HOUSING SECTOR IN SAUDI ARABIA: A STUDY OF CHALLENGE AND OPPORTUNITIES OF HOMEOWNERSHIP FOR THE MIDDLE AND LOW INCOME

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The Athens Charter, or Chartre d'Athènes was a document about urban planning published by the Swiss architect, Le Corbusier in 1943. One of the key findings of the home were Housing should take precedence over other uses.

“Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control”

The Universal Declaration of Human Rights, Article 25(1), 1948
"Within the overall context of an enabling approach, Governments should take appropriate action in order to promote, protect and ensure the full and progressive realization of the right to adequate housing"

The United Nations Housing Rights Programme (UNHRP)  April 2002

Therefore, we find that everyone agrees on the importance of providing adequate housing for all
All human have a right to live in adequate shelter. Therefore, housing is one of the most critical topics in most developed and developing countries.
Recently, and because of oil revenues, Gulf countries achieved grate developments and made huge steps to be an advanced countries. These revenues encouraged Gulf countries to develop their economy, infrastructures and policies.

Among Gulf countries, The Kingdom of Saudi Arabia has made a noticeable progress in recent decades in enhancing and developing the economy and urban form.
The Kingdom had and still has a rapid increase in population. Between 2004 and 2010 was around 3% Annually.

The proportion of the population living in urban areas increased rapidly from 1970s.

Group aged below 25 years old represents more than 50% of the total population.
Housing market in the Saudi Arabia witnessed a rapid rise in houses and land prices in most areas of the Kingdom. This increase exceeded the household incomes.

The demand for affordable housing has largely increased in the past decades due to many reasons.

The market witnessed a decline in percentage of homeownership, particularly for middle and low incomes.

In 2011, the Kingdom of Saudi Arabia had the lowest rate of homeownership in the Gulf States at approximately 35%. In contrast, the rate in Kuwait was 86% and 90% in the United Arab Emirates.
Saudi media is rich with content about the housing crisis because it is a serious issue that affects large numbers of people.
Important Decisions

2011

- Establishment of the Ministry for Housing in the kingdom and one of the main objectives of the ministry - Increase the proportion of home ownership.
- Increased mortgage loan of (RDEF) from 300,000 SR to 500,000 SR
- King Abdullah announced $93 billion in social handouts which included SR250 billion ($66.7 billion) to be spent on 500,000 new homes.

2012

- The Adoption of the mortgage law
Housing Sector in Saudi Arabia

Governmental bodies for housing affairs

In the Kingdom of Saudi Arabia there are currently seven main state bodies at the highest administrative level that take the lead on housing sector policy.
Land Market and Land Transfer in Saudi Arabia

- **Public land**
  - General land grants (land plots of ca. 625 sq m)
  - Private land

- **Private land**
  - Land grants by royal decree (larger plots)
  - Private land

- **Private land**
  - Land trading according to market rules

Housing Sector In Saudi Arabia
Land grant program

• In the late 1960s, the Government began to give land to eligible Saudi citizens for free.
• The program contributed to the success of housing provision in the Kingdom.

Presently the land grant program faces acute challenges:
• A huge backlog of unprocessed land grants
• Waiting periods up to 30 years
• New land grants are mostly in undeveloped areas.
• In 2010, the GHA housing sample survey revealed that less than 5% of the land grants had been used directly by their beneficiaries to build their own homes.
The Real Estate Development Fund (REDF)

REDF is a government agency, Founded in 1974

The agency’s objective is to support the development of real-estate projects through personal or investment loans to individuals and commercial real estate developers.

REDF provide long term interest free loans

Loans for private houses constitute the largest proportion of the loans granted by the fund

The maximum loan was 300,000 SR and now 500,000 SR = 100,000 euro

These loans constitute more than 99% of the total number of loans, and their value constitutes 95.6% of the total amount of financing provided by the fund (Ministry of Public Works and Housing, 1998).

In the mid-1980s REDF funding dropped from more than SR600 million (nearly 160 million of U.S dollar) to SR200 million (nearly 53.4 million of U.S dollar) due to a drop in oil prices.
National Development Plans (The Five Year Plans)

All of the government’s five-year plans, covering the years from 1970 to 2015, paid great attention to the housing sector. Due to the high economic growth rate and the rapid acceleration of population growth rates, housing demand increased and a supply–demand gap emerged. The discrepancy between targeted and actual housing units, clearly illustrates this supply–demand gap.

Housing Program In Saudi Arabia
Ownership And Home Loans

Saudi citizens have traditionally used personal capital and family savings to purchase homes.

Banks offer home loans, but only on a limited basis, and some companies in both the private and public sectors have in-house financing schemes to help employees buy homes. However, these options, usually reserved for wealthier Saudis, are often not available to mid to low-income households. Saudis of lesser means can apply to REDF for home loans.

REDF loans dominate the Saudi housing market, accounting for 81% of total home financing.
**Ownership And Home Loans**

**Income**

Monthly income of the family in Saudi Arabia %

![Chart showing percentage distribution of monthly family income in Saudi Arabia.](chart-image)

- **Less than 5000**: Approximately 77% of the family incomes fall into this category.
- **From 5001 to 8000**: 30% of the family incomes.
- **From 8001 to 10000**: 25% of the family incomes.
- **From 10001 to 15000**: 15% of the family incomes.
- **From 10001 to 20000**: 10% of the family incomes.
- **More than 20000**: 5% of the family incomes.
Home ownership out of reach for many government employees

Average private sector wages fail to match home loan demands

Source: Ministry of Civil Services, Banque Saudi Fransi research

Source: Ministry of Labour, Banque Saudi Fransi estimates
The Case Study Jeddah City

Located on the coast of the Red Sea and is the major urban center of western Saudi Arabia. It is the largest city in Makkah Province, the largest sea port on the Red Sea, and the second largest city in Saudi Arabia after the capital city, Riyadh. It is an important commercial hub in Saudi Arabia.
Some Information of Jeddah city

- Jeddah city is divided to 13 Sub Municipalities.
- The built up area of Jeddah in (1951) was 3.15sq.km and 1,350 sq.km in (2005).
- Population in Jeddah (3.430.697 million) 50% out of Makkah Region and 13% of Saudi Arabia.
- 41.7% increase of population from 2000-2010.
- 3.55% annual increase from 2000-2010.
- Third of the population lives slums

Ownership

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<tr>
<td></td>
<td>No.</td>
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<td>64.5</td>
<td>133413</td>
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Source: Albeeah Consultant, Municipality of Jeddah (2002)

The Jeddah residential market remains dominated by **small developers** and **individual owners**, with the larger developers delivering just 2,010 additional units to the residential market in 2010.

On the other hand, the majority of New **Housing Supply** is in **Luxury Apartments**
Because of its importance, the issue of housing has been supported in all five-year plans, and we find that it received a high priority in the Ninth Development Plan, in addition to the Ministry of Housing is seeking to develop a strategy of housing and housing distribution, Also the support of scientific chairs at universities to discuss the problems of housing due to the lack of academic studies in the housing sector.

However, the housing problem in the Kingdom of Saudi Arabia is still growing.

Jeddah as one of the cities in the Kingdom has suffered and continues to suffer from the problem of housing, especially to the families of middle and low income.
The lack of affordable housing supply and demand in Saudi Arabia. In spite of all programs and assistances from the government is due to the current legislative framework and this especially in residential land and funding programs.

General Objective

• The aim objective of this study is to demonstrate and identify of the major problems and challenges to access housing sector in Saudi Arabia (Jeddah as case study).
• The reasons behind these problems will be also illustrated. The study will also emphasize on affordable housing and homeownership for the middle and low income, And contribute to finding solutions to the problem
Hypothesis and General Objective

One of the important Objective

Demonstrate the balance between supply, demand in the housing market in Saudi Arabia and the reason if there deference between them especially of homeownership for the middle and low income.

Some of the alternative solutions will be discussed in the research to see if they can help solve the issue

- Affordable housing models by governments in other countries.
- Reducing the block size.
- Changing the types of houses offered in the market by making home development more economically scalable.
- Partnership between the public and private sector in the provision of affordable housing.

The most important questions

What is the reasons due to the lack of affordable housing supply and demand in Saudi Arabia? And reach applicable solutions to help solve it
Specific objectives

- Study the housing market in Saudi Arabia.

- Analyze the difficulty for low and middle-income households to purchase housing, with reference to evidence provided by official statistics and related studies.

- Analyze the reasons that led to the lack of supply of affordable housing.

- Demonstrate that the supply of and demand for special types of housing caused pressure on the housing market.

- Identify the factors that influence homeownership for middle and low-income households.

- Draw conclusions and provide recommendations that will help the housing sector provide affordable housing for low and middle-income families.
The structure of the thesis

1. Outlines the objectives and research methods.
2. Review of literature related to the housing sector in general
3. Background information about the Kingdom of Saudi Arabia
4. Overview of the Saudi Arabian real estate market
5. The case study Jeddah City
6. Describes data collection
7. Conclusions and Recommendations
The state of art

Specific

There are some studies and books talked about the housing sector in Saudi Arabia

The Kingdom also has had a rapid rise in population. Between 2004 and 2010, total population grew by approximately 3% and more than 50% of the total population was less than 25 years old, which means there will be an increase in housing demand. The proportion of the population living in urban areas increased rapidly from 48% in 1974 to 81% in 2004. There has been a high rate of migration to major cities.

(MOP, 2010)

“Jeddah like other cities has experienced a shortage of affordable housing. The government has provided financial help but, despite these efforts, housing prices have continued to increase. The expected growth of population and household units in the next 20 years added to the present shortage will generate a major gap between demand and supply”.

(Al-Otaibi, 2004)

Government of Saudi Arabia, has made noticeable progress in enhancing the economy and developing urban centers in recent decades. Dramatic progress in both the quality and quantity of housing has been made over the past forty years. However, given rising population and concentration of the population in cities, these programs may not be satisfy the increasing demand, if no evolve and increase housing supply

(Bahammam, 2001)
The state of art

In the Kingdom of Saudi Arabia, economic growth and the availability of affordable housing has resulted in high levels of migration to metropolitan regions. Providing affordable housing in these regions has been a significant policy target for the government. Although loans to finance the purchase of houses are used by the private and public housing sector, land supply and planning permission are often restricted, which contributes to higher housing costs. Issues of land supply and income inequality are equally important. Since the early 1970s, the provision of decent housing to Saudi citizens has been a national objective. To achieve this, a specialized financial institution, the Real Estate Development Fund (REDF), was set up to provide interest free credit to individuals. The private sector also participated by developing private housing.

(Al-Rahman, 1994)

According to the Statute of the General Housing Authority (GHA), now Ministry of Housing, Article 3, one of the aims are:

- Facilitating citizens' access to adequate quality affordable housing consistent with the individual’s income at a suitable time of their life.
- Increasing homeownership rate.
- Promoting private sector involvement in supporting various housing activities and programs.
- Increasing supply of housing of different types.
- The government of Saudi Arabia’s goal is to raise home ownership rates to 80% by 2024.
Finally, Housing is the most valuable thing that family has, because it provides comfort, as it reflects the social and economic situation, so it became sits on top of the priorities of family and consumes the most of the expenditures. Facilitate access to housing has become one of the most important issues on the social development agenda in different countries of the world.

Therefore, the government of the Kingdom has paid a great care to housing problem, appeared at the Royal orders issued in 2011, which allocated 250,000,000 riyals to build 500,000 housing units, In addition to raising the upper limit of housing loans provided to citizens from the Real Estate Development Fund to 500,000 riyals, and the creation of the Ministry of Housing.

(Ministry of Planning of Saudi Arabia, Central department of statistics and information, 2010)
The state of art

Main sources of information in the case study will be from

- Ministry of Housing
- Central Department of Statistics & Information
- Jeddah Development & Urban Regeneration
- Jeddah Municipality
- Interviews
- Questionnaire
- Previous studies
Working Plan

**Phase 1**
- The Literature Review
  - Review of Discussions
  - Study of Examples
  - Review of Study in Saudi Arabia

**Phase 2**
- The case study Background
  - Previous study of Jeddah
  - Current situation
  - The future expectations
  - publish a scientific paper

**Phase 3**
- Observations and analyzing
  - Questionnaire
  - Interviews
  - Final visions and evaluations
  - Publish a scientific paper

**Phase 4**
- Review and conclusions
  - Conclusions
  - Correction of text and structure
  - The final presentation:

The final presentation:
# Working Plan

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Presentation
Feasibility

This study will focus on the major problems and challenges to access housing sector in Saudi Arabia especially for the families of low and middle-income.

I expect to have recommendation for using to solving some of this lack in housing.

On the other hand, the government of Saudi Arabia recently has motivated all researchers and professionals to participate in development projects over the country, and special attention for low-income families and provide all their needs.

Finally, this research will be useful for all cities in the Kingdom not just for Jeddah.

In order to, This research would be presented to Ministry of housing and other local administration to see about the possibility of applying the research recommendations.
Ahmed Zaki Badawi: Dictionary of Social Sciences, Beirut, p. 201


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Thank you for your attention

Gracias por su atención

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