

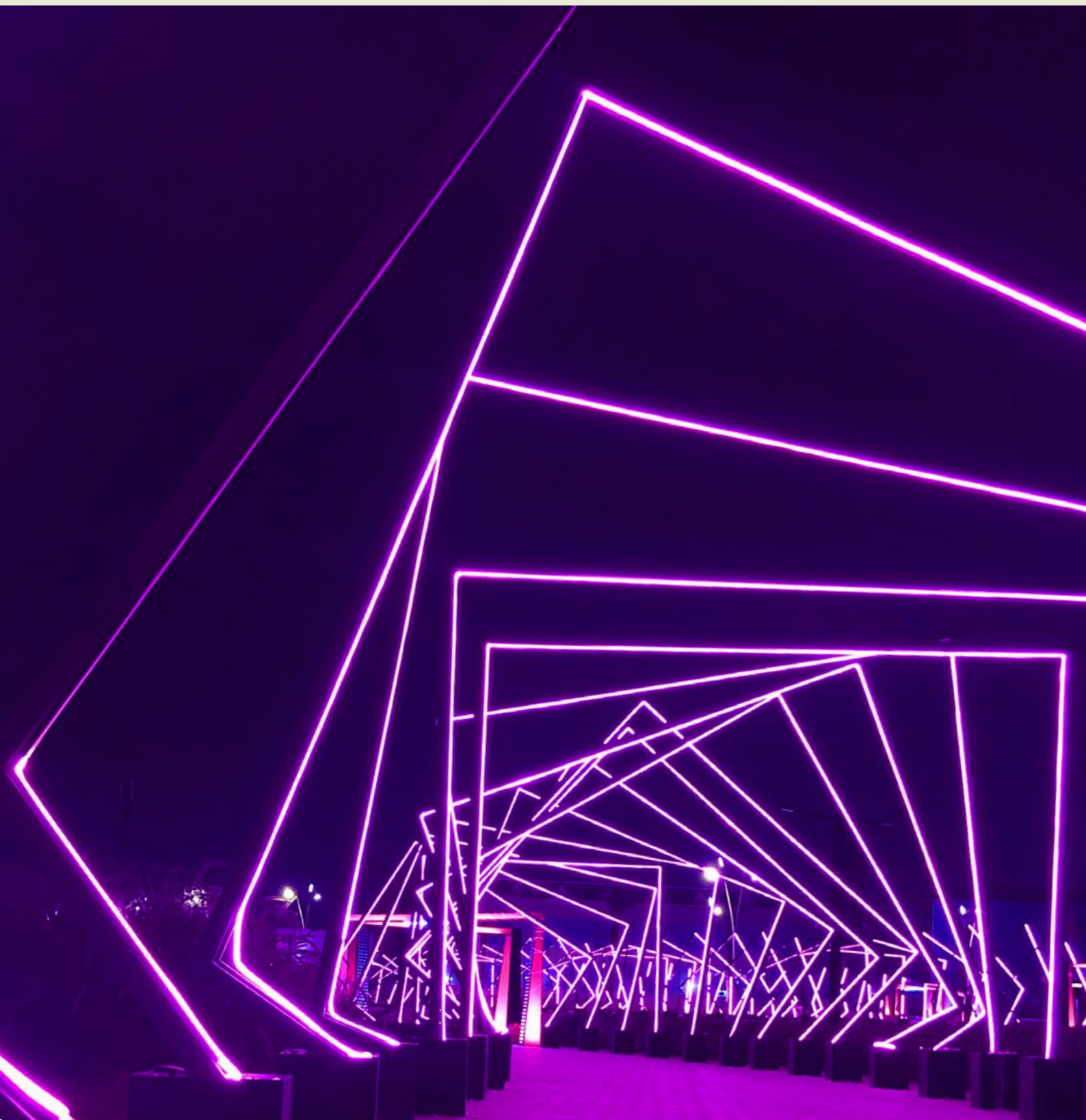
How Population is Driving Development Riyadh's Near-Future



October 2024

White paper series

knightfrank.com.sa/en/research



Foreword

Vision 2030 is transforming the economy and society of the Kingdom of Saudi Arabia. Key to this vision is the transformation of Riyadh into a regional and global hub for business, finance, leisure, and tourism.

The city will see the development of many iconic locations such as New Murabba, a new district that will incorporate a 400 square metre cube at its core; Diriyah Gate, including 19 hotels and resorts dispersed around Al Turaif UNESCO World Heritage Site; Qiddiya, an entertainment giga project; and King Salman Park, the world's largest urban park.

Concurrently, Riyadh will prepare for Expo 2030 and World Cup 2034, where 8 of 11 new stadiums will be built. To enable travel to and from Riyadh to support these endeavours, there will be a new airport, the King Salman International Airport, that will host a new airline, Riyadh Air, which is set to connect the Saudi capital to 100 global cities.

Throughout, Riyadh will drive the Kingdom's ongoing economic diversification away from hydrocarbons, towards an economy built upon private sector innovation and growth, with access to world-class infrastructure and human capital.

The vision for Riyadh's future is the necessary and appropriate response to the city's changing demographics. The population of Saudi nationals is young and growing rapidly. According to the 2022 Census, 62% of the population are aged below 30. To fully reap this demographic dividend, there needs to be a sufficient supply of new housing (both for sale and for rent), employment opportunities, and retail and leisure offerings. Economic and social transformation aligned with, and fuelled by, population growth, will provide Riyadh with long-term growth and prosperity.

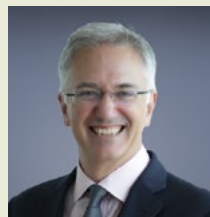


Vision 2030 is transforming the economy and society of the Kingdom of Saudi Arabia. Key to this vision is the transformation of Riyadh into a regional and global hub for business, finance, leisure, and tourism.

In the first paper in our white-paper series, we investigate the impact the growth in Riyadh's population will have on the city's housing and employment needs. Key findings include:

- By 2030, Riyadh City's population is forecast to increase from 7 million, recorded in the 2022 Census, to 9.6 million, comprised of 4.1 million Saudis and 5.5 million expats. This represents a 38% increase, equivalent to a compound annual growth rate of 4.1%.
- Between 2024 and 2034, demand for additional housing from Saudi nationals is estimated to be around 305,000 units.
- Already-announced projects by government-related entities are expected to add c.330,000 housing units to Riyadh's housing stock and are scheduled to be finished by 2030.
- The number of Saudis working in Riyadh could increase by anywhere between 16% and 23% up to 2030, and between 29% and 39% up to 2034, compared to Q1 2024. The announced additions to office, retail and hospitality stock of around 30%, as well as the multiple infrastructure and supply-side projects and initiatives underway, are necessary measures that aim to provide Riyadh's residents with sufficient employment opportunities.

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



Dr. Christopher Payne
Chief Economist – MENA



Faisaliah Tower in Riyadh

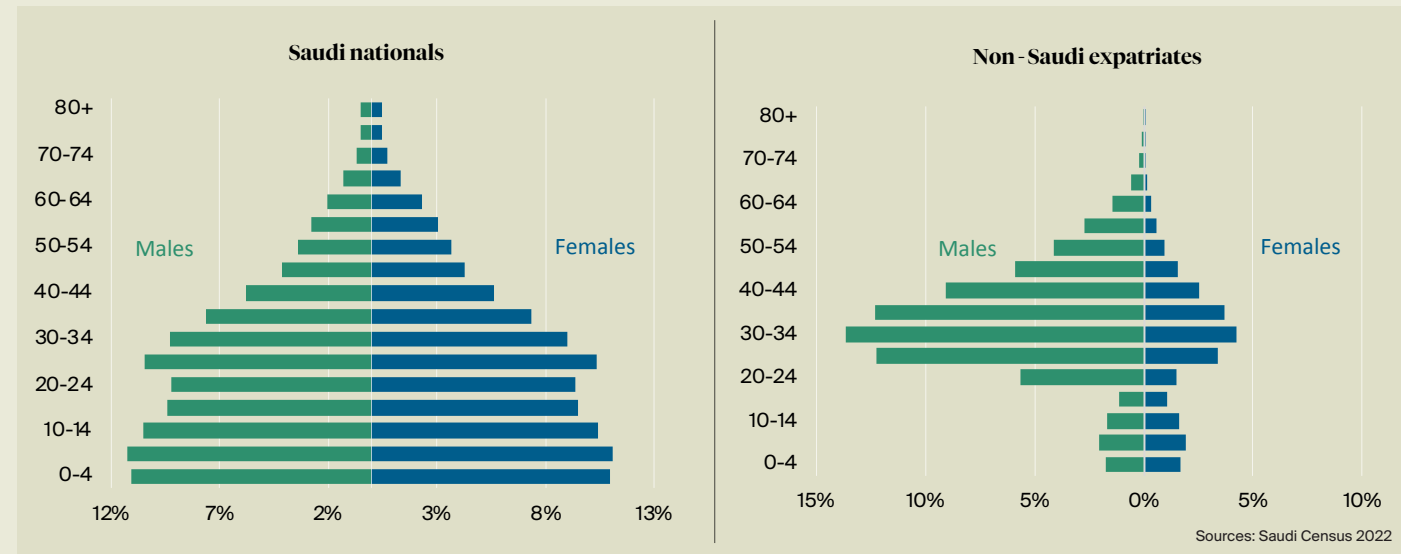
Riyadh's housing needs

According to the 2022 Census, the total population of Riyadh City was 7 million, of which 3.35 million were Saudi nationals and 3.66 million were expats. The city accounted for 21.8% of the entire population of Saudi Arabia, both Saudi and non-Saudi, and 17.8% of all Saudi nationals live in Riyadh. Of the population of Saudi nationals in Riyadh, 42% are under 20 years old and 62% are under 30.

As Figure 1 shows, the youth of the population of Riyadh's Saudi nationals contrasts sharply with the city's expat population, which remains heavily skewed towards males aged between 25 and 40 years old, many of whom are engaged in manual labour.

A young population of Saudi nationals implies high growth in the number of new households requiring dwellings; and an expansion of the working-age population seeking employment opportunities. Successfully providing sufficient housing and jobs is the essence of strong economic growth.

Figure 1: Riyadh population pyramid, 2022, Saudis and non-Saudis



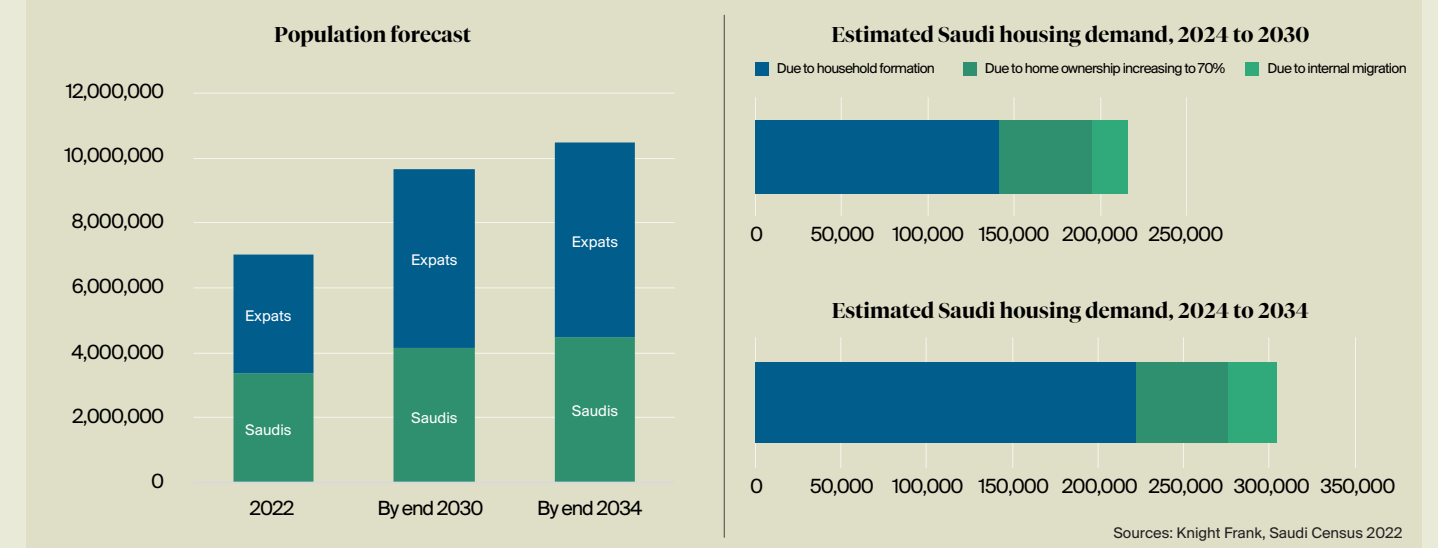
A. Future population growth

The chart on the left-hand side of Figure 2 summarises our population forecast for Riyadh. Estimates for Saudi nationals have been made using 2022 rates of marriages and births in Riyadh, and national mortality rates published in 2016. An estimate of the annual internal migration of Saudi nationals into Riyadh from other regions has been made by comparing the growth rate of Riyadh's labour force of nationals over other regions in the past three years, and then tapering the inflow up to 2030.

Finally, the estimate for non-Saudi residents assumes that the ratio of Saudi nationals to non-Saudis will steadily decline from 0.92x in 2022 to 0.75x in 2030. This is based on the need to employ expat workers to construct the new large-scale developments in Riyadh and, subsequently, to operate many of the new facilities.

The two charts on the right-hand side of Figure 2 summarise our forecast for additional housing demand from Saudi nationals. The largest contributor is household formation, which we have modelled using marriage rates; the next largest contributor to future demand is increasing rates of homeownership; the third factor is internal migration to Riyadh by Saudis from other regions of the Kingdoms. The upper chart covers the period from 2024 to 2030, the lower, 2024 to 2034.

Figure 2: Riyadh's Population Forecast



As Figure 2 shows, both population and housing demand is expected to grow rapidly over the next 10 years. By 2030, we forecast Riyadh's population to increase from 7 million in 2022 to 9.6 million, comprised of 4.1 million Saudis and 5.5 million expats. This represents a 38% increase, equivalent to a compound annual growth rate of 4.1%.

B. Future household growth

As the population ages, young people will marry and form new households. Between 2024 and 2030 inclusive, we estimate demand for additional housing from Saudi nationals to be c.220,000. Between 2024 and 2034, additional housing demand is estimated to be c.305,000.

While this may appear to be a very high estimate, it is worth noting that if the average household size remains at 4.7, as per the 2022 Census, then an additional c.1.14 million Saudis up to 2030 would translate into c.240,000 new homes. Implicit in our estimate, therefore, is an expectation for a small to moderate decline in household sizes; a natural response to demographic trends, changing preferences of young couples and incentives to raise the level of homeownership.

“ By 2030, we forecast Riyadh's population to increase from 7 million in 2022 to 9.6 million. ”

Moreover, demand for housing from Saudi nationals tells only half the story. Compared to the 2022 Census, our population estimate also assumes 1.85 million additional expats living in Riyadh by the end of 2030, and 2.3 million more by 2034.

The number of new dwellings required to meet the needs of this segment of the population is difficult to estimate because of the wide spread of household sizes associated with occupational status. That being said, our recently published [Destination Saudi 2024 report](#), where 77% of expats indicated a desire to own their own homes, hints at the depth of demand that already exists amongst the expat community.

In summary, as a result of Riyadh's population growth over the next 10 years, a significant and urgent program of house building is needed. The provision of new housing that is being planned to meet this need is discussed below.

Riyadh region's employment needs

A high rate of population growth implies a commensurately large increase in the number of people of working-age, (defined by the General Authority for Statistics, following international standards, as those aged 15 or over). Excluding internal migrants, we estimate that the number of working-age Saudis in Riyadh region will grow by c.1 million, or 32%, to reach 4.2 million over the next 10 years. This equates to a compound annual growth rate of 2.8%.

If we further assume that internal migrants head to Riyadh region for the express purpose of finding work, the population of working-age Saudi nationals could grow by an additional 265,000. This would mean that the overall workforce in the region would increase by 36% in the next 10 years, equivalent to a compound annual growth rate of 3.1%.

As of Q1 2024, the employment-to-population ratio of the working-age population in Riyadh region of Saudi nationals was 54.3%. (N.B. employment numbers exclude workers in military and security sectors and Saudis working for their own businesses, which are not subject to labour regulations).

Applying this rate to the additional population of Riyadh's working age nationals, excluding internal migrants, implies an additional c.510,000 new Saudis working in Riyadh region by 2034. This compares to an estimated pre-existing workforce of Saudi nationals of 1.7 million in Riyadh region and a total estimated workforce of 5.8 million.

Assuming internal migrants come to Riyadh explicitly for work, and we apply Riyadh region's unemployment rate of 5.5%, then there may be an additional c.675,000 Saudi national workers.

Table 1 quantifies how population growth is creating a wave of Saudi nationals entering the workforce in the coming 10 years. In our forecasts, the number of working Saudis in Riyadh could increase by anywhere between 16% and 23% up to 2030, and between 29% and 39% up to 2034, depending on the scale of internal migration.

“ The number of working Saudis in Riyadh region could increase by up to 39% in the next 10 years. ”



Table 1: Riyadh region workforce estimates for 2030 and 2034

Working age population	2022 Census	2024 Est.	2030F	2034F
Saudi nationals (aged 15+)	2,964,770	3,152,326	3,739,757	4,150,421
Increase on 2024 estimate	-	187,556	587,431	998,095
Percentage increase on 2024	-	-	19%	32%
Internal migrants cumulative since 2022	-	90,000	215,000	275,000
Total Saudi nationals	2,964,770	3,242,326	3,954,757	4,425,421
Increase on 2024 estimate	-	-	802,431	1,273,095
Increase on 2024 estimate	-	-	22%	36%

In employment	Q1 2024	2030F	2034F
Total Saudi nationals	1,743,780	2,030,688	2,253,679
Increase on Q1 2024	-	286,908	509,899
Percentage increase on Q1 2024	-	16%	29%
Internal migrants cumulative since 2022	-	108,675	165,375
Total Saudi nationals	-	2,139,363	2,419,054
Increase on Q1 2024	-	395,583	675,274
Percentage increase on Q1 2024	-	23%	39%

Source: Knight Frank, Saudi Census 2022

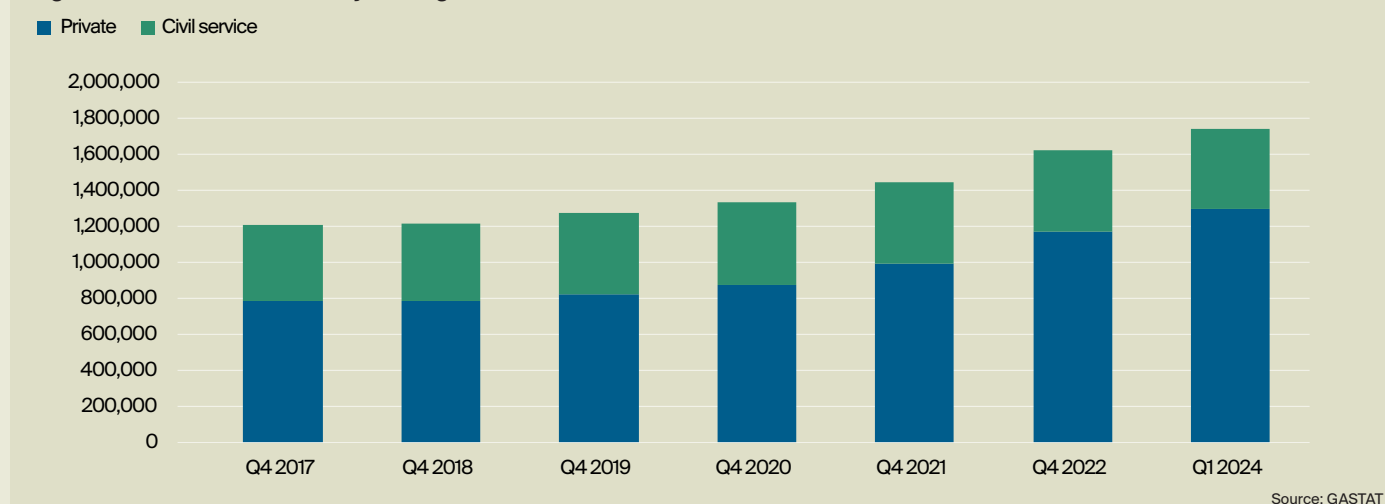
The scenario with the largest increase in the Saudi workforce in Riyadh region over the next 10 years shown in the table above, c.675,274, is roughly 1.5 times the number of Saudi nationals who joined the workforce between Q4 2020 and Q1 2024.

These recent additions, as Figure 3 shows, were almost entirely absorbed by private sector and government-related entities rather than the civil service, where the number of employees has remained stable for several years.

Recent workforce data, therefore, shows that the regional economy of Riyadh has, since COVID-19, successfully grown to meet the needs of the population.

The government, as discussed below, is focused on ensuring continued alignment of population growth with employment opportunities.

Figure 3: Saudi nationals in Riyadh region's workforce: Q4 2017 to Q1 2024



Rising to the Challenge

Population growth is the principal driver behind efforts to provide the necessary infrastructure, housing and employment opportunities in Riyadh; ensuring that the city is equipped to reap its demographic dividend to the full. In the first part of this section, we focus on housing; in the second, we focus on the many demand and supply-side programs and initiatives enacted to ensure sufficient future job opportunities.

A. Housing

There are four sources of new housing supply in Riyadh:

- (1) Ministry of Housing-planned affordable housing which is being overseen by the National Housing Company (NHC) and developed in partnership with private sector companies.
- (2) Residential development undertaken by government-related entities, most notably the Public Investment Fund (PIF) and Roshn.
- (3) Private sector development undertaken by real estate development companies.
- (4) Private 'self-development' by families that have bought plots of land for this purpose.

Table 2 shows the future supply coming from sources (1) and (2) in Riyadh. In total, so far announced projects by these government-related entities stands at c.330,000 units. See [Knight Frank's 2024 Giga Projects Report](#) for more detail.

We estimate that between 2024 and 2030, the demand for additional housing from Saudi nationals would be c.220,000, and between 2024 and 2034 would be c.305,000. This suggests that announced construction broadly equates with expected demand from Saudi nationals.

Table 2: Housing projects announced by Government-related entities in Riyadh

Developer	Masterplan	Units
PIF	King Salman Park	15,000
PIF	Qiddiyah	11,000
PIF	New Murabba	104,000
PIF	Diriyah	20,000
PIF	MBS Non-profit city	6,500
Roshn	Sedra	30,000
Roshn	Warefa	2,300
NHC	Khuzam	77,000
NHC	Al Forsan	55,000
NHC	Al Asala	5,278
NHC	Al Mashreqiya	5,614
Total		331,692

Source: Knight Frank

Given future demand, we expect further housing project announcements from NHC, Roshn and other government-related entities. We also expect significant private sector additions. Rather than creating oversupply, additional housing is necessary to accommodate a growing expat population, and to enable Riyadh's population to reach 10 million. The key takeaway here is that the housing components of Riyadh's new masterplans and giga projects are essential to meet the future demands of current and future residents.

As we have outlined in our 2024 Destination Saudi report, we are wary of a potential oversupply of luxury housing across the Kingdom through to 2030, which is why pricing is crucial to meet the demands of those looking to purchase, both Saudi nationals and expats.

B. Employment opportunities

Separately, but in parallel, large, expected increases in Riyadh's workforce explain why a significant wave of commercial real estate development is underway in the city. Figure 4 illustrates our estimates of office and retail space, and hotel rooms in Riyadh in Q1 2024, as well as the evolution of supply in all three asset classes up to the end of 2026. Our expectations for a 32% increase in office space and a 24% increase in retail space align with our forecast growth in the working-age population, which is expected to grow by up to 40% by 2030.

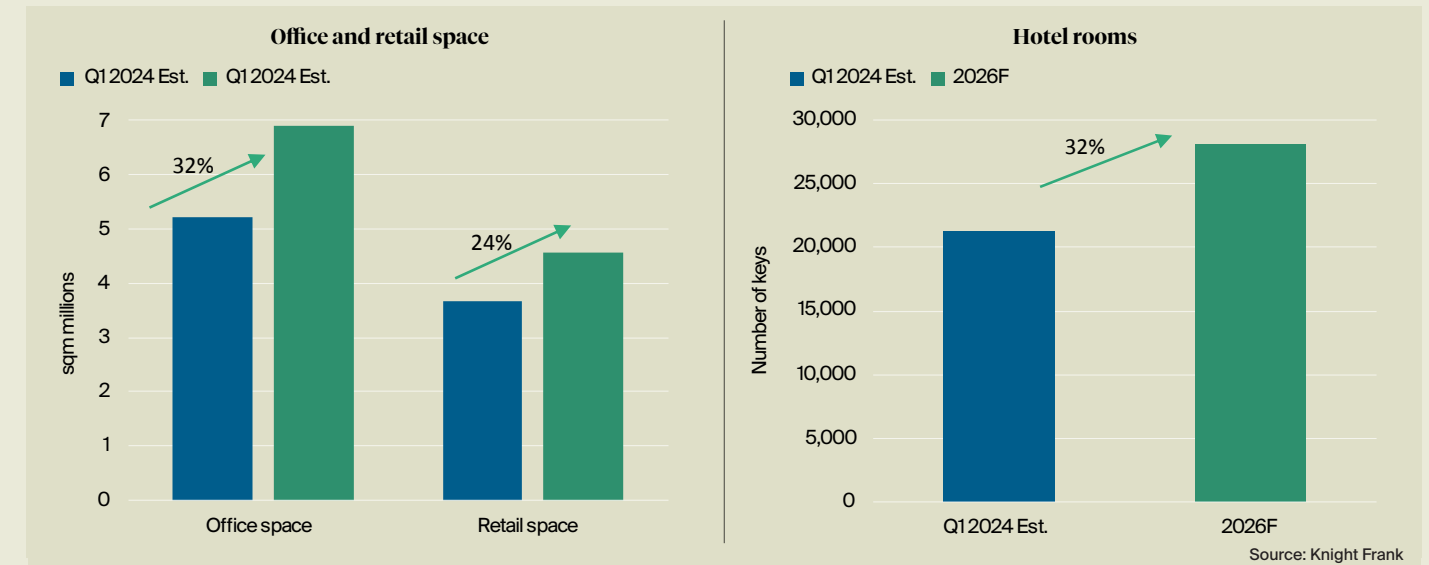
The increases we expect to see in office and retail space and in hotel rooms ("keys") in Riyadh are essential in meeting the needs of the growing population. The urgent need for new developments is clearly evidenced by current tight market conditions.

New commercial development is coinciding with a number of demand-side and supply-side projects and policy initiatives that will facilitate the creation of employment opportunities, meeting the needs of the growing working-age population.

Many of the supply-side measures, as shown in the infographic on the following page, are intended to further boost Riyadh's role in the Kingdom as a hub for financial and business services, and its role as the Kingdom's driver of innovation in information and communication technology.

According to Oxford Economics, in 2023, Riyadh was already home to 30% of financial and business services output in Saudi Arabia, and 39% of transport, storage, and ICT output. Where policy initiatives are geared towards targeted growth sectors, such as manufacturing and tourism, they incorporate a significant build-out of physical infrastructure. Taken together, these projects and initiatives aim to foster an environment of job creation and economic growth.

Figure 4: Office, retail and hospitality supply estimates



Projects and growth initiatives, in Riyadh by economic sector

Sector	Projects and growth initiatives
 <p>Information and communication technology</p>	<ul style="list-style-type: none"> - Communications and Information Technology Complex: <ul style="list-style-type: none"> • Infrastructure for technical work and R&D • Assembly and fabrication of high-tech prototypes - Alibaba Cloud Center: <ul style="list-style-type: none"> • Two data centres contributing to local digital sustainability
 <p>Financial services</p>	<ul style="list-style-type: none"> - Financial sector development program: <ul style="list-style-type: none"> • Enabling financial institutions to assist private sector growth with targets to increase lending in general and to the SME sector in particular • Growing the insurance sector through continued development of Sharia-compliant products and Insurtech • Raising the share of non-cash transactions through fostering digital banking innovation - Open Banking: enabling customers to share data across service providers to enhance competition and product offerings
 <p>Transport and logistics</p>	<ul style="list-style-type: none"> - Aviation: <ul style="list-style-type: none"> • Expanding King Khalid International Airport • Launching Riyadh Air - Integrated Logistics Bonded Zone: <ul style="list-style-type: none"> • A new free zone in Riyadh across 3 million sqm, offering businesses a 50% tax holiday, 100% foreign ownership, 0% customs/imports restrictions, and no limit on capital repatriation
 <p>Real estate</p>	<ul style="list-style-type: none"> - Numerous residential, commercial, office and mixed-used developments including: <ul style="list-style-type: none"> • Sedra by Roshn • Al Fursan and Khuzam suburbs, overseen by the National Housing Company • New Murabba • Expo 2030 • King Salman Park

Sector	Projects and growth initiatives
 <p>Railways</p>	<ul style="list-style-type: none"> - Saudi Arabian Land Bridge project: connecting Riyadh to Jeddah and Red Sea ports - Upgrading existing lines between Riyadh and Dammam and between Riyadh and the Al Jouf
 <p>Tourism</p>	<ul style="list-style-type: none"> - Diriyah Gate, including Al Turaif UNESCO World Heritage Site: <ul style="list-style-type: none"> • 19 hotels and resorts, 3,000 hotel rooms, 5 museums - Qiddiya: an entertainment megaproject: <ul style="list-style-type: none"> • Six Flags theme park, Golf course, stadium, water park, speed park - King Abdullah International Gardens, King Abdulaziz Historical centre project, Riyadh Art fair - Further development of Riyadh as a global centre for exhibitions and conferences. Key existing events include the Financial Investment Initiative, the Global Entrepreneurship Congress, and the World Travel and Tourism Council
 <p>Healthcare</p>	<ul style="list-style-type: none"> - Health Sector Transformation Program focused on Riyadh's existing healthcare ecosystem: <ul style="list-style-type: none"> • Continued growth of King Fahad Medical City • Rapid expansion of medical device manufacturing under the auspices of the National Unified Procurement Council and the GULF Health Council • Digital Health: through a number of phone applications and digitisation of records and appointments - Pharmaceutical production: <ul style="list-style-type: none"> • MODON to establish two new generic production facilities in Riyadh's industrial cities
 <p>Sport and Leisure</p>	<ul style="list-style-type: none"> - Green Riyadh: Urban forestation megaproject to plant 7.5 million trees and increase green space per capita by 150% - King Salman Park: the development of green and open space totalling 9.3 million sqm, including sports and cultural facilities - Riyadh Sports Boulevard: 134 km of trails - World Cup 2034, 8 of the new 11 stadiums to be built in Riyadh

Source: Ministry of Investment

Concluding thoughts

Population growth de-risks investment

Riyadh stands at the beginning of a decade of investment and construction, the aim of which is to transform the city into a regional and global powerhouse. The capstone of this investment decade will be the premier global event, centred on Riyadh: the 2034 FIFA World Cup.

This investment wave is built on firm foundations. It is the necessary response to the rapid growth of the population and the workforce over the next decade. By 2034, we forecast Riyadh's population to be 38% larger than the 7 million recorded in the 2022 Census. The city's workforce is likely to grow by an equal amount.

No investment project is risk-free, and there are always uncertainties. In Riyadh's case the growth of the population and the workforce are certain enough to be able to underwrite demand for new capacity that is set to be built across the city.

We like questions. If you've got one about our research, or would like some property advice, we would love to hear from you.

Dr. Christopher Payne
Partner - Chief Economist, MENA
christopher.payne@me.knightfrank.com

Susan Amawi
General Manager, KSA
susan.amawi@me.knightfrank.com

Project & Development Services

Mohamed Nabil
Regional Partner - Head of Project & Development Services, MENA
mohamed.nabil@me.knightfrank.com

Ian Sinclair
Head of P&DS, KSA
ian.sinclair@me.knightfrank.com

Neil Brierley
Commercial and Operations Director, KSA
neil.brierley@me.knightfrank.com

Residential

Will Mckintosh
Regional Partner - Head of Residential, MENA
will.mckintosh@me.knightfrank.com

Mohamad Rabih Itani
Partner - Residential Project Sales and Marketing, KSA
mohamad.itani@me.knightfrank.com

Valuation & Advisory

Stephen Flanagan, MRICS
Regional Partner - Head of Valuation & Advisory, MENA
stephen.flanagan@me.knightfrank.com

Talal Raqaban, MRICS
Partner - Valuation, PPP & Deal Advisory, KSA
talal.raqaban@me.knightfrank.com

Capital Markets

Andrew Love
Regional Partner - Head of Capital Markets & Occupier/Landlord Strategy and Solutions, MENA
andrew.love@me.knightfrank.com

Strategy & Consultancy

Harmen De Jong
Regional Partner - Head of Consultancy, MENA
harmen.dejong@me.knightfrank.com

Oussama Elkadiri
Partner - Head of Hospitality, Tourism & Leisure Advisory, MENA
oussama.elkadiri@me.knightfrank.com

Turab Saleem
Partner - Business Development - Hospitality, Tourism & Leisure Advisory, MENA
turab.saleem@me.knightfrank.com

Jonathan Pagett
Partner - Retail Advisory, MENA
jonathan.pagett@me.knightfrank.com

Sameer Mujtaba
Partner - Co-Head of Strategy & Consultancy, Retail, KSA
sameer.mujtaba@me.knightfrank.com

Yazeed Hijazi
Associate Partner - Co-Head of Strategy & Consultancy, KSA
yazeed.hijazi@me.knightfrank.com

Shehzad Jamal
Partner - Strategy & Consultancy - Real Estate, Healthcare & Education, MENA
shehzad.jamal@me.knightfrank.com

Wesley Thomson
Partner - Head of ESG, MENA
wesley.thomson@me.knightfrank.com

Clare Moukabaa
Partner - Residential Consultancy, KSA
clare.moukabaa@me.knightfrank.com

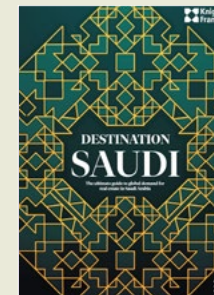
Research

Faisal Durrani
Partner - Head of Research, MENA
faisal.durrani@me.knightfrank.com

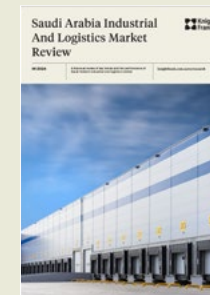
Amar Hussain
Associate Partner - Research, ME
Amar.Hussain@me.knightfrank.com

Fatma Musalli
Senior Graphic Designer - Research, ME
fatma.musalli@me.knightfrank.com

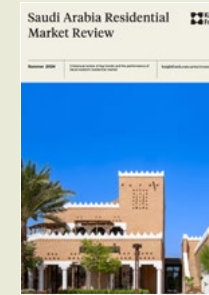
RECENT PUBLICATIONS



Destination Saudi - 2024



Saudi Arabia Industrial And Logistics Market Review - H1 2024



Saudi Arabia Residential Market Review - Summer 2024



Saudi Arabia Commercial Market Overview - Summer 2024



Important Notice

© Knight Frank 2024 - This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank for any loss or damage resulting from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank in relation to particular properties or projects. Reproduction of this report in whole or in part is prohibited without prior written approval of Knight Frank to the form and content within which it appears.

Knight Frank, Building 7, Laysen Valley, Riyadh, Kingdom of Saudi Arabia

Knight Frank, 47th floor, The Headquarters Business Park, Jeddah, Kingdom of Saudi Arabia

[in](#) @KnightFrankMENA

[@KnightFrankUAE](#)

[@KnightFrankMENA](#)

[X](#) @MENAKnightFrank

[f](#) @KnightFrankMENA