

# Saudi Arabia Residential Market Review



**Summer 2024**

A biannual review of key trends and the performance of Saudi Arabia's residential market

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# Market round-up

### SURGE IN DEAL ACTIVITY

During H1, the total number of real estate transactions across all asset classes in Saudi Arabia surged by 38% to just over 106,700, while the total value of all deals grew by 50% to SAR 127.3bn over the same period.

### RESIDENTIAL SALES GROW

Residential transactions, which accounted for 61% of all real estate deals by total value, registered a 41% increase in the number of deals to just under 91,860 sales. While the value of residential transactions increased by 48% to SAR 77.6bn over the same period.

A combination of factors has underpinned the growth in residential real estate transactions in Saudi Arabia. In 2023, over 96,000 families benefited from the Kingdom’s Housing Program which helps to facilitate access to affordable home financing solutions. In addition, more than 20,000 families were assisted through homeownership tracks via the Development Housing Program, which offers eligible families and those who need usufruct rights on homes donated through the government’s housing Support Portal.

### HOME OWNERSHIP RATE EDGES UP

Government initiatives aimed at boosting housing supply and affordability have also been instrumental in driving up sales activity this year. The government has launched multiple housing projects, for instance, under the Sakani and Wafi programs to boost homeownership among nationals, with these efforts now extending to secondary and tertiary cities across the country. By the end of 2023, the percentage of Saudi homeowners had reached 63.74%, a 16.7 percentage point increase on 2016, when the National Transformation Plan was unveiled and also ahead of the government’s 2023 target of 63% (MOMRAH).

### GOVERNMENT INITIATIVES AND PARTNERSHIPS

The government has also been actively partnering with private sector players to expedite the construction of new homes, in an effort to address a longstanding shortage of suitable high-quality supply. The National Housing Company (NHC) has, for instance, signed an agreement with China State Construction Engineering Corporation (CSCEC) to build 20,000 housing units in suburbs and communities developed by NHC across various regions of the Kingdom.

“The new property-ownership-linked Premium Residency Visa initiative marks a pivotal shift in the Kingdom’s approach to residency and property ownership.”

### MORTGAGE ACTIVITY INCREASES

The total number of mortgages issued for home ownership between January-May 2024 increased by 6.7%, compared to a decline of 35% over the same period last year. In parallel, the total value of mortgages issued increased by 3.9% to SAR 36.2bn during the same period.

Initiatives such as the establishment of the Saudi Mortgage Guarantees Services Company, or Dhamanat, which is a government-backed mortgage guarantee service, is in large part driving the surge in home financing levels for citizens. In July 2024, the government also launched the first Dhamanat for off-plan sales, licensed by the Insurance Authority, which is expected to pave the way for access to projects still being developed.

### PREMIUM RESIDENCY BOOST

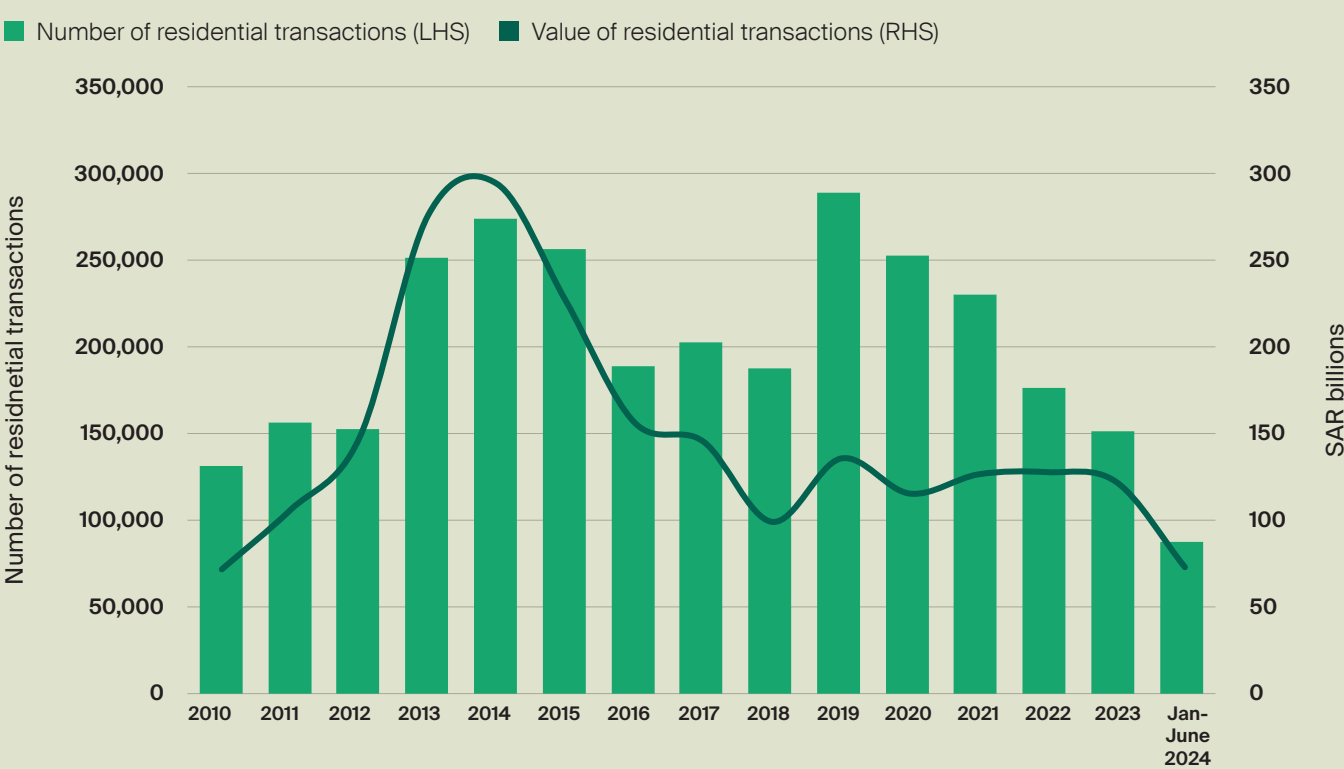
Separately, the introduction of regulations allowing foreign investors to own property in Saudi Arabia through new Premium Residency Visa options unveiled in January has also opened the market to international buyers, further driving demand.

Among the new Premium Residency Visa options, one that particularly stands out is the visa linked to owning real estate property or properties worth over SAR 4 million. This initiative marks a pivotal shift in the Kingdom’s approach to residency and property ownership by non-Saudis and will have substantial implications for the demand dynamics of the residential market as it effectively, for the first time, permits non-resident international buyers access to the market as end users or investors.

This Premium Residency visa allows individuals to gain permanent residency status, which not only permits them to reside in the Kingdom but also to engage in business activities and own additional real estate.

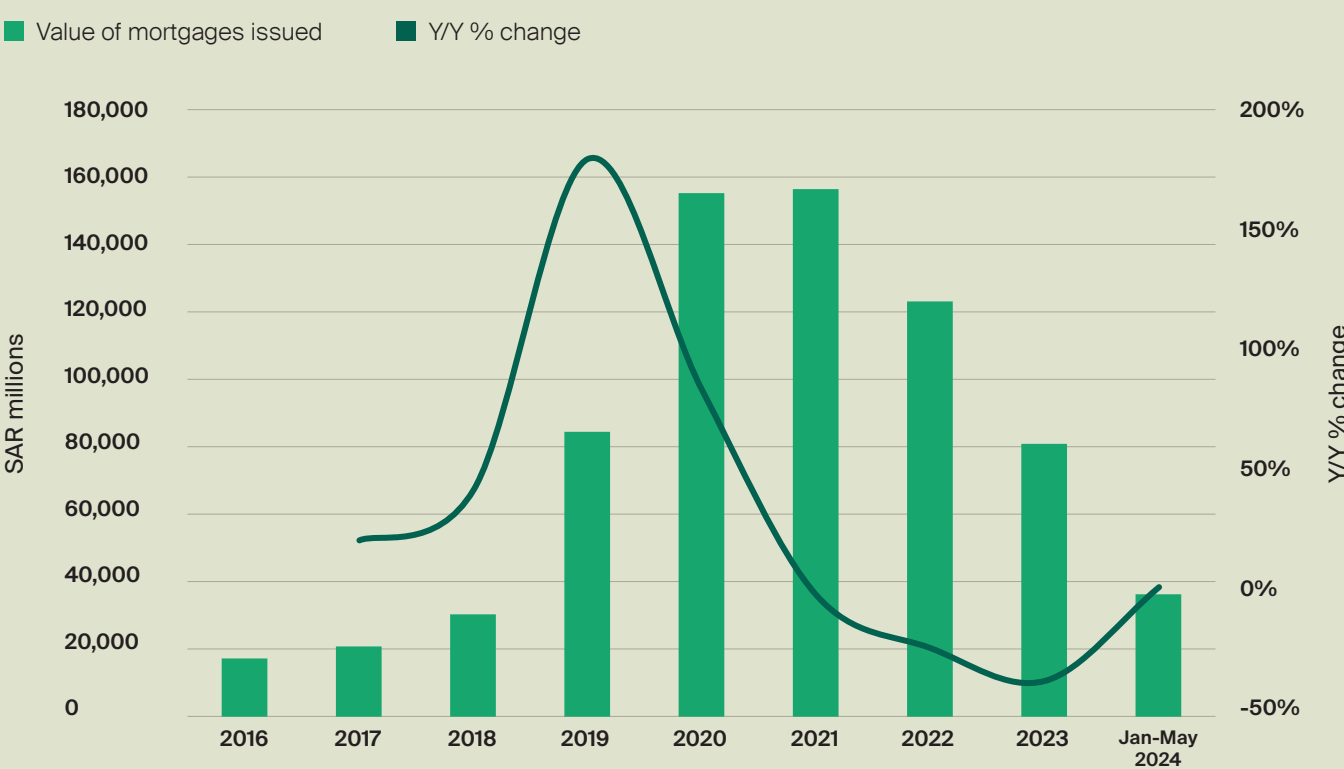
Furthermore, the threshold of SAR 4 million is set to ensure that the investments are significant, likely leading to an influx of high-value transactions in the real estate market. This could potentially increase the demand for luxury and high-end residential properties, driving up property values in these segments over the medium-term.

### Total value and volume of residential transactions



Source: Knight Frank, MOJ

### Value of mortgages issued



Source: Knight Frank, SAMA



# Riyadh

### BEST PERFORMER

Riyadh continues to stand out among Saudi Arabia’s major cities, supported by various government initiatives aimed at boosting the city’s economic and cultural status, as well as its entertainment offerings. Initiatives such as Programme HQ also continues to drive residential demand in the capital from those being recruited into expanding businesses, or those relocating their regional HQ’s to Riyadh.

Indeed, over the last 12 months, residential transaction volumes in Riyadh rose by 49%, compared to 27% in Jeddah, 29% in DMA, and 21% in Madinah. Makkah was the only city where transaction volumes declined by 6%.

The capital’s growing population, coupled with increasing urban migration and ongoing government housing initiatives to achieve 70% homeownership by the end of the decade, is also driving increased demand for housing. Despite the surge in transaction volumes, the total value of residential transactions in Riyadh rose by a more modest rate of 8% year-on-year to SAR 14.3bn, hinting at a rapid tapering of the strong price growth registered over the last two to three years and pointing to affordability challenges in some segments of the market.

### A NEW RECORD FOR APARTMENT PRICES

While average apartment prices hit a new record at SAR 5,530 psm, equating to an 8% year-on-year increase, this masks the 3% rise registered during Q2.

It is worth noting that price increases have not been uniform across the capital, with factors such as demand, location, infrastructure, and the quality of local services and amenities having an impact on price performance.

The northern part of Riyadh, for instance, has emerged as the epicentre of demand, with the highest price growth. Average apartment prices in Hiteen surged by 24% to SAR 8,665 psm over the last 12 months. Similarly, Al Malqa and Al Yasmeen have experienced price increases of 17% (SAR 7,625 psm) and 14% (SAR 7,930 psm), respectively.

In contrast, in some southern districts of Riyadh, often regarded as a more affordable location, average apartment prices have dipped. Specifically, in Al Shifa (-5%) and Dhal Al Baida (-9%), prices dropped to SAR 3,400 psm and SAR 2,600 psm, respectively, over the same period.

### VILLA PRICES UP 7.9% IN 12 MONTHS

Average villa prices increased by 7.9% year-on-year to SAR 5,155 psm. Notably, the northern districts of the capital experienced the most significant growth, with Al Malqa (21%) and Hittin (16%) seeing price climb to SAR 9,985 psm and SAR 9,890 psm, respectively.

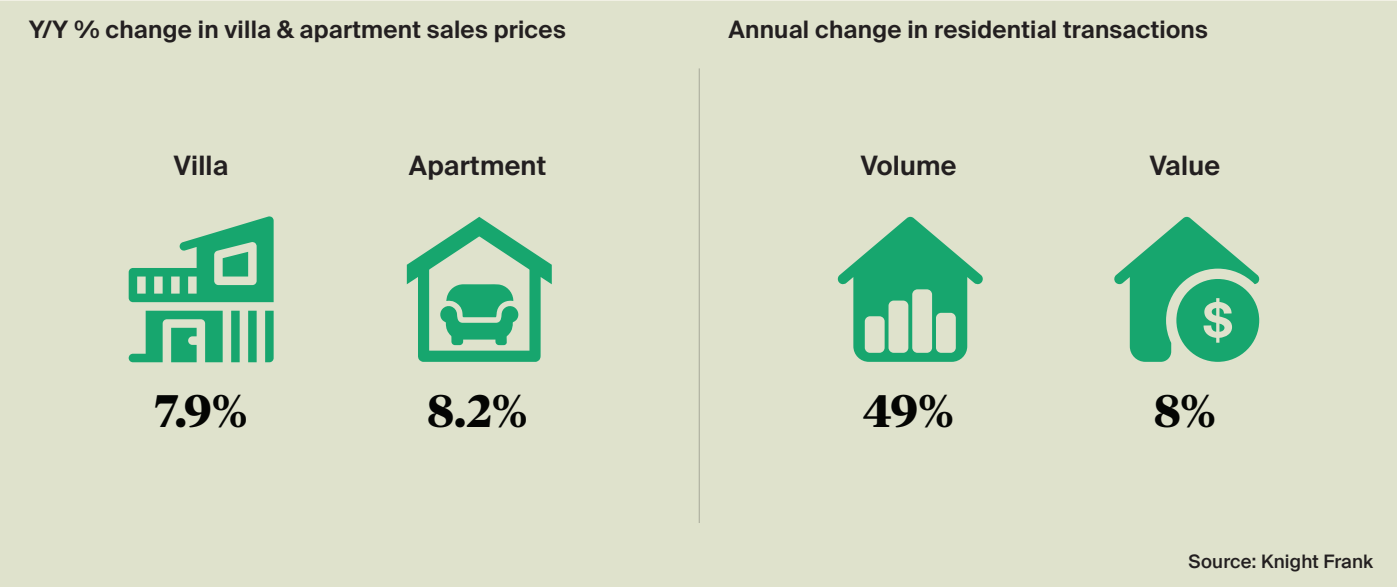
Conversely, villa prices in the southern districts have declined, with Al Uraijah (SAR 2,400 psm) experiencing a 9% decrease to SAR 2,400 psm and Al Swaidi (SAR 3,130 psm) a 3% drop over the last 12 months.

From a supply perspective, the Ministry of Housing remains focused on increasing affordable housing options to address rising demand and support the government’s goal of achieving a 70% homeownership rate by 2030. The Ministry of Housing, together with private sector developers have completed several projects in the first half of 2024, adding approximately 5,000 residential units to the market. Notable among these are the Ishraq Living Complex (2,229 units), and Nesaj Town (690 units).



Arial view of King Fahed Street, Riyadh

## Market Performance Indicators





# Dammam Metropolitan Area (DMA)

### TRANSACTION VOLUMES RISE

In line with the trends observed in Riyadh and Jeddah, DMA too experienced an annual increase in both the value and number of residential transactions in Q2 2024.

Residential transactions in DMA saw a significant annual rise of 29%, increasing from 1,891 deals in Q2 2023 to 2,439 deals in Q2 2024. The value of these transactions grew by 25% during the same period, reaching SAR 2.97bn.

### PRICES REMAIN LARGELY STABLE

Despite the considerable rise in deal activity, average prices for villas and apartments remained relatively stable in Q2 2024.

Apartment prices increased by 1.6% year-on-year and currently range from SAR 2,600 psm in An Nur to SAR 4,100 psm in Al Muntazah in Dammam.

Khobar has slightly higher pricing, with values here ranging from SAR 3,200 psm in Ar Rakah Al Janubiyah and climbing to SAR 5,200 psm in Al Bandariyah.

Apartments in Khobar are notably more expensive at SAR 4,040 psm, compared to SAR 3,275 psm in Dammam, which equates to a 23% premium, which is largely due to the higher levels of historic demand linked to the high volume of Aramco employees in Khobar.

Villa prices have also risen by 1.6% over the past year, reaching an average of SAR 3,460 psm.

Prices range from SAR 2,900 psm in Al Badr to SAR 5,200 psm in districts like Al Ghadir to in Dammam, stand at between SAR 2,700 psm in Al Lulu and climb to SAR 4,800 psm in Al Qusar, in Khobar.

### RISING SUPPLY

The Ministry of Housing remains committed to increasing affordable housing options to meet rising demand and to support the government's objective of achieving a 70% homeownership rate by 2030. In 2024, the Sakani programme completed four housing projects in the Eastern Province, with three additional projects nearing completion.

The completed projects include Nasaj Tower (674 units), Saraya Al Gharoub (116 villas), Mada Oasis (282 villas) and Al Bayraq Villas (178 units). The projects which are nearing completion are Al Qatif Al Badrani (196 units), Al Barraq Villas (959 units) and MD project (728 townhouses).

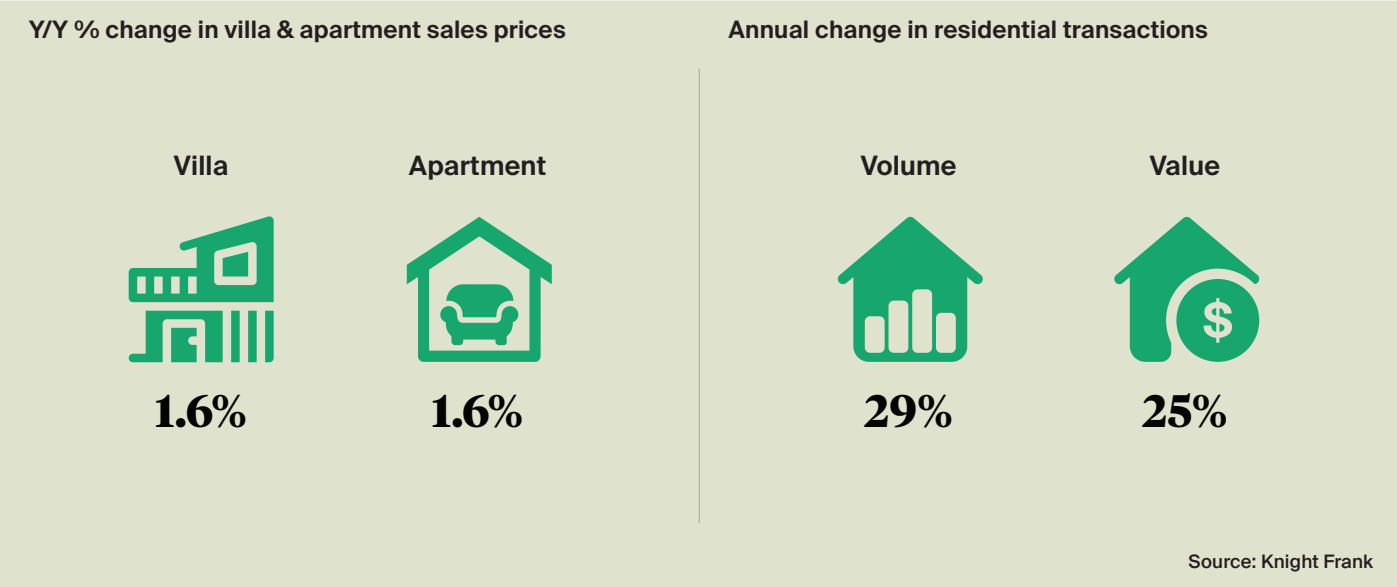
The Ministry of Housing is actively working on approximately 34 housing projects in the Eastern Province and aims to deliver more than 22,000 more units.

Furthermore, in April 2024, ROSHN announced a new residential project in greater Dammam called the Aldanah community. The project will feature over 2,500 homes spread across 1.7 million sqm, designed to accommodate nearly 10,000 residents.



Al Khobar Corniche Seafront

## Market Performance Indicators





# Jeddah

### TRANSACTION LEVELS GROW

The housing market in Jeddah experienced slightly slower growth, when compared to Riyadh. The number of residential sales rose by 27%, from 4,119 deals in Q2 2023 to 5,223 deals in Q2 2024. The total value of deals however increased by 38%, pointing to a significant rise in prices.

Anecdotal evidence suggests that residents from districts being demolished in Jeddah are now receiving financial compensation from the government and are redirecting these funds back into the property market, which is catalysing overall demand and prices are responding.

### APARTMENT PRICES REMAIN STABLE

Despite the rise in demand, apartment prices remained somewhat stable over the last 12 months, ranging from an average of SAR 3,560 psm in Al Rayaana to SAR 7450 psm in Obhur Janubiyah. Citywide, the average sales price stands at SAR 4,215 psm.

Prices vary significantly based on several factors, including the location, quality, and specifications of the residential units.

Community residential developments have become particularly popular as households gravitate towards developments that offer convenience retail as well as onsite amenities and facilities such as parks, recreational facilities, schools and clinics. Unsurprisingly, these developments often command a price premium of around 20-30%.

### VILLA PRICES DIP

In contrast, average villa prices in Jeddah decreased by 3.7% over the last 12 months, falling to SAR 4,935 psm. Across the city's submarkets, average villa prices in Al Shatea and Al Khaldiyyah districts are the highest, with an average of SAR 8,385 and SAR 7,610 psm, respectively. Meanwhile, in more affordable districts like Ajwaweed and Al Kausar, prices are relatively lower, standing at an average of SAR 3,000 and SAR 3,160 psm, respectively.

### GOVERNMENT REVITALISING DEMAND

The slowing rate of growth in apartment prices and the decline in villa values underscores growing affordability challenges. Historically lower monthly household income (c. SAR 14,480 compared to c. SAR 16,750 in Riyadh) are a key factor in the story now playing out. Positively, inflation levels in Saudi stand at 1.6%, the second lowest level in the G20, behind Switzerland (1.3%).

This has however been tempered by higher interest rates, which has made borrowing more expensive. Indeed, the headline base rate in the Kingdom has risen from 75bps in January 2021 to 6.25% in May.

To counter this, the government is implementing initiatives to sustain residential demand in Jeddah through large-scale world-class mixed-use projects. For instance, Jeddah Central will add 17,000 homes to the city's stockpile by 2030 and aims to be a world-class retail and hospitality destination in the region.

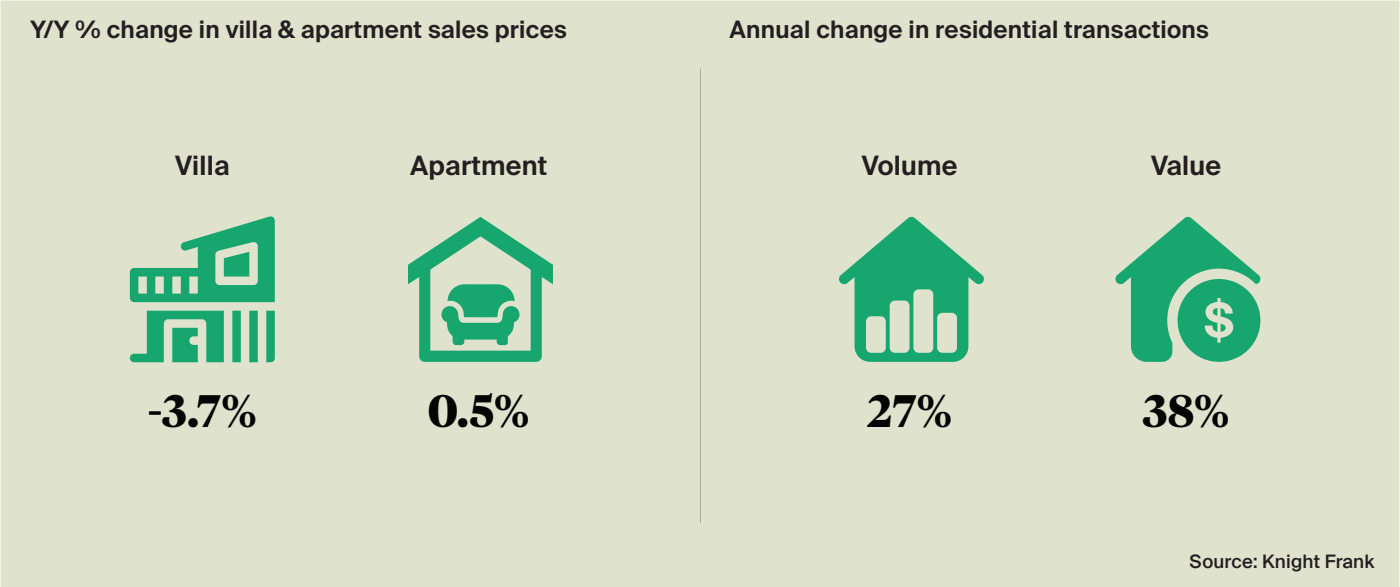
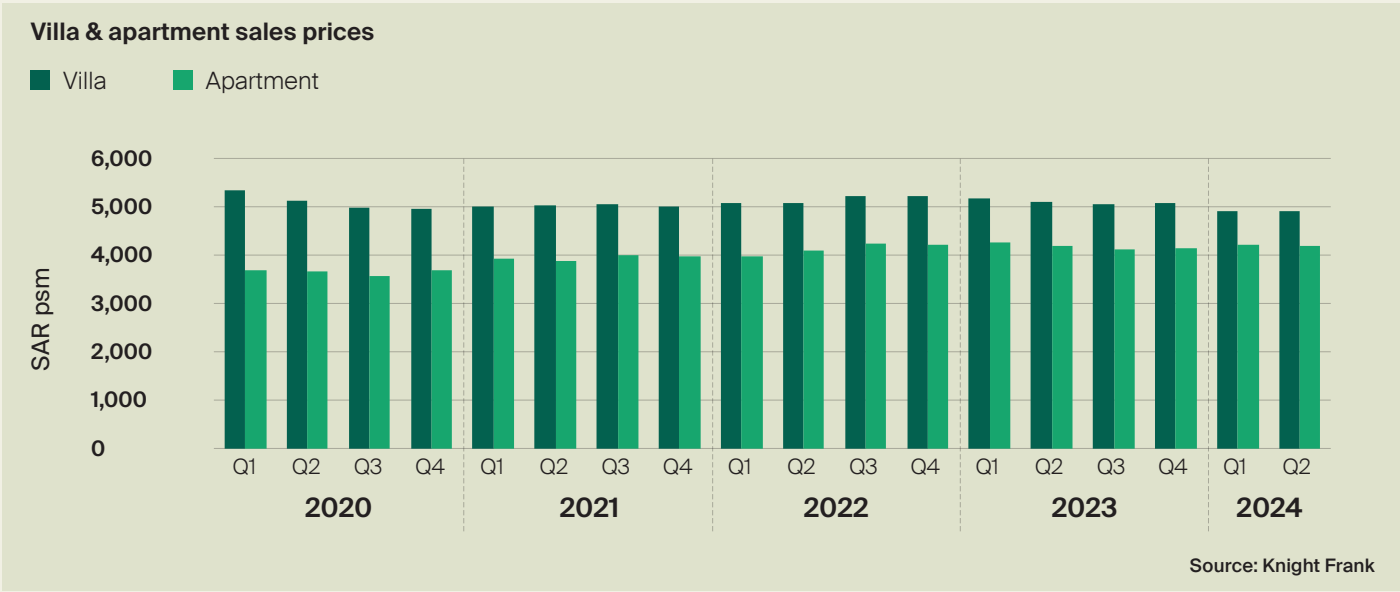
### AFFORDABLE HOUSING OPTIONS GROWING

For those with more modest budgets, the affordable housing segment is largely dominated by Ministry of Housing projects, which are spread across the city, with a concentration in the northern and eastern districts. In fact, the NHC has completed several projects in Jeddah over the last 18 months. Notable completions include Al Dahiyat Al Mayar (1,248 units) and Dar Sumou Khayala (412 units).

Although, the majority of the upcoming supply consists of ROSHN and Sakani-linked projects, there are more luxurious developments in the pipeline, such as Raffles' (120 units) branded residences, scheduled for delivery in 2025.

The Saudi Central Bank has also played a significant role in stimulating growth by reducing the minimum down payment required for property purchases from 30% to 5%. This move has subsequently stimulated market growth.

## Market Performance Indicators





# Makkah And Madinah

## TOTAL VALUE OF SALES SURGES BY 79% IN MAKKAH

Average apartment prices in Makkah increased by 1.5% in the 12 months to the end of Q2, reaching SAR 3,695 psm. In contrast, villa prices slipped by 2.5% over the same period to SAR 3,410 psm.

Residential transactions experienced a 6% decrease during H1, totaling in 1,426 deals. However, the total value of deals recorded grew by a record 79% over the last 12 months to SAR 2.3bn.

## MADINAH VILLA PRICES SOFTEN

Apartment values in Madinah rose by 5.2% from last year's average of SAR 3,555 psm to SAR 3,730 psm at the end of Q2 2024. Villa values by comparison are down 2.5% over the same period.

The total volume of residential deals in Madinah increased by 21% between Q2 2023 and Q2 2024, with a total of 1,397 sales. However, the total value of deals has declined by 5%, year-on-year to SAR 1bn.

## MORE SUPPLY ON THE WAY

The existing residential supply in Makkah stands at 424,700 units. Looking ahead, we forecast this figure to increase by 4.6%, or 19,500 units, by the end of 2026.

In Madinah, we are tracking 17,200 homes due to be delivered by the end of 2026, which will take the city's total housing stock to 367,030 units.

## Pent up global demand

In our [2024 Destination Saudi Report](#), we have been able to quantify, for the first time, the depth of demand to own real estate in Saudi Arabia's Holy Cities from global Muslim HNWI. 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.

## THE APPEAL OF A HOME IN THE HOLY CITIES

For Muslims, a pilgrimage to Makkah and Madinah is often considered a once-in-a-lifetime experience with the possibility of owning real estate in either of Islam's holiest cities to be a very appealing prospect. However, historically, ownership laws define the futility of this option. Currently, 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 area.

The new Premium Residency Visa connected to property ownership does however present, for the first time the opportunity for international, non-residents to purchase property in the Holy Cities on a 99-year leasehold basis. We believe this will fuel a wave of new purchasing demand from Muslim majority nations.

## LUXURY HOUSING DEVELOPMENT OPPORTUNITY

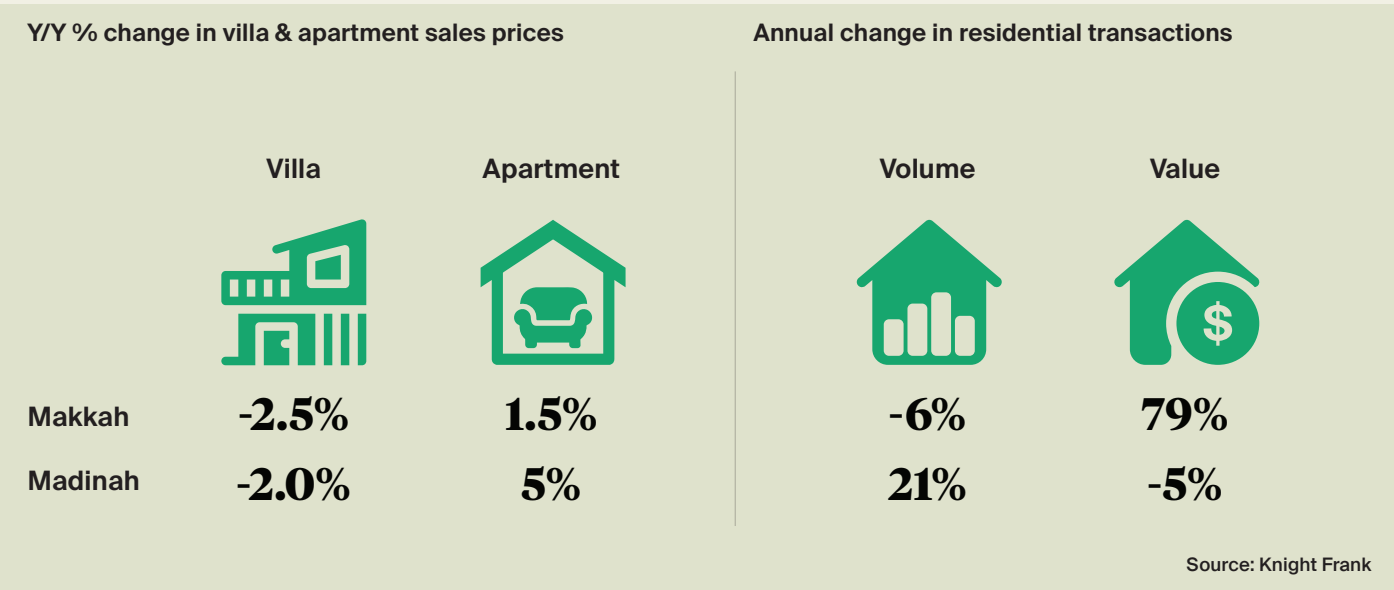
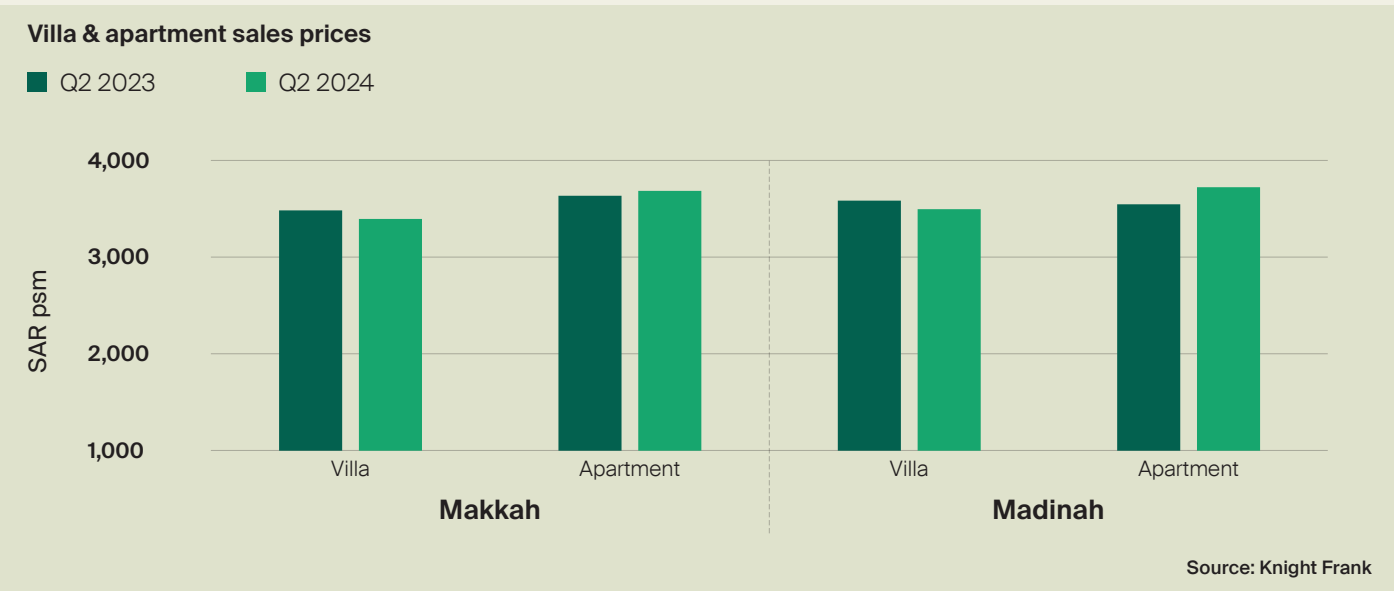
What we also found was that the average budget amongst this cohort stands at US\$ 4.7 million for the Holy Cities and US\$ 5.5 million for Makkah. Today, only two Giga projects are underway in the Holy Cities - Thakher and Masar Makkah - with c.10,000 homes set to be delivered in these developments, which 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.



An aerial view of Makkah

# Market Performance Indicators



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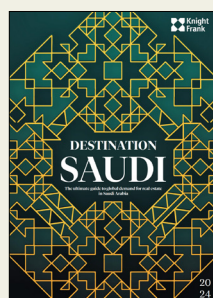
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