

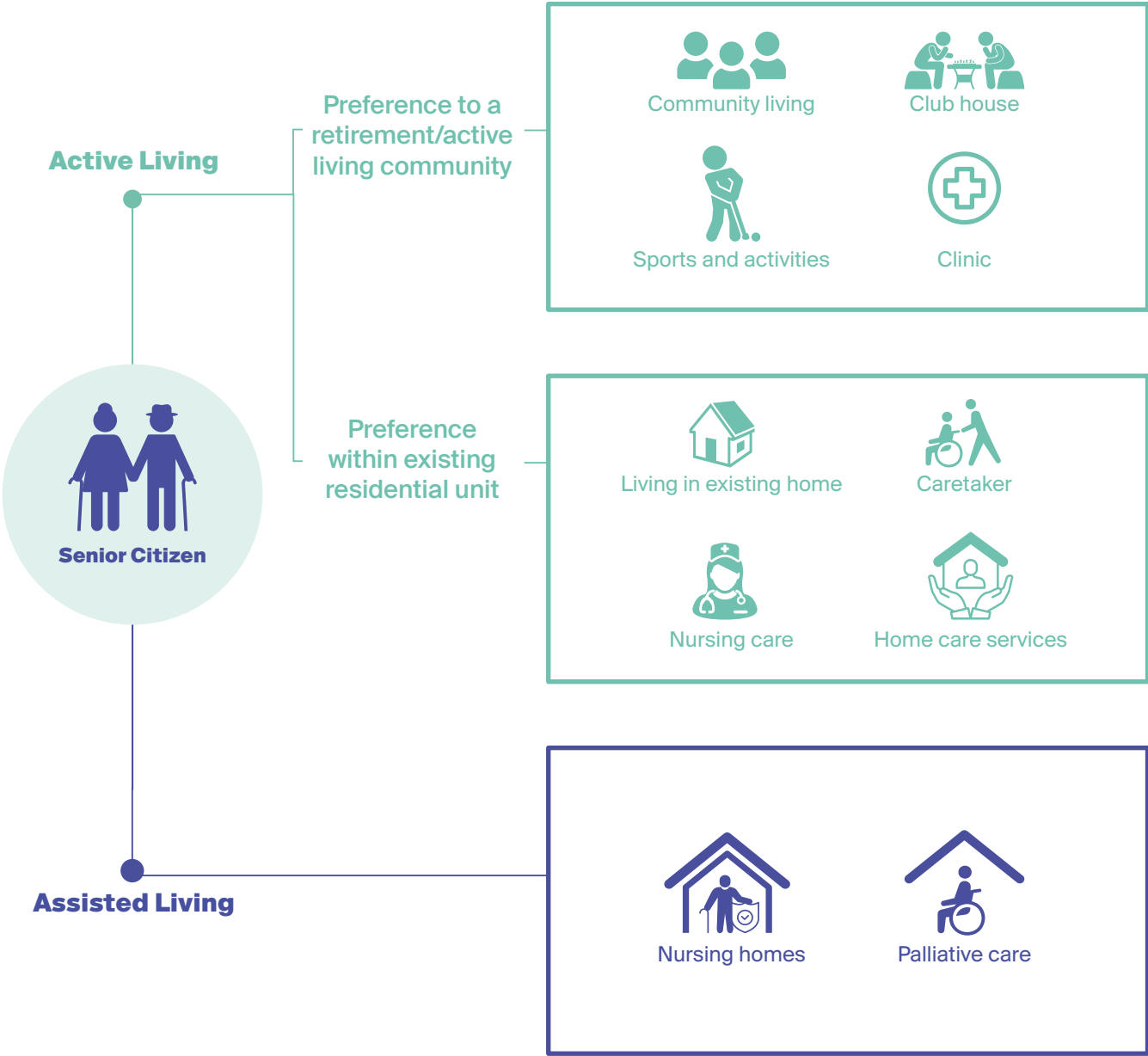
GOLDEN YEARS & REAL ESTATE

The Untapped Senior Living Market in KSA



DEFINING RETIREMENT LIVING

As individuals transition towards retirement years, there is a shift towards housing preferences with accompanying lifestyle modifications which is prominent in certain mature markets and is in its nascent stages in the rest. This is coined as retirement living which is primarily aimed at providing comfortable, safe and seamless transition for elderly population (65 years and above) i.e from regular housing to a facility which provides them with necessary support. As the burden of ageing population around the world is growing, it will create a demand for dedicated residential options for senior citizens globally and specifically in the GCC region.



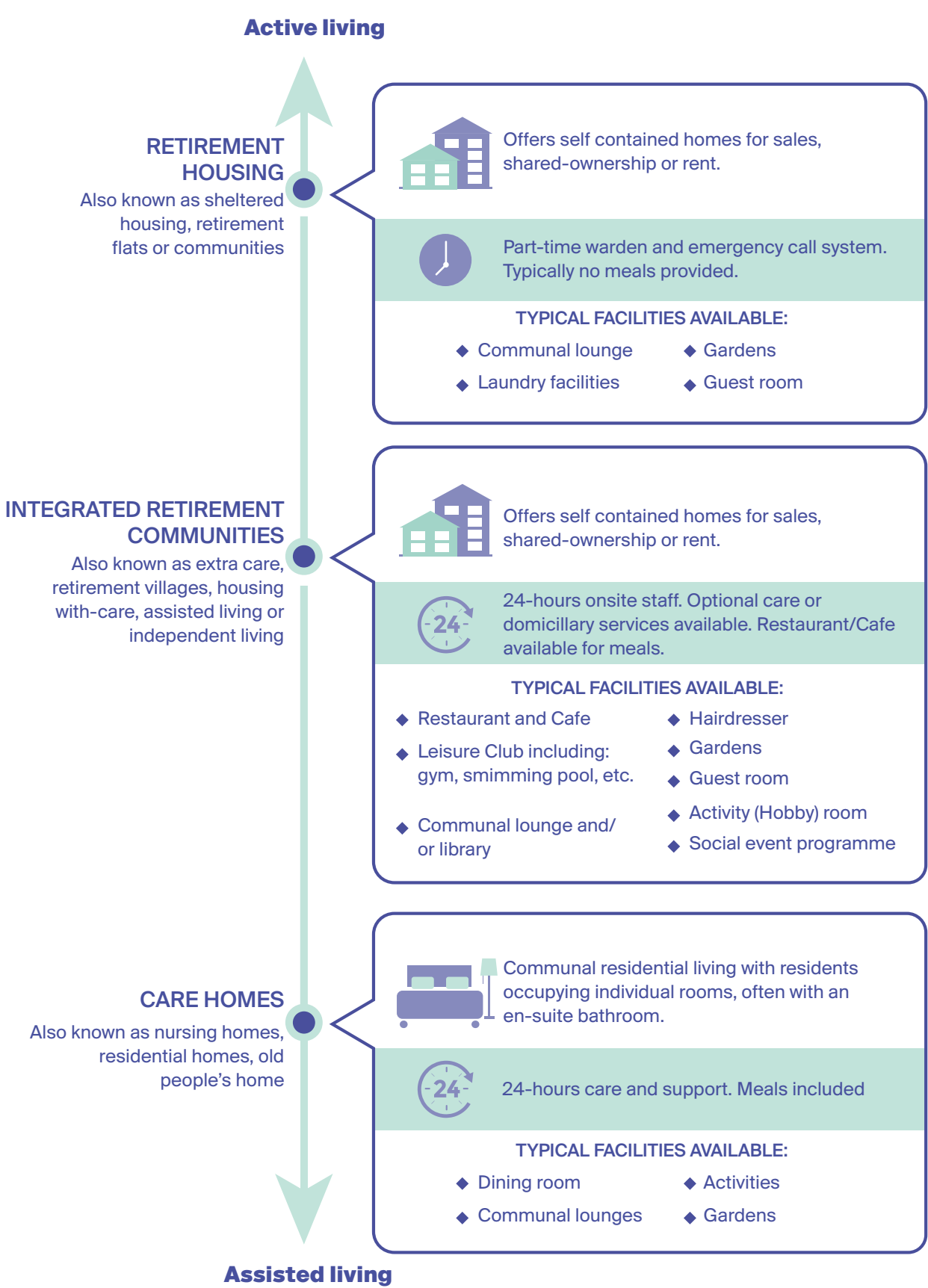
Source: Knight Frank research



TYPES OF OFFERINGS

Globally, the spectrum of retirement living ranges from active living that fosters active engagement to specialised nursing centres designed to provide support to the ageing population with varying levels of care and services. These retirement offerings ensure that each individual in one way or another can discover and reside in a place where they can truly thrive during their golden years.

In KSA, the trend is primarily towards assisted living with social care homes and long-term care facilities. Active living facilities such as retirement housing or communities are non-existent. With key demand drivers such as ageing population and availability of retirement visas there will be requirement of such options within the society.



DEMAND DRIVERS

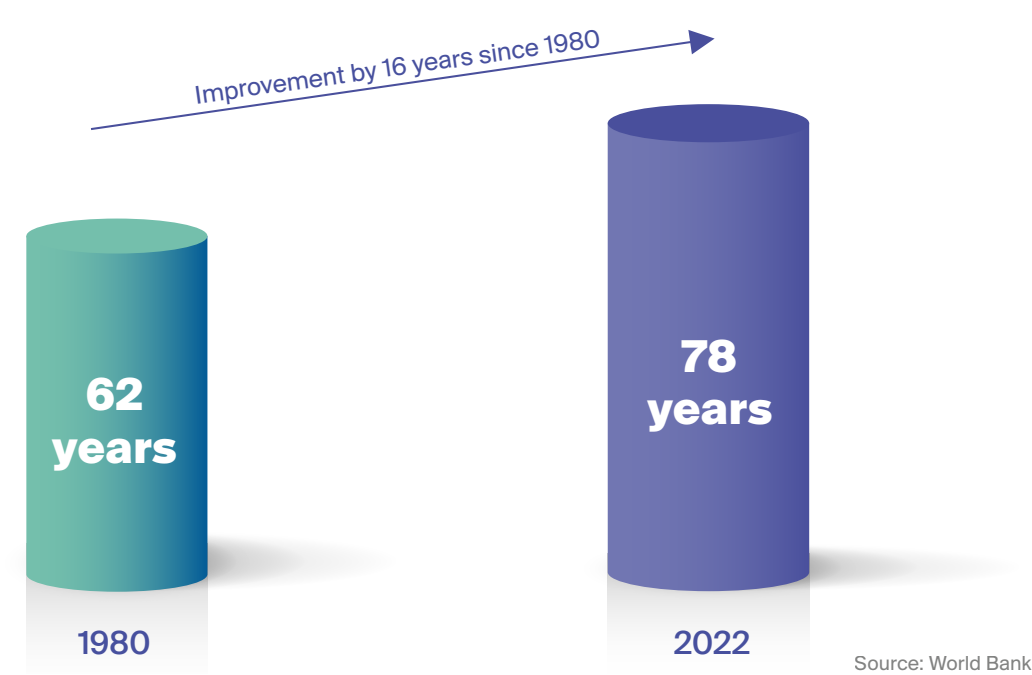
The key demand drivers for a senior living facility are as follows:

1. Increase in life expectancy

An increase in life expectancy simply means that people are living longer and therefore, they may require varying intensity of care through their retirement years. This will also have an impact on the demand for a retirement community depending on the level of support required.



Life expectancy at birth (KSA)



2. Increase in ageing population and shift in social dynamics

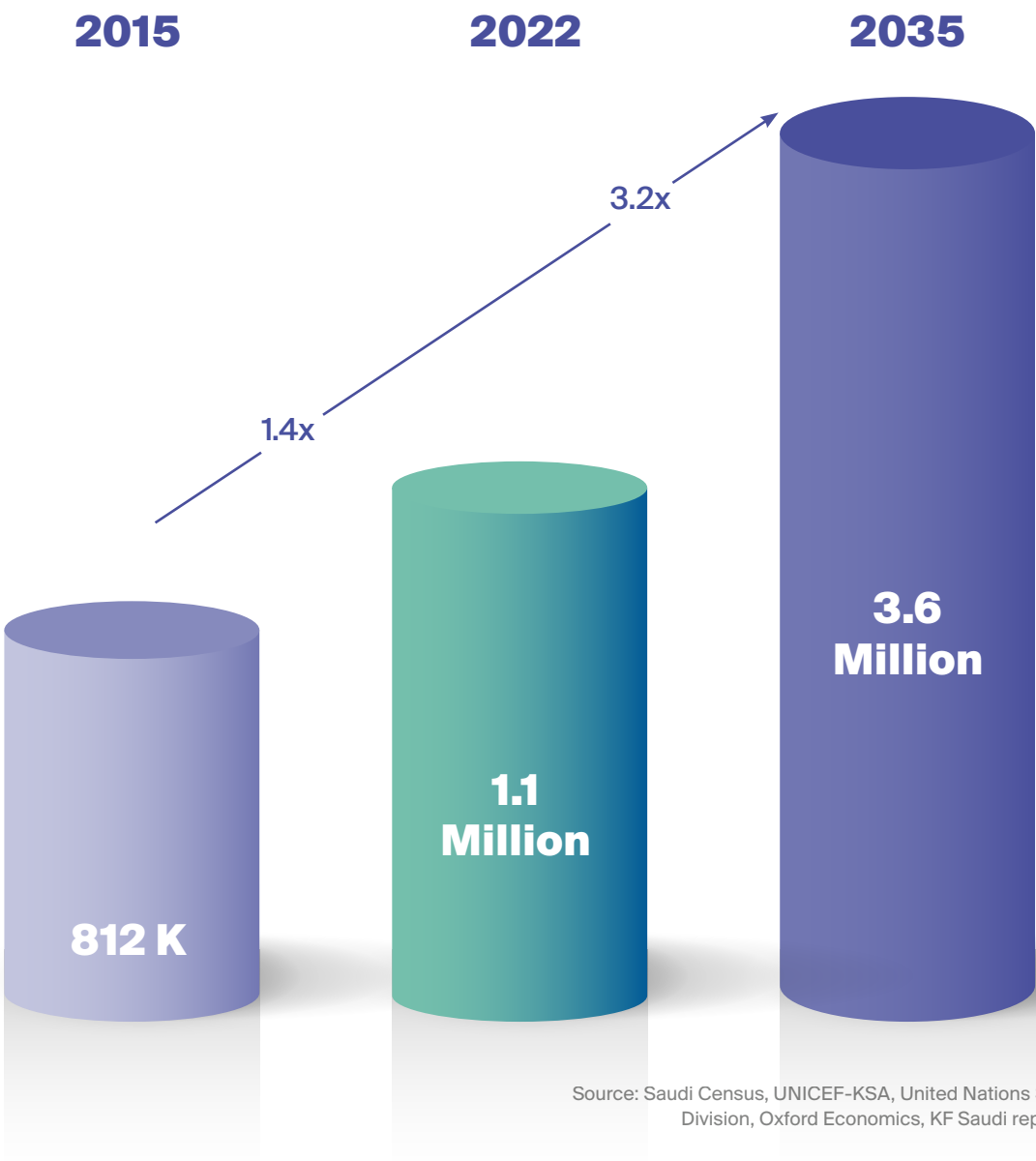
KSA's ageing population (65+ years) is expected to grow from 1.1 million in 2022 to 3.6 million by 2035, an increase of 3.2x.

This means that for every 100 persons entering the workforce, there are 3.7 individuals aged 65 or older as dependants. The dependency ratio is set to increase to 5.0 by 2050

The level of external & professional care that would be required for this age group will change due to the following key shifting trends :

- ▶ Saudi women are entering the workforce - do not have the same time available as in the past to attend to the requirements of the elders in the family.
- ▶ As per Knight Frank's primary survey conducted on 1,014 Saudi national households, approximately 43% of respondents currently reside outside their hometown as they migrate for jobs to cities such as Riyadh and Jeddah - empty nesters from the originating cities would require support physically, mentally and socially at some point of time.

Projected growth of population above 65 years (KSA)



DEMAND DRIVERS

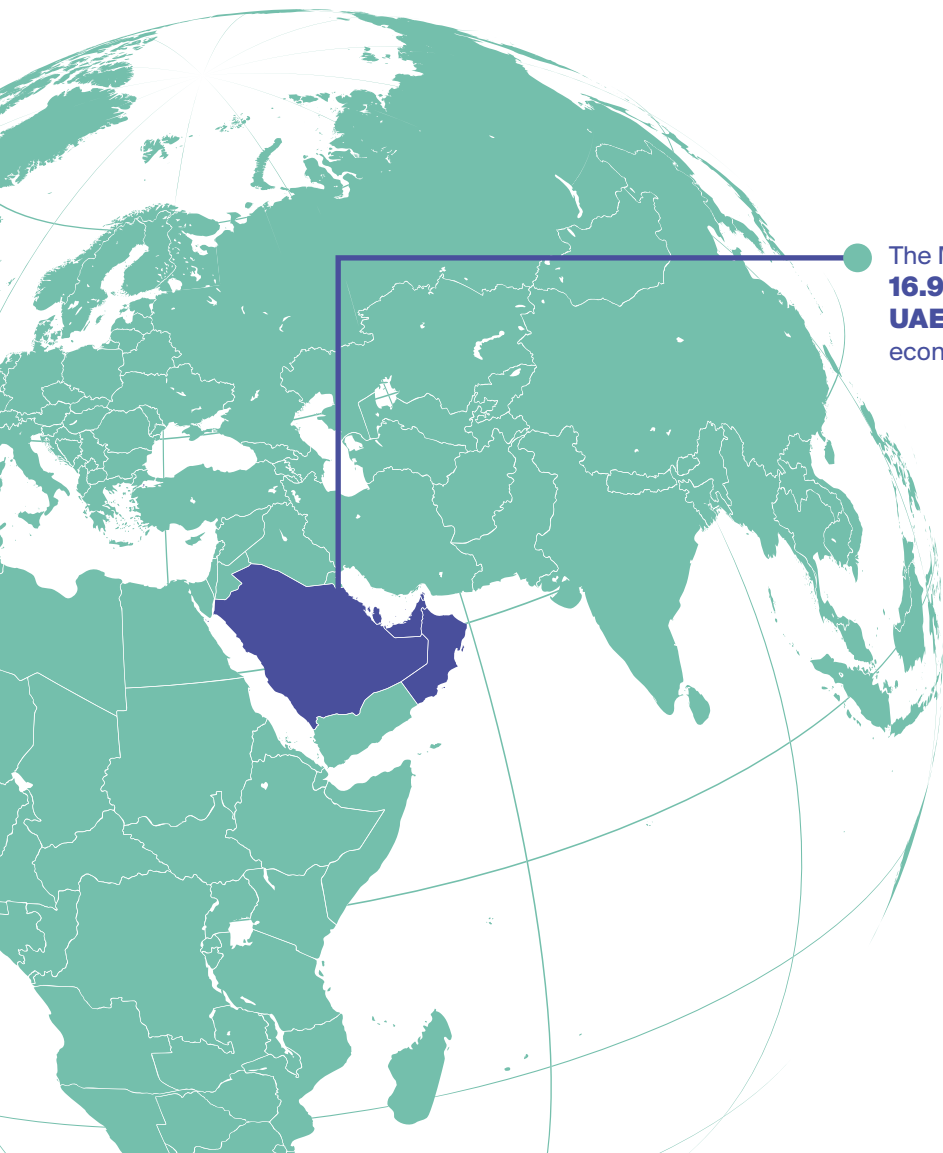
3. Increase in HNWI & UHNWI

HNWIs and UHNWIs are potential target market audience for retirement communities as they have the disposable income. These individuals have the capacity to purchase properties within retirement communities for stay during retirement years.



The global HNWI and UHNWI population respectively grew by **42.5%** and **44.0%** from 2017 to 2022

Source: The Wealth Report Series by Knight Frank

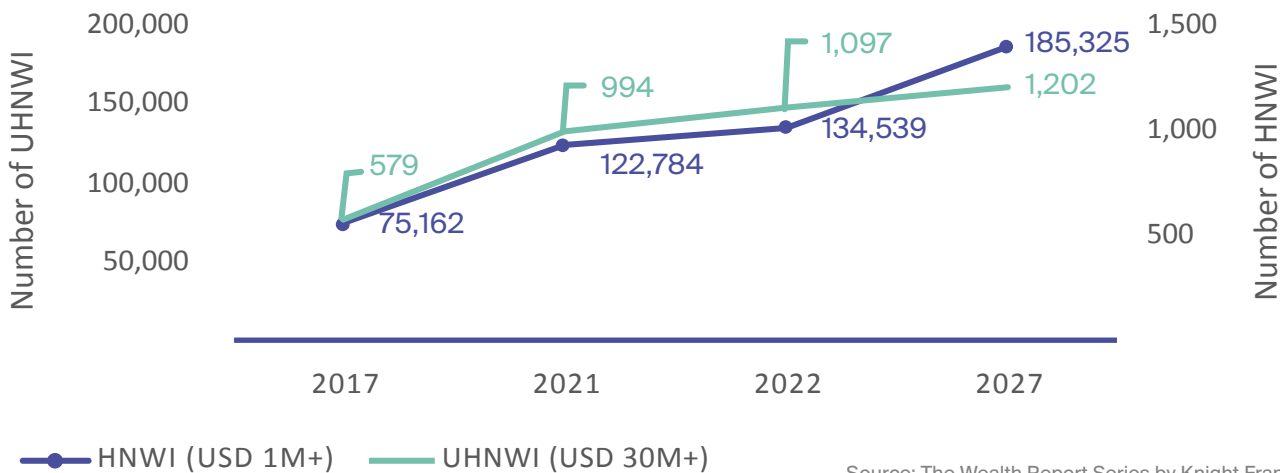


The Middle East was a regional stand out with **16.9% UHNWI growth, buoyed by the UAE and Saudi Arabia** who saw stellar economic and property market performance.

Source: The Wealth Report Series by Knight Frank

KSA is expected to witness a growth in HNWI and UHNWI to 185k and 1k respectively by 2027. This segment of the population may consider such a residential option favourably.

Number of HNWI & UHNWI- KSA



Source: The Wealth Report Series by Knight Frank

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A survey on **107 GCC based HNWI** revealed that **83% of the individuals** are interested in purchasing real estate in **Saudi Arabia**, and the most preferred real estate sector is **residential at 29%.** **Some of these HNWI may consider this as a stay option during their retirement years.**

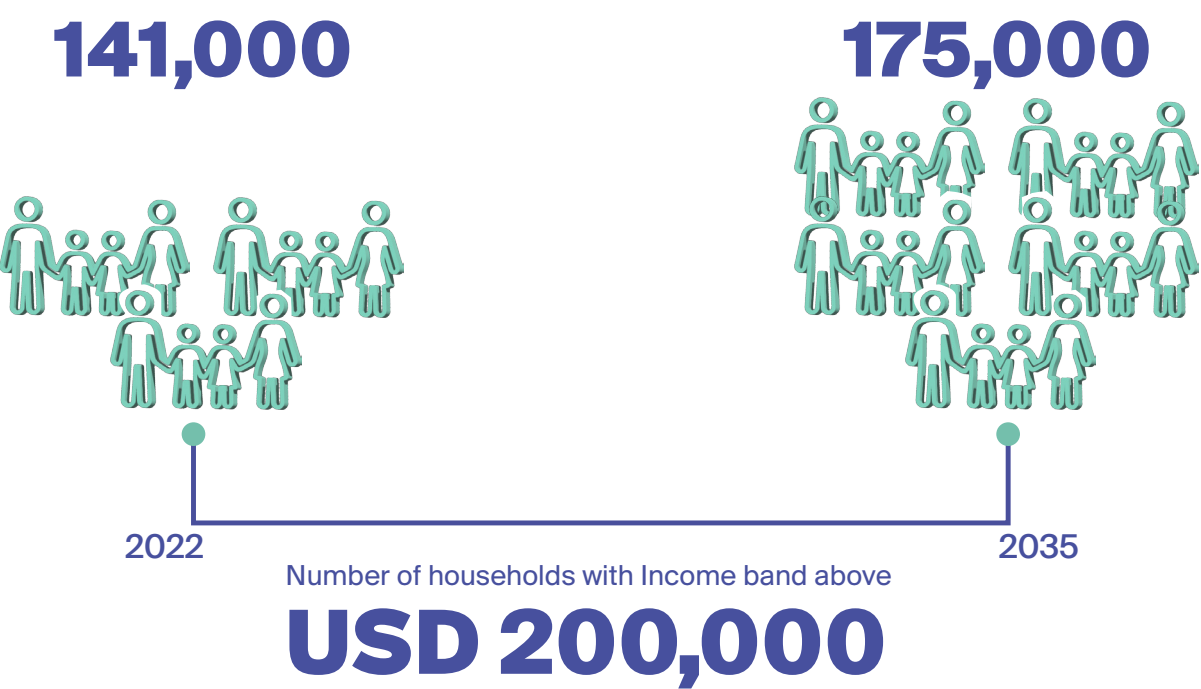
Source: KF Saudi Report 2023

HNWI: High-net-worth individual with a net worth of US\$1 million or more, including their primary residence.
UHNWI: Ultra-high-net-worth individual with a net worth of US\$30 million or more, including their primary residence

DEMAND DRIVERS

4. Growth of high income households within KSA

The number of households with an annual income band above USD 200K is expected to increase from 141K in 2022 to 175K by 2035 which means that a rising number of households have extra funds for investments and could afford to live in retirement communities with access to quality healthcare and wellness services.



Source: Oxford Economics

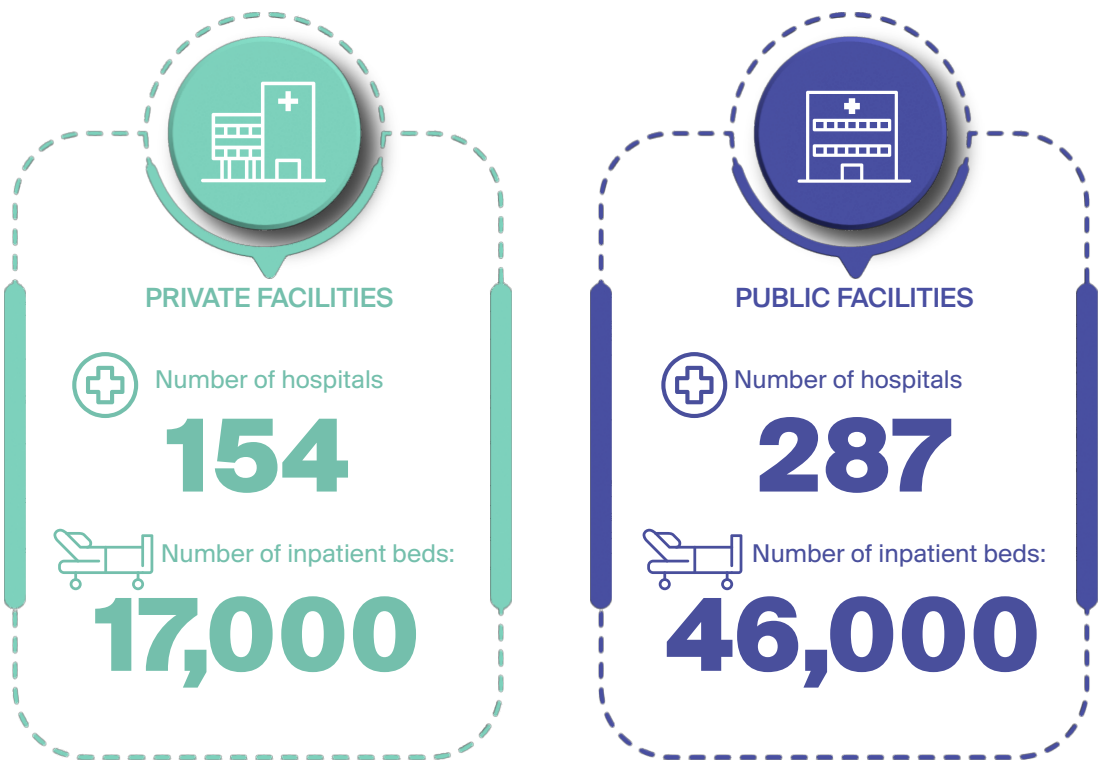
5. Expatriate community as a potential target market

KSA has a high percentage of expatriate population (approx. 41.6%), predominantly from within the MENA region and South Asia who might prefer staying back within the country for retirement purposes to retain better quality of life in comparison to home country. This segment is already aware of the cultural and social aspects of the country and could be a market that can be tapped quickly.



6. Quality healthcare and access to services

Countries with robust medical care are likely to attract seniors who prioritise health and well-being, therefore KSA, that is accessible with ample supply of public and accredited private sector facilities could bring in this factor as their key selling point. A quality healthcare within a community also provides a peace of mind to family members knowing the seniors of their family are receiving the necessary care in their absence.



Source: MoH annual health statistics 2022

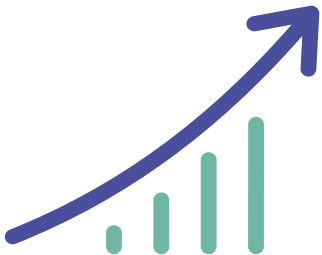
WHY SHOULD THIS BE CONSIDERED?

Our research within this arena highlights benefits which could be crucial for investors, government, seniors and other stakeholders:



1. Price premia per sqm on senior living facility

The average sale price (per sqm) for villas and apartments in KSA is SAR 4,800 and SAR 5,100 respectively. As per our research, a retirement community in western countries has a price premia of 15%-25% per sqm due to dedicated offerings to seniors such as community facilities, convenient location and ergonomic homes. In the current age, since an ‘empty nest’ older person typically moves to a smaller house during retirement, it is affordable for them and the developer gains through the price premia.



2. Enabling effective and cost- efficient delivery of healthcare

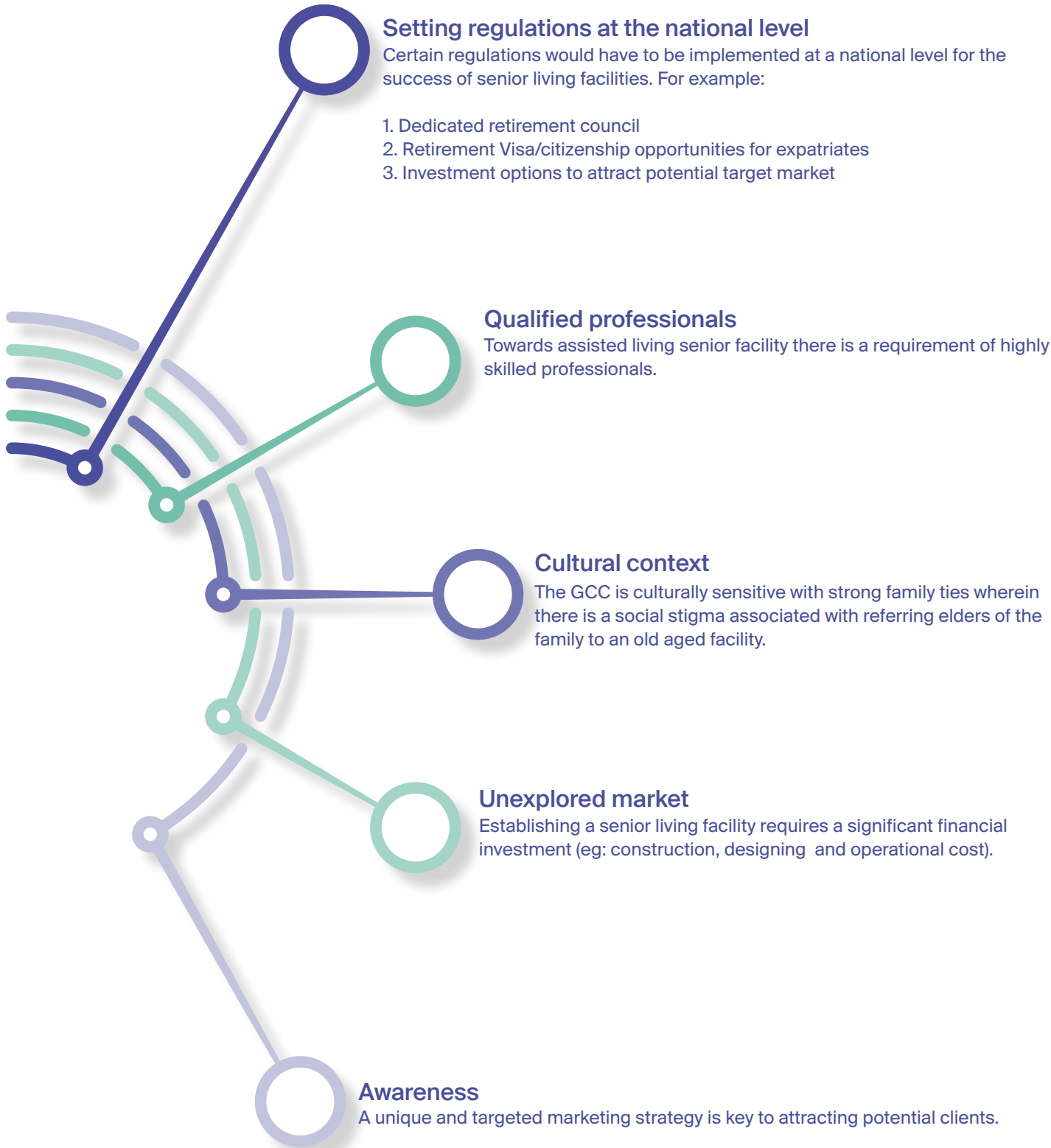
As per ARCO (UK), residents in retirement communities are less likely to be admitted into the hospitals that reduced the cost on NHS by 38%, an average saving of £1,114.9 per person per year (approx SAR 5,309.1 per person per year). This indicates that senior living facilities help reduce healthcare cost and is a cost-efficient solution for seniors.



Source: ARCO

KEYS CHALLENGES FOR ESTABLISHING RETIREMENT LIVING IN KSA

Since, the offerings are currently unavailable within the region, there are aspects that are critical to the success of such developments. Some of the key challenges are as highlighted below:



BUSINESS MODELS

To understand the framework of these dedicated communities, Knight Frank’s discussion with over 15-20 operators with multiple facilities in USA, UK, Europe, Africa and South East Asia revealed that such facilities traditionally operate within 4 business models.



Lease

- ▶ Tenant will sign a contract upon entry (fixed duration of 1 year and above) and pay a security deposit or community fee, which may be non-refundable.
- ▶ Additional healthcare and support services may be included in the monthly or annual payments or they can be charged independently on a pay-per-use basis.



Equity

- ▶ The resident purchases their unit and enjoys full ownership privileges in an ownership style senior community.
- ▶ Pricing for such facilities is based on the valuation of the asset during purchase or negotiations with the previous owner.
- ▶ Resident pays maintenance fee and other charges associated with the asset in addition to the cost of renovation.
- ▶ All healthcare and support services will be provided at an extra cost on a monthly or annual basis.



Interest free loan

- ▶ This is a common operating model among retirement living facilities. The incoming tenant is expected to provide an interest free loan to the owner of the development based on the latest value of the asset.
- ▶ All charges for healthcare and interest-free services will be charged additionally, on a monthly or annual basis.
- ▶ When the tenant vacates the premises, and original value is returned to the resident or next of kin based on the latest valuation. The owner is entitled to deduct an exit fee or deferred management fee from the final value.



Usufruct

- ▶ Usufruct is the legal right given by an owner to a resident who is not the owner, to use the property for a certain period.
- ▶ The resident has the right to make use of the property and avail profits or benefits. The usufructuary is responsible for the maintenance costs, renovation and any other charges associated with the asset.

OUR PERSPECTIVE



Demand for retirement services and housing in KSA will be driven by:

- ▶ Demographic shift towards ageing population above the age of 65 years which is expected to grow by 3.2x over the next decade.
- ▶ This demographic shift is expected to create a dependency ratio of 5 seniors for every 100 persons in the workforce by 2050.
- ▶ Based on a residential survey of 1,000+ Saudi National Households, 43% of the respondents reside outside of their hometowns due to their jobs in cities like Jeddah and Riyadh. This will create the need for various retirement housing and related services to support the parents of these migrants who are residing in their hometowns.



Opportunities:

- ▶ Such concepts should be integrated in larger communities.
- ▶ Locations that are tourist friendly (religious or otherwise) can be considered as spots for retirement, this would result in attracting an international audience as well.



Ties with established healthcare operators is a key to success:

- ▶ Reassurance for families, knowing their loved ones are in safe hands and have access to essential services including healthcare and housekeeping.
- ▶ Residents are ensured they have the necessary support and do not feel they are part of a medical setting.
- ▶ The developers do not have to invest and obtain approvals to be a healthcare facility as they will have the support through the collaboration.



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