one-time)

ENTREPRENEUR RESIDENCY (NEW)

For entrepreneurial activities in Saudi Arabia

ELIGIBILITY CRITERIA:
- Entrepreneur license
- Investment entity endorsement
- Entity investment
- Demonstrate external funding

DURATION: 5 years renewable or permanent (provided certain conditions are met)
APPLICATION COST: SAR 4,000 (one-time)

REAL ESTATE OWNER RESIDENCY (NEW)

For real estate ownership in Saudi Arabia

ELIGIBILITY CRITERIA:
- Min SAR 4 million residential real estate assets in Saudi
- Mortgage-free
- Appraised by 'Taqeem'
- On developed lands

DURATION: Tied to real estate ownership or usufruct
APPLICATION COST: SAR 4,000 (one-time)

LIMITED DURATION RESIDENCY

Multi-purpose residency for a limited time period

ELIGIBILITY CRITERIA:
- Financial solvency proof

DURATION: One year
APPLICATION COST: SAR 100,000 (annual)

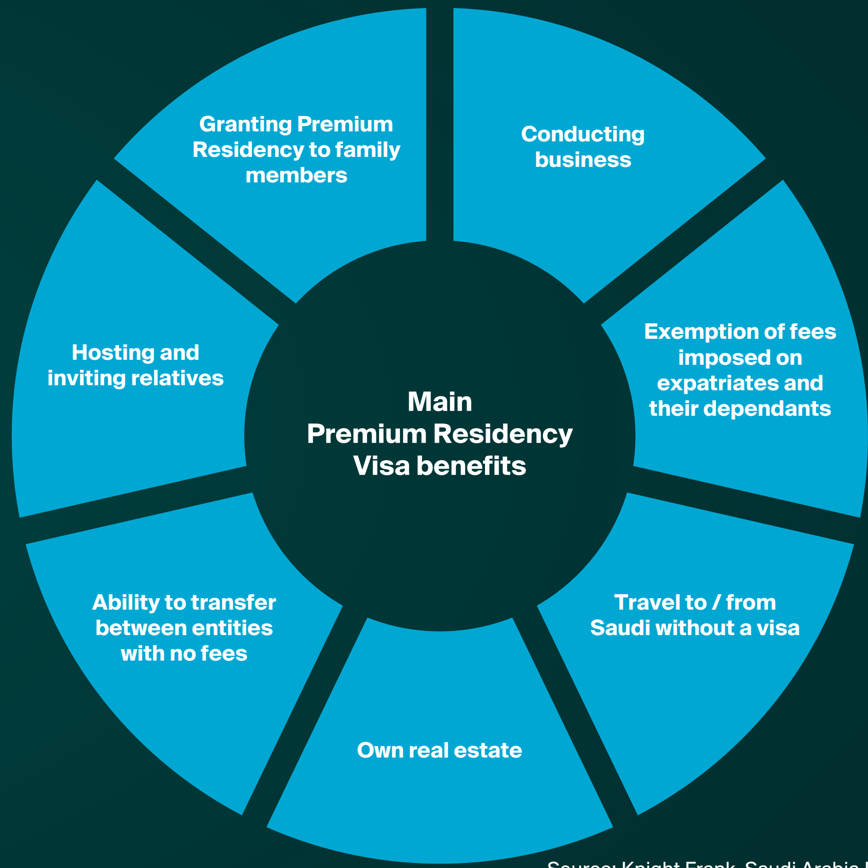
UNLIMITED DURATION RESIDENCY

Multi-purpose residency for an unlimited time period

ELIGIBILITY CRITERIA:
- Financial solvency proof

DURATION: Permanent
APPLICATION COST: SAR 800,000 (one-time)

NEED TO KNOW



Source: Knight Frank, Saudi Arabia Premium Residency Centre

Golden Visa types across the GCC tied to real estate ownership

UAE

Investment conditions:
10-year visa: US$ 545,0002
2-year visa: US$ 204,000

Qatar

Investment conditions:
Temporary permit: US$ 200,000
Permanent permit: US$ 1 million

Bahrain

Investment conditions:
US$ 530,000

Kuwait

Programme details to be announced in 2024

Oman

Investment conditions:
US$ 700,000

Source: Knight Frank

EXPERT INSIGHT

New Premium Residency Visa: A welcome move by the authorities

At the outset of this year, the Saudi government introduced an array of Premium Residency Visa options, a significant move aimed at attracting foreign investment and diversifying the economy in line with its Vision 2030 goals. Among these options, one that particularly stands out is the visa linked to owning real estate worth not less than SAR 4 million. This initiative marks a pivotal shift in the Kingdom's approach to residency and property ownership by non-Saudis and is expected to have substantial implications for the demand dynamics of residential properties within the country.

Historically, Saudi Arabia has maintained stringent regulations regarding property ownership by foreigners, which in turn has impacted the real estate market dynamics. The introduction of this new visa scheme, however, signifies a strategic opening of the market to international investors and affluent expatriates seeking long-term residency options. By tying residency to property investment, the Saudi government is not only aiming to bolster the real estate sector but is also keen on attracting a diverse pool of global talents and investors that can contribute to the local economy.

The threshold of SAR 4 million is set to ensure that the investments are significant, likely leading to an influx of high-value transactions in the real estate market. This could potentially increase the demand for luxury and high-end residential properties, driving up property values in these segments. Developers might respond by expanding their portfolios to include more premium residential projects, further transforming the urban landscape of major cities like Riyadh, Jeddah, and Dammam.

This New Premium Visa for property owners is a welcome move by the authorities. Encouragingly, 82% of international HNWI buyers we surveyed are keen to own real estate in Saudi Arabia and so the new visa options will likely lead to a rise in international buyer activity.

> “The introduction of this new visa scheme, however, signifies a strategic opening of the market to international investors and affluent expatriates seeking long-term residency options.

In summary, the new property-ownership linked Premium option is poised to significantly impact the Saudi residential property market. It is expected to drive up demand for high-end properties, spur development of luxury real estate projects, and contribute to the Kingdom's broader economic diversification efforts. As the initiative unfolds, its full impact on the real estate sector and the broader economic landscape will become increasingly evident.

Talal Raqaban
Partner - Valuation, PPP & Deal Advisory, KSA

DISCOVER OUR SERVICES

NEED TO KNOW

BUYING A HOME IN SAUDI ARABIA

Contrary to popular belief, expats are permitted to own a home in the Kingdom, but there are strict rules around the purchasing process and the way in which the property can be used.

Below, we outline the process for purchasing a home in the Kingdom for GCC-nationals, expat residents and the special rules in place for owning a property in the Holy Cities of Makkah and Madinah.

Buying a home as GCC-national

1 Financial Planning and Assessment

- Evaluate your financial status, including savings, income, and credit score.
- Determine your budget and decide whether you will pay cash or require a mortgage.

2 Research and Property Identification

- Research the real estate market in your desired location.
- Identify the type of property you want (e.g., villa, apartment, branded residence) and its features (e.g., number of bedrooms, amenities, etc.).

3 Choose a Real Estate Agent

- Find a reputable and licensed real estate agent with knowledge of the local market.

4 Property Viewings and Evaluation

- Visit multiple properties to compare and evaluate them based on your needs and preferences.

5 Making an Offer

- Once you find a suitable property, make an offer through your agent. The agent will then start the negotiating process with the seller.

6 Legal Procedures

- Upon acceptance of the offer, sign a preliminary agreement.
- Ensure all legal documents are in order and the property is free of any legal impediments.

7 Finalising the Sale

- Sign the final sales agreement, known as 'Bayn al-Muqabala'.
- Pay the agreed price and complete any necessary mortgage arrangements.
- Transfer the title deed to your name.

8 Post-Purchase Procedures

- Register the property in your name with the local municipality.
- Set up utilities and any necessary services.

BUYING A HOME IN SAUDI ARABIA

Buying a home as an expat resident

1

Preliminary Agreement with Seller

- Agree on the terms of sale, such as the property price and any other conditions with the property seller. Pay a deposit, which is generally 10% of the property's total value, to secure your home.
- Sign an initial agreement, often referred to as a Memorandum of Understanding (MoU), which documents the essential terms and conditions of the purchase, inclusive of the deposit already paid.

2

Obtain Necessary Permits

- As a foreigner, the buyer must obtain a no-objection certificate (NOC) from the Saudi Ministry of Interior, which allows non-Saudi nationals to own real estate in Saudi Arabia.
- Ensure that you have a valid residence permit (Iqama) to be eligible to buy a property.

3

Legal and Financial Planning

- Obtain the original property title deed (known as the "Sukna").
- Ensure the property is free from any liens, encumbrances, or legal disputes, and conduct a thorough due diligence check to verify the property's legality and ownership.
- Arrange finance, including a mortgage if needed.

4

Property Inspection and Evaluation

- Conduct thorough inspections of the property for any structural or legal issues.

5

Finalising the Sale

- After completing the necessary checks, the buyer and seller sign the final property transfer contract known as the "Bayn al-Muqabala," in front of a notary.
- At this point, the buyer pays the remaining balance, typically 90% of the property's value.

6

Legal Registration

- Submit all relevant documents to the Ministry of Justice's Land Registry for official registration.

7

Post-Purchase Steps

- Register the property with local authorities.
- Set up utilities and address any renovation or maintenance needs.

Buying a home in Makkah and Madinah

1

Restrictions in Holy Cities

- Special conditions apply to property ownership in Makkah and Madinah.
- Only Saudi nationals may own freehold titles to real estate in the Holy Cities.
- Other than through inheritance, non-Saudis are prohibited from obtaining freehold titles to easements or to otherwise use real estate in the Holy Cities.

2

Exception: Saudi Green Card

- It allows the holder to obtain usufruct rights for 99 years. Usufruct rights allow exclusive use, leasing, and sale of the property during the 99-year period.

3

Legal Assistance

- It is advisable for both GCC and Non-GCC nationals to seek legal assistance during the property buying process.

GLOBAL MUSLIM HNWI DEMAND FOR REAL ESTATE IN THE HOLY CITIES

HOLY CITIES: BETWEEN TWO DIVINITIES

For Muslims, a pilgrimage to Makkah and Madinah is often considered a once-in-a-lifetime event. And so, the possibility of owning real estate in either of Islam's holiest cities is unsurprisingly a very appealing prospect. However, ownership laws mean that this has not been possible historically. Even with the new property ownership linked Premium Residency Visa, owning in Makkah or Madinah is only permitted on a 99-year leasehold basis.

Pent up demand

In our survey of global Muslim HNWI, we have been able to quantify, for the first time, the depth of demand to own real estate in Saudi Arabia's Holy Cities. 84% of those interested in making a residential property purchase in the Kingdom would like to make that purchase in one of the Holy Cities.

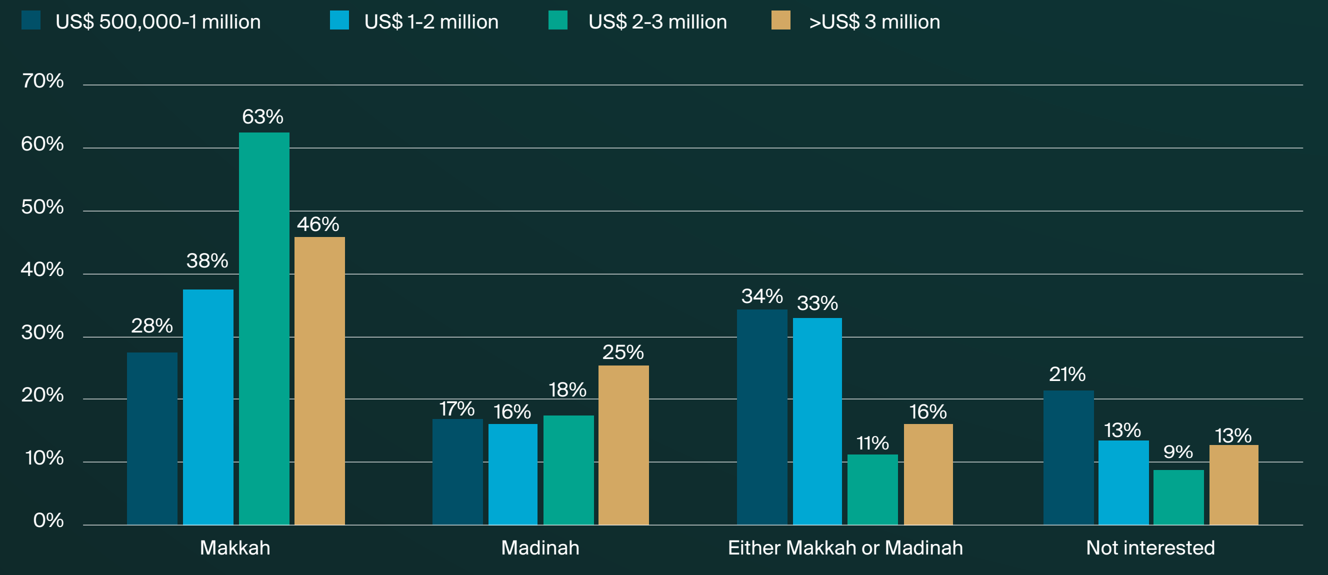
Breaking that down further, 40% would be interested in purchasing a property in Makkah, 19% would prefer to secure a home in Madinah, and 26% have no specific preference between the two. Of those looking for a main residence in Saudi, 58% would prefer Makkah, compared to 20% for Madinah.

When it comes to those looking to purchase purely as an investment, 48% would target Makkah, while almost a third (29%) would consider either of the two Holy Cities.

In contrast, the majority (44%) of those interested in making a property purchase in Makkah or Madinah as a holiday home or second home have no preference between the two Holy Cities.

Overall, HNWI with a net worth of between US$ 2-3 million, have the highest level of interest in buying a home in Makkah (63%).

Muslim HNWI appetite to purchase property in the Holy Cities (by net worth)



Source: Knight Frank, YouGov

Survey 1

Al Masjid an Nabawi, Madinah

HOLY CITIES: INVESTMENT DRIVERS

Immediacy of demand

79% of our Muslim HNWI respondents would like to make their residential property purchase in one of the Holy Cities within the next five years, with 55% wanting to make that purchase within the next two years. Nearly a quarter (22%) would like to transact within the next 12 months.

Of those considering a permanent relocation to the Kingdom, 33% would like to buy a home in one of the Holy Cities within the next 12 months. Similarly, those keen on a second home or holiday home in the Holy Cities would like to complete their purchase within two years' time.

Of those interested in Makkah, 64% say they are willing to make the purchase within the next two years. 28% say they would prefer to purchase this year.

Just over half (55%) of those interested in buying in Madinah prefer to do so within the next two years.

73% of those interested in purchasing a property in Makkah would like to move to the city at some point, with 48% intending to retire there.

Meanwhile, 61% of those interested in buying property in Madinah are considering relocating there at some point, with 39% wanting to retire in the city. This desire to retire in Madinah rises with net worth. Over half (53%) of those interested in Madinah with a net worth of over US$ 3 million for instance, intend to retire there.

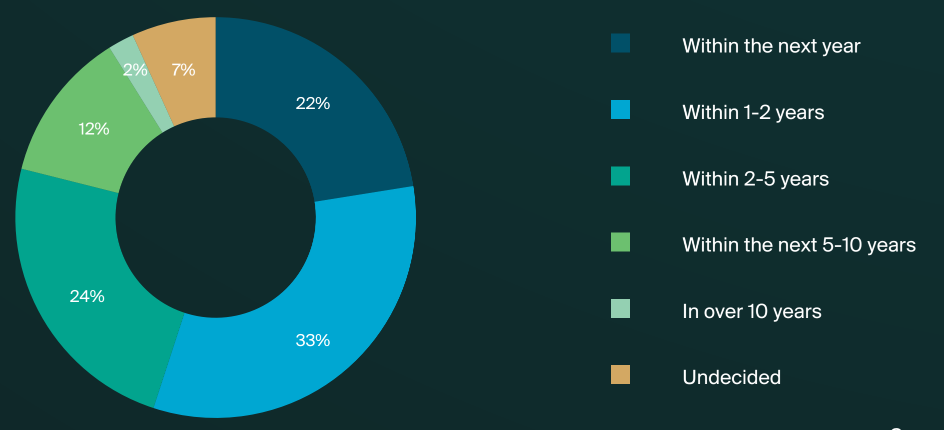
Investment mindset

When it comes to the main drivers for the interest in owning in one of the Holy Cities, 59% of those interested in Makkah value the investment opportunity that comes with owning prime real estate in the city. Separately, 49% agree that 'culture and religion' are the main drivers for property purchases in Makkah.

Those focussed on Madinah cite the city's potential as a 'good investment' (49%) as the main motive to purchase. 'Culture and religion' ranked second at 39%, while 'work/ business reasons' followed closely at 35%.

> "While the new premium residency visa options still do not permit outright ownership of real estate in the Holy Cities, the prospect of a 99-year leasehold title will undoubtedly fuel a wave of new purchasing demand from Muslim majority nations."
>
> **Mohamad Itani**
> **Partner - Residential Sales and Marketing Projects, KSA**

Timeline for purchasing a home in Makkah or Madinah



Source: Knight Frank, YouGov

Retractable dome at Al Masjid an Nabawi, Madinah

Survey 1

HOLY CITIES: INVESTMENT PREFERENCES

A forever home?

Almost half (48%) of those looking to purchase a property in Makkah intend to use it as a main residence. Using the property as a rental investment is cited as the second most likely use of any acquisition, while 'pure investment reasons' (31%) ranks third. A further 20% of HNWI Muslim respondents intend to use the property as a holiday home, renting it out at other times.

Those interested in making a property purchase in Madinah are more evenly split on the final use. A little over a third (35%) intend to use the property as a main residence. 32% plan to treat the property purely as an investment, while 28% want to use the property as a holiday home, renting it when not in use.

Buy-to-let preferences

Those keen to use their acquisitions as buy-to-lets in Makkah would like to either rent out the property all year round (44%) or on a seasonal basis (41%) (e.g. during Hajj, Ramadan, etc.).

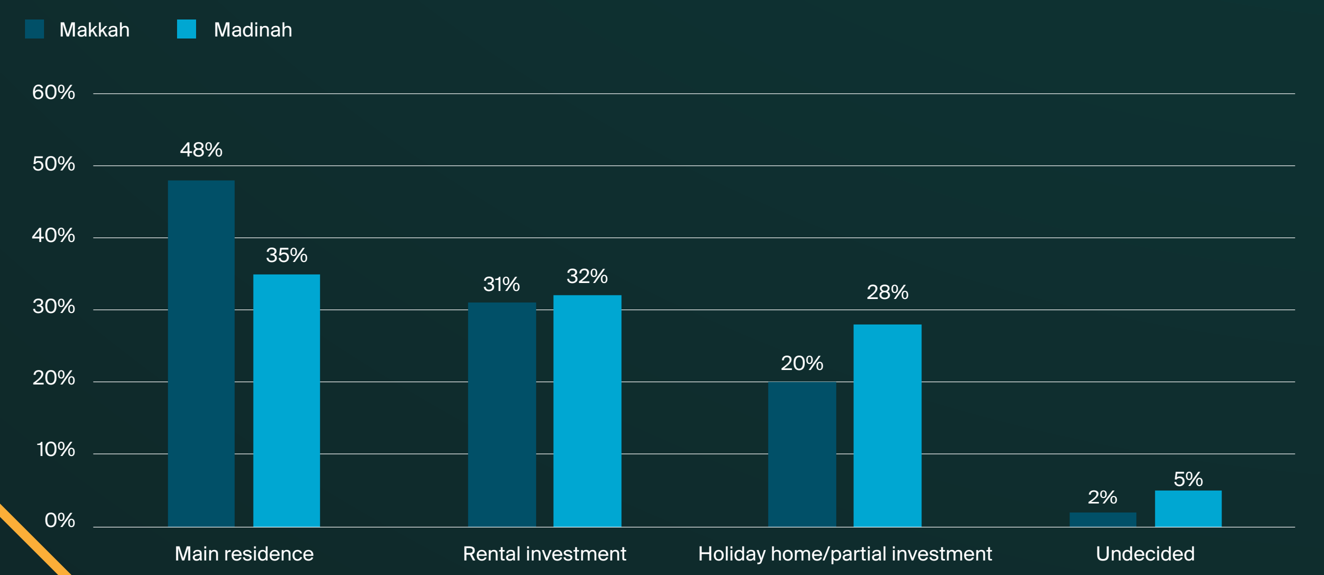
In stark contrast, of those considering Madinah for a buy-to-let (BTL) investment, just 25% would consider renting the property out all year round. Most (58%) only intend to rent it out on a seasonal basis.

When it comes to the management of their BTL purchases, 66% of those interested in renting out their property in Madinah are willing to consider an external operator to manage and rent out their units, compared to 81% of BTL investors targeting Makkah.

High expectations

Investors for the Holy Cities have high capital value growth expectations, with 37% expecting annual price growth of 6-10% in Madinah, while separately, nearly a third (31%) are expecting the same rate of increases in Makkah. For reference, prices in Makkah have risen by an average of 5.5% over the last 3 years, compared to 5% in Madinah over the same period .

Reasons for wanting to own in the Holy Cities



Source: Knight Frank, YouGov

Makkah as seen from the top of the 601-metre-tall Makkah Clock Royal Tower

HOLY CITIES: BUDGETS

Big spenders

Those with their sights set on a home in Makkah appear to have deeper pockets. 40% of those keen on a home here have budgets of over US$ 5 million. Nearly a fifth (19%) are prepared to spend US$ 1-2.5 million. The average budget for HNWI considering Makkah is US$ 5.5 million.

In contrast, the average budget for respondents interested in making a property purchase in Madinah is US$ 4.6 million. 31% are willing to spend over US$ 5 million.

The average total budget allocated towards a residential property in either of the Holy Cities is US$ 4.7 million. The total allocated budget for all 506 respondents stands at US$ 2bn, highlighting the weight of international demand building overseas.

For context, beyond Makkah's third ring road, apartment prices currently stand between SAR 2,600 and 5,400 psm, whereas villa prices average SAR 4,000 psm. Average absolute prices for apartments stand at SAR 680,000 (US$ 181,333) and can rise as high as SAR 2,300,000 (US$ 613,333) for 4-bedroom villas.

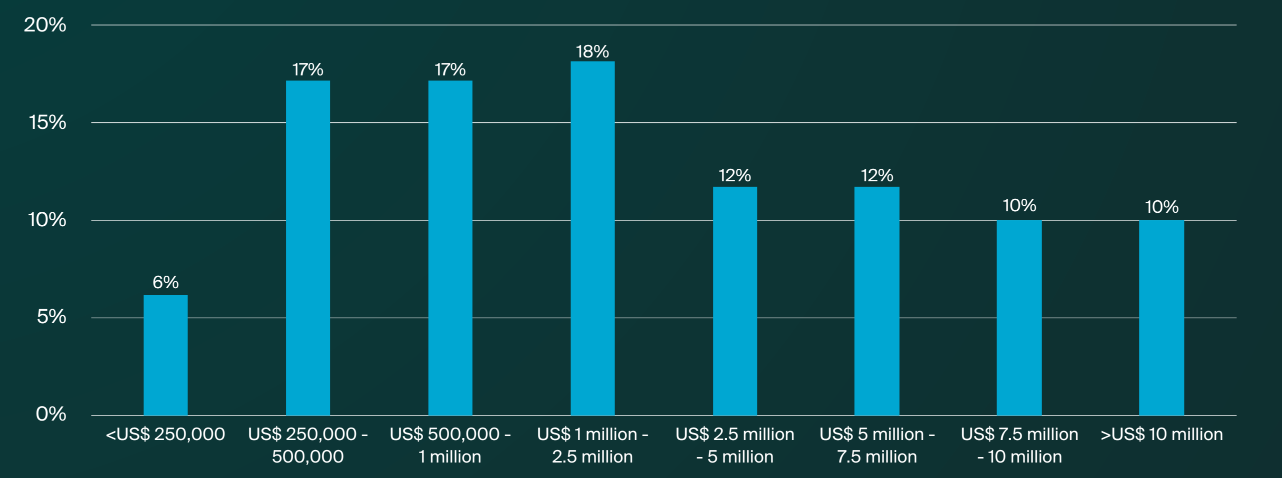
In comparison, property prices in Madinah tend to be lower, ranging from SAR 2,500 to SAR 5,100 psm for apartments, while villa prices are higher, averaging SAR 3,700 psm. Average absolute prices for apartments stand at SAR 670,000 (US$ 178,666) and can rise as high as SAR 2,270,000 (US$ 605,333) for 4-bedroom villas.

The significant delta between the current top end of the market and where our HNWI respondents' budgets stand hints strongly at the opportunity to develop more high-end stock in the Holy Cities. We will return to this in the Opportunities chapter later in the report.

Villa and apartment prices in Makkah and Madinah

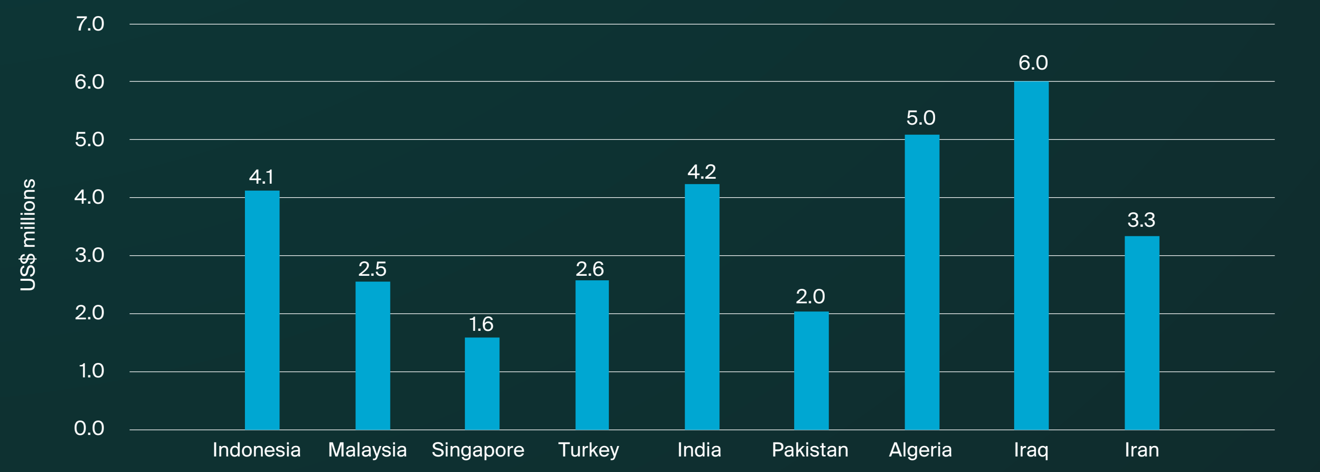
Source: Knight Frank, YouGov

Purchasing budgets for Muslim HNWI considering the Holy Cities



Source: Knight Frank, YouGov

Average purchasing budget by nationality



Source: Knight Frank, YouGov

> "The Holy cities of Makkah and Madinah represent some of the most sought-after Saudi locations for property ownership amongst global HNWI. The chance to live not only in the Kingdom but in one of the Holy Cities is itself a key demand driver."

Vera Zabelina
Research Analyst - Research, KSA

HOLY CITIES: BUYER PREFERENCES

Cash is king

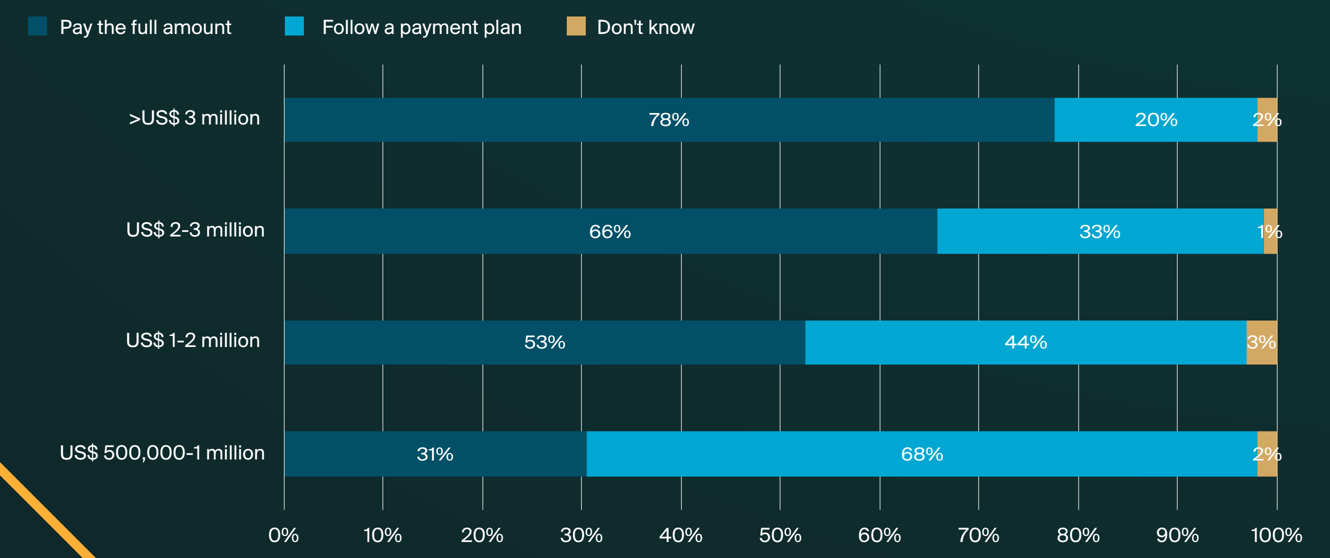
The majority of those wanting to purchase a property in Makkah prefer to pay the full amount (66%) at the point of transaction, with only 33% stating they would like to follow a payment plan. Similarly, for those considering Madinah, 54% are keen to pay for the property in full at the time of purchase, with the rest likely to favour a payment plan.

The desire to purchase the property entirely using cash rises exponentially with personal levels of wealth, rising from 31% for those with a net worth of under US$ 500,000 to 78% for those worth more than US$ 3 million.

When it comes to the type of property our HNWI Muslim respondents would be most likely to purchase, the overwhelming majority (63%) favour a completed property in either of the Holy Cities, with just 30% interested in an off-plan purchase.

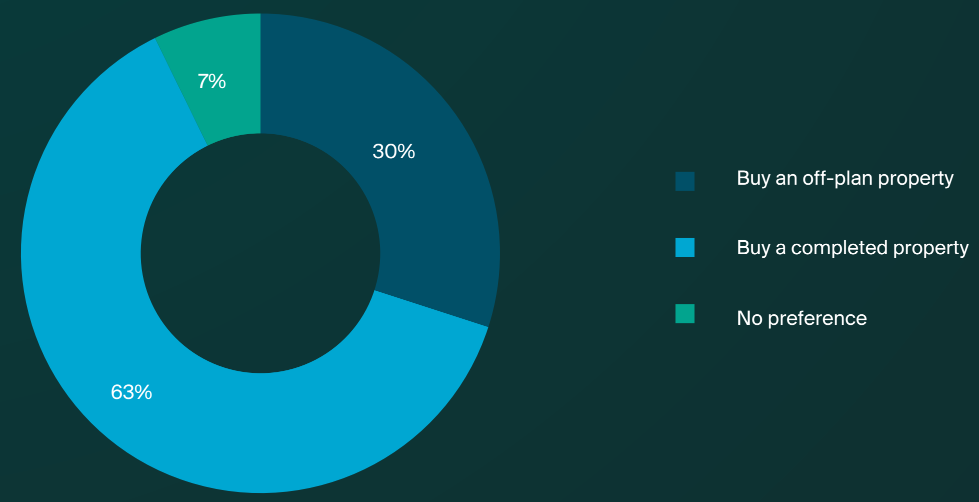
> "The new Premium Visa for property owners is a welcome move by the authorities. It is likely to bolster demand at a time when affordability and shifting residential demand dynamics have reduced annual deal activity across Saudi Arabia by 16%."
>
> **Harmen de Jong**
> **Regional Partner - Head of Consultancy, MENA**

Payment plan expectations (by net worth)



Source: Knight Frank, YouGov

Property purchase preferences in the Holy Cities



Source: Knight Frank, YouGov

HOLY CITIES: BRANDED RESIDENCES

As we highlighted in our 2023 Saudi Report, branded residences still represent a significant area of opportunity for developers across the Kingdom, particularly given the high budgets among domestic branded residential purchasers in the Kingdom (19% in Riyadh and Dammam, and 13% in Jeddah) are prepared spend over SAR 20,000 psm. Similarly, 55% of GCC HNWI are keen to secure branded residences in the Kingdom, with 20% prepared to spend over SAR 32,000 psm.

High investment expectations

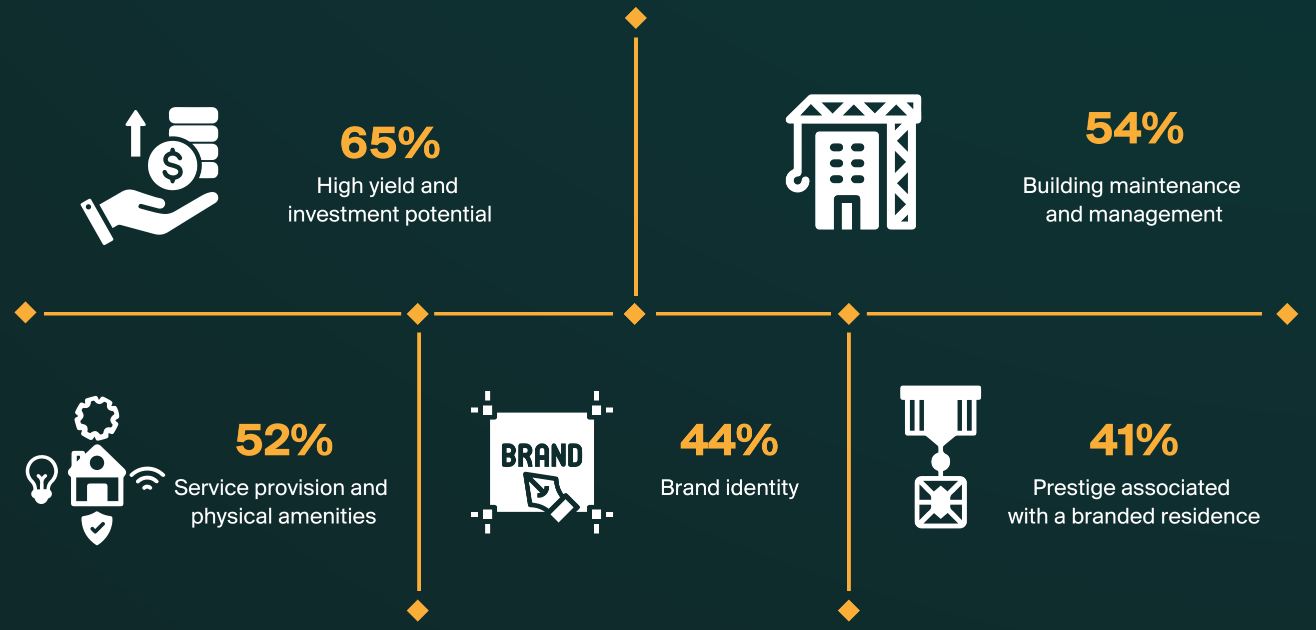
Among our HNWI Muslim respondents, an overwhelming majority (92%) are eager to buy a branded residence in either of the Holy Cities, with 57% 'very likely' to do so. And 45% are prepared to spend over US$ 10,000 psm.

A notable difference between respondents keen on branded residences in the Holy Cities is the level of demand between those wanting to make the purchase for use as a main residence (where over 70% are interested) and those looking for a second home or investment property (48%). Just under half (49%) of those looking for a holiday home in the Holy Cities say they are keen on a branded residential purchase.

When asked what would increase the likelihood of buying a branded residence in the Holy Cities, 50% say they would like to see 'a wider selection of property types', while 44% would be looking for the availability of local financing options, as well as fractional ownership (timeshare) options (44%).

The most influential factor impacting the desire to make a property purchase in a branded residence in either Holy City is the expected 'high yield and investment potential' (65%), followed by 'building maintenance and management' (54%) and 'service provision and physical amenities' (52%).

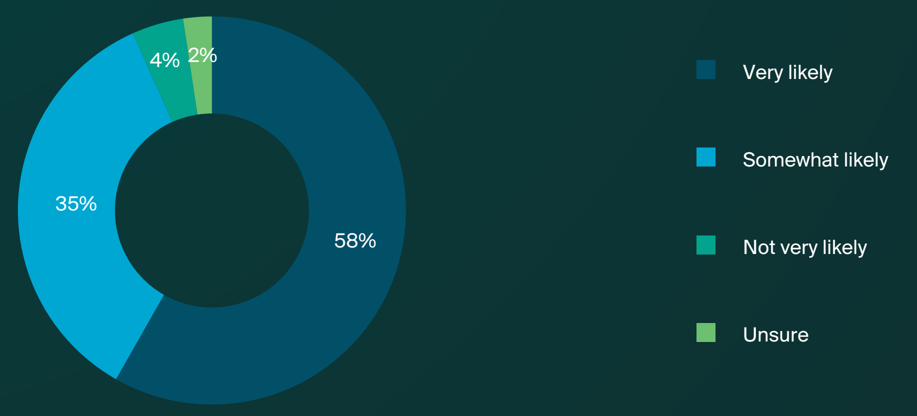
Factors influencing the purchase of a branded residence in the Holy Cities



*Percentages indicate number of times each option was selected

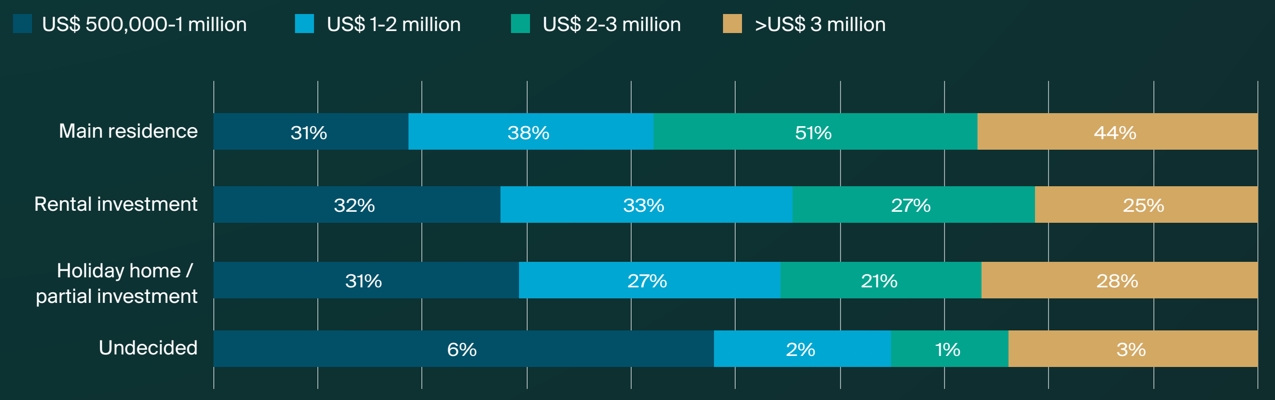
Source: Knight Frank, YouGov

Likelihood of purchasing a branded residence property in the Holy Cities



Source: Knight Frank, YouGov

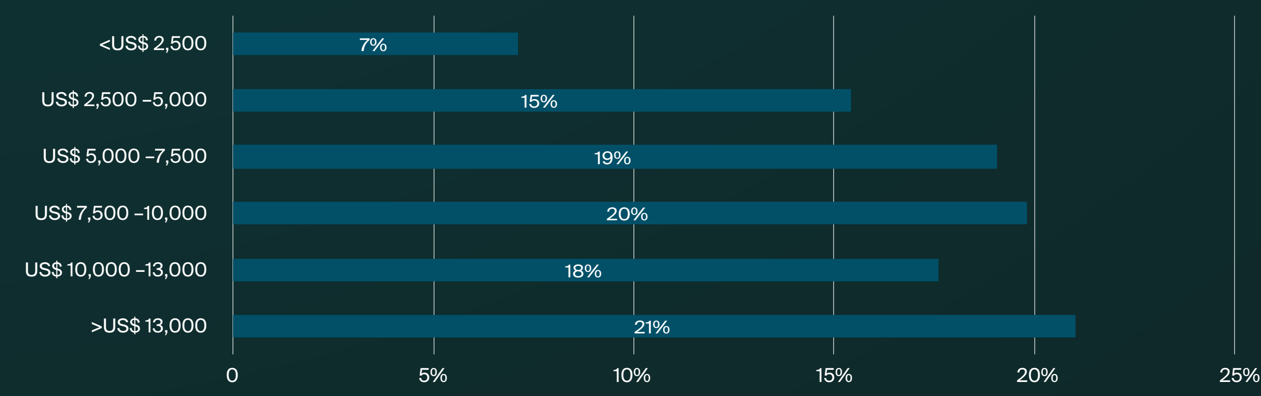
Planned use of branded residential purchases in the Holy Cities (by net worth)



*Percentages indicate number of times each option was selected.

Source: Knight Frank, YouGov

Branded residential budgets for the Holy Cities (psm)



Source: Knight Frank, YouGov

HOLY CITIES: BRANDED RESIDENCES

The appetite for branded residential real estate in the Holy Cities is higher than it is for the rest of the Kingdom amongst our HNWI Muslim survey respondents. Those interested in Makkah are more likely to purchase property in a branded residence (64%) when compared to those interested in Madinah (55%). Of note, however, is that the appetite for a branded residential property in Madinah rises sharply with levels of personal net worth, climbing to 77% amongst those with personal wealth in excess of US$ 3 million.

Budgets

Being able to secure a reputable managing agency to manage any branded residential acquisition is the most significant consideration for those targeting Makkah.

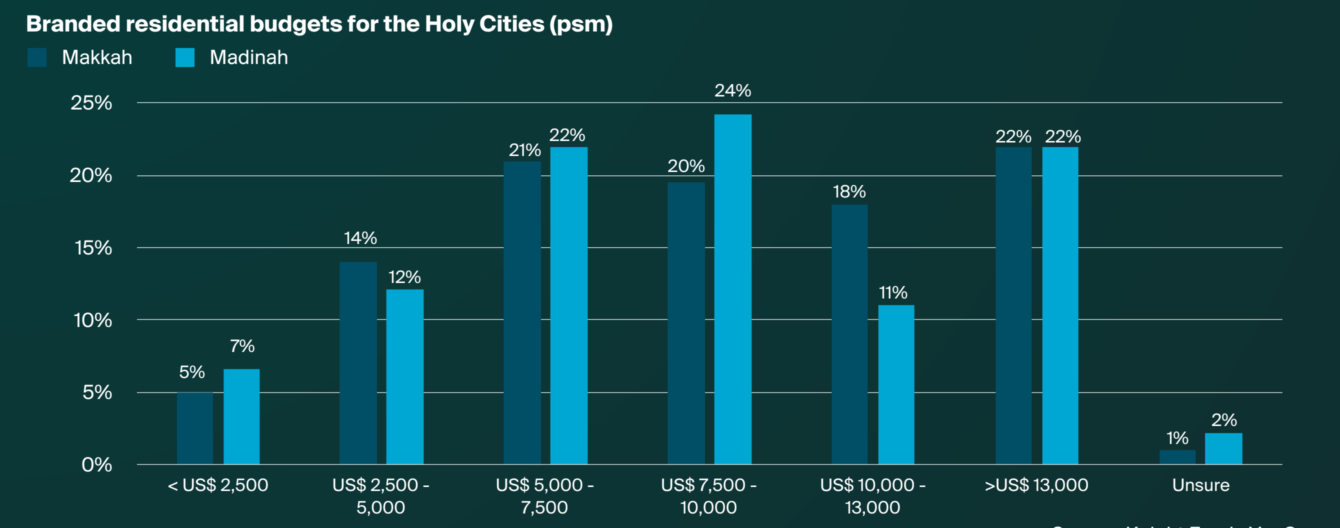
Fractional ownership or timeshare options (47%) are the second most important factor, followed by the need for a greater selection of branded residential operators and property size options (44%). This is an even more significant issue for those prioritising Madinah.

Respondents from Indonesia (56%) and Malaysia (47%) value the involvement of an operator in the management and leasing of their prospective purchases more than any other HNWI group.

Meanwhile, HNWI Muslim respondents from Singapore (59%), Algeria (53%), Indonesia (52%), and India (50%) expressed a particularly strong preference towards fractional ownership.

Our Muslim HNWI respondents seem acutely aware of the high budgets required to purchase a branded residential property, with 40% prepared to spend in excess of US$ 10,000 psm for a property in Makkah (33% for Madinah, with the same budget).

> **Being able to secure a reputable managing agency to manage any branded residential acquisition is the most significant consideration for those targeting Makkah.**



Source: Knight Frank, YouGov

HOLY CITIES: BRANDED RESIDENCES

True branded residences

One of the key challenges we have encountered in past consumer surveys has been the lack of understanding of true branded residential properties. The globally accepted definition of a branded residential property is one that is attached to a hotel (usually a luxe brand), with residents gaining full access to all the hotel facilities and amenities (housekeeping, room service, spa/gym facilities, etc.).

Encouragingly, it appears that most international Muslim HNWI are familiar with this definition, and 61% of those interested in making a branded residence purchase in Makkah prefer hotel-based residences. Curiously, 55% of those interested in branded residences in Madinah prefer non-hotel based (luxury brands) residences.

Generally, more of those interested in branded residences in Makkah seem to value 'brand identity' (45%) when compared to those interested in making the same purchase in Madinah (38%). Notably, of those interested in Makkah with a net worth of over US$ 3 million, 'brand identity' ranks second in the list of priorities at 57%, preceded only by 'building maintenance and management' (63%).

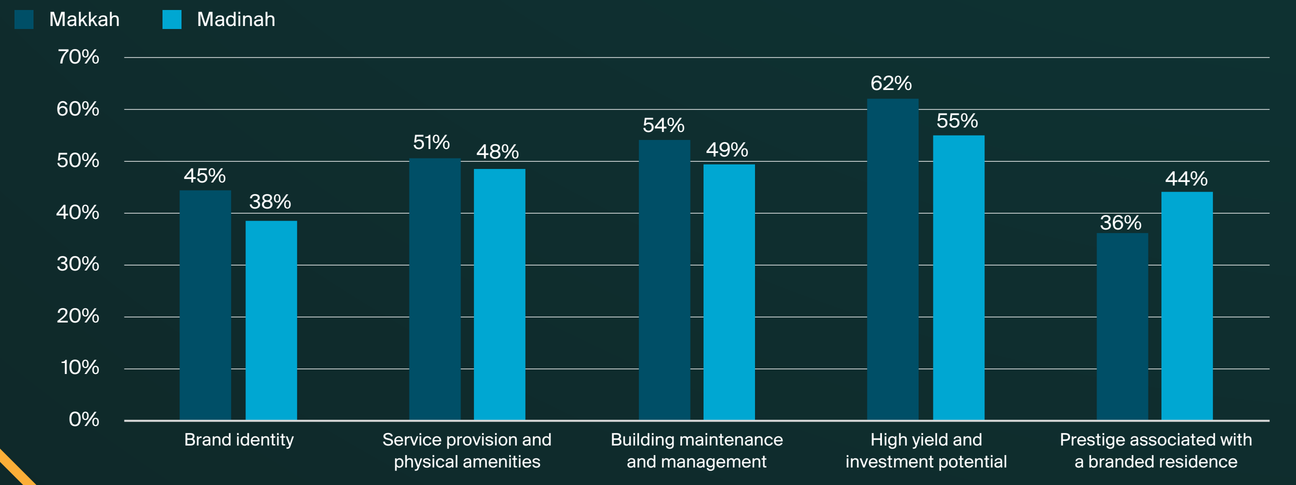
Influencing factors

When asked about the most influential factor affecting their decision to make a property purchase in a branded residence, 62% of those interested in Makkah cite 'investment potential', followed by 'building maintenance and management' (54%) and 'service provision and physical amenities' (51%).

44% of respondents interested in branded residences in Madinah value the prestige associated with owning a branded residence, which is relatively higher than the number of respondents interested in making a branded residence purchase in Makkah (36%). For those with a net worth in excess of US$ 3 million, prestige ranks second in the list of priorities at 59%, while 'service provision and physical amenities' (63%) is the most significant influencing factor. 'Investment potential and yield' ranks third at 52%.

Separately, 93% of branded residential purchasers looking at Makkah would like to be involved in the design and layout of their acquisition. The figure is similarly high for branded residences in Madinah (87%).

Factors influencing the decision to purchase a branded residence in the Holy Cities



Source: Knight Frank, YouGov

Shangri-la hotel and residences, Jeddah

HOLY CITIES: BRANDED RESIDENCES WISHLIST

28% of those interested in Makkah have specific branded residences they would like to see in the city, while for those considering Madinah the figure is similar at 27%. Below we have visualised this brand wish list.

Respondents' branded residential wishlist

Makkah brand wishlist   Madinah brand wishlist

Source: Knight Frank, YouGov

"A steady evolution of branded residences is bringing a new intriguing chapter to real estate development in Saudi Arabia. Luxury housing developments now underway that are incorporating branded residences will increase the Kingdom's allure to citizens as well as international investors eager to establish a presence in one of the world's fastest growing and most dynamic real estate markets."

Lars Jung-Larsen
Partner - Luxury Brands, MENA

EXPERT INSIGHT

Why branded residences are a good investment?

A global phenomenon

Branded residences have been among the fastest-growing sub-sectors in the residential market across the Middle East. It mirrors the global trend amongst the world's wealthy and also second-home buyers who are seeking exclusivity and brand affiliation with their home purchases.

We are already seeing significant investment and expansion in branded residential offerings around the region, with Saudi Arabia likely to be one of the most exciting new residential markets not just in the Middle East but globally.

The Middle East accounts for 10% of the total number of branded residential developments globally. This figure is a clear indicator of the region's increasing stake in the global luxury real estate market and echoes our market experience of the rising consumer demand for properties associated with well-known brands.

We forecast a 120% increase in the number of branded residences in the Middle East by 2030. This growth trajectory also underscores the confidence being placed in the region by branded residential.

The unique and exclusive nature of branded residences only adds to their allure. Moreover, the assurance of quality service and maintenance by the associated brands makes these investments particularly attractive and all but assures asset value appreciation.

Owners also enjoy premium lifestyle amenities, such as concierge services and exclusive benefits, creating a community of like-minded neighbours.

> “The unique and exclusive nature of branded residences only adds to their allure. Moreover, the assurance of quality service and maintenance by the associated brands makes these investments particularly attractive and all but assures asset value appreciation.

Mohamad Rabih Itani
Partner - Residential Project Sales and Marketing, KSA

The Saudi branded residential market's potential

Saudi Arabia is poised for significant growth in the branded residential sector, offering investment opportunities. Through our 2023 Saudi Report, we found that 69% of Saudi households aspire to own a branded residential property, highlighting the potential scale of the untapped branded residential market.

However, this is changing quickly, with almost all Giga projects planning to incorporate an element of branded residential stock in their plans.

The growing number of high-net-worth individuals (HNWIs) in Saudi Arabia is likely to help bolster demand for branded residences. The number of HNWI in the Kingdom rose from 122,784 to 134,539 between 2022 and 2023, according to our 2023 Wealth Report.

International appetite for branded residences in the Kingdom has recently received a shot in the arm with the introduction of the new property ownership-linked Premium Residency Visa. With a minimum threshold of SAR 4 million to qualify, demand for homes in the Kingdom is expected to rise as a result, noting that the property needs to be owned outright, with no debt against it, in order to receive the Premium Residency.

Away from the top end of the market, there are also opportunities for brands to cater to the middle-income demographic. The young population are showing a growing interest in community-oriented living. This presents an opportunity for the creation of branded but affordable communities as well.

HOLY CITIES: PROPERTY PREFERENCES

Bigger is better

77% of those wanting to buy a property in Makkah are interested in apartments, with 26% interested in 3-bedroom apartments. 19% are interested in 4+ bedroom apartments, and 10% would like to own a penthouse.

The desire for larger properties in Madinah is even more evident. 84% of those wanting to buy property in Madinah prefer apartments. Respondents in this category seem to gravitate towards larger units, with 32% wanting an apartment with at least 4 bedrooms and an additional 25% are looking for a 3-bedroom apartment.

Proximity to the Haram

23% of those wanting to purchase in Makkah expect to be within walking distance of the Masjid Al Haram, and 63% expect direct views and to be within earshot of the Masjid Al Haram prayers.

Those interested in making a purchase in Madinah are slightly more relaxed in their expectations. While 40% expect to have some degree of access to the Haram (either walking or through public transportation), only 25% expect to be within walking distance, and under half (46%) expect direct views and to be able to hear the Haram prayers.

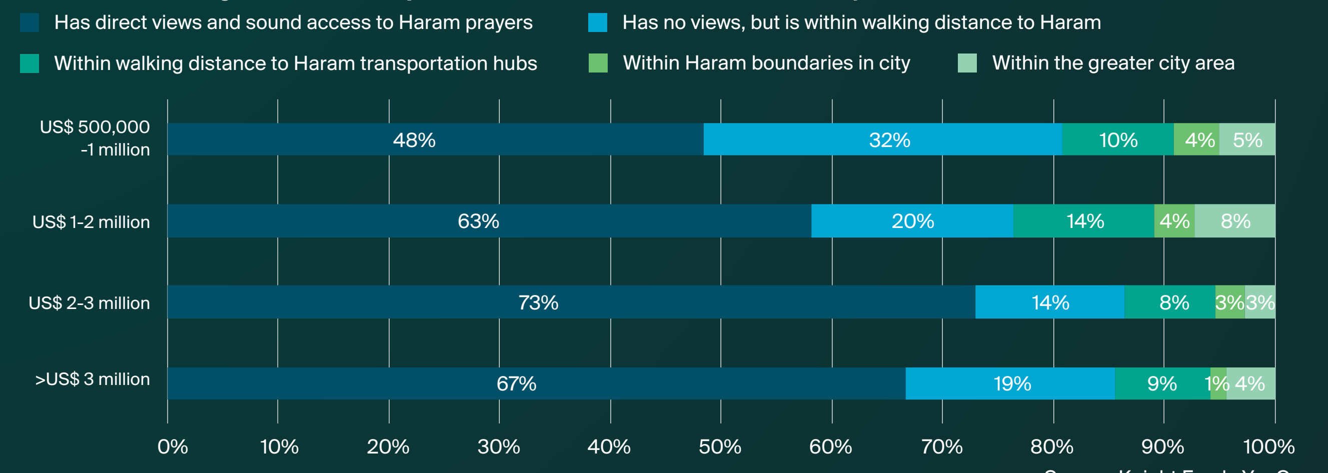
Amenity preferences in the Holy Cities

	Makkah	Madinah
Proximity to the Holy Mosque	82%	82%
Proximity to retail and F&B outlets	69%	80%
Proximity to public transportation	83%	84%
Access to parks and green spaces	73%	69%

Source: Knight Frank, YouGov

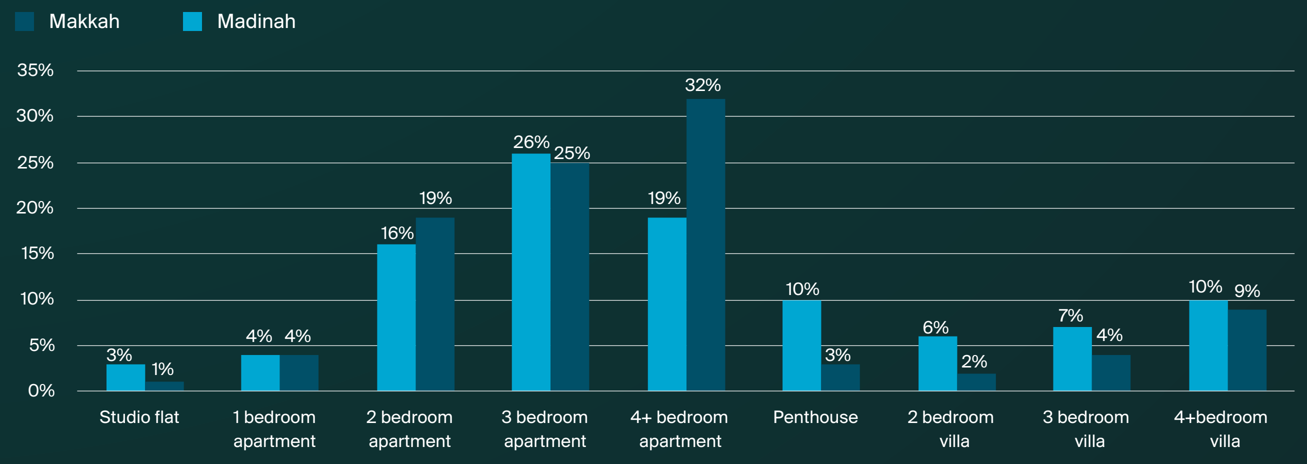
Survey 1

Factors influencing the decision to purchase a branded residence in the Holy Cities



Source: Knight Frank, YouGov

Property size preference



Source: Knight Frank, YouGov

NEED TO KNOW:

- **84% of those interested in making a residential property purchase in the Kingdom would like to make that purchase in one of the Holy Cities.**
- **73% of those interested in purchasing a property in Makkah would like to move there at some point, with 48% intending to retire there.**
- **94% are prepared to spend in excess of US$ 13,000 psm for a branded residential property in Makkah.**
- **A third of HNWI respondents have budgets of between US$ 2.5-10 million for the Holy Cities.**

DEFINING RETIREMENT LIVING

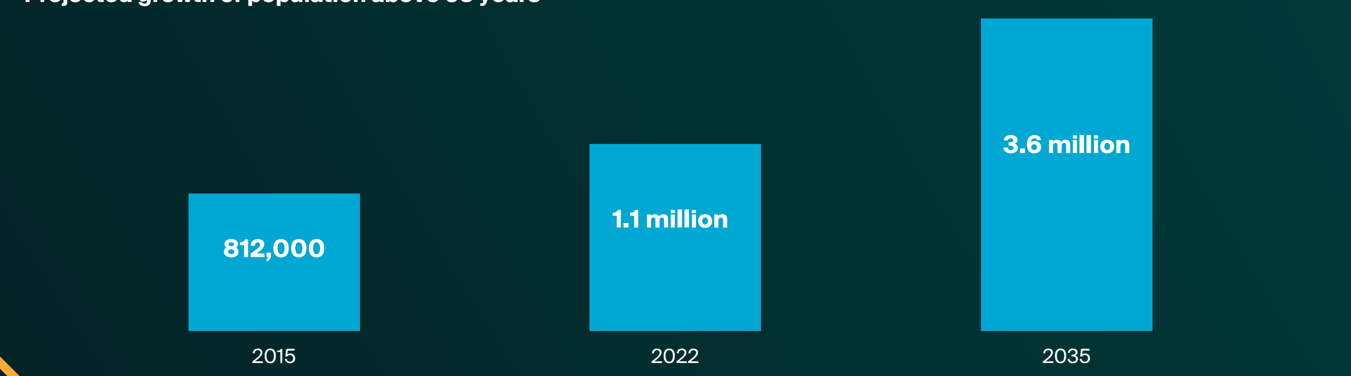
As individuals transition towards retirement, there is a distinct shift in housing preferences. Naturally, lifestyle adjustments also ensue. This type of behaviour is commonplace in many mature global markets as those above the age of 65 enter a phase of 'retirement living', but the concept remains in its nascency across the Middle East region.

Globally, the retirement living ranges from lifestyles that foster active engagement, to specialised nursing centres designed to provide support to ageing populations, complete with varying levels of care and services. These retirement options are positioned to help people make the most of their 'golden years'.

In Saudi Arabia, the focus for the elderly is on assisted living, social care, and long-term care facilities. Active living facilities such as retirement housing or communities do not yet exist. With key demand drivers such as an ageing population and any future emergence of retirement visas, as is the case with some other GCC states, there will likely be a requirement for such retirement living options in the future.

Source: Knight Frank

Projected growth of population above 65 years



Source: Saudi Census, UNICEF-KSA, United Nations Statistics Division, Oxford Economics, Knight Frank

NEED TO KNOW

Active living

RETIREMENT HOUSING

Also known as sheltered housing, retirement flats or communities

Offers self contained homes for sale, shared-ownership or rent.

Part-time warden and emergency call system. Typically no meals provided.

TYPICAL FACILITIES AVAILABLE:

- Communal lounge
- Laundry facilities
- Gardens
- Guest rooms

INTEGRATED RETIREMENT COMMUNITIES

Also known as extra care, retirement villages, housing with-care, assisted living or independent living

Offers self contained homes for sale, shared-ownership or rent.

24-hour onsite staff. Optional care or domicillary services available. Restaurant / cafe available for meals.

TYPICAL FACILITIES AVAILABLE:

- Restaurant and cafe
- Leisure club including: gym, smimming pool, etc.
- Communal lounge and/ or library
- Hairdresser
- Gardens
- Guest rooms
- Activity (hobby) rooms
- Social event programme

CARE HOMES

Also known as nursing homes, residential homes, old people's home

Communal residential living with residents occupying individual rooms, often with an en-suite bathroom.

24-hour care and support. Meals included

TYPICAL FACILITIES AVAILABLE:

- Dining room
- Communal lounges
- Activities
- Gardens

Assisted living

HOLY CITIES: RETIREMENT LIVING

Retirement appeal of the Holy Cities

In our survey, we also looked at the desire of our respondents to retire in the Holy Cities.

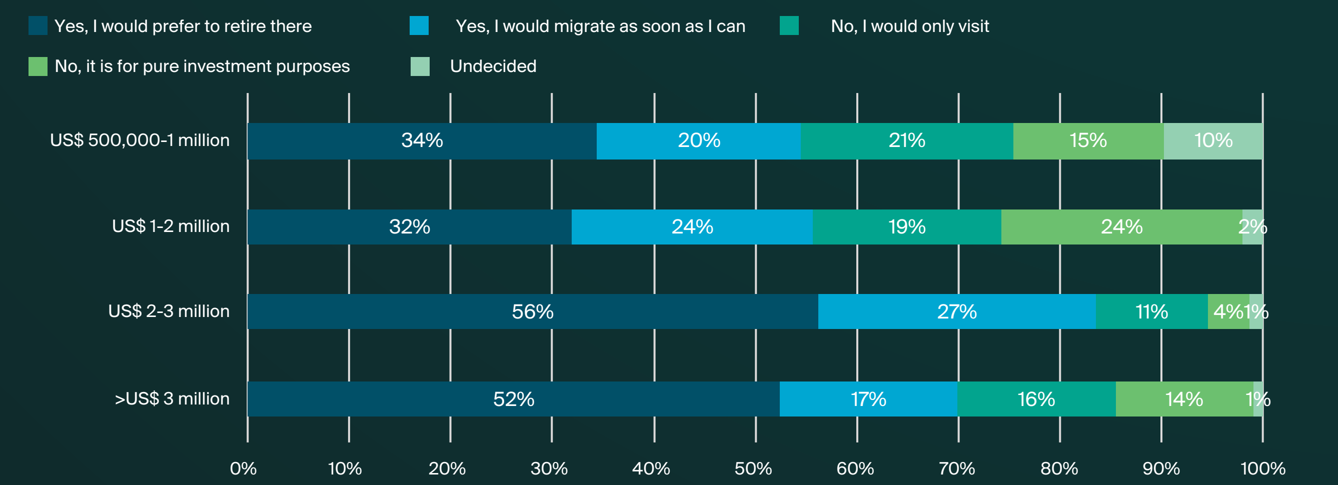
When asked about their opinions on relocating to one of the Holy Cities, 63% of respondents were pro-relocation. 42% of respondents said they would ideally retire in either Makkah or Madinah, and another 22% would migrate as soon as the option becomes feasible.

60% of those looking to purchase their main residence in either of the Holy Cities say they would ideally choose to retire in either Makkah or Madinah. The depth of appetite is almost as high for branded residential hunters, with almost half (49%) keen to retire in one of the Holy Cities.

73% of those interested in purchasing a property in Makkah would like to move there at some point, with 48% intending to retire there.

The demand to retire in Madinah is a little lower. 61% of those interested in making a property purchase in in Madinah would like to relocate to the city at some point. 39% would like to retire here. Those with a personal wealth of over US$ 3 million have greater retirement aspirations, with over half (53%) keen to retire in the city.

Relocation plans to the Holy Cities (by net worth)



Source: Knight Frank, YouGov

> **"We are witnessing a global shift towards retirement living unfolding, offering a potential solution for Saudi Arabia's aging population. However, education and awareness are required to highlight the benefits and convenience offered by such concepts for senior citizens, whilst ensuring that these products are introduced in a fashion that conforms with the Saudi culture."**

Shehzad Jamal
Partner - Strategy & Consultancy, MEA

EXPERT INSIGHT

Golden years & real estate: exploring retirement living in Saudi Arabia

The concept of retirement living has historically been viewed with scepticism in the East, while the West has embraced the concept. The reason for the Middle East and greater parts of Asia not readily embracing retirement living as a form of residential accommodation is because of perceived taboos linked with non-conformity to societal norms linked to social and religious values.

In our recently published report, Golden Years & Real Estate we investigate the factors that underscore the demand for retirement living residential products in the Kingdom, in addition to how this offering could be introduced while being mindful of the prevailing culture and value system.

The demand for retirement services and housing in Saudi Arabia is poised to escalate due to significant demographic changes. The population above the age of 65 is projected to increase by X3.2 times over the next decade, reaching approximately 3.6 million individuals. This demographic shift is expected to create a dependency ratio of 5 seniors dependent on every 100 persons in the work force by 2050.

A recent residential survey of over 1,000 Saudi national households revealed that 69% of respondents live away from their hometowns due to employment opportunities in major cities like Jeddah and Riyadh. This trend underscores the necessity for diverse retirement housing options and associated services to accommodate the parents of these migrant workers who remain in their hometowns. As such, there is an imminent need to address the evolving needs of an aging population and provide adequate support and infrastructure to ensure their well-being and quality of life.

> **"The demand for retirement services and housing in Saudi Arabia is poised to escalate due to significant demographic changes.**

Shehzad Jamal
Partner - Strategy & Consultancy, MEA

DISCOVER OUR SERVICES

The opportunity for retirement living Saudi can be realised through many avenues. First, master planned communities should consider designating specific segments of the community for retirement living. This arrangement enables parents to reside in dedicated facilities, equipped with the necessary services and amenities for a fulfilling lifestyle, while being conveniently close to their children within the same neighbourhood, or community.

Second, for empty nesters who have relocated for work, the assurance of a robust support system for their parents in such designated dwellings is paramount.

Third, large hospitality-linked mega projects, whether religious or otherwise, ought to be considered as viable retirement destinations. These locations could not only cater to local retirees but also attract an international audience.

Finally, from a developer's standpoint, integrating a dedicated retirement area within their developments could lead to accelerated absorption rates, as both parents and their children would be interested in investing in such offerings.

Critical success factors for residential communities that incorporate retirement living options hinge on securing partnerships with healthcare operators. This collaboration provides families with peace of mind, as they are assured that their loved ones are well cared for and have access to vital services such as healthcare and housekeeping. Residents, in turn, can feel confident that they have the necessary support without feeling as though they are part of a medical setting. Additionally, developers do not have to invest and obtain approvals to be a healthcare facility as they will have the support through the collaboration.

THE KINGDOM'S HOSPITALITY MARKET

THE COMING TOURISM BOOM

The Kingdom is gearing up for a major expansion in its hospitality sector by developing 290,000 hotel rooms by 2030. This growth will see Saudi Arabia's hotel room inventory become larger than Dubai's current 150,000 hotel rooms. The development of the hospitality sector is a cornerstone of the Kingdom's economic diversification plans and is indeed already bearing fruit. During 2022, 77 million domestic trips were made around the country, while in H1 2023, international arrivals climbed to 14.6 million.

A multi-pronged tourism strategy

Building on this momentum, the Kingdom has set an ambitious target of 150 million visitors by 2030, representing a 50% increase from its previous goal of 100 million tourists by the end of the decade. A third of these visitors are expected to be religious tourists.

Since its introduction in 2019, the National Tourism Strategy has gained significant traction. It has been further endorsed by recently announced plans to expand King Khalid International Airport in Riyadh (KIA). By 2050, it is expected to handle 185 million people, with the aim of becoming the largest airport in the world by passenger capacity. With a development budget of US$ 147bn, the city-sized airport will cover an area of 57 square kilometres. Of the planned US$ 200bn spend on national infrastructure, nearly three-quarters (74%) has been allocated toward the new international airport.

KIA will also be home to Riyadh Air, a new national flag carrier that is expected to begin operations in 2025 using a fleet of narrow-bodied aircraft and an operating model designed to funnel traffic into Riyadh. Another airline, NEOM Airlines, is expected to commence its first flights from NEOM Bay Airport this year.

A global capital for events emerges

To attract international travellers, a plethora of cultural and entertainment offerings are emerging across the country. Supplementing the already hugely successful Jeddah F1 Grand Prix and dozens of 'Entertainment Seasons' around the country are the emergence of theme parks, such as the recently opened Boulevard World in Riyadh, which complements the nine million square foot Riyadh Boulevard City.

A further 24 theme parks have received operating licenses from the Saudi General Entertainment Authority (GEA) over the last 12 months, while more than 4,000 event permits have also been issued.

Looking ahead, Riyadh winning hosting rights for the 2030 World Expo is expected to deliver an economic boost to the nation's capital to the tune of US$ 94.6bn (Al-Rajhi Capital), with 40 million visitors expected at the Expo site during the six-month exhibition.

A further anchor in the tourism calendar is likely to be the 2034 FIFA World Cup, with Saudi Arabia currently the only bidding nation, following Australia's withdrawal as a contender at the end of 2023.

> "With a total development cost of US$ 37.8 billion for all the hotel rooms planned in the Kingdom and Giga projects like NEOM leading the supply pipeline, Saudi Arabia is on the cusp of becoming one of the world's most significant tourist markets."
>
> **Turab Saleem**
> **Partner – Head of Hospitality, Tourism & Leisure Advisory, MENA**

Artist's impression of Trojena, Saudi Arabia

THE COMING TOURISM BOOM

The tourism sector in 2023 – a year in review

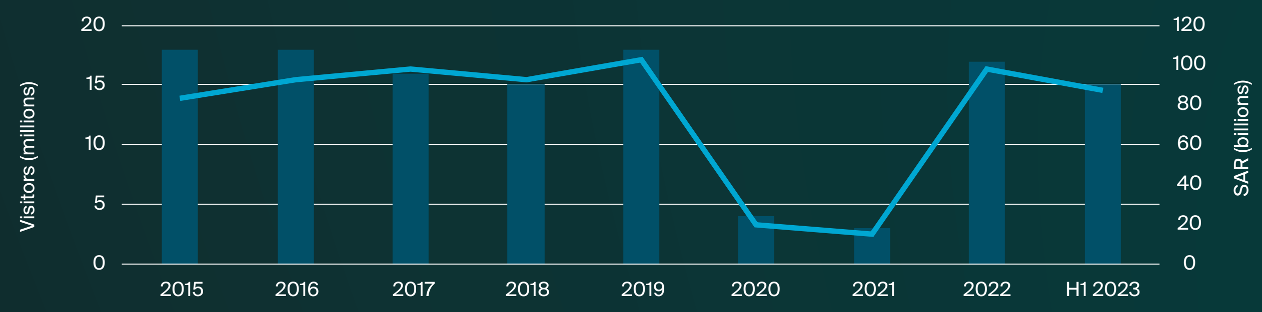
According to the Saudi Ministry of Tourism, tourism spending during H1 2023 rose to SAR 87bn, a 132% rise on the same period in 2022, while international visitor numbers climbed by 142% to 14.6 million. This growth represents the strongest-ever half-year performance for the sector.

By the end of 2023, Saudi Arabia welcomed almost 100 million domestic and international tourists, with the tourism and hospitality sector contributing to nearly 6% of the Kingdom's GDP. This puts the sector well on track to achieving the government's 10% target by the end of the decade.

The volume of leisure travellers (2.9 million) during H1 2023 grew by 347%, when compared to the same period in 2022. However, religious pilgrims (6.5 million) still accounted for the lion's share of arrivals (45%).

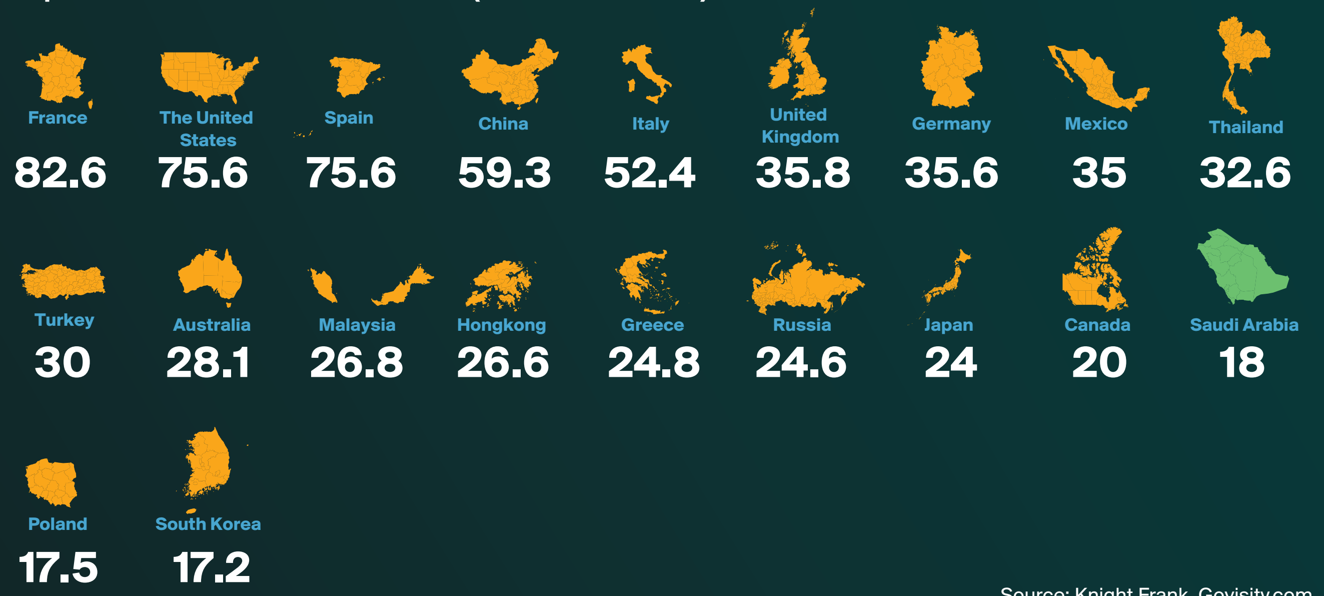
Muslim-majority nations accounted for the most significant source of inbound visitors, with Bahrain (2.2 million), Kuwait (1.9 million) and Egypt (1.5 million) rounding off the top three source markets.

International tourist arrivals and spending in Saudi Arabia



Source: Knight Frank, Ministry of Tourism

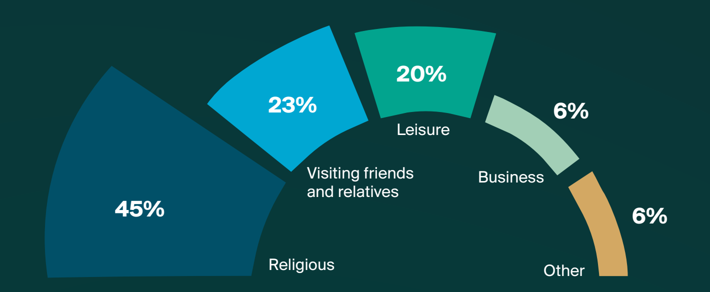
Top 20 most visited countries in 2022 (millions of arrivals)



Source: Knight Frank, Govisity.com

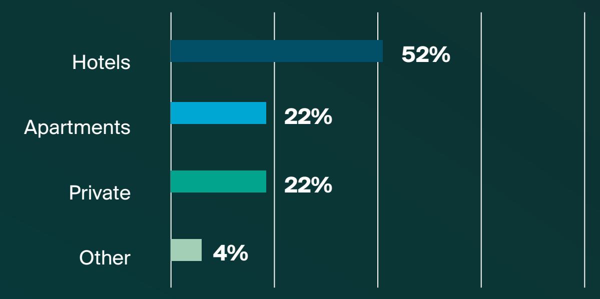
Survey 1

Reasons for visiting Saudi Arabia (H1 2023)



Source: Knight Frank, Ministry of Tourism

Accommodation options in Saudi (H1 2023)



Source: Knight Frank, Ministry of Tourism

Top tourist source markets for Saudi (H1 2023)

Source: Knight Frank, Ministry of Tourism

RELIGIOUS TOURISM AND PROPERTY DEMAND

1.8 million pilgrims performed Hajj in 2023. For many, this is a lifelong ambition which is intrinsically attached to a desire to visit and/or live in Saudi Arabia. In our first survey, we also asked our HNWI respondents about their religious tourism history and aspirations to better understand how the expected duty of every Muslim around the world might influence the desire to invest in the Kingdom.

Divine calling

45% of our HNWI Muslim respondents have visited Jeddah in the past, with Riyadh (40%) following closely behind. The top destination for a past visit is Makkah (52%).

Respondents looking to buy a holiday home in Saudi appear to be very familiar with the country when compared to other respondents who are more focused on acquiring a main residence or investment property. Whereas the typical number of cities visited in the country averages 1-2 for most respondents, holiday home buyers, on average, have been to four cities, with Makkah (69%), Jeddah (66%) and Madinah (61%) being named as the most popular. These three cities have also been visited by 60% of aspirational holiday home purchasers.

Where comfort meets luxury

When it comes to accommodation preferences in the Holy Cities for our HNWI respondents, nearly two-thirds (63%) prefer hotels over other forms of accommodation.

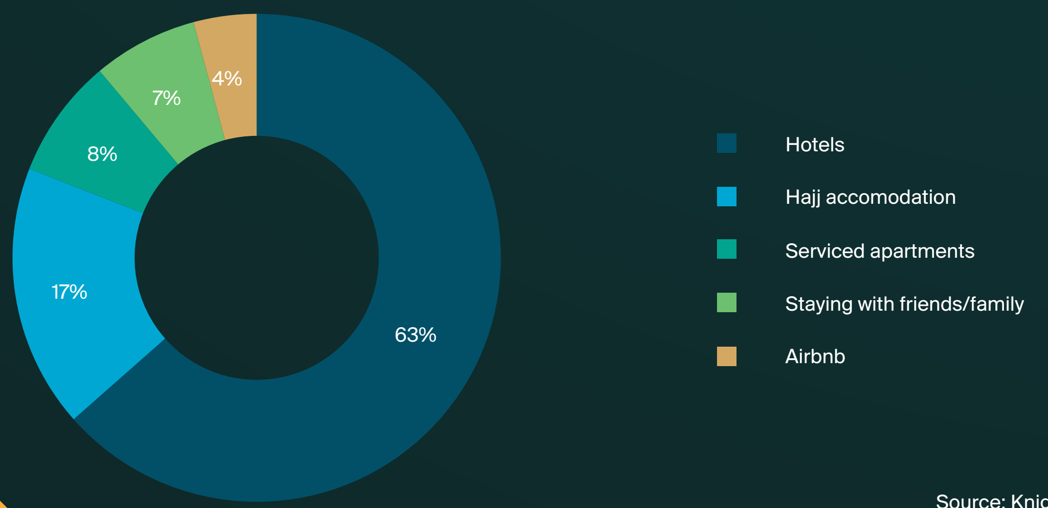
Just 17% are satisfied with staying at designated Hajj accommodation options.

66% of those wanting to purchase property in Makkah prefer high-quality hotels when traveling, with 'Hajj accommodation' (22%) ranking in second place.

56% of respondents interested in purchasing property in Madinah choose to stay at hotels when visiting. This cohort is also twice as likely as those targeting Makkah for an investment to stay at serviced apartments (13%). This figure rises to 21% for those with a net worth of under US$ 1 million.

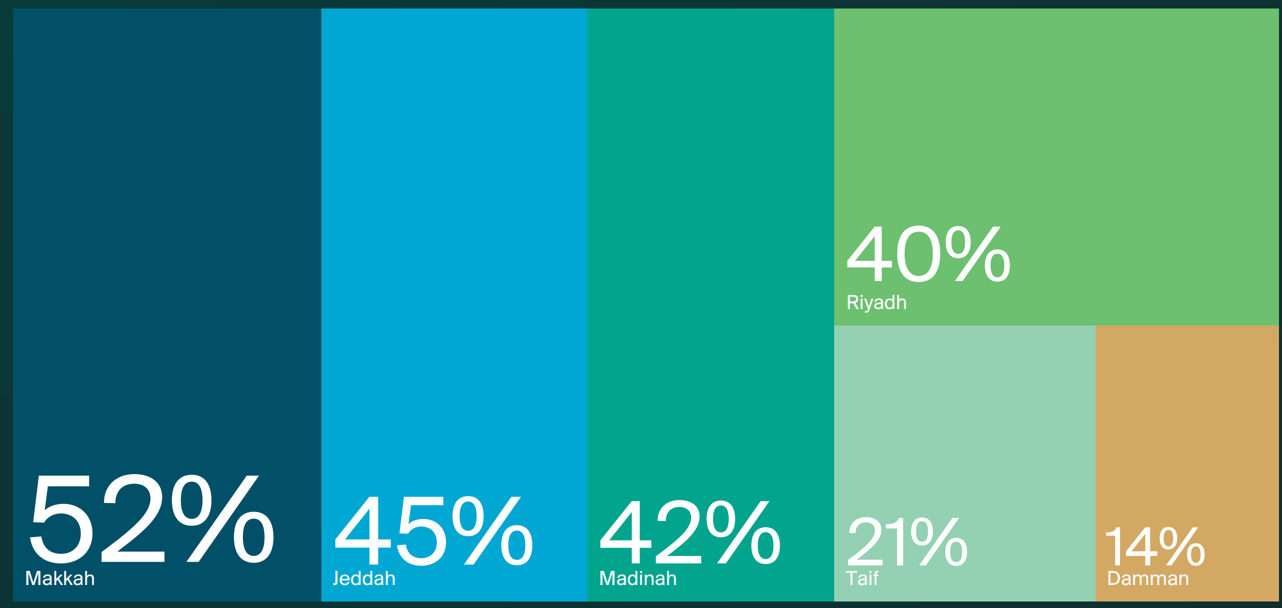
Furthermore, 11% of those actively seeking an investment in Madinah are likely to choose to 'stay with friends/family', double the level for investors eyeing up Makkah. This figure rises to 17% for those with a net worth of over US$ 3 million.

Accommodation preferences in the Holy Cities



Source: Knight Frank, YouGov

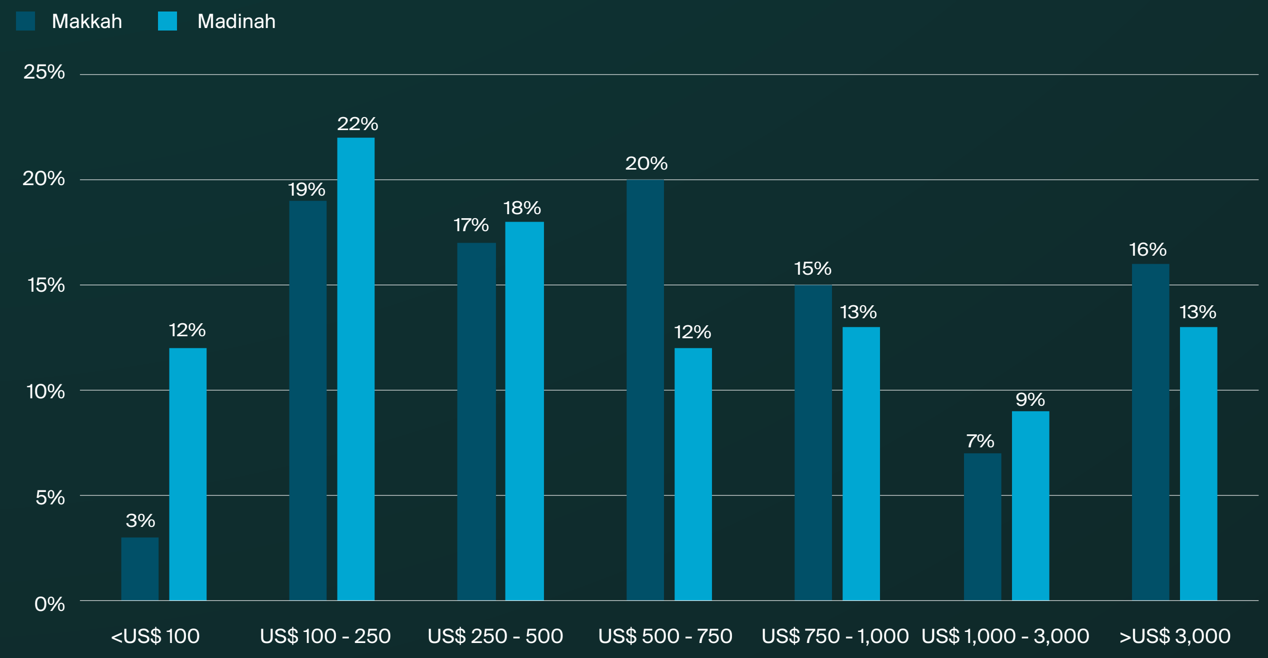
Most visited cities by Muslim HNWI



*Percentages indicate number of times each option was selected

Source: Knight Frank, YouGov

Typical daily accommodation budgets for the Holy Cities



Source: Knight Frank, YouGov

EXPERT INSIGHT

Gearing towards a great tourism hub

The Kingdom is undeniably at the forefront of a remarkable journey in the world of hospitality. By 2030, Saudi Arabia is set to see the completion of close to 290,000 keys. For reference, Dubai today has 154,000 keys. With an impressive US$ 1.3 trillion worth of real estate and infrastructure development projects currently underway and due to be delivered by the end of the decade, the Kingdom is well on its way to establishing itself as a global tourist magnet.

The ever-increasing religious tourism sector is expected to account for around a third of the 150 million visitors expected to pass through the Kingdom's gateways by 2030. To achieve this, the government has introduced new visa policies to ease access to the country, such as the visa-on-arrival facility now available to nationals from 49 nations.

Projected future demand is already driving a surge in hotel development projects. To serve this projected influx of visitors, the government has unveiled plans to launch at least two new airlines: NEOM Air, which is expected to commence operations later this year and Riyadh Air, which is set to take flight in 2025.

We expect to see the rapid development of a number of parallel industries that will need to evolve to cater to the impending influx of visitors. These include the food, beverage, entertainment, and retail offerings.

The advantage Saudi Arabia has over other countries in the region is its vast size. Each of the Kingdom's 13 provinces offers something unique, and this in itself will play a significant role in drawing in regional and international tourists.

> **"We expect to see the rapid development of a number of parallel industries that will need to evolve to cater to the impending influx of visitors.**

The Giga projects too, with their unique offerings, will undoubtedly further enhance what is already a rapidly growing number of diverse tourist attractions.

It is worth noting that the Kingdom's Giga projects represent nearly 73% of the planned hotel supply pipeline, highlighting the significant role they are expected to play in the country's hospitality landscape in the future.

Nationally, we are poised to see a 63% surge in the number of 4-star and 5 star hotel rooms by the end of the decade, highlighting the need to also consider boosting the level of low-mid tier accommodation options to cater to a wider range of visitors.

Turab Saleem
Partner - Head of Hospitality,
Tourism & Leisure Advisory, MENA

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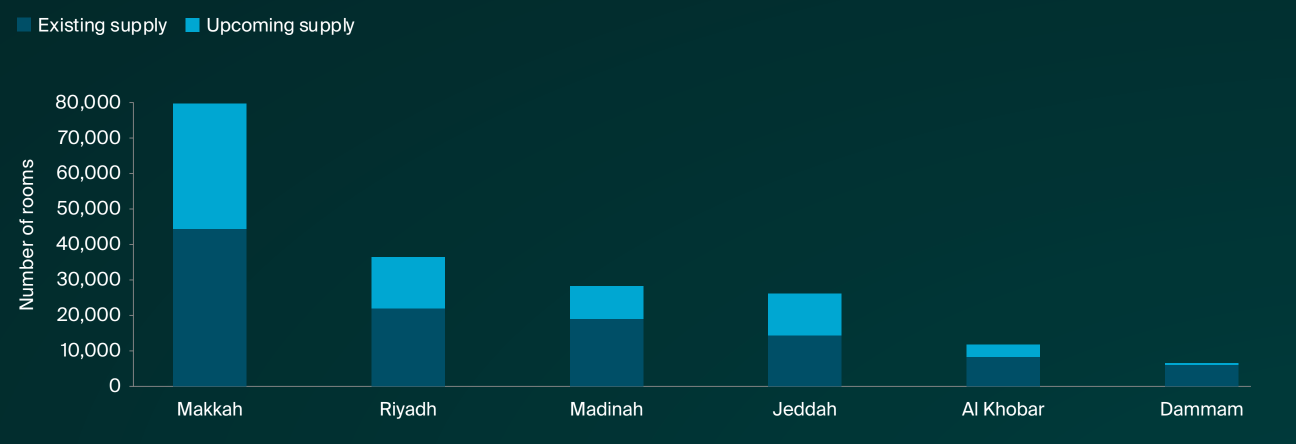
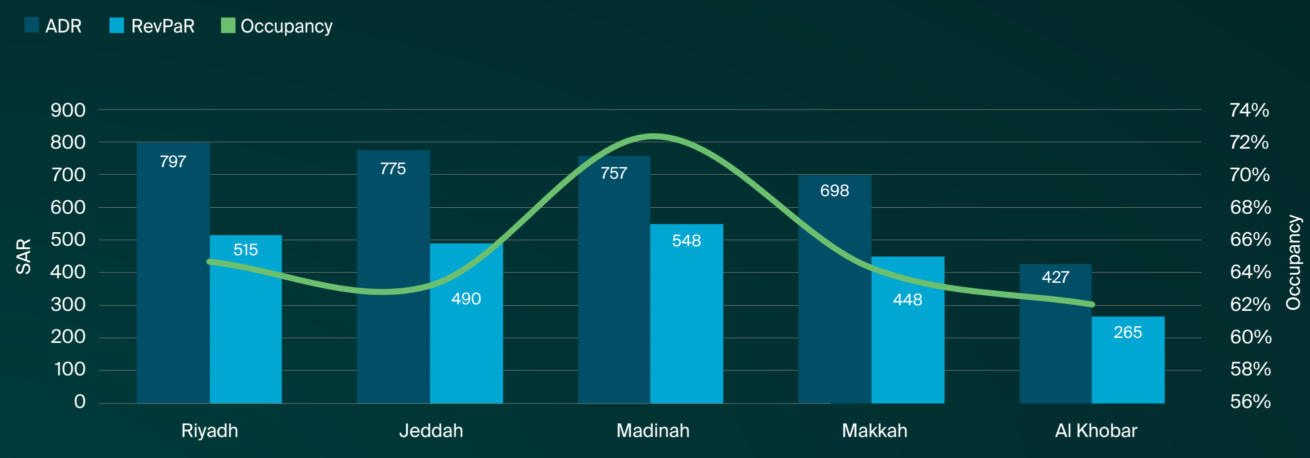
SAUDI ARABIA'S HOSPITALITY MARKET

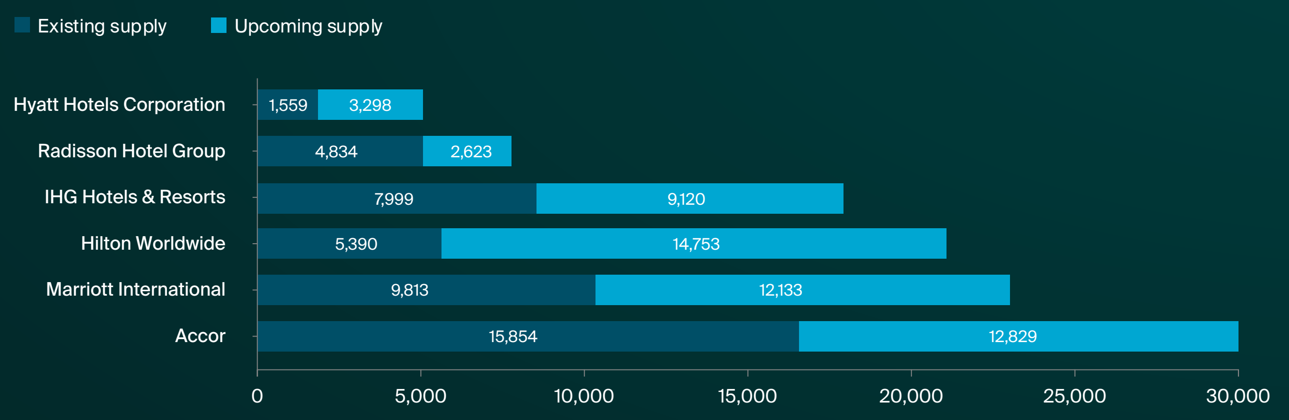
Hotel keys distribution



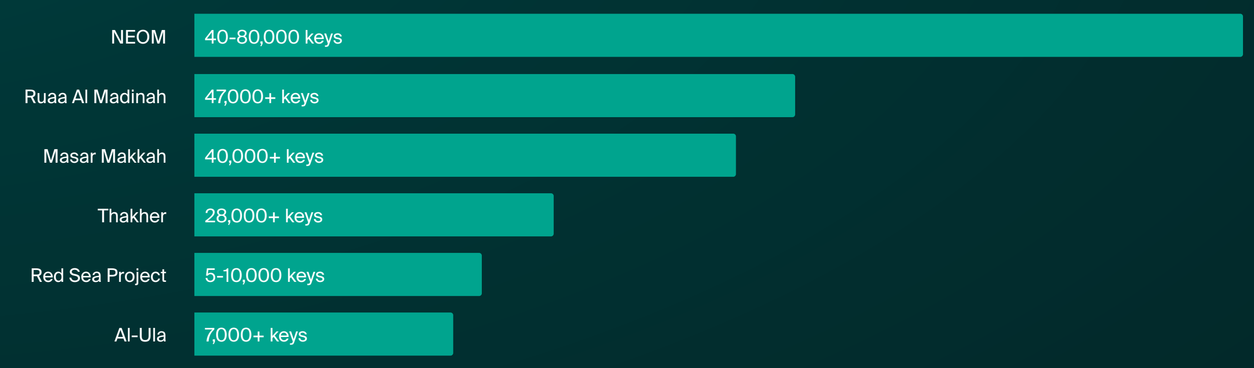
Hospitality market performance



Saudi Arabia's top 6 hotel operators



Giga projects with the most number of planned hotel keys



Source: Knight Frank, STR Global, MeedProjects

66%
of the existing supply is comprised of luxury, upper-upscale, and upscale hotels

77%
of the upcoming supply is anticipated to be luxury, upper-upscale, or upscale hotels

134,500
Total number of existing keys

289,000+
Total number of keys expected by 2030 (under construction and planned)

15%
Tourism sector contribution to Saudi Arabia's GDP by 2030

94,800
Total number of keys in the planning stage

Source: Knight Frank, STR Global, MeedProjects

SAUDI BASED EXPAT DEMAND FOR REAL ESTATE

Survey 2

HOME IS WHERE THE HEART IS

Our second survey of expats residing in the Kingdom has revealed a high level of demand to purchase real estate in Saudi Arabia. The recent new Premium Residency Visa linked to property ownership is likely to help satisfy some of this demand. Just 9% of our sample would be prepared to spend over SAR 3.5 million; however, the threshold to qualify for the new property ownership linked Premium Residency Visa is SAR 4 million.

High level of demand

77% of the expats we polled are interested in owning a home in the Kingdom, rising to 85% for those aged below 35. Female expats (87%) are especially attracted to the prospect of being able to own real estate in Saudi. For male expats, the figure stands at 74%.

Whilst encouraging for developers, it is not immediate demand, with just 26% looking to transact this year. Most (44%) would rather buy within the next 12-24 months. The significant house price rises recorded across the Kingdom over the last three years may explain this wait-and-see approach.

Amongst Millennials (those aged under 35), an even higher 56% would rather wait 12-24 months before buying. This mirrors our previous findings of Millennials stalling home ownership aspirations while they save for a deposit against a backdrop of rising prices.

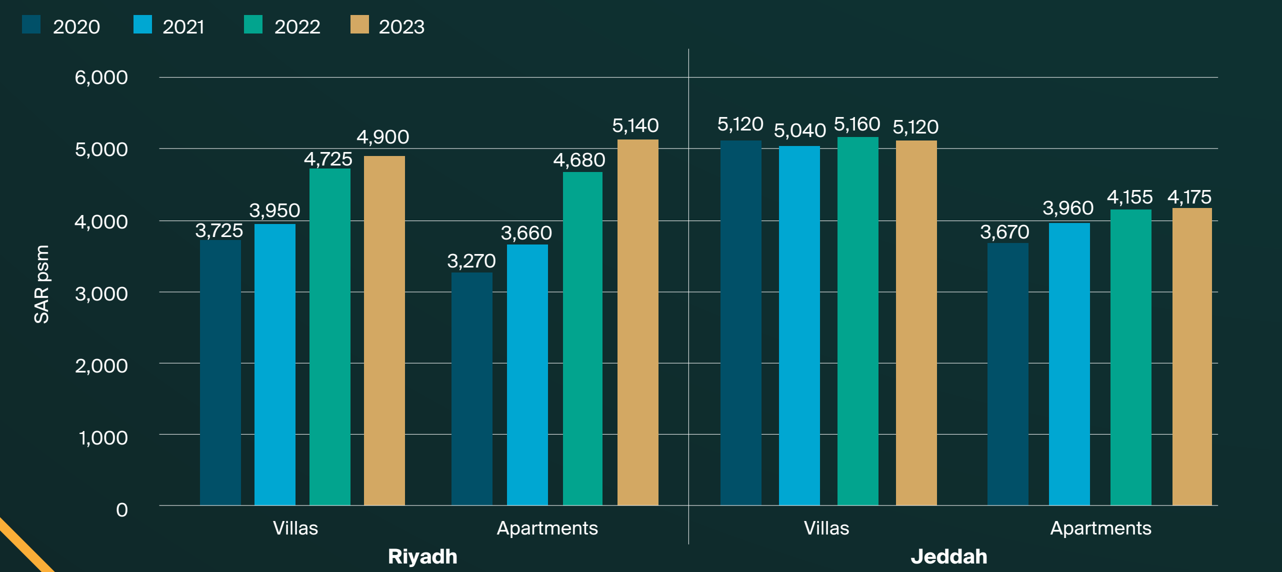
Female respondents are less hesitant about making a property purchase. 38% of women would like to make a purchase within the next 12 months, with 80% willing to buy within the next two years.

Seasoned owners

While for 56% of our respondents, this would be their first home purchase in the Kingdom, 31% already own a property elsewhere in the world and 12% own residential real estate in the Kingdom.

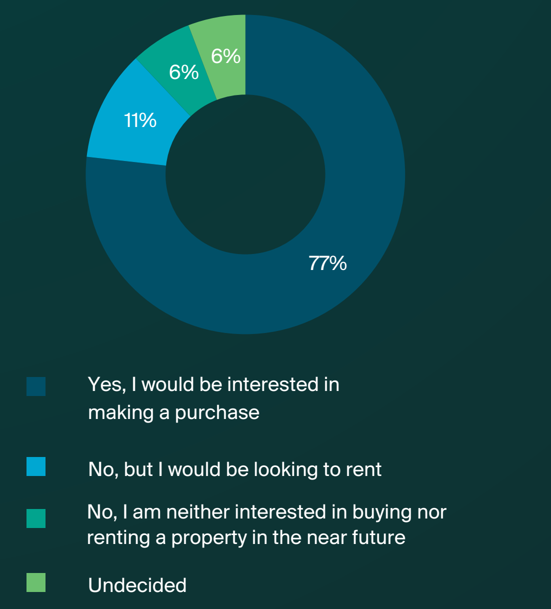
73% of older expats (> 45 years old) indicated that a purchase in the Kingdom would be their first globally, compared to 50% of 35-45 year-olds and Millennials. Pre-existing international ownership levels are highest amongst those aged 35-45 (41%).

Villa and apartment prices in Riyadh and Jeddah



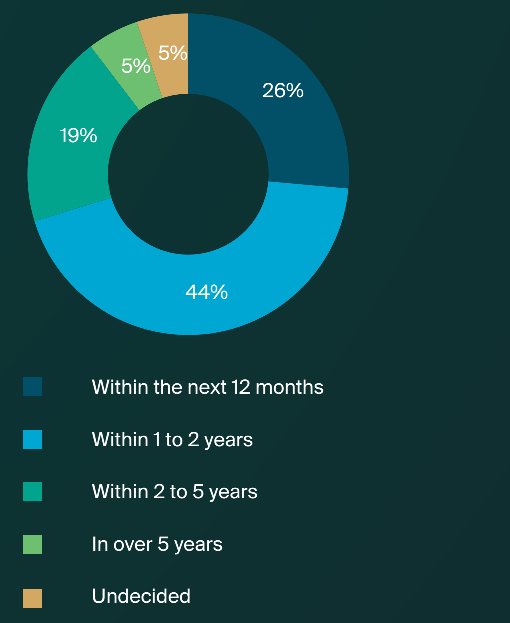
Source: Knight Frank

Expats' desire to own a home in the Kingdom



Source: Knight Frank, YouGov

Expats' timeframe to purchase real estate



Source: Knight Frank, YouGov

UNDERSTANDING AFFORDABILITY

Saudi Arabia's residential market has registered significant price growth over the last three years. Apartment (SAR 5,150 psm) and villa (SAR 4,900 psm) prices in Riyadh have climbed to record levels that stand 26% and 21% above the last peak in 2016, respectively.

Home ownership targets

Supercharged demand stems from the government's 2030 home ownership target of 70% (it currently stands at just above 60%). A wide range of supportive mortgage programs have helped to accelerate the transition from renting to owning. The exceptional level of demand has precipitated growing affordability challenges, which are contributing to the slowing in overall transactional activity, which fell 16% last year.

Income multipliers

In our survey sample of expats within the Kingdom, the bulk (73%) of respondents' incomes fall between SAR 10,000-20,000 per month. This is broadly in line with current government estimates for monthly Saudi national household income, which stand at SAR 16,000 in Riyadh and SAR 14,650 in Jeddah.

Previously, we found that income multipliers, i.e., the number of years of income that Saudi national households need to save to be able to purchase a home, stands as high as X14.5 times for a villa purchase in Jeddah and X12.7 times for a villa in Riyadh. Both are well above the globally accepted threshold for affordability of X6 times household incomes.

We examined the average personal income to average house price ratio in the three biggest cities in Saudi - Riyadh, Jeddah, and the DMA – to get a better understanding of the income multipliers for expats. This is especially important following the introduction of the property ownership-linked Premium Residential Visa option in February 2024.

While the bulk of neighbourhoods across the Kingdom's main cities appear to be "affordable" from an income multiplier perspective, Riyadh's Hiteen (X27.2 for villas) and Al Malga (X25.3 for villas) stand out as being particularly unaffordable. Similarly, Ashati (X20.3 for apartments) and Al Rawdah (X22.1 for villas) in Jeddah emerge as some of the most expensive neighbourhoods in the country.

NEED TO KNOW

Income multipliers for Saudi based expats*

	District name	Income multiplier (Apartment)	Income multiplier (Villa)
Riyadh	Al Yasmeen	5.2	18.3
	Al Malqa	6.5	25.3
	Al Sahafah	5.3	22.3
	Hiteen	5.7	27.2
	Qurtaba	5.6	17.7
	Dar Albaida	2.3	6.8
	Tuwaiq	3.6	6.4
	Zahrah Laban	3.9	8.6
	Average	4.7	15.0
Jeddah	Ash Shati Prime	13.7	20.3
	Obhur Al Janubiyah	6.8	22.1
	Al Rawdah	4.3	22.1
	Al Ajawaweed	2.5	10.2
	Al Safa	4.6	n/a
	Al Murjan	n/a	16.9
	Al Khaldiyah	n/a	20.0
	Average	4.5	15.5

*Analysis is based on expats who earn between SAR 10,000-20,000 per month.

Source: Knight Frank, YouGov

EXPERT INSIGHT

Understanding residential construction costs

Residential construction cost benchmarks

One of the key challenges for developers is to balance the relatively high cost of construction with the soaring demand for homes that are more affordable. Indeed, as we have seen from our second survey of Saudi-based expats, almost a third (29%) of those earning more than SAR 40,000 per month are prepared to spend between SAR 1.5 to 2.5 million. Among these high earners, 5+ bedrooms are the most sought-after villa type. A high-quality 5-bedroom villa in a city like Riyadh costs approximately SAR 3 million on average, which highlights the challenge.

Knight Frank's residential construction cost analysis outlines the range of building construction and fixed fit-out costs across different residential categories, including different tiers of villas, and the same for apartment buildings. To develop the cost benchmark report for the residential sector in Saudi Arabia, we have analysed construction rates per square metre for various residential projects.

The observed variance in construction costs, spanning from lower to higher ranges, is primarily attributed to the unique differences in construction projects. These differences encompass design intricacies, geographical location, choice of materials, and the scale of construction.

This benchmarking data is useful for industry stakeholders like developers, investors, and architects, offering a reference for informed project planning and financial management.

Key Assumptions

1. General pricing data has been based upon benchmarking data prepared by Knight Frank for projects of similar nature and specifications.
2. Rates per square metre are based on GIA.
3. SAR/m^2 rates are current as of Q4 2023.
4. The estimates assume a traditional procurement route for different project packages.
5. The estimates are indicative and should not be relied on for detailed project-specific estimates which will require a further study into project parameters.
6. The estimates are based on utilising common market used contracts such as FIDIC 1987, 1999 and 2017.
7. Project-specific data such as location, contract type, and design might impact the cost of a project.
8. No allowance has been made for soft costs, exemptions, building permit fees, pre-opening costs, etc..
9. Estimates for residential units exclude furniture, white goods, planting/landscaping, IT equipment, and OS&E.

Mohamed Nabil
Regional Partner - Head of Project & Development Services, MENA

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Residential construction costs

	Tier	Low SAR/m^2	High SAR/m^2
Villa	Standard	3,800	4,400
	Mid-market	4.200	5,700
	High-end	5,500	8,000
Apartment	Standard	4,700	5,800
	Mid-market	5,800	6,800
	High-end	6,800	8,900
	High-rise	6,800	10,000

Source: Knight Frank Project & Development Services

SAUDI: HOME SWEET HOME

Investment potential

Given the strong house price rises, it is perhaps unsurprising that over half of our expat respondents (57%) say the main driver behind the desire to buy a home stems from it being a ‘good investment opportunity’. This is followed by wanting to live closer to their place of work (35%), followed by ‘cultural and religious reasons’ (29%).

For millennial expats, a ‘good investment opportunity’ tops the list of drivers, but this is followed by the view that Saudi Arabia is an ‘attractive destination’ from a tourism and entertainment perspective (32%). This perhaps hints at the success of the various Entertainment Seasons around the country and the wide range of cultural, sporting and arts events developed by the authorities to improve and enrich the Kingdom’s entertainment offerings.

Almost twice as many female respondents - 26% compared to 14% for male respondents - cite being ‘closer to my friends and family’ as the main driver to purchase a home in the Kingdom.

Riyadh all the way

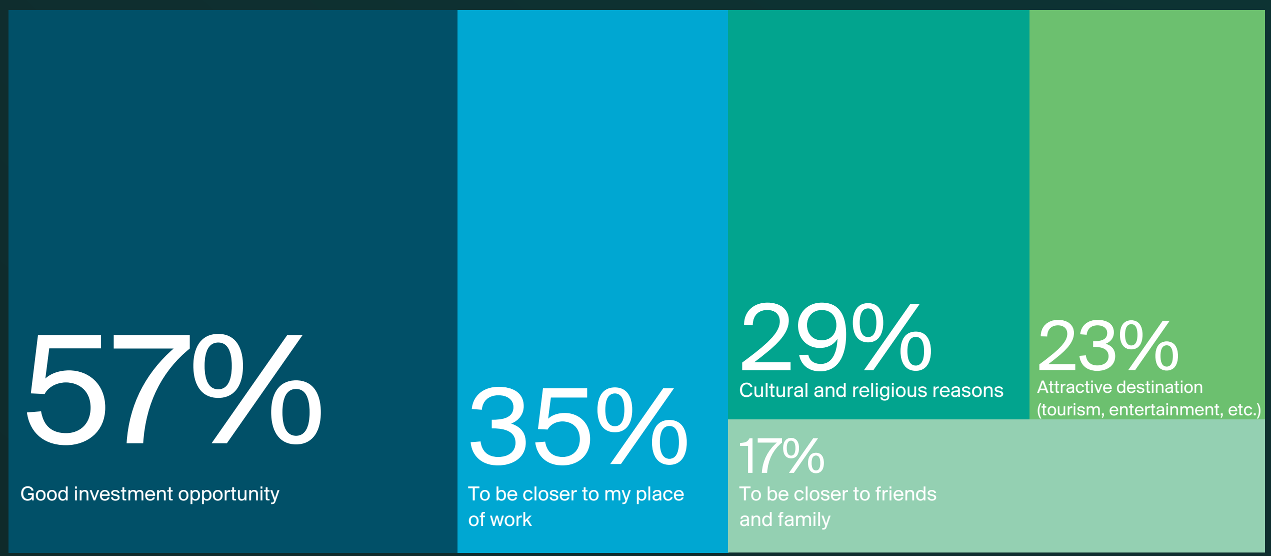
When our expat respondents were asked where they would want most to purchase property in Saudi Arabia, the top city was Riyadh (44%), followed by Jeddah at 24% and in joint third place were Dammam and Madinah (11% each).

Riyadh’s popularity extends across the generations, ranging from a high of 48% amongst those aged 45-55, dropping to 41% for Millennial expats.

When asked about location, 71% of respondents would choose to make a residential purchase in their current city of residence in the Kingdom.

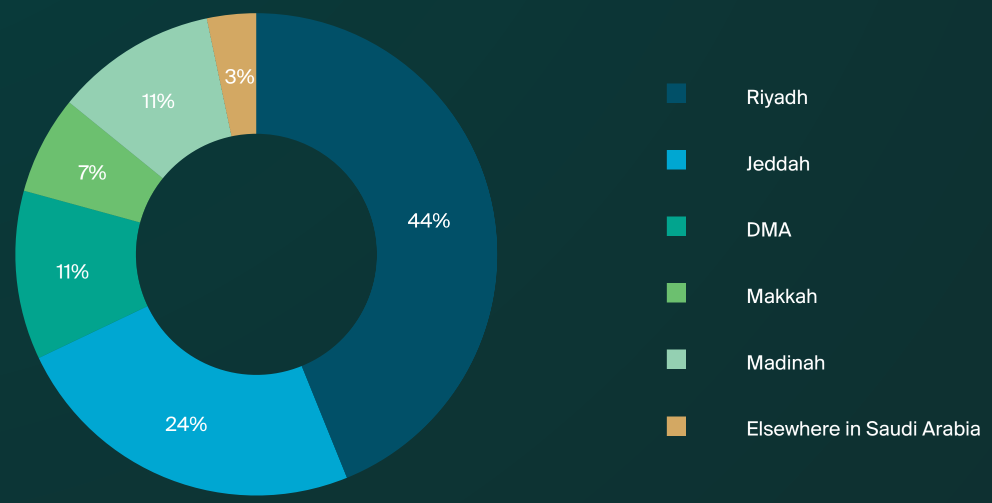
Breaking that down, for male respondents 73% are more likely to purchase a property in their current city of residence, compared to 63% for female expat respondents.

Main motive behind property purchase in Saudi Arabia



Source: Knight Frank, YouGov

Top target locations for Saudi based expats



Source: Knight Frank, YouGov

SAUDI: HOME SWEET HOME

A permanent address

84% of respondents plan to purchase a property for personal use. 46% of respondents intend to use their purchased property as a main residence, and 39% intend to use it as a residence for their dependents. 51% of expats aged 35-45 expect to use the property as their main residence.

Expat female respondents appear more invested than males, with 90% wanting to use their acquisition as a personal residence. 40% say they would make this purchase for their family/dependents to live in, and 50% say they would live in it themselves.

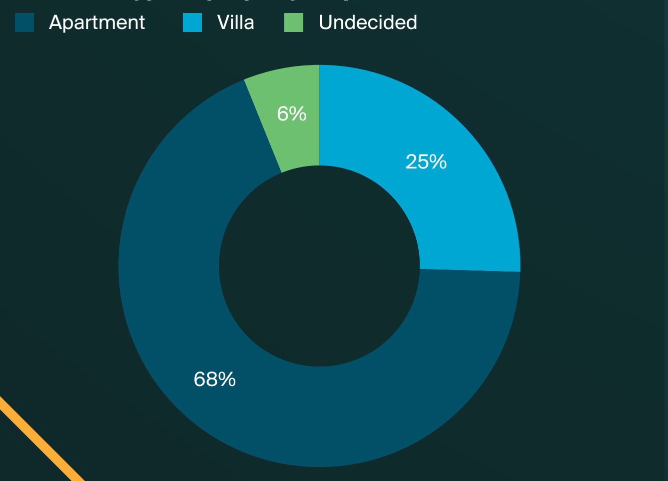
In contrast, 17% of male respondents intend to use their residential property as a full-time/partial investment (compared to 10% of female respondents).

Bigger isn't better

In stark contrast to the findings of our 2023 Saudi Report, where two-thirds of Saudi nationals had their sights set on purchasing a villa, an overwhelming majority of the expats we surveyed (68%) would much rather own an apartment. This figure rises to 74% and 73% for those aged 35-45 and 45-55, respectively.

This is likely due to a combination of factors, including the significant cost multiplier when purchasing a villa compared to an apartment, affordability considerations and perhaps a stronger cultural affinity for Saudis to own and live in standalone homes.

Preferred type of property for purchase



Source: Knight Frank, YouGov

While the majority of respondents under 35 would also prefer apartments (56%), a higher proportion of Millennials would like to purchase a villa (38%) when compared to older generations (22% for 35-45 year-olds and 15% for those aged between 45-55).

This finding is further amplified by the fact that 53% of the expats we polled would like to own a 2- or 3-bedroom apartment. We believe this is largely because expats often have smaller families than Saudi nationals.

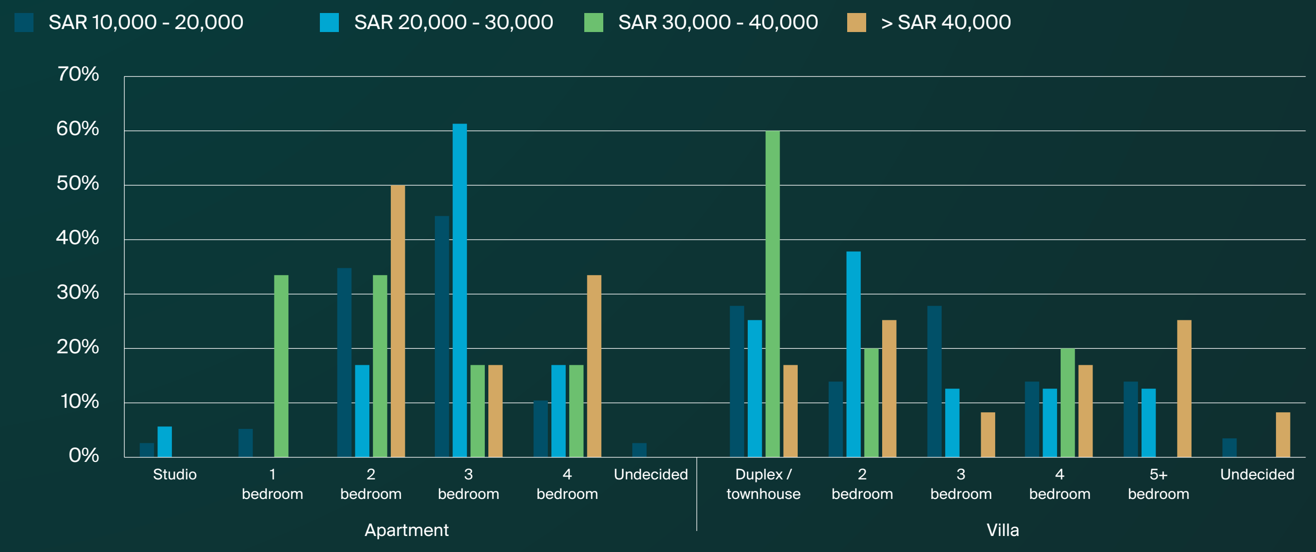
However, villas are preferred by 92% of expats earning more than SAR 40,000 per month, while 60% of those earning between SAR 30,000-40,000 each month have their minds set on buying a townhouse.

Ready-to-move-in homes preferred

When asked their preference for a ready or off-plan purchase, nearly two-thirds (63%) say they would rather buy a completed property, with just over a quarter (26%) expressing an interest in the off-plan sales market. This could have implications for developers as they realise the Kingdom's 660,000 residential unit development pipeline over the next six years. We will return to this theme in the Opportunities chapter.

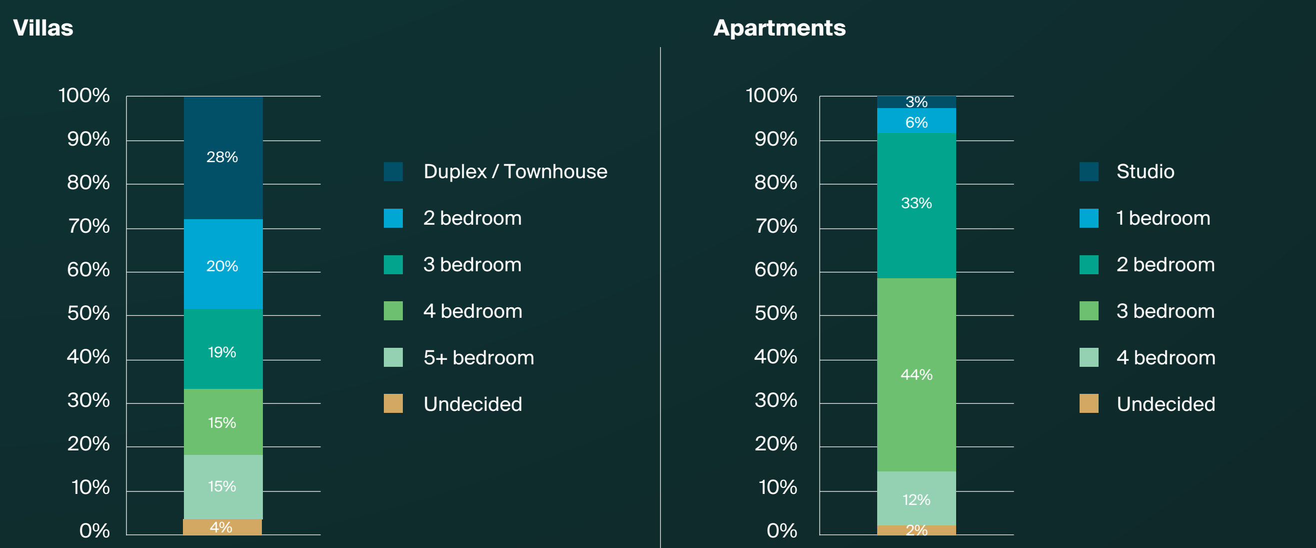
> **Unlike Saudi nationals, an overwhelming majority of expats would prefer to own an apartment.**

Expat property size preferences (by monthly income)



Source: Knight Frank, YouGov

Preferred residential unit types



Source: Knight Frank, YouGov

SAUDI: HOME SWEET HOME

A budget for all seasons

75% of respondents are willing to allocate up to SAR 1.5 million for a potential property purchase in the Kingdom, with almost 40% saying they would not pay over SAR 750,000. This is undoubtedly a key consideration for developers in a market where average prices in cities like Riyadh range from SAR 800,000 for a 2-bedroom apartment (SAR 700,000 in Jeddah) and rise to SAR 2.7 million for a three-bedroom villa (SAR 2.8 million in Jeddah). Just 9% of the expats we polled are prepared to spend over SAR 3.5 million.

Millennial expats appear willing to spend the most, with 22% claiming to have an allocated budget of over SAR 2.5 million for any home acquisition in Saudi. Overall, this cohort has an average budget of SAR 2.1 million, compared to SAR 1.7 million for all respondents.

Expat women also appear to have far deeper pockets than their male counterparts, with 20% of women prepared to spend over SAR 3.5 million (10% between SAR 4.5-5.5 million).

Just 5% of men are ready to spend more than SAR 3.5 million on a home in Saudi. Women have an average budget of SAR 2.4 million, while men have an average budget of SAR 1.5 million.

Expats in Madinah (10%) are the most willing to spend between SAR 3.5-4.5 million on a potential home purchase, while the highest level of respondents willing to pay more than SAR 4.5 million for a home in the Kingdom were from Riyadh (6%).

Combining all our 241 expats' budgets suggests that they have SAR 318.3 million of ready-to-deploy capital between them.

Bank of 'Mum and Dad'

Just over half of respondents (56%) say they would seek financial support from family members when purchasing their next property.

This figure rises to 67% for those aged under 35. Comparatively, those aged 35-45 (55%) are less likely to ask for family financial support, while 43% of those aged 45-55 would seek assistance from their families.

78% of female expats say they would seek financial assistance from their families, compared to 51% of men.

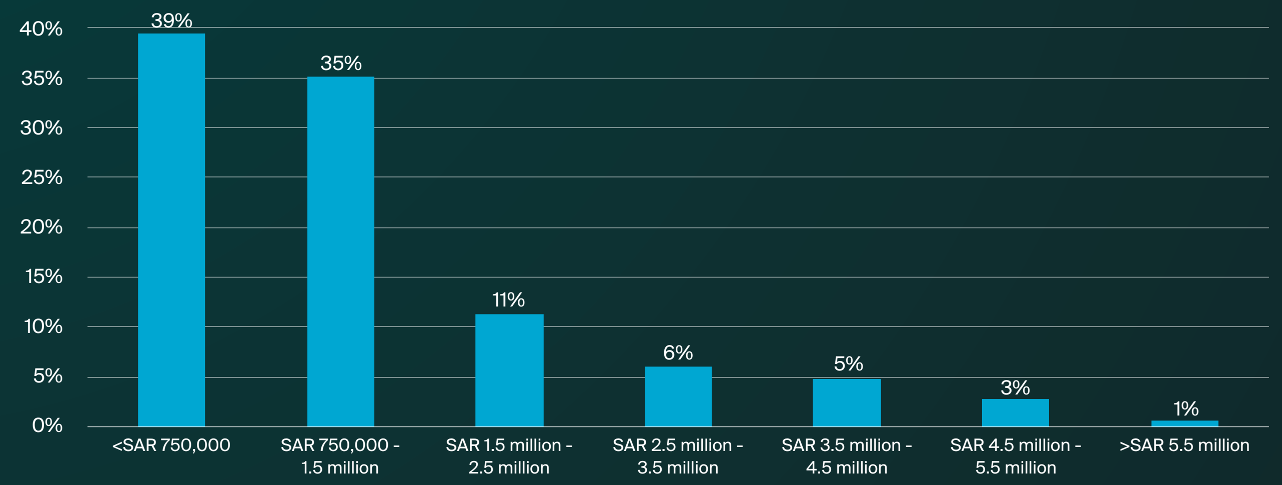
Service charges

The concept of needing to pay for the upkeep of community services and facilitates, which is routine in most major global cities, is relatively nascent in the Kingdom, so it was unsurprising that just 10% of expats are unwilling to pay service charges.

43% of expat respondents are only willing to spend up to 5% on annual service charges. A further 31% are prepared to spend between 5-7% of the property value annually.

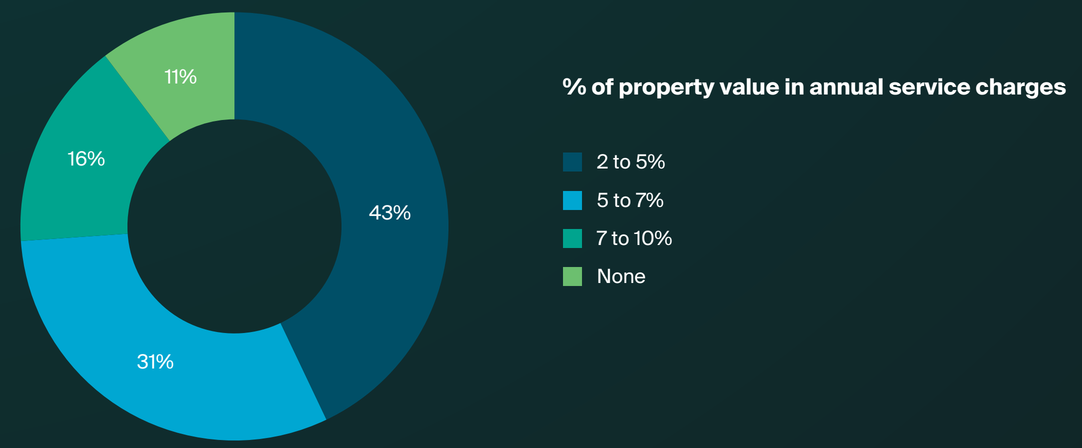
> **The average annual service charge rate expats are prepared to pay is 5.9% of the property value.**

Expats budgets for a home purchase in Saudi Arabia



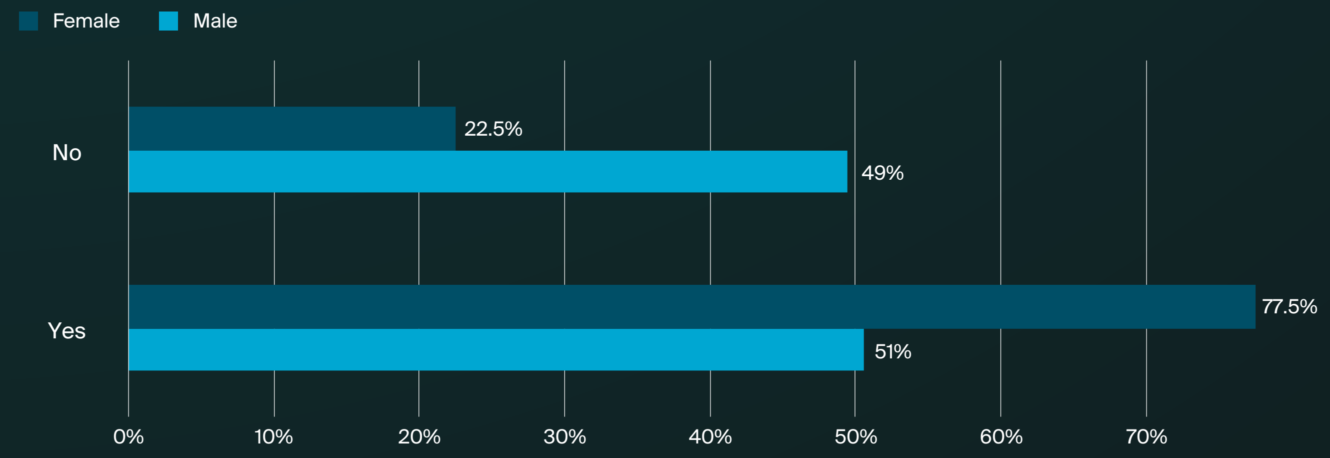
Source: Knight Frank, YouGov

Service charges expats are willing to pay



Source: Knight Frank, YouGov

Expats' likelihood of seeking family financial support

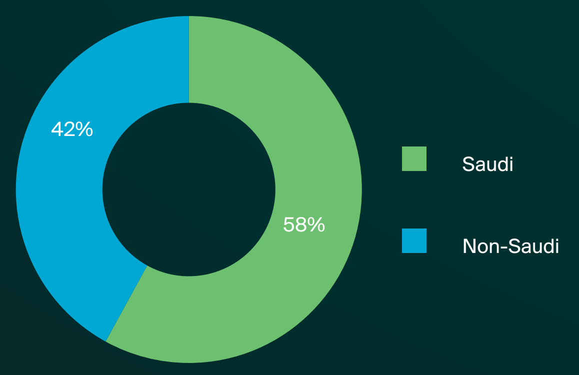


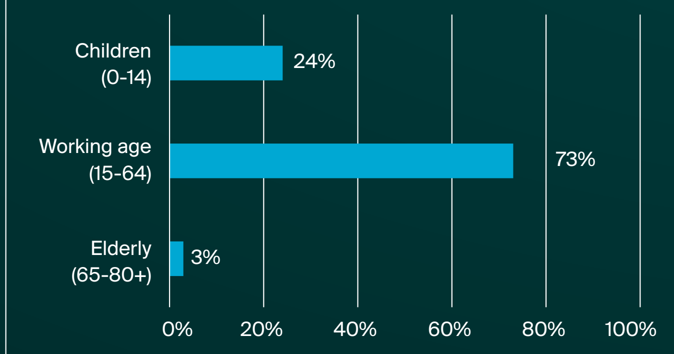
Source: Knight Frank, YouGov

UNDERSTANDING SAUDI'S POPULATION

The recently released results of the 2022 Saudi Census has shown a 34.2% increase in the country's population since 2010, with expats now accounting for 42% of the total population. Initiatives linked to Vision 2030, such as Program HQ, combined with one of the world's fastest-growing economies, are rapidly driving up job creation rates, particularly in Riyadh. The knock-on effect has been a jump in the white-collar population, which, according to the latest available data, rose X6 fold to 1.2 million between March and September 2022. Below, we break down the current makeup of the Kingdom's population.

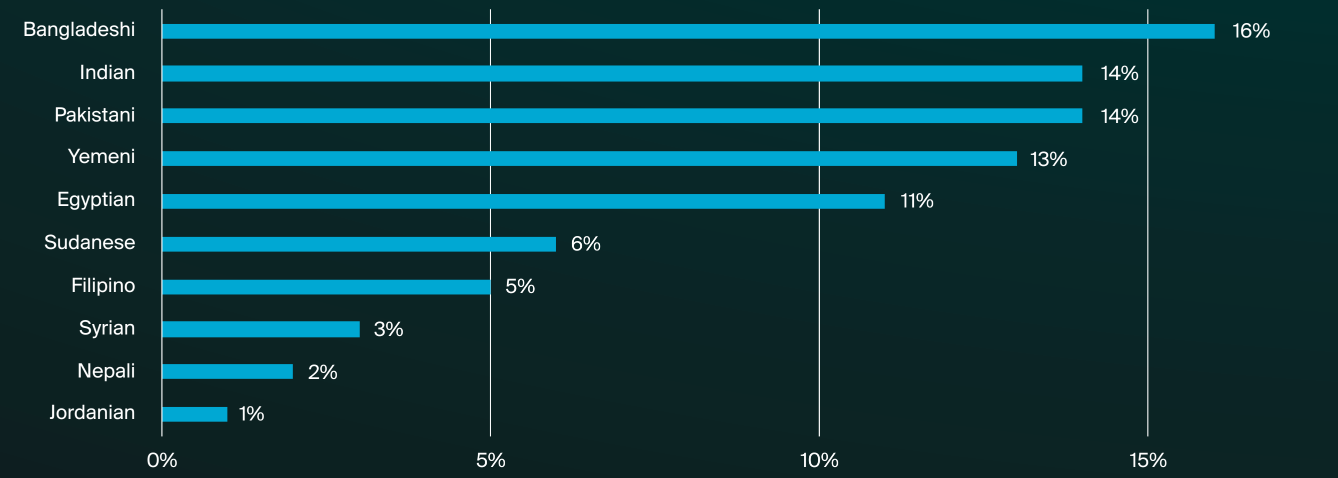
Saudi Arabia population overview





Source: Knight Frank, Saudicensus.sa

Top expat nationalities



Source: Knight Frank, Saudicensus.sa

NEED TO KNOW

Saudi Arabia 2022 census key statistics

32.2 million Total population

18.4 million Saudi population

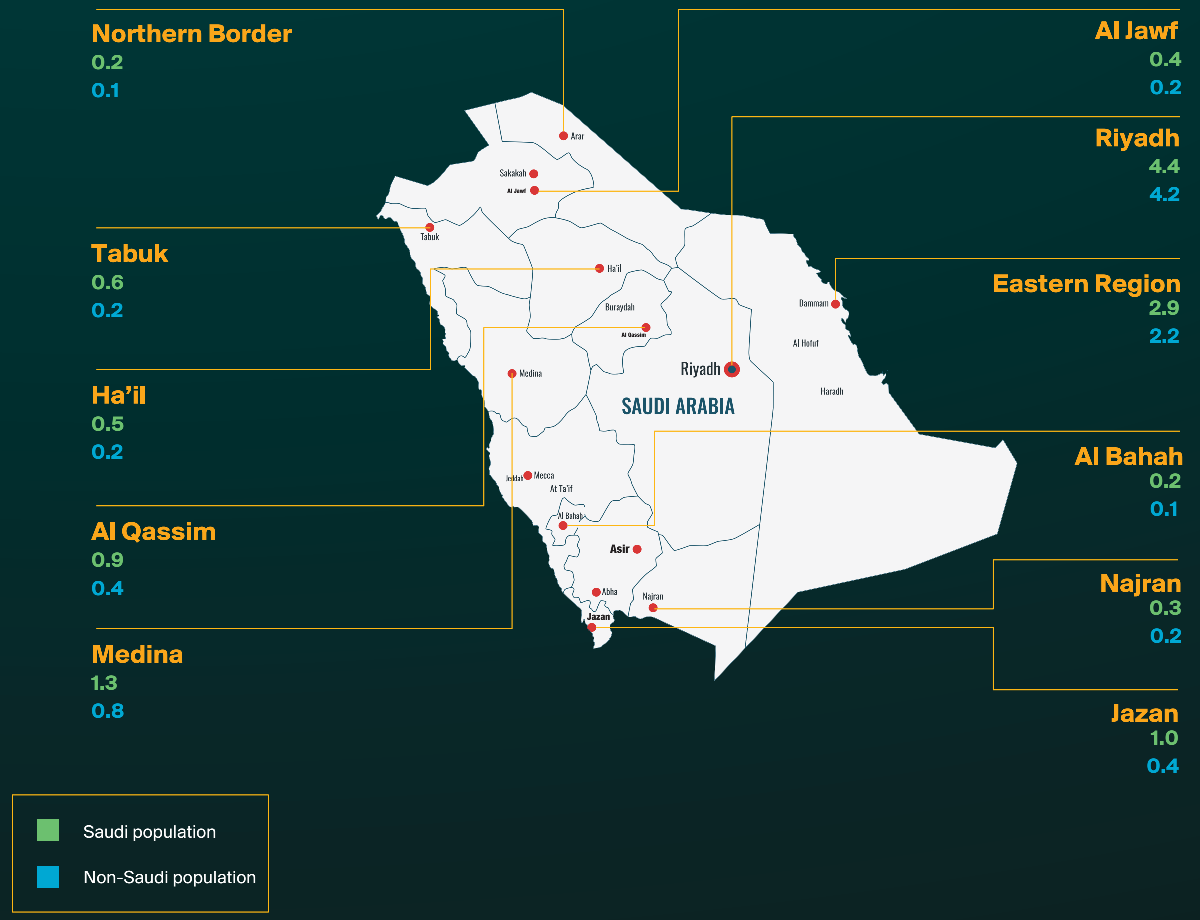
US$ 34,500 GDP per capita

13.4 million Non-Saudi population

34.2% growth since 2010

Source: Knight Frank, Saudicensus.sa

Population distribution by region (millions)



Source: Knight Frank, Saudicensus.sa

SAUDI: RESIDENTIAL COMMUNITY LIVING

The residential compound market in Saudi Arabia is experiencing a surge in demand, primarily due to Western expatriates drawn to living in a way that resonates with their lifestyle expectations. These gated communities are highly sought after for their high standard of living, echoing the comforts of Western life with a range of facilities, including swimming pools, cafes, and fitness centres.

"Western" compounds

The existing supply of residential compounds in Riyadh consists of 131 developments, of which 38 are classed as "Western" and 93 are defined as "non-Western". In Jeddah, there are 98 gated compounds, of which 19 are "Western" and 79 are "non-Western".

Western compounds refer to the developments that tend to be large, offer better services and amenities, have higher security, and are predominantly occupied by Western expats. Non-western compounds are generally smaller in scale, offer fewer facilities, and are mostly occupied by Arab and Asian expats.

Over half of the current supply of homes within residential compounds comprises apartments. This is due to the historically high demand for apartment living from expats.

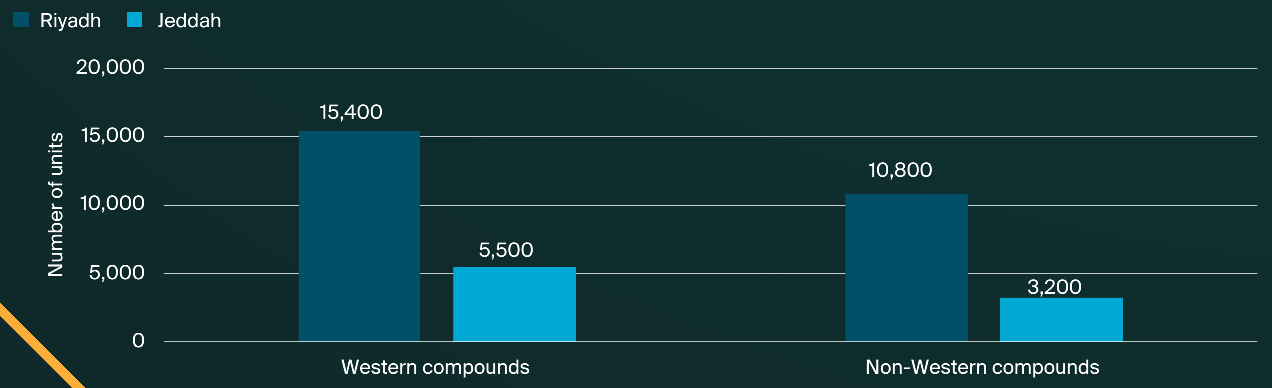
Our analysis shows that rental rates in Western compounds are generally 54% higher than those in non-Western compounds. The average rental rate for a two bedroom apartment in a Western compound in Riyadh, for instance, can be as high as SAR 180,000 per annum, compared to a maximum of SAR 85,000 per annum, in a non-Western compound.

Community living tops preferences

Given this backdrop, it is perhaps unsurprising that most expat respondents (75%) would be interested in purchasing in a residential community. This demand rises to 77% for Millennials and those aged between 45-55 and climbs higher still to 83% amongst female expat respondents.

When monthly incomes are factored in, there is an exponential rise in the desire to buy a home in a residential community, rising to as high as 94% amongst those earning in excess of SAR 40,000 each month.

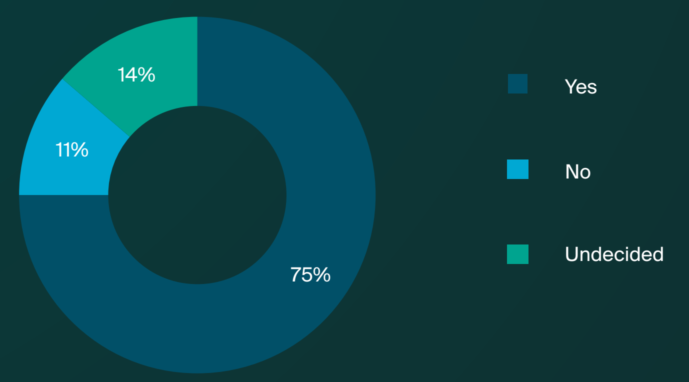
Supply of homes in residential compounds



Source: Knight Frank

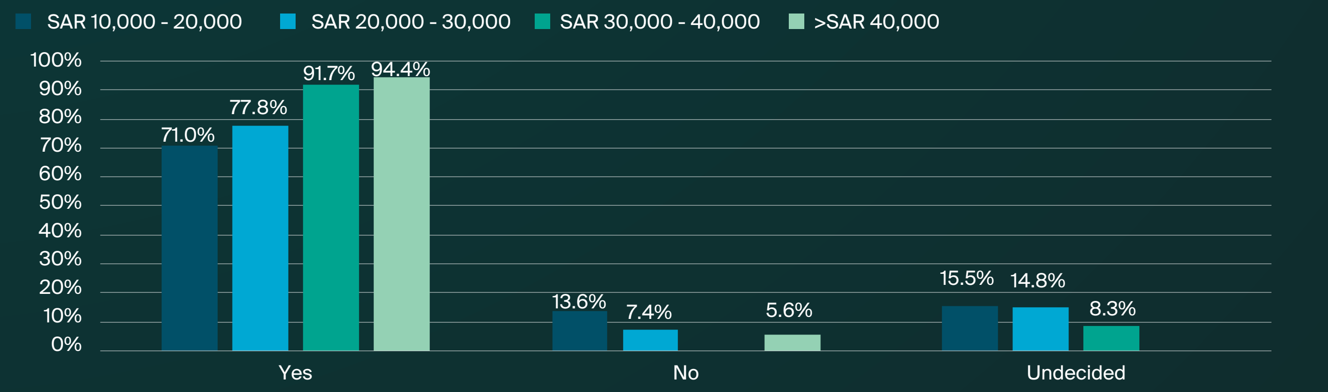
Survey 2

Expats' desire to own a home in a residential community



Source: Knight Frank, YouGov

Expats' desire to own a home in a residential community (by monthly income)



Source: Knight Frank, YouGov

NEED TO KNOW:

- **77% of expats would like to own a home in the Kingdom.**
- **9% of expats are prepared to spend over SAR 3.5 million.**
- **75% of expats are interested in purchasing in a residential community.**
- **68% of expats would like to own an apartment.**

COMMUNITY LIVING: ESSENTIALS

While expats in the Kingdom have shown high levels of interest in owning a home (77%), a number of red flags were raised regarding certain community facilities, without which the desire to purchase would be significantly diminished.

Onsite essentials

The top three features sought when contemplating buying in a residential community are onsite essentials (supermarket, clinic, dry cleaners) - 33%, management services (maintenance, security, reception) - 30% and transport facilities (bike storage, dedicated parking, public transportation access) - 27%.

For Millennials, transportation facilities (33%), followed by onsite essentials (30%) and family entertainment, such as kids' play areas, parks and sports fields (26%), are the top considerations.

Notably, and in contrast to other expat age groups, those under 35 seem to value community events the most (23%). For comparison, only 16% of those aged 35-45 said they value community events, dropping to just 10% amongst those over 45.

Top 5 expats deal breakers for residential community purchases

No on-site essentials (supermarket, healthcare clinic, dry cleaners)	33%
No management services (maintenance, security, reception)	30%
No transportation facilities (bike storage, dedicated parking, public transportation access)	27%
No family entertainment (kids play areas, parks, day-care)	25%
No on-site recreational facilities (cafes, spa/wellness services)	21%

Source: Knight Frank, YouGov

> "The top three features sought when contemplating buying in a residential community are onsite essentials, management services and transport facilities.

COMMUNITY LIVING: ESSENTIALS

In our survey of Saudi expats, we investigated property features that would be most sought after when deciding to purchase a home in the Kingdom.

Outdoor space preference

- **43%** Large open spaces/landscape
- **28%** A pool
- **14%** I would not be willing to pay for any of these
- **18%** A pool house/diwaniyah
- **47%** Garage

Property view preference

- **9%** No preference
- **41%** City view
- **35%** Waterfront view
- **59%** Park view

Upper floor arrangement preference

- **6%** No balconies
- **9%** No preference
- **26%** Small balconies (standing only)
- **59%** Large balconies (to accommodate seating areas)

Kitchen preferences

- **17%** No preference
- **29%** Appliances excluded
- **54%** Appliances included (fitted kitchen)

Living arrangement preferences

- **42%** Open plan lay-out
- **58%** Separate room structure

Cooling system preferences

- **55%** Central air conditioning
- **45%** Split unit cooling system

Source: Knight Frank, YouGov

COMMUNITY LIVING: THE 10-MINUTE CITY

Harsh summer climatic conditions have played a significant role in fostering the car culture that is embedded across much of the Gulf, including Saudi Arabia, but our expat respondents have also indicated a strong desire to live in walkable communities.

Within walking distance?

Over a third (36%) of the expats we polled say they would be willing to walk 5-10 minutes to reach a nearby destination, with an additional 27% saying they would be prepared to walk for up to 15 minutes.

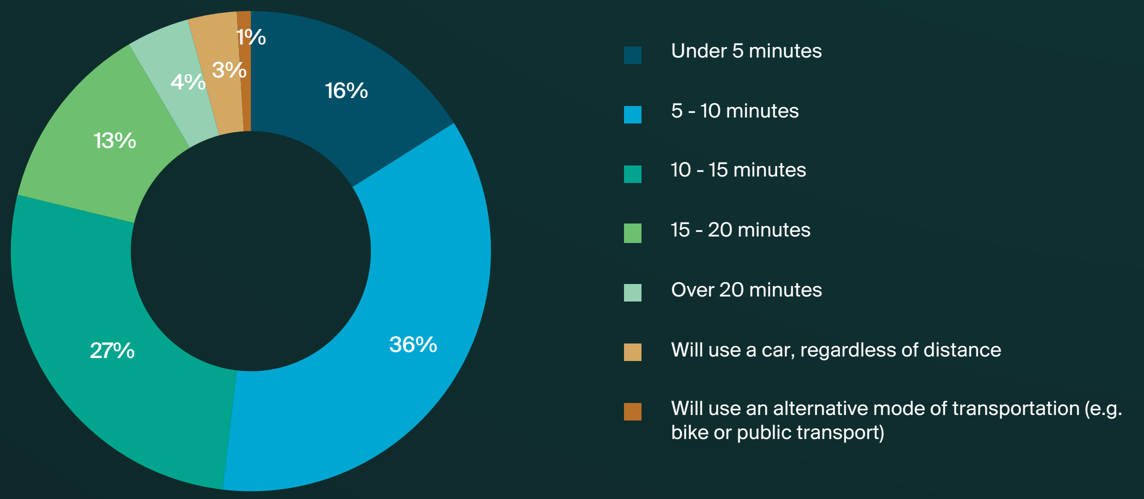
The average person can cover a distance of 1km in 12 minutes (British Heart Foundation), suggesting that a distance of 833m could be covered in 10 minutes.

For developers of residential communities in Saudi, this hints at how far amenities and community facilities ought to be from residential clusters. We revisit this topic in the Opportunities chapter.

For those who do not find the climate too hot to walk, an improvement in the design and layout of neighbourhoods would result in 24% of respondents having no excuse not to walk to places more often, while 53% say their walking experience would 'improve drastically'.

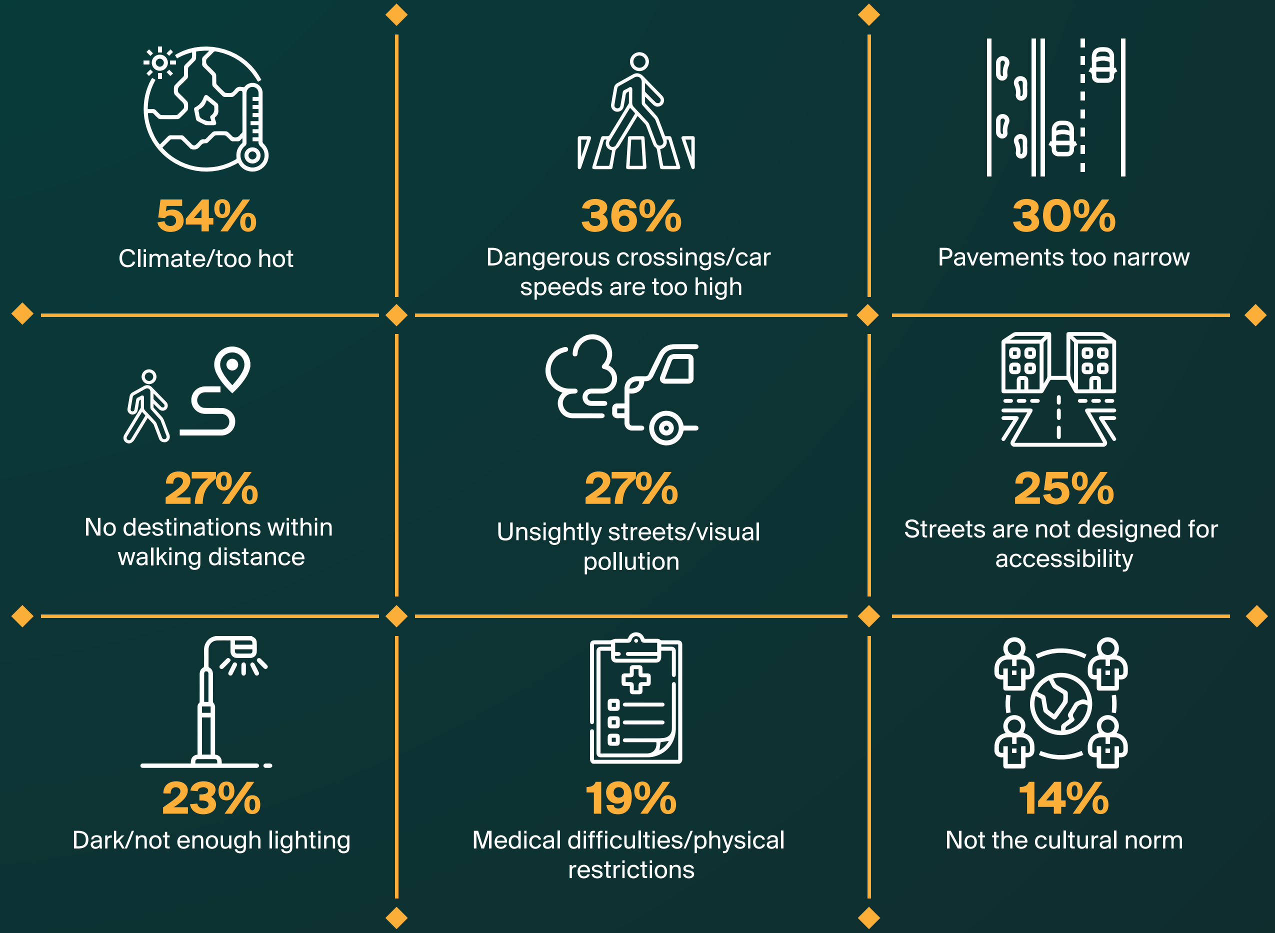
Almost 30% of Millennial expats are deterred from walking purely due to what they consider improper street design.

Distance expats are prepared to walk



Source: Knight Frank, YouGov

Factors that discourage expats from walking in Saudi



**Percentages indicate number of times each option was selected*

Source: Knight Frank, YouGov

> "Our survey results demonstrate decisively that a large number of international HNWI Muslim buyers are eager to own a house within Makkah. Amendments to the ownership laws, including the 99-year leasehold option available to international buyers who commit SAR 4 million, will play a significant role in boosting demand, particularly for branded residences."

Yazeed Hijazi
Associate Partner – Co Head of Real Estate Strategy & Consulting, KSA

ENHANCING RIYADH: HABITABILITY AND ACCESSIBILITY

In Saudi Arabia, the road infrastructure has been historically designed to meet the demands of a growing population and to satisfy an ingrained car culture.

Authorities are working behind the scenes to shift this mentality with a series of projects centred around health and wellbeing, as well as the recently inaugurated 1,905-kilometre Riyadh Bus network, which is serviced by 614 buses and 1,632 stops. The soon-to-open US$ 22.5bn, 176-kilometre Riyadh Metro network will also improve access around the capital.

The urgency behind the capital's more human-centric development is being fuelled by the rapid growth in the city's population, which has swelled from 2.8 million in 1992 to over 7 million in 2023. The Royal Commission of Riyadh City expects a further jump of close to 16 million by 2030.

Below, we look at some of these improvements and enhancements to Riyadh's urban fabric.

Major wellbeing, sports, entertainment and recreation projects in Riyadh

SPORTS BOULEVARD

US$ 6.5bn US$ 3.7bn 39%

A wellbeing project that traverses the densest neighbourhoods across Riyadh, and aims to promote a healthy lifestyle through sports activities

OPEN GREEN SPACES: 4.2 million sqm
DESERT PARK: 20 km^2
TRACKS: Horse-riding trails and cycling paths
SPORTS SITES: 60 sports pitches & courts
ENTERTAINMENT: Integrated movie theatres
EQUESTRIAN CENTER: 1 million sqm
RED SAND PARK: 5 km^2
TOTAL AREA: 135 km^2
COMPLETION DATE: 2027

RIYADH RAPID BUS TRANSIT SYSTEM

US$ 507mn 100%

A city-wide bus network

DISTANCE: 22 km
RAPID BUS TRANSIT STATIONS: 21
COMMUNITY BUS STOPS: 2,574
PEDESTRIAN BRIDGES: 6
PROGRESS: 100%
COMPLETION DATE: 2021

RIYADH METRO

US$ 35mn

A city-wide public transit system

DISTANCE: 176 km
LINES: 6
STATIONS: 85
PROGRESS: 72%
COMPLETION DATE: 2027

KING SALMAN PARK

US$ 9.4bn US$ 8.8bn 47%

The world's largest urban park and residential community

PARKS: 16+ km^2
FREEN SPACES: 11+ km^2
CIRCILAR PEDESTRIAN PATH: 7+ km^2
TRAIN STATIONS: 5
BUS STATIONS: 10
TOTAL AREA: 17 km^2
COMPLETION DATE: 2027

GREEN RIYADH

US$ 23b US$ 730mn 35%

A transformative project aimed increasing the amount of green areas in the capital

TREES: 7.5 million trees planted
NEIGHBOURHOOD GARDENS: 3,330
PARKS: 43
GREEEN BELT: 1,100 km
STREETS AND ROADS: 16,400 km
TOTAL AREA: 541 km^2
COMPLETION DATE: 2030

Project value

Total value of commisioned projects to date

Construction progress of commissioned projects

Knight Frank, MeedProjects

NEED TO KNOW

"The city of Riyadh stands at the heart of Saudi Arabia's evolution, with sustainability at its very essence. The government has launched numerous programs aimed at weaving environmental considerations into the urban landscape, ensuring robust public transport networks, and nurturing neighbourhood cohesion. These efforts are reshaping Riyadh into a city defined by its ease of access and liveability."

Talal Raqaban
Partner - Valuation, PPP & Deal Advisory, KSA

SAUDI BASED EXPAT DEMAND FOR GIGA PROJECT INVESTMENTS

GIGA PROJECTS SET TO REDEFINE THE KINGDOM

By far the most visible impact of Vision 2030 has been the emergence of new super-cities, or so called Giga projects around the Kingdom. By definition, these Giga Projects are multi-billion dollar, mixed-use developments and include the likes of the US$ 500bn NEOM, the US$ 23.6bn Red Sea Global project and the US$ 27bn King Abdullah Economic city.

The Giga projects are expected to usher in a new urban future for Saudi Arabia by transforming and greatly expanding the residential, office, retail, hospitality, and industrial real estate landscape. These developments are of course also intended to support the projected population growth, which is anticipated to reach 40 million by 2030, as well as the arrival of 150 million foreign visitors by the same year.

Below we take a look at some of the most significant Giga Projects and their current status in Western Saudi Arabia and Riyadh. We also investigate progress in the Kingdom's crown jewel, NEOM.

Saudi Arabia's US$ 1.25 trillion real estate development plan

Hotel keys
290,000+ keys

Total value
US$ 1.25 trillion

Retail space
5.3 million+ sqm

Residential units
660,000+ units

Office space
6 million+ sqm

Total value of commissioned projects
US$ 250bn

Knight Frank, MeedProjects

WESTERN SAUDI ARABIA

RED SEA GLOBAL
US$ 23.6bn | US$ 21bn | 35%

A new luxury tourism and hospitality destination on the Red Sea coast

- 5-10,000 sqm
- 1,000+ units
- 10,000+ sqm
- 8,000+ keys
- 28,000 km²
- 2030-35

MASAR MAKKAH
US$ 9.8bn | US$ 8.34bn | 52%

A mega urban development and revitalisation project

- 10,000 units
- 185,000 sqm
- 40,000+ keys
- 1.38 million sqm
- 2030

JABAL OMAR
US$ 5.6bn | US$ 4bn | 78%

A mega hospitality project in the heart of Makkah

- 1,670 units
- 45,600+ sqm
- 13,000+ keys
- 2 million sqm
- 2026

THAKER
US$ 7bn | US$ 1.3bn | 100%

A mixed use urban development

- 750 units
- 60,000+ sqm
- 39,000+ keys
- 4 million sqm
- 2030

AL ULA
US$ 15bn | US$ 6.5bn | 51%

A world class hub for arts, culture and nature

- 10,000 units
- 5,000+ keys
- 22,500 km2
- 2027

JEDDAH ECONOMIC CITY
US$ 30bn | US$ 1.7bn

A mixed-use mega project

- 800,000 sqm
- 470,000 sqm
- 5.3 million sqm
- 2028

KING ABDULLAH ECONOMIC CITY
US$ 27bn | US$ 13bn | 74%

A new mega city to the north of Jeddah

- 95,000 sqm
- 10,000 units
- 11,000 sqm
- 250 keys
- 1.7 million sqm
- 2028

JEDDAH CENTRAL
US$ 20bn | US$ 4.5bn | 16%

A revitalisation project centred on the city's history

- 17,000+ units
- 2,700 keys
- 5 million sqm
- 2030

SHAMS AL AROUS
US$ 2bn | US$ 1.5bn | 19%

An integrated residential project to the east of Jeddah

- 10,000+ units
- 863,000 sqm
- 2025

RUA ALMADINAH
US$ 37bn | US$ 8.8bn | 32%

A mega mixed-use development centered around sustainability and a modern lifestyle

- 88 units
- 29,000 sqm
- 47,000+ keys
- 1.5 million sqm
- 2030

KNOWLEDGE ECONOMIC CITY
US$ 8bn | US$ 3.35bn | 69%

A mega mixed-use development

- 1,200+ units
- 112,000 sqm
- 42,000+ keys
- 6.8 million sqm
- 2025

ROSHN-JEDDAH
US$ 1.9bn | US$ 1.8bn | 23%

A vast new integrated master planned residential community

- 22,000+ units
- 8,000+ KEYS
- 4 million sqm
- 2026

MARAFY JEDDAH
US$ 5bn | US$ 184mn | 6%

A new mixed use urban district centred around an 11km extension of Obhur Creek in north Jeddah that will house 130,000 people

- 130,000+ units
- 6.6 million sqm
- 2030

Source: Knight Frank, MeedProjects

Project value | Total value of commisioned projects to date | Construction progress of commissioned projects

Office (sqm) | Residential | Retail | Hospitality | Total land area | Expected completion

GIGA PROJECTS SET TO REDEFINE THE KINGDOM

NEED TO KNOW

RIYADH PROVINCE

Project	Project value	Total value of commissioned projects to date	Construction progress	Description	Office (sqm)	Residential	Retail	Hospitality	Total land area	Expected completion
NEW MURABBA	US$ 50bn	US$ 3.6bn	0%	The world's largest downtown, which will define Riyadh's new skyline	1.4 million sqm	104,000 units	980,000 sqm	9,000+ keys	28,000 km²	2030
KING SALMAN PARK	US$ 9.4bn	US$ 8.8bn	47%	The world's largest urban park and community	600,000 sqm	12,000 units	500,000+ sqm	2,300 keys	17 km²	2027
QIDDIYA	US$ 10bn	US$ 9bn	24%	An entertainment mega project	80-100,000 sqm	11,000+ units	150,000+ sqm	3,000+ keys	334 km²	2030
KING ABDULLAH FINANCIAL DISTRICT	US$ 10.5bn	US$ 10bn	98%	The new business heart of Riyadh	900,000 sqm	1,000 units	100,000 sqm	500 keys	1.6 million sqm	2027
SPORTS BOULEVARD	US$ 6.5bn	US$ 1.43bn	24%	Riyadh's linear park that runs east to west	40,000 sqm	8,000 units	120,000 stores	1,000 keys	6.7 million sqm	2030
DIRIYAH GATE	US$ 63bn	US$ 22.54bn	42%	A mixed-use cultural and historical heritage city	1 million sqm	20,000 units	250,000 sqm	2-4,000+ keys	7.1 million sqm	2027
NORTH POLE	20bn			A new city built on the outskirts of Riyadh	World tallest tower	Residential zones	Retail Mall	Hotel buildings	18 km²	2030
DAHIYAT AL FURSAN	US$ 20bn	US$ 6.3bn	22%	Riyadh's upcoming iconic urban development will foster a vibrant and integrated community		50,000+ units	Mega Mall	3 hotels	12 km2	2027
RIYADH EXPO	US$ 7.8bn			A project to host Expo 2030 under the theme "Together for a foresighted tomorrow"			432,000 sqm		6 million sqm	2030
ROSHN-RIYADH	US$ 30.3bn	US$ 29bn	40%	A vast new integrated master planned residential community		32,000+ units			21.4 million sqm	2027
SEVEN-RIYADH	US$ 1.5bn	US$ 1.43bn	31%	Transformative entertainment projects, including theme parks			275,000+ sqm		380,000+ sqm	2025
MISK FOUNDATION CITY	US$ 4bn	US$ 1.3bn	45%	The world's first non-profit city, launched by HH Prince Mohammed Bin Salman, in 2021	200,000+ sqm	6,500 units	100,000+ sqm		3.4 km²	2028

Source: Knight Frank, MeedProjects

Riyadh's US$ 229bn real estate development plan	
Hotel keys	20,000+ keys
Retail space	2.8 million + sqm
Office space	3.6 million+ sqm
Total value	US$ 229bn
Residential units	241,000+ units
Total value of commissioned projects	US$ 75bn

Source: Knight Frank, MeedProjects

OTHER PROVINCES

Project	Project value	Total value of commissioned projects to date	Construction progress	Description	Residential	Retail	Hospitality	Total land area	Expected completion
SOUDAH & RIJAL ALMAA	US$ 3bn	US$ 80mn	22%	A tourism project to showcase Saudi Arabia's natural beauty	1,300+ units	300 unit	2,700 keys	627 km²	2031
KING SALMAN ENERGY PARK	US$ 3bn	US$ 1.72bn	34%	A megaproject aimed at providing a fully integrated industrial ecosystem	8,000+ beds			50 km²	2035
ADEL DISTRICT DAMMAM				A new master planned community that will house 50,000 residents when completed. Adel Real Estate will be selling individual plots, with all infrastructure in place	Plots for sale			5.6 million sqm	2028
SEVEN-OTHER REGIONS	US$ 1.63b	US$ 950mn	10%	Transformative mega-projects that are redefining Saudi Arabia's entertainment landscape		140,000+ sqm		200,000+ sqm	2025
ROSHN-OTHER REGIONS	US$ 6.75bn	US$ 3.4bn	31%	Delivering high-quality living standards to the people of Saudi Arabia	11,000+ units			15.4 million sqm	2026-2028

Source: Knight Frank, MeedProjects

Project value · Total value of commisioned projects to date · Construction progress of commissioned projects

Office (sqm) · Residential · Retail · Hospitality · Total land area · Expected completion

NEOM: THE KINGDOM'S CROWN JEWEL

A new province in the northwestern corner of Saudi Arabia, hugging the Red Sea coast and adjacent to Jordan, NEOM is set to redefine urban living. The US$ 500bn super city will occupy an area roughly the size of Belgium and promises to house more robots than people on completion when it is expected to house nine million residents. Below we take a look at some of NEOM's key urban components to date.

US$ 500bn | US$ 70bn | 45%

NEOM
A super city for the future

Hotel keys: **40-80,000 keys**	Total land area: **26,500 km²**
Retail space: **1-2 million sqm**	Residential units: **300,000+ units**
Office space: **1-2 million sqm**	Expected completion: **2030**

Saudi Arabia's US$ 1.25 trillion real estate development plan

THE LINE
US$ 150bn
A novel urban living experience, comprising of two continuous 125-mile towers, each 400 metres tall.
34 km² | 2030
KEY FEATURES: Zero carbon city

OXAGON
US$ 40.8bn
The world's largest floating city, including a fully automated integrated logistics hub that is run entirely on renewable energy.
48 km² | 2025
KEY FEATURES: Powered by 100% renewable energy

SINDALAH
US$ 2bn
An exclusive island gateway to the stunning Red Sea, complete with luxury hotels and reminiscent of Monaco harbour.
88+ units
55,100 sqm | 796+ keys
840,000 sqm | 2026
KEY FEATURES: Yacht Club

TROJENA
US$ 6bn
An ultra-modern Swiss-style ski village in the mountains of NEOM, complete with chalets.
2,200+ units
42,000 sqm | 3,600+ keys
57 km² | 2026
KEY FEATURES: 3,000 seat mountainside amphitheatre

GULF OF AQABA

SIRANNA
US$ 100 million
A luxury hospitality experience on the coast of NEOM.
35+ units | 65+ keys | 2026
KEY FEATURES: Nature Trails

LEYJA
US$ 500 million
A luxury hospitality location carved between 400-meter-high mountains focusing on eco-tourism.
120+ keys | 2027
KEY FEATURES: Hiking trail to Trojena (73 km)

UTAMO
US$ 200mn
A multifaceted performance arena, complete with VIP lounges and a premier dining venue.
2027
KEY FEATURES: Events and entertainment venue, signature restaurants and lounges

NORLANA
US$ 300mn
A sea-side residential community centred around wellness and wellbeing, which will be home to 3,000 residents on completion.
711 units | 2027
KEY FEATURES: 120-berth marina, equestrian and polo centre and an 18-hole golf course

EPICON
US$ 160 million
An ultra-premium hotel, luxury residences and resort on the coast of NEOM.
45+ units | 230+ keys | 2028
KEY FEATURES: Club and jetty

AQUELLUM
US$ 500mn
A cutting edge mixed-use community, hidden in NEOM's mountains and accessed via a canal that runs through a cave.
2027
KEY FEATURES: A "hidden" community 450m high in NEOM's mountains

ZARDUN
US$ 200 million
An ultra-premium beach hotel and resort.
100+ keys | 2027
KEY FEATURES: Beach club and jetty

XAYNOR
US$ 50 million
An ultra-luxurious beach resort on the Gulf of Aqaba.
2028
KEY FEATURES: Luxury beach resort with private pools

SHARMA
This project aims to establish a unique blend of luxury living and innovative technology.
2027

Source: Knight Frank, MeedProjects

Project value | Total value of commisioned projects to date | Construction progress of commissioned projects
Office (Sqm) | Residential | Retail | Hospitality | Total land area | Expected completion

> "Over the last year, various subcomponents in NEOM were revealed, including Trojena, the host location for the 2029 Asian Winter Games and Sindalah, the luxury island and hospitality destination in the Red Sea, which will be the first of NEOM's projects to materialise. These projects not only signify the urgency of delivery but send a strong signal about the scale of the ambition of Saudi's record-breaking real estate projects that are yet to be realised."

Amar Hussain
Associate Partner - Research, ME

GIGA PROJECTS' MAGNETISM

While the Giga projects represent some of the most ambitious construction undertaken in the world, let alone Saudi, there appears to be a gulf between expats' budgets and developers' planned sales prices.

NEOM dominates

When asked about which Giga project they would most like to buy a home to live in, NEOM emerges as the clear favourite (24%), followed by Jeddah Central (15%) and King Salman Park (8%). 14% of our expat sample said they were uninterested in purchasing property in any of the Giga projects.

NEOM enjoys slightly greater popularity among Millennial expats (29%), followed by the Red Sea Project (12%) and Jeddah Central (10%).

This popularity appears to be disconnected from an understanding of the project's offerings as Millennials (53%) appear to have the lowest level of familiarity with NEOM compared to other age groups: 67% for 35–45-year-olds and 85% for those aged 45-55.

Overall, NEOM appears to be most well-known in the expat community at 68%, followed by King Salman Park (52%) and AlUla (50%).

Of those interested in NEOM, 42% are interested in The Line, 19% are interested in Sindalah Island, and 10% are interested in Sharma Valley.

Most expat respondents (40%) expect their preferred Giga project to be completed in 2-5 years, with 37% expecting completion within the next 2 years.

Disconnect between expectations and reality

Encouragingly, when asked about the likelihood of making a residential purchase in their most preferred Giga project, 72% of our expat respondents said they were likely to do so - with 35% of this group saying they were 'very likely' to make this purchase.

87% of expats said they are prepared to spend under SAR 3.5 million. Notably, almost a third (32%) said they would only be looking to spend under SAR 750,000, which may cause challenges for developers as it is our understanding that the bulk of stock in the Giga projects will be priced north of US$ 1 million.

When those with a budget of under US$ 1 million were presented with this information, 41% of expats said they were still interested in making the purchase and were also willing to reconsider their budget. This figure climbs to 58% for Millennials. Overall, 38% said the planned high starting prices would dissuade them from considering a home in any of the Giga projects.

GLOBAL MUSLIM HNWI DEMAND FOR GIGA PROJECTS

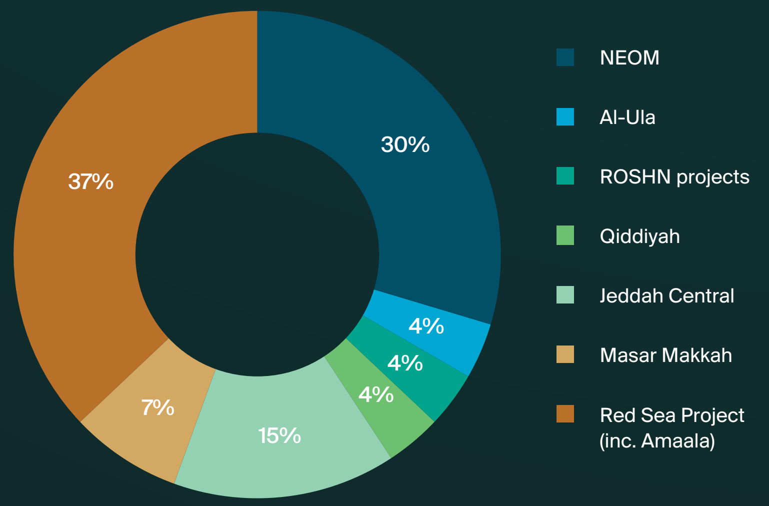
Unlike Saudi expats' views, the global Muslim HNWI we polled favour the Red Sea Project (37%) ahead of NEOM (30%). Jeddah Central (15%) ranks as the third most popular Giga project for a residential purchase.

For those with a net worth of over US$ 3 million, the Red Sea Project (75%) is an overwhelming preference, followed by NEOM (25%).

Within NEOM, The Line (63%) emerges as a clear favourite, followed by Oxagon (25%) and Sindalah Island (13%).

Survey 1

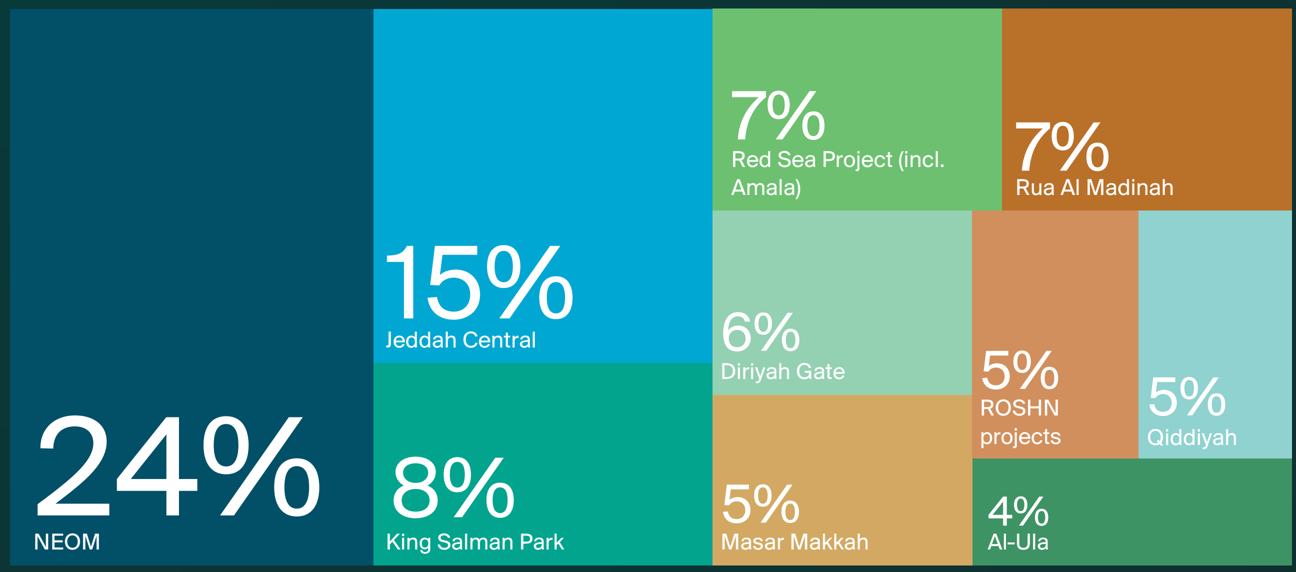
Global Muslim HNWI Giga project preference



Source: Knight Frank, YouGov

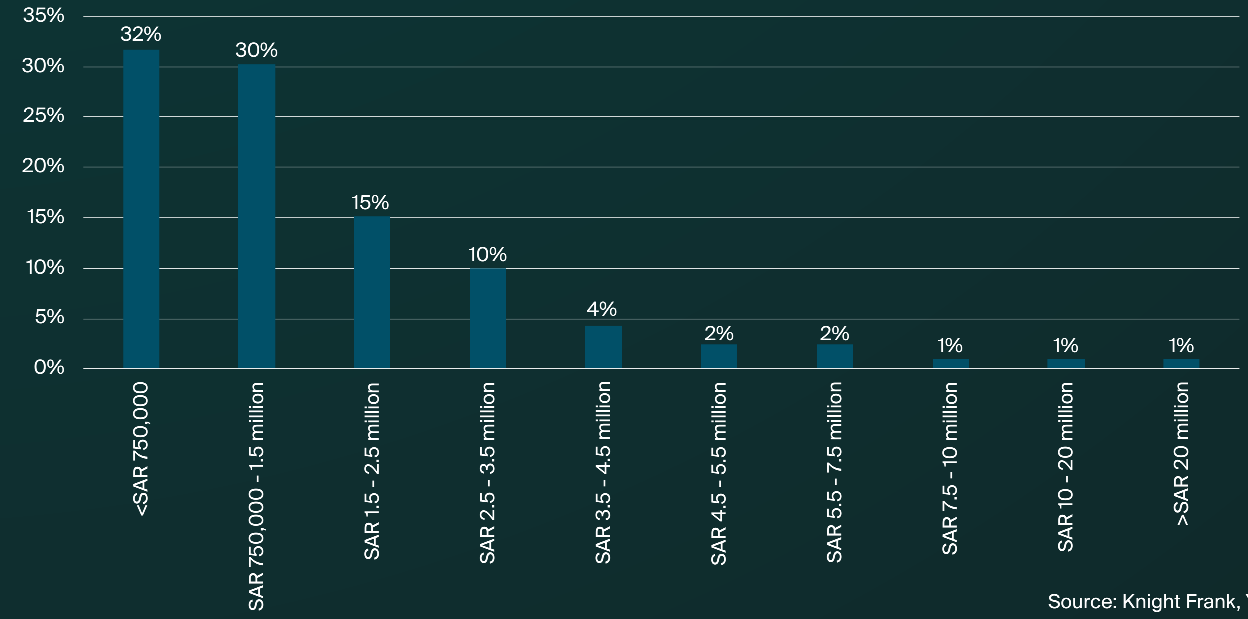
Survey 2

Expats preferred Giga projects



Source: Knight Frank, YouGov

Expats' Giga projects budgets



Source: Knight Frank, YouGov

GIGA PROJECTS' MAGNETISM

SAR 570 million of spending power

Overall, the average budget of our expat respondents stands at SAR 2.7 million for a Giga project purchase, compared to SAR 1.7 million elsewhere in the Kingdom. Millennial expats claim to have the deepest pockets, with average budgets of SAR 4.3 million, nearly twice any potential allocation from 45–55-year-olds (SAR 1.5 million).

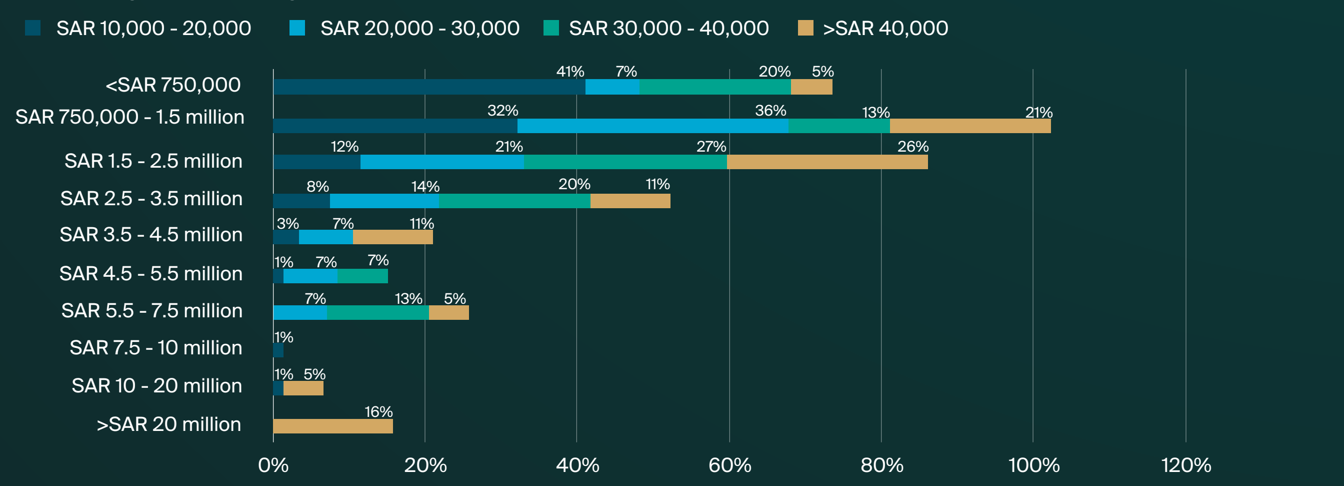
Between them, our group of Saudi expats have a total spending power of SAR 570 million, or about US$ 152 million. Scaling this up across the Kingdom's 1.2 million white-collar workforce could in theory, suggest that dry powder capital worth SAR 3.24bn (US$ 863 million) is already amassed in the country.

Paying for the privilege

When probed on the premium they would be willing to pay for living in any of the Giga projects (compared to a non-Giga project), almost a third (32%) said they would be prepared to pay a premium of 2.5-5% above the prevailing market rate, while 25% indicated that they would pay a premium of less than 2.5%. The average premium our expat respondents would be prepared to pay stands at 5.7%. This does, however, climb to 6.4% for Millennials.

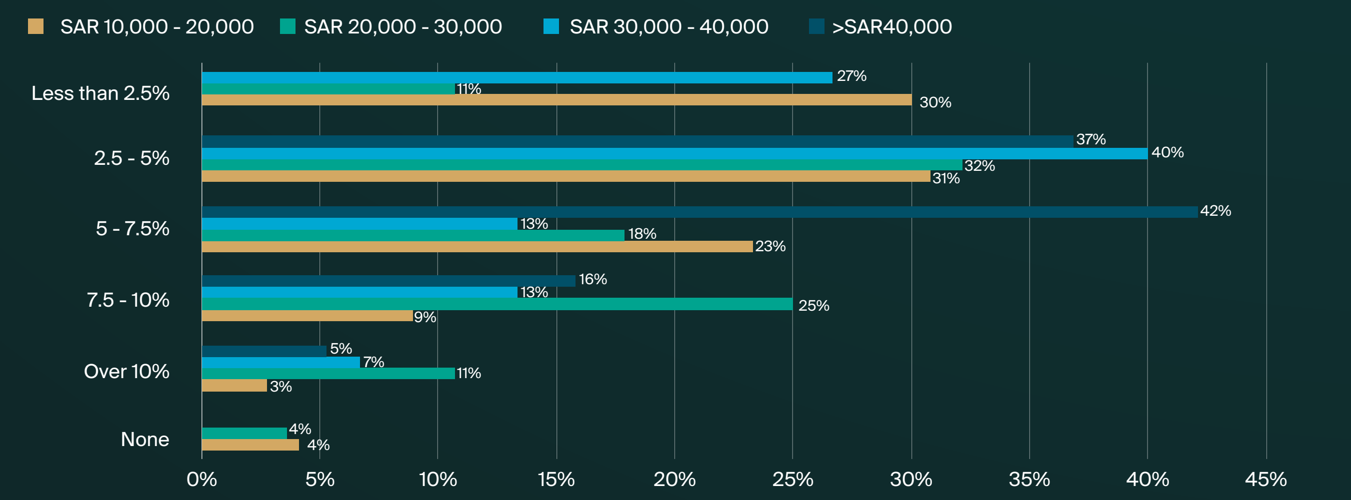
Most (42%) of those on monthly incomes in excess of SAR 40,000 are ready to pay a premium of 5-7.5%.

Expats' Giga project budgets (by monthly income)



Source: Knight Frank, YouGov

Premiums expats are prepared to pay for Giga project purchases



Source: Knight Frank, YouGov

A model depicting apartments at The Line, NEOM

ALLURE OF GIGA PROJECTS

When asked about the biggest pull factors of owning a home in any of the Giga projects, respondents cited ‘parks and green spaces’ and ‘family entertainment’ jointly at 39% each. ‘Investing in Saudi Arabia’s future/Vision 2030’ (38%), ‘world-class entertainment/theme parks’ (33%) and ‘climate/weather’ (28%) were ranked in third, fourth and fifth place, respectively. Below, we visualise all the factors that expats consider important in relation to owning a home in any Giga project, with the larger phrases being cited more often.

SAUDI BASED EXPAT BRANDED RESIDENTIAL DEMAND

Survey 2

BRANDED RESIDENCES: EXPAT DEMAND

As an asset class, the popularity of branded residences is rising across the Kingdom. Luxury vacation destinations are rapidly incorporating branded residences as part of their plans, with the Red Sea Project, for instance, expected to add up to 1,000 branded residential units by 2030. The likelihood of buying a branded residence is closely correlated with income and social status. As income rises, so does the probability of buying a branded residence among our expat respondents. Indeed, nearly half (48%) of those earning over SAR 40,000 a month say they are 'very likely' to purchase a branded residence in the Kingdom.

High demand levels

68% of our expat respondents are likely to purchase a branded residence in Saudi, with nearly a third (27%) 'very likely' to buy.

The greatest appetite comes from the expat Millennial cohort, with 31% 'very likely' to purchase a branded residence. 76% of under 35s are likely to buy a branded unit.

45% of respondents would be interested in purchasing within the next two years, with a further 34% interested in purchasing within the next 2-5 years.

Family first

When it comes to the intended use of a potential banded residential acquisition, 38% of expats are interested in purchasing a residence for their family or dependents, 29% are interested in making the property their main residence, and 26% are keen to treat it as an investment property.

Millennials (37%) are more interested in using their branded residence as an investment asset when compared to 35–45-year-olds (22%) and those aged over 45 (18%). Overall, 61% of our expat respondents are likely to rent out their branded residential purchase most of the time. Just 1% said they would never lease out the property.

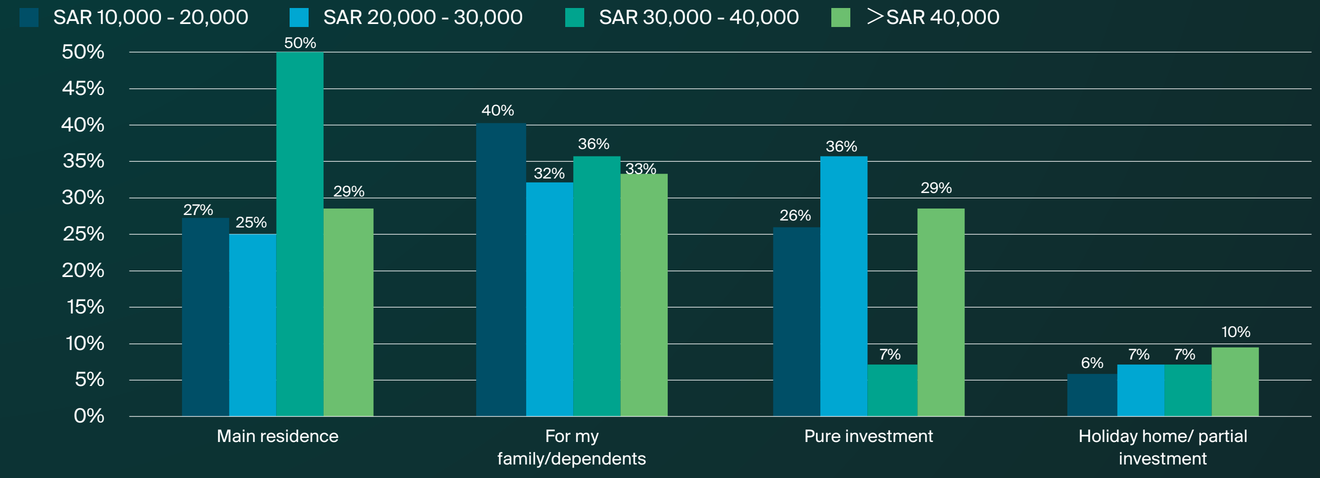
Re-examining the data by monthly salary levels reveals that 50% of those earning between SAR 30,000-40,000 are most likely to use the property as a main residence compared to other income bracket levels.

Completed stock preferred

47% of respondents prefer a completed property to an off-plan or shell and core property. This view is perhaps linked to developers' lack of track records in this space.

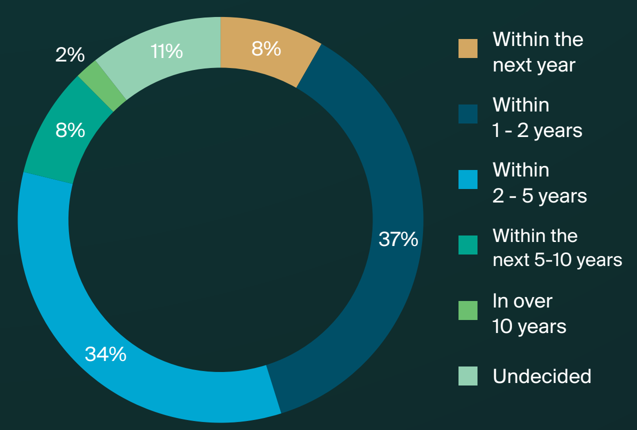
That said, 56% of Millennial expat respondents prefer an unfinished property (56%) when it comes to branded residences, with 33% happy to buy off-plan property and a further 23% preferring a shell and core option.

Expats' planned use of a branded residential purchase (by monthly income)



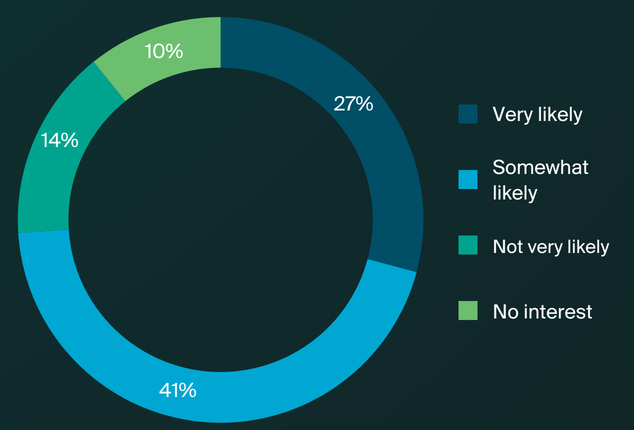
Source: Knight Frank, YouGov

Timeline to purchase a branded residence



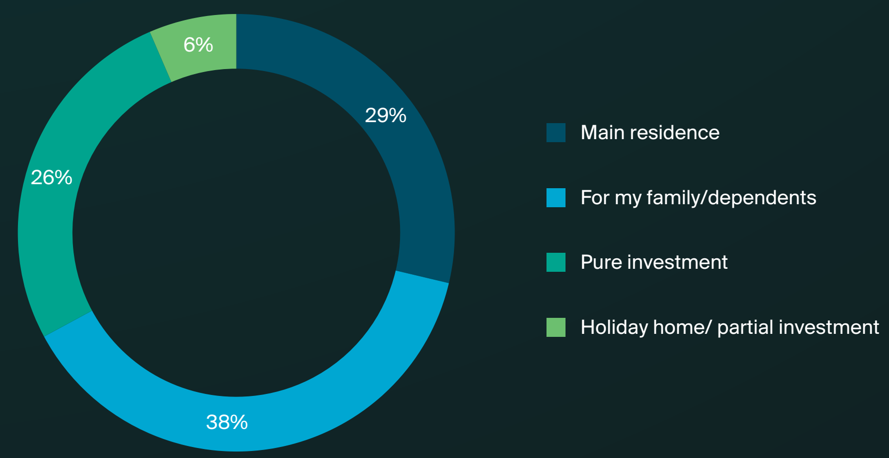
Source: Knight Frank, YouGov

Likelihood of buying a property in a branded residence



Source: Knight Frank, YouGov

Expats' likely use of a branded residence



Source: Knight Frank, YouGov

BRANDED RESIDENCES: EXPAT DEMAND

Financing concerns

To tip the balance in favour of buying a branded property, 42% of expats say they would be more likely to make the purchase if financing was offered by local banks, a sentiment echoed by GCC HNWI in our 2023 Saudi Report.

The second most significant consideration for 35% of expats is the lack of more unit types/sizes as well as branded beachfront villas, in particular.

SAR 630 million budget

In terms of budgets, nearly a third (30%) would be willing to consider spending less than SAR 750,000. However, this highlights a disconnect between market pricing and expat buyer expectations, as budgets of less than SAR 750,000 make it unlikely that a branded residential product will be secured in the market today. 24% say they would pay between SAR 750,000-1.5 million for a branded residence, while 21% would be prepared to commit between SAR 1.5-2.5 million.

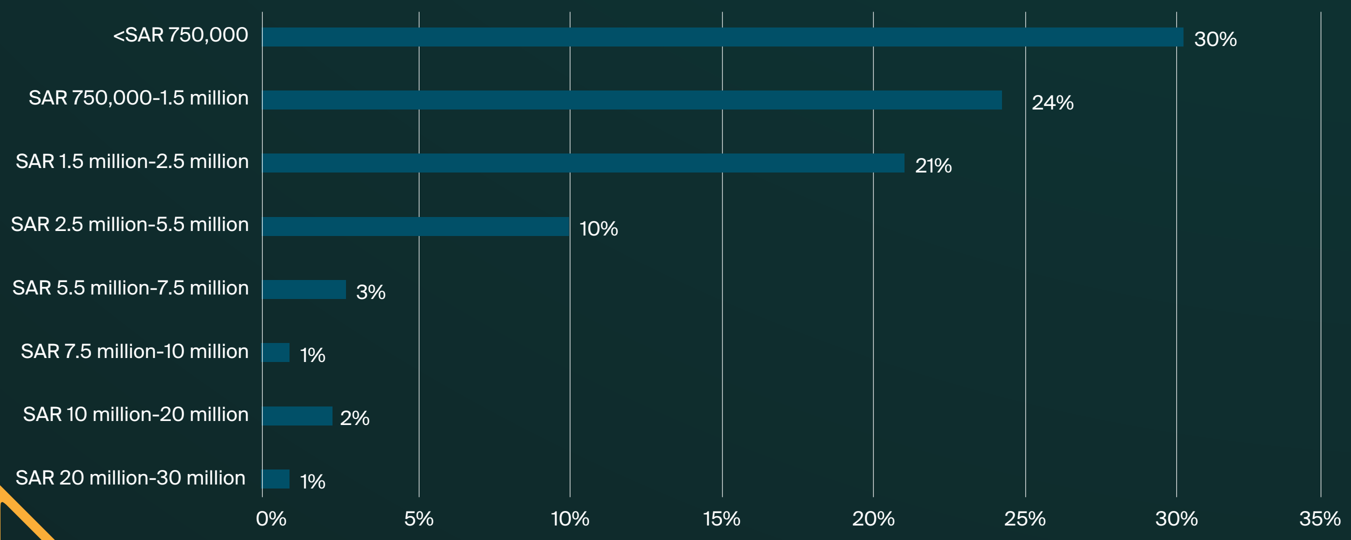
The average budget amongst our respondents for a branded residence in Saudi stands at SAR 3.1 million, rising to SAR 4.5 million for Millennials.

Between them, our 241 expat respondents have a combined budget of SAR 630 million to spend on branded residences.

Notably, 60% would seek a sale that included a payment plan, while 52% of those aged under 35 said they would be prepared to pay in full at the time of purchase without the need for a payment plan.

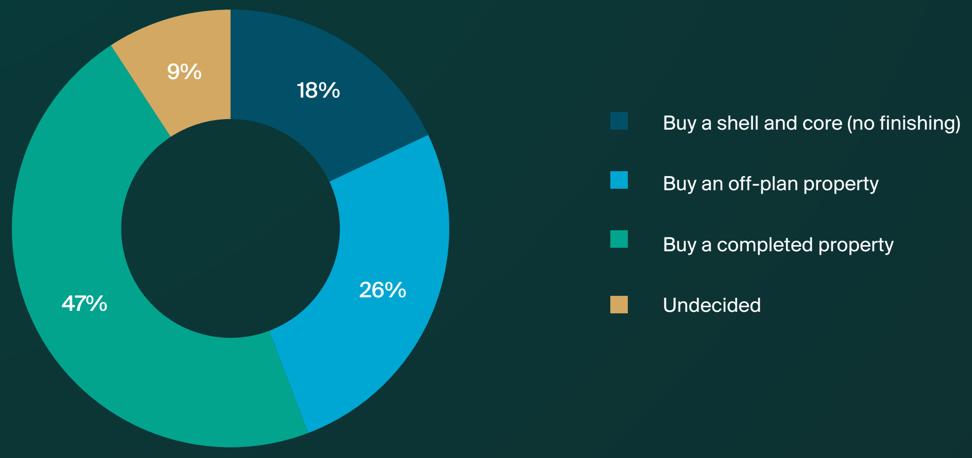
> “The average expat budget for a branded residence in the Kingdom is SAR 3.1 million.

Expat budgets for branded residential purchases



Source: Knight Frank, YouGov

Preference of property purchase (by property status)



Source: Knight Frank, YouGov

BRANDED RESIDENCES: EXPAT DEMAND

Property size preferences

68% of the expats we polled would be interested in 1-3 bedroom branded residential properties, with the most popular size being 3-bedroom apartments (34%), closely followed by 2-bedroom homes (24%).

Hotel brands versus luxury brands

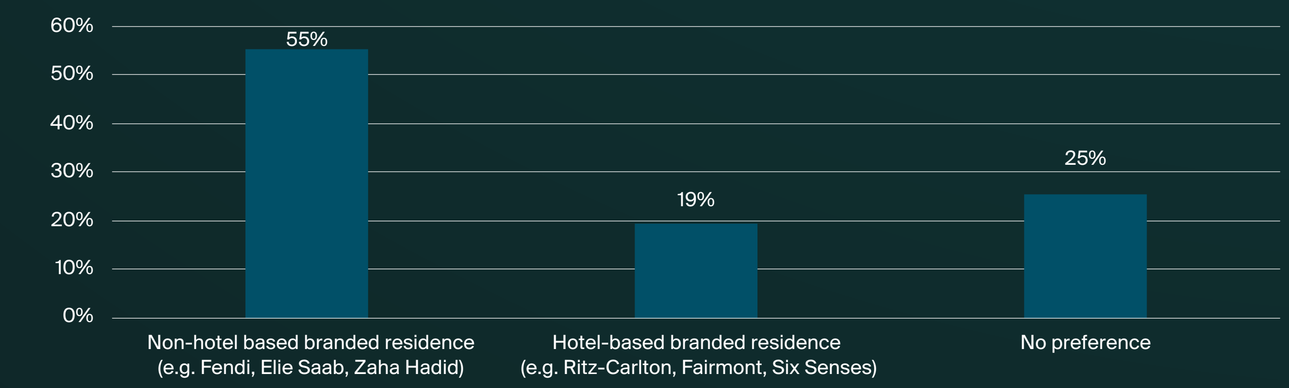
By definition, branded residences often fall into two broad categories: hotel and non-hotel based residences. The former forms a branch of a well-known luxury hotel brand, and the latter is where the residence is managed and operated by other luxury brands, often with an established name in fashion, architecture, retail, or the automotive industry.

55% of respondents are interested in hotel-based branded residences, climbing to 67% amongst Millennial expats. By far, the strongest preference for hotel-based brands is from the highest earners (>SAR 40,000 per month) at 86%.

Preferred branded residence size

Source: Knight Frank, YouGov

Hotel vs luxury brand preferences among expats



Source: Knight Frank, YouGov

Jabal Omar, Makkah

BRANDED RESIDENCES: EXPAT DEMAND

The appeal of a branded residence

The services and amenities offered by branded residential operators have emerged as the number one draw for expat buyers (35%). A further 27% of expat respondents say the investment return is their main driver to purchase a property in a branded residence.

For Millennials, the assumed high level of maintenance that comes with a branded residential property ranks as the third most significant consideration (20%), behind 'services/amenities' and investment returns (27%), when compared to their older counterparts - only 10% of those over 45 value maintenance.

Our Habitas Hotel Resort, AlUla

Most important factors to expats when purchasing branded residences

35% Services/ amenities

27% Investment

18% Specific brand identity

17% Maintenance

3% Prestige

Source: Knight Frank, YouGov

NEED TO KNOW:

- **68% of Saudi-based expats would like to purchase a branded residence in the Kingdom.**
- **45% of respondents would be interested in making a purchase within the next two years.**
- **38% of expats are interested in purchasing a residence for their family, or dependents.**
- **Expats have an average budget of SAR 3.1 million to purchase a branded residence.**
- **55% of respondents are interested in hotel based branded residences.**

EXPERT INSIGHT

Understanding hotel- and non-hotel branded residences

The obvious difference is that a hotel residence gives you the feeling of "owning a part of a hotel" and having full access to its amenities while being in your own private environment.

Most major global hotel brands already have branded residential schemes in the MENA region, which means developers are now looking for something new - the next point of differentiation. Many are exploring options to offer residential property linked to a non-hospitality brand. This would typically be a fashion, jewellery, or automotive brand.

Buyers of non-hospitality branded residences can 'live the brand' 24/7 with everything from the furniture to the decor and amenities designed by the brand.

These non-hotel-linked brands also often provide access to exciting amenities and hospitality partnerships with the same positioning as the brand and usually include tailor-made services and member-only benefits.

Non-hospitality brands are also usually more experimental with design and architecture, whereas hospitality brands follow the established look and feel of a hotel, with the former therefore very often seen as more exclusive.

> **"Buyers of non-hospitality branded residences can 'live the brand' 24/7 with everything from the furniture to the decor and amenities designed by the brand.**

Many interesting luxury brands, including the likes of Mercedes and Bugatti, are extending their footprint into markets such as Dubai, taking the opportunity to secure potentially high license fees in branded property and hospitality formats.

I expect to see similar and new brands racing to access the Saudi market, particularly given the high level of demand from both domestic and international buyers for luxury branded residences in the Kingdom, which has already prompted a spike in new operators such as the Four Seasons and Ritz Carlton.

Indeed, in 2022, PIF, along with Cain, acquired a US$ 900 million stake in Aman, whose 34-brand stable includes the Waldorf Astoria and is perhaps amongst the best-known globally, so it is likely the Saudi market will soon see a host of new branded residential properties appearing.

Lars Jung-Larsen
Partner - Luxury Brands, MENA

OPPORTUNITIES

OPPORTUNITIES

The unique data and insights derived from our two 2024 Destination Saudi surveys of international Muslim HNWI and Saudi-based expats have helped to unmask the depth of latent demand for residential real estate purchases and investments from groups that have historically been unable to easily access the Kingdom's real estate markets. These untapped sources of significant capital represent an important demand dynamic that has the potential to alter the performance and behaviour of Saudi Arabia's residential market significantly. Below we outline 6 opportunity areas that align with our market experience and build on the results of our consumer surveys.

INTERNATIONAL HNWI BUYERS

1) LUXURY HOUSING

While we retain our position of the inherent risk to the national market from an oversupply of luxury residential real estate that could be delivered before the end of the decade across the Kingdom's various Giga projects, the appetite from international HNWI for luxury homes in the Holy Cities shines a light on a new area of opportunity for developers and investors.

Notwithstanding current laws that only permit 99-year leasehold titles to be issued to international buyers under the SAR 4 million minimum Premium Residency Visa for real estate owners, we have found that 84% of global HNWI are focused on acquiring real estate in one of the Holy Cities. Furthermore, 63% of those with a net worth of over US$ 2-3 million would like to purchase in Makkah, putting this group well above the SAR 4 million threshold to qualify for a Premium Residency Visa.

In addition, 40% of those keen on Makkah have budgets in excess of US$ 5 million.

As things stand, Thakher and Masar Makkah are the only two planned Giga projects in the Holy Cities and with c.10,000 homes set to be delivered in these developments, the Holy Cities will account for just 1.5-2% of the total 660,000 units planned nationally. This strongly hints at the ability of the real estate markets in the Holy Cities, particularly Makkah, to absorb substantially higher levels of luxury housing.

2) BRANDED RESIDENCES

As has been the case elsewhere in the world, the appetite to own luxury branded residential units is on the rise across the Kingdom, with international HNWI focussed on the 'high yield and investment potential' (65%), followed by 'building maintenance and management' (54%) and 'service provision and physical amenities' (52%).

What's more, the desire to own branded residential real estate in the Holy Cities is higher than the appetite to own elsewhere in the Kingdom. HNWI focussed on Makkah are more likely to purchase property in a branded residence (64%) when compared to those interested in Madinah (55%). The appetite to own a branded property in Madinah rises sharply with levels of personal net worth, climbing to 77% amongst those with personal wealth in excess of US$ 3 million.

Among our HNWI Muslim respondents, an overwhelming majority (92%) are eager to buy a branded residence in either of the Holy Cities, with 57% 'very likely' to do so. And 38% are prepared to spend over US$ 10,000 psm.

At the top of the market, apartment prices in Makkah and Madinah can range from SAR 5,100-5,400 psm, or roughly US$ 1,360-1,440 psm, which is almost 10X lower than global HNWI are prepared to spend on branded residences in the Holy Cities, again underscoring the significant gap in the market for branded high-end homes. 40% of global HNWI are ready to commit more than US$ 10,000 psm for a branded home in Makkah.

Connected with the phenomenal demand for branded residences is the need to ensure excellent property management services are available to international investors and buyers. Indeed, for those considering Makkah, this is the most important concern (50%). Fractional ownership, or the ability to purchase through a time-share scheme, ranks second (47%); however, laws are still not in place to allow this.

OPPORTUNITIES

3) KEY WORKER ACCOMMODATION

The tourism and hospitality sector is quietly being positioned as one of the key lynchpins of future economic growth. Indeed, we are tracking in excess of 290,000 hotel rooms, all due to be completed by 2030. With 150 million visitors expected to pass through the Kingdom's travel gateways by 2030, the volume of real estate projects linked to the hospitality, tourism and entertainment sectors is unsurprisingly soaring.

Linked to this extraordinary growth is the need to provide adequate key-worker accommodation. The WTO recommends that the optimum number of staff per 10 rooms in a 3-star hotel is 8, 12 staff per 10 rooms in a 4-star property and 2 staff per room for 5-star establishments.

Our estimates show that 67% of the planned hotel room supply in the Kingdom will fall in the 'upscale' or 'luxury' categories (4-star and 5-star), suggesting somewhere between 232,000 and 387,000 key workers could require accommodation in this segment of the hospitality market alone. In the Kingdom, however, our estimates suggest that many hotels are able to operate with lower staff numbers than suggested by the WTO.

Planning ahead to provide key worker accommodation on this scale will help with talent attraction and retention issues while also creating attractive investment-grade stock for institutional investors.

To understand the scale of the potential requirement for the Holy Cities, we have examined the hotel supply planned in Makkah and Madinah. This figure amounts to 168,000 keys (40,000 keys in Masar Makkah alone), or about 28.8% of the total stock expected across the country by the end of the decade.

Looking at the existing supply split, we estimate that c.70% of this figure falls in the 4- and 5-star category, suggesting as many as 141,000–235,000 hotel staff could need housing in the Holy Cities by the end of the decade.

SAUDI-BASED EXPAT BUYERS

1) AFFORDABLE HOMES

Unlike most Saudi nationals, 68% of expats aspire to own an apartment. Significant income multipliers, smaller family (or household) sizes, plus the perhaps transient nature of expats are thought to be drivers of this trend. This preference does, of course, reverse higher up the income curve, with 92% of those on monthly incomes of over SAR 40,000 focussed on a villa.

For would-be home hunters, apartments grow in preference with age. 74% and 73% of those aged 35-45 and 45-55, respectively, would prefer to own an apartment instead of a villa.

Of note is the fact that 53% of the expats we polled would like to own a 2- or 3-bedroom apartment.

The opportunity here for developers is not just to build more apartments but to ensure they are managed to an international standard and that the developments incorporate all the services and amenities sought-after by expats: 'onsite essentials' (33%); easy access to public transport (27%) and onsite family entertainment facilities (25%).

Most crucial of all though is pricing. 75% of expats are prepared to spend up to SAR 1.5 million for a potential property purchase in the Kingdom, with almost 40% saying they would not commit over SAR 750,000.

This is at odds with current market conditions, with an average two-bedroom apartment costing as much as SAR 800,000 in Riyadh (SAR 700,000 in Jeddah). Similarly, three-bedroom apartments in Riyadh cost as much as SAR 976,000, while Jeddah is slightly cheaper at SAR 790,000.

Similarly, we believe incorporating a greater proportion of affordably priced housing into the Giga project developments will help improve their attractiveness and the rate of absorption of homes.

87% of expats said they have a maximum budget of up to SAR 3.5 million for Giga projects. Notably, almost a third (32%) said they would only be looking to spend under SAR 750,000. For Giga project developers planning starting ticket prices of US$ 1 million, this may cause challenges if expats are the target market. This is an especially significant consideration when 72% of expats say they are likely to want to buy a home in a Giga project when permitted to do so.

2) 10-MINUTE CITIES

Three-quarters of expats are interested in purchasing a home in a residential community. This desire grows to 77% for Millennials as well as those aged between 45 and 55 and climbs higher still to 83% amongst female expats.

When monthly incomes are factored in, there is an exponential rise in the desire to buy a home in a gated compound, reaching as high as 94% amongst those earning more than SAR 40,000 each month.

Of note is the fact that 36% of expats are prepared to walk 5-10 minutes to reach a nearby destination. An additional 27% can walk for up to 15 minutes. As outlined earlier, the average person can walk a distance of 1km in 12 minutes (British Heart Foundation), suggesting that a distance of 833m could be covered in 10 minutes. The implication is that community facilities and amenities should be no more than 833m from each front door.

Providing adequate, safe and well-shaded walking areas is crucial. For those who do not find the climate too hot to walk, an improvement in the design and layout of neighbourhoods would result in 24% of respondents having no excuse not to walk to places more often, while 53% say their walking experience would 'improve drastically'. Almost 30% of Millennial expats are deterred from walking purely due to what they consider improper street design.

While walking long-distances may not always be permissible given the climatic conditions, self-contained residential communities, with amenities within a 10-minute walking radius are likely to prove hugely popular amongst expat buyers.

OPPORTUNITIES

3) MORE BRANDED RESIDENCES

Like international HNWI, the desire to own a branded residential property in the Kingdom is high amongst the expat community. Indeed, 68% of expats would like to purchase a branded residence, with nearly a third (27%) 'very likely' to buy.

The strongest level of appetite comes from the expat Millennial cohort, with 31% 'very likely' to purchase a branded residence. 76% of under 35s are likely to buy a branded unit.

The highest earners are by far the most keen, with nearly half (48%) of those earning in excess of SAR 40,000 a month eager to secure a branded home.

45% of respondents would be interested in making a purchase within the next two years, with a further 34% interested in purchasing within the next 2-5 years, highlighting the depth of demand yet to be tapped into.

Branded residences are growing in popularity across the Kingdom but remain in short supply. Given the depth of demand not only from global HNWI, but also expats, there remains a tremendous opportunity for developers to introduce branded products into their planned residential portfolios. Noting that 55% of expats would only be willing to spend up to SAR 1.5 million, offering timeshare options and partnering with local banks to offer mortgages are likely to create even greater demand.

> "Luxury vacation destinations are rapidly incorporating branded residences as part of their plans, with the Red Sea Project, for instance, expected to add up to 1,000 branded residential units by 2030.

EXPERT INSIGHT

The data centre landscape in Saudi Arabia

Over the past two decades, Saudi Arabia has seen significant growth in data centre infrastructure development, driven largely by the government's 'Vision 2030' initiative, which aims to diversify the national economy. Its strategic position bridging Asia, Africa, and Europe is advantageous, with a multitude of subsea cables passing through the Red Sea and the Arabian Gulf. The data centre industry began to take off in the early 2000s, initially serving the telecom and finance industries. Since then, both local and international investments have broadened the sector, leading to the construction of Tier-III and Tier-IV certified data centres.

The country is about to witness a significant spike in end-user demand, required to facilitate new public cloud regions and future AI facilities. In March 2024, Amazon Web Services announced a $15bn commitment to create additional Cloud Zones in Riyadh, Jeddah and Dammam to enhance its regional presence starting in 2026. It is anticipated that the other leading US cloud players, including Google, Microsoft, and Oracle, will soon follow suit, and Knight Frank predicts a total demand of c.1,500MW of new capacity demand before the end of the decade, equating to around $30bn of facility CAPEX.

Saudi Arabia's strategic geographical location, political stability, and growing domestic and international demand for digital services have served to position the country into a data hub for the region.

In fact, Saudi Arabia is the fastest-growing data centre market in the Middle East, with its live IT capacity having risen by 29.7% to 109MW since the beginning of the year. The data centre market is split between three main hubs, Riyadh, Jeddah, and Dammam, which host 80% of live IT supply, or 40MW, 29MW and 19MW each, respectively.

> "Saudi Arabia's strategic geographical location, political stability, and growing domestic and international demand for digital services have served to position the country into a data hub for the region.

The operator landscape is dominated by local and national providers, with Saudi Telecom Company (STC)-backed Center3 leading the way. In fact, the Public Investment Fund (PIF)-backed company currently operates 28MW of live IT capacity and has a further 82MW in its pipeline. However, international operators, such as Quantum Switch, Edgnex Data centre, and Gulf Data Hub, are now establishing a presence in the region.

Factors such as government initiatives, rising cloud adoption, improved connectivity, and the rising recognition of big data & IoT are all fueling the growth of the data centre sector. The roll out of 5G and the introduction of the Personal Data Protection Law in the country will further boost demand moving forward.

Saudi Arabia's government has launched several initiatives to promote data centre investments, including the establishment of Special Economic Zones and Free Trade Zones, as well as investments in 'Smart City' projects.

Stephen Beard
Global Head of Data Centres

DISCOVER OUR SERVICES

DESTINATION SAUDI 2024: NUMBERS YOU NEED TO KNOW

International Muslim HNWI demand for real estate in Saudi

82%
of global Muslim HNWI are interested in making a property purchase in Saudi Arabia

84%
would like to make that purchase in one of the Holy Cities

60%
view Saudi Arabia as a 'good investment opportunity'

63%
of Muslim HNWI with a net worth of between US$ 2-3 million want to buy a home in Makkah

48%
of those looking to purchase a property in Makkah intend to use it as a main residence

40%
of those keen on a home in Makkah have a budget of over US$ 5 million

total allocated budget by global Muslim HNWI to purchase in the Holy Cities **US$ 2bn**

92%
are eager to buy a branded residence in either of the Holy Cities

Saudi-based expat demand for real estate in Saudi

77%
of expats would like to own a home in the Kingdom

9% of expats are prepared to spend over **SAR 3.5 million** on a potential home purchase

75%
of expats are interested in purchasing in a residential community

68%

of expats would like to own an apartment

of expats are likely to purchase a branded residence in Saudi

of the expats we polled would be interested in 1-3 bedroom branded residential properties

average expat budget for a Giga project purchase **SAR 2.7 million**

SAR 3.1 million the average expat budget for a branded residence

Source: Knight Frank, YouGov

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