

THE SAUDI REPORT

THE DEFINITIVE GUIDE TO THE RESIDENTIAL, HEALTHCARE,
EDUCATION, HOSPITALITY, RETAIL AND BRANDED RESIDENTIAL SECTORS



20
23

THE SAUDI REPORT BRAND EVOLUTION

Our 2023 branding reflects Saudi Arabia's forward-looking approach that has been inspired by Vision 2030.

Our team has been inspired by the traditional linear wall art in Aseer, which we have reinterpreted as 13 parallel lines, each representing one province in the Kingdom. Our 13-sided tridecagon similarly reflects the 13 provinces in Saudi.

The choice of our vivid colour palette this year is meant to evoke notions of a future without boundaries, which the Kingdom currently exudes with its vast development plans, but always anchored by the colour lavender, which is a tribute to the lavender fields that emerge in the northern deserts of Saudi following winter rains.

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The background features a series of horizontal, rounded lines in shades of yellow, orange, and purple. In the center, the word "INTRODUCTION" is written in a white, serif font. It is flanked by two white diamond-shaped icons with double outlines. Surrounding the central text are several other white icons: two diamond shapes with double outlines at the top and bottom, and four square shapes with double outlines and a slight 3D effect, arranged in a circle.

INTRODUCTION

FOREWORD

AS VISION 2030 GATHERS PACE, THE EXUBERANCE OF CHANGE IS NOWHERE MORE VISIBLE THAN ACROSS THE KINGDOM'S REAL ESTATE LANDSCAPE.

2022 will likely be remembered as an extraordinary year for Saudi Arabia. The pandemic's shackles have been left behind and Vision 2030 has continued to blossom, unveiling a slew of Giga projects, including Sindalah and Trojena, with the latter winning the rights to host the 2029 Asian Winter Games – a first for the Middle East.

Furthermore, infrastructure investments have continued to multiply, with Riyadh set to host the world's largest airport by 2050 when King Salman Airport is completed, capable of handling 185 million passengers – more than Dubai International and London Heathrow combined.

Last year I said I believed 'the best is yet to come' and I stand by my view. The National Transformation plan is reverberating around the Kingdom, with every corner and sector feeling its impact. Riyadh and Jeddah are together expected to see real estate and infrastructure development projects worth over US\$ 200 billion by the end of 2030. And not to be left behind, the Saudi Downtown Company was also recently established to develop downtown areas and mixed-use destinations in 12 other secondary cities.

The phenomenal pace of change is no where better reflected than in the residential and office markets which have been supercharged by the influx of expats and international businesses. Indeed, the government recently reported that the number of professional expats residing in the Kingdom grew six-fold between March and September last year, rising from 200,000 to 1.2 million. Unsurprisingly, this has driven house prices up by record rates with home ownership rates rapidly closing in on 70%, while prime office space has dwindled in major cities such as Riyadh.

In our 2023 Saudi Report, we investigate the attitudes and appetite amongst Saudi nationals to rent, or purchase homes through our annual residential survey. We also assess national attitudes towards the Giga projects as investment destinations.

New components to our report this year include understanding attitudes of Saudi nationals towards healthcare, education, branded residences, retail and hospitality offerings in the Kingdom. We also take a look at GCC HNWI perceptions of the real estate investment opportunities now emerging in Saudi Arabia.

We invite you to explore our fascinating research findings and welcome the opportunity to discuss our analysis with you in more detail.

DISCOVER THE FULL REPORT



JAMES LEWIS

MANAGING DIRECTOR, MIDDLE EAST & AFRICA

VISION TURNS TO REALITY

A BOLD NEW VISION IS UNFOLDING IN SAUDI ARABIA

The total value of real estate projects since the launch of Saudi Arabia's National Transformation Plan in 2016 has crossed US\$ 1.1 trillion.

The phenomenal transformation taking place in 2022's fastest growing major global economy is clearly visible across the entire urban landscape. With over 555,000 residential units, more than 275,000 hotel keys, in excess of 4.3 million sqm of retail space and over 6.1 million sqm of new office space expected by 2030, the planned construction in the Kingdom will easily make Saudi Arabia the largest construction site the world has ever known.

What's more, healthcare, education and wellbeing sit at the core of the transformative plans, which will contribute to an extraordinary evolution in the Kingdom's physical realm.

We currently tracking 15 giga projects in various phases of construction around the Kingdom, many of which are new stand-alone super-cities in their own right. NEOM remains the largest giga-project announced to date, and it has been recently publicised that it will house 9 million residents on completion across an estimated 300,000 new homes. However just US\$ 7.5 billion of sub projects have been commissioned thus far, with construction progress of this tranche of projects standing at 29%.

Vision 2030 has lit the embers of excitement across the Kingdom and with NEOM being positioned as a crown jewel in the transformative plans, people are eager to be part of history. Super-cities like NEOM will redefine urban living, while meaningfully embracing sustainability in a resource hungry region. Sub-cities like Oxagon, Sindalah, Trojena and The Line will set new benchmarks for luxury living in the region and with close to 30% of home-owners in Saudi prepared to spend upwards of US\$ 800,000 on a second home in the Kingdom, developers have their work cut out to satisfy this pent-up demand.


RIYADH'S REAWAKENING AS A GLOBAL HUB

Away from NEOM, the US\$ 20 billion Diriyah Gate is one of the Kingdom's other vast projects. The city-sized historic district of Diriyah will add 20,000 homes to Riyadh's residential stock by the time it is completed in 2027 and 46% of construction has been completed on the US\$ 5 billion spent so far.

Riyadh itself is poised to undergo explosive growth, with the population projected to close in on 17 million by 2030, up from around 7.5 million today. To meet this ambitious growth target, the city has itself seen real estate projects worth US\$ 104 billion unveiled over the last six years. This excludes plans for the recently unveiled King Salman International Airport – expected to be the world's largest on completion in 2050. The city-sized airport will be spread across 57 square kilometres and is being developed at a cost of US\$ 147 billion, details of which are expected soon. The new international airport accounts for close to 74% of the US\$ 200 billion nationwide infrastructure spend.

Riyadh's repositioning as a commercial nerve centre of the Kingdom is well underway. And businesses from the world over are already clamouring to be at the centre of the Middle East's second and much-needed global hub. Indeed, with Grade A office occupancy levels across the city hovering at around 97%, the planned development of a further 2.8 million sqm of world class office space could not come sooner. The city is also attracting a huge number of internal migrants and with readily available support to get on the housing ladder, house prices are rising rapidly and currently stand some 26% higher than this time last year, with certain parts of the capital registering growth of close to 40%. This record growth is creating some pressures in the housing market, which we will explore later in the report.

Sustainability is a key theme for Riyadh too. Recent plans for the 10 square kilometre ALNAMA Smart City, which will be the capital's first zero-carbon city, housing some 44,000 people when completed, we expect, are just the tip of the iceberg.



VISION 2030 HAS LIT THE EMBERS OF EXCITEMENT ACROSS THE KINGDOM AND WITH NEOM BEING POSITIONED AS A CROWN JEWEL IN THE TRANSFORMATIVE PLANS, PEOPLE ARE EAGER TO BE PART OF HISTORY.

PEOPLE CENTRIC PLANS

There is significant emphasis being placed on the well-being of the Kingdom's residents through the improvement and provision of world-class urban environments. This includes the US\$ 500 million Riyadh Sports Boulevard as well as the US\$ 23 billion 'Green Riyadh' which will transform the Saudi capital into a verdant metropolis through the planting of 7.5 million trees.

Elsewhere, Dammam's 650,000 sqm Amanat Al Sharqiya project will see the revitalisation of the city's corniche.

And this emphasis on wellbeing extends to the 19,000 hospital beds planned, which is set to cost US\$ 13.8 billion, US\$ 8.6 billion of which is planned for Riyadh Province alone. Furthermore, over 80 new educational institutions are also being built at a cost of US\$ 8 billion.



Major wellbeing, sports, entertainment, and recreation projects

US\$ 24 billion



Source: Knight Frank

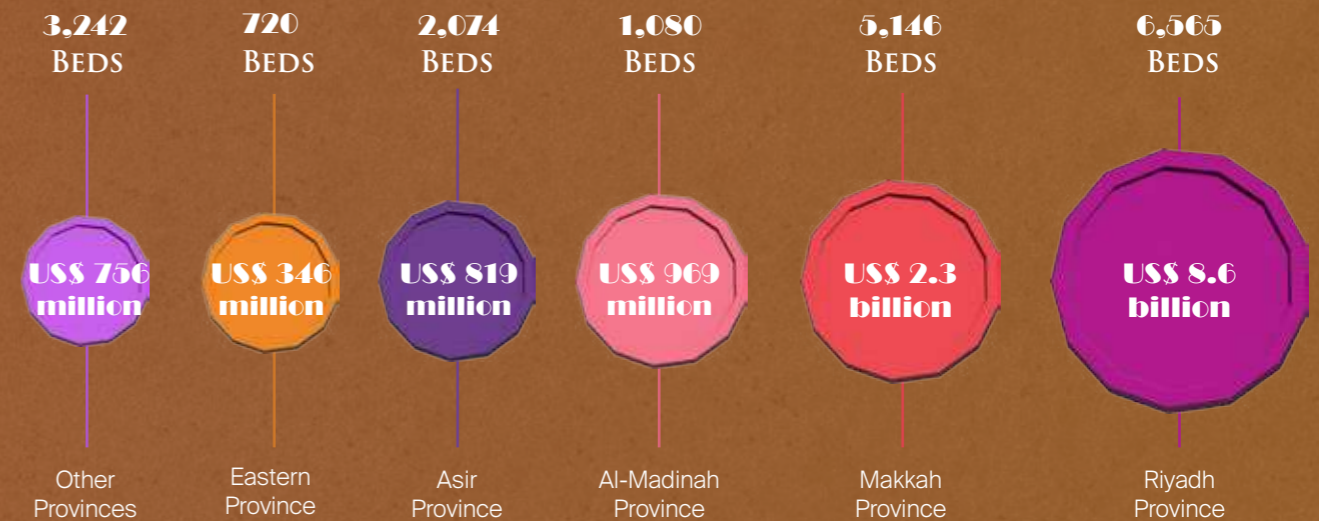
Major education projects



Source: Knight Frank

Major healthcare projects

US\$ 13.8 billion



Source: Knight Frank

OUR SURVEYS

Knight Frank's annual 2023 Saudi Arabia real estate market surveys were conducted in partnership with YouGov. The three surveys were designed to elicit a deeper understanding of preferences and aspirations for residential properties, as well as gauge attitudes towards other real estate sectors, including hospitality, retail, healthcare, and education.

Our surveys go beyond the raw data as we seek to understand the motives behind responses, as well as differentiate between aspirations and reality, in addition to painting a picture of what the results may mean for the Kingdom's real estate markets.

Sentiment is often a better indicator of future capital allocation than just deals; hence our three surveys rely equally on qualitative as well as quantitative data points.

WE CONDUCTED THREE DIFFERENT SURVEYS:

SURVEY 1

1,014 Saudi national households from the cities of Riyadh, Jeddah, and Dammam were surveyed to identify their desired residential properties and living preferences, including a specific focus on the planned Giga projects.

SURVEY 2

498 Saudi national households from the cities of Riyadh, Jeddah and Dammam were surveyed to gather their attitudes on various real estate sectors, including hospitality, retail, healthcare, and education, to understand their preferences and spending habits.

SURVEY 3

107 GCC-based High Net Worth Individuals (HNWI), each with a net worth of over US\$ 500,000 (excluding their primary residence), were surveyed to measure their appetite to invest in real estate in the Kingdom.



SURVEY 1

THE RESIDENTIAL MARKET

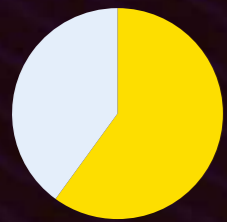
1,014

 Saudi national households

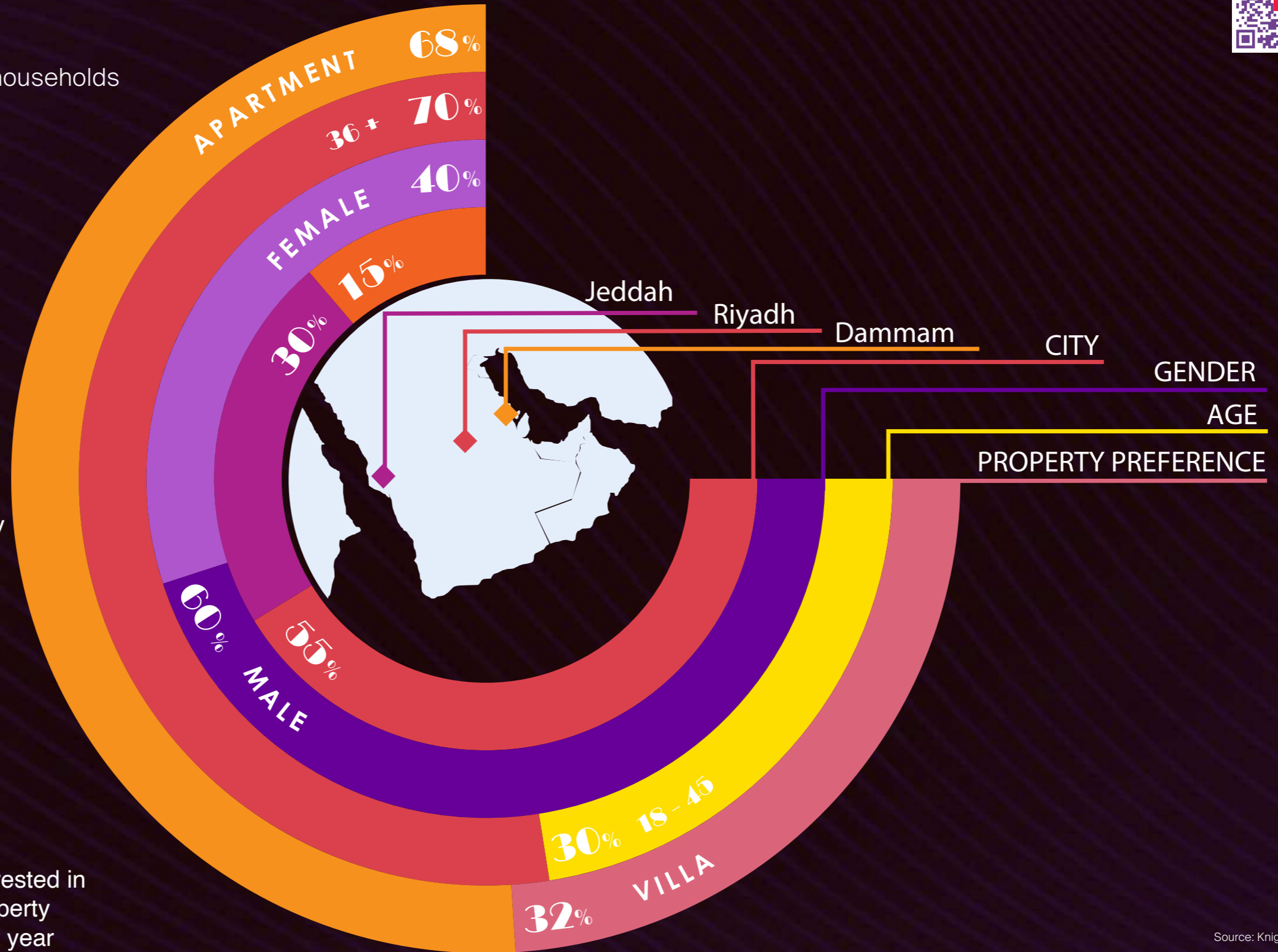
DISCOVER THE DATA



43% Of respondents currently reside outside of their hometown



40% Of respondents are interested in making a residential property purchase within the next year



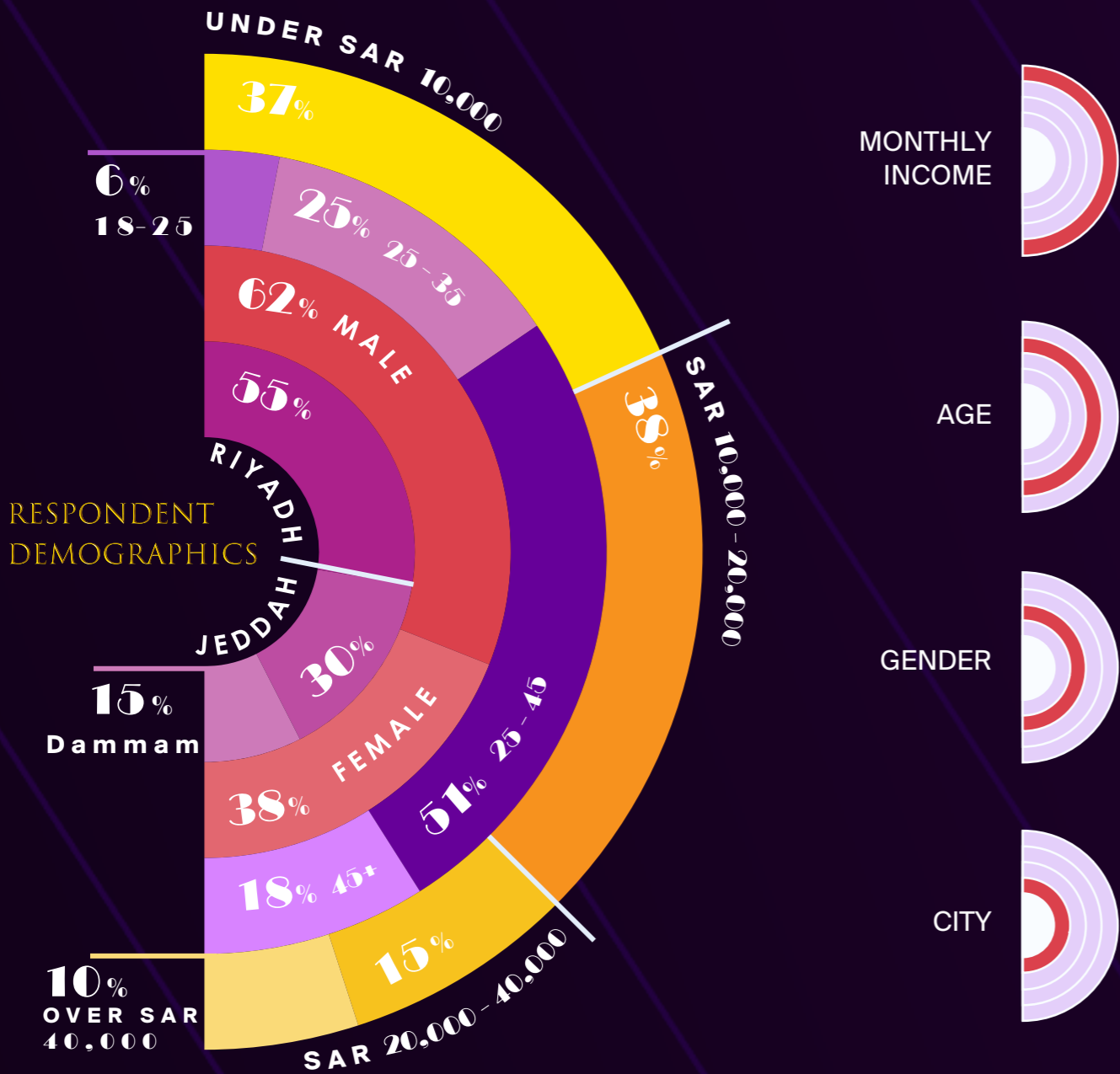
SURVEY 2

HOSPITALITY, RETAIL, EDUCATION AND HEALTHCARE

498 Saudi national households

66% of respondents visit government facilities for medical treatments

91% of respondents travel domestically



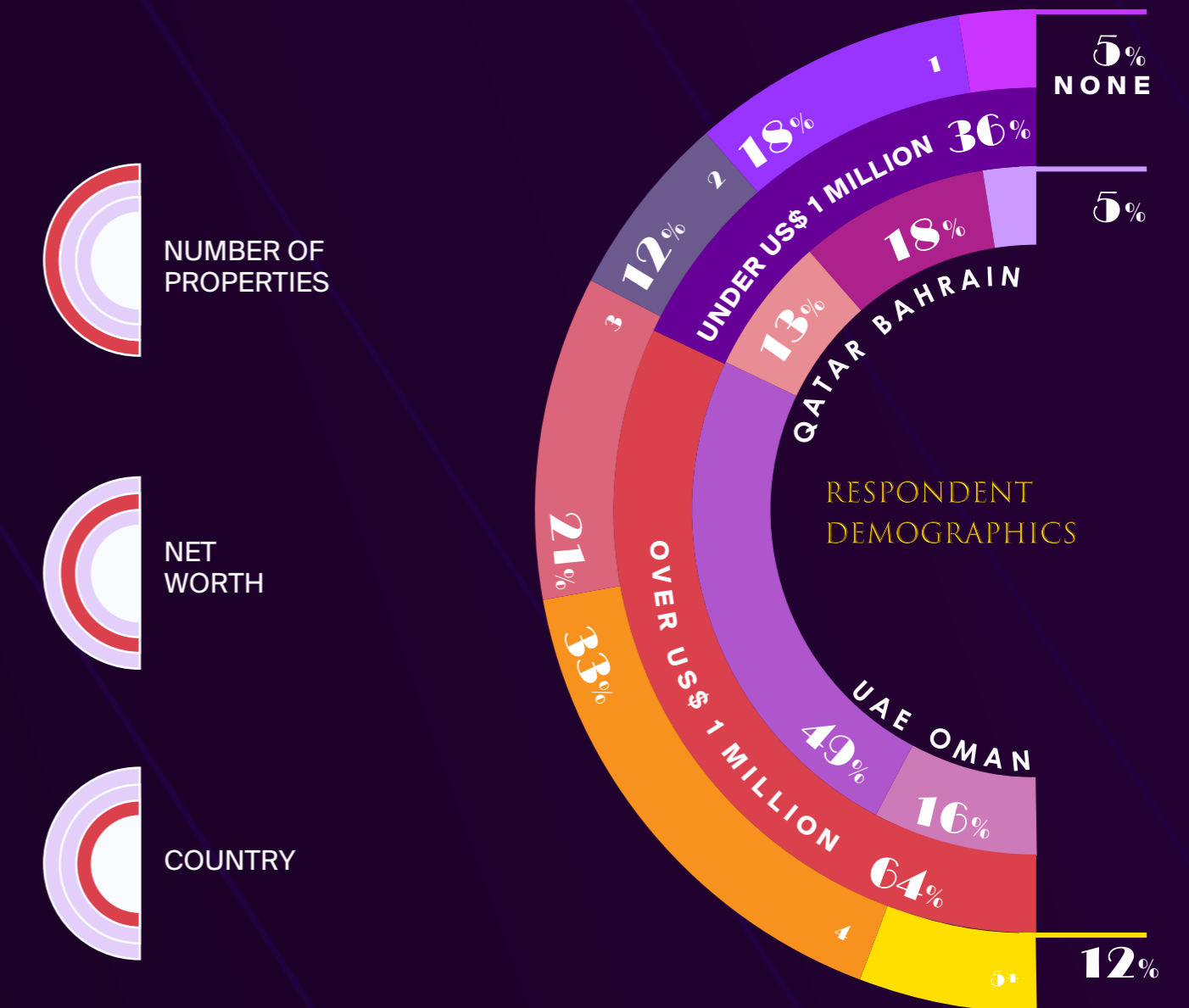
SURVEY 3

GCC-BASED HNWI

107 GCC-based HNWI

OVER 1/2 of GCC-based HNWI prefer residential investments

83% are interested in purchasing real estate in Saudi Arabia





THE RESIDENTIAL
MARKET



THE GRASS IS GREENER FOR INTERNAL MIGRANTS

OVER THE PAST DECADE, THE KINGDOM OF SAUDI ARABIA HAS UNDERGONE A TREMENDOUS SOCIO-ECONOMIC TRANSFORMATION, WITH DECLINING HOUSEHOLD SIZES AND INTERNAL MIGRATION EMERGING AS SOME OF THE FIRST BYPRODUCTS OF RAPID MODERNISATION.

THE RIYADH MAGNET

The capital city, Riyadh, has been one of the major centres of attraction for those looking to climb the career ladder, with Survey 1 highlighting jobs as the key driver for Saudi nationals relocating to Riyadh.

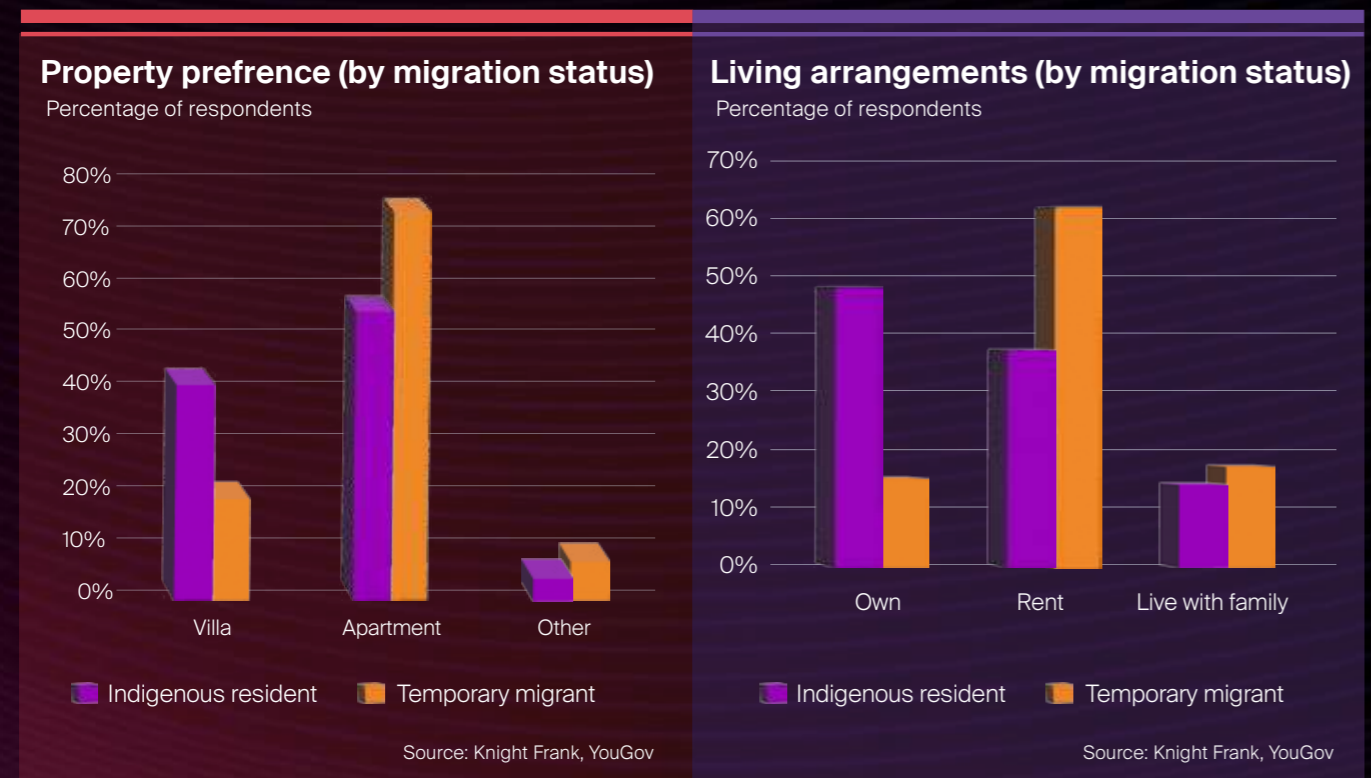
This trend is also present in other major cities, like Jeddah, the commercial capital of the western region and Saudi's second city.

In Survey 1, we investigated the impact of domestic migration on property choices to understand how developers and investors might respond to this apparent opportunity. Among our Riyadh respondents, just over half (53%) were born in the capital and consider it their home.

In Dammam, this figure rises to 58%, while in Jeddah, almost two-thirds of respondents were born and raised in the city. The disparity in the figures for the first time has allowed us to quantify the potential volume of internal Saudi migrants in Riyadh, which has significant implications for developers and planners.

The most common reason to temporarily migrate to a different city are 'work' or 'career' linked. Those who migrate temporarily prefer living in smaller units (74%). Additionally, most (62%) are tenants, presumably due to the flexibility offered through renting and plans to buy a house in their hometown instead, both of which were key takeaways in our 2022 Saudi Report.

We will return to this theme later in our *Opportunities chapter*.



THE ONGOING DECREASE IN HOUSEHOLD SIZES AS YOUNG SAUDIS FLY THE NEST AT A YOUNGER AGE IS SUSTAINING HIGH LEVELS OF DEMAND.

A HOME FROM HOME... FOR NOW

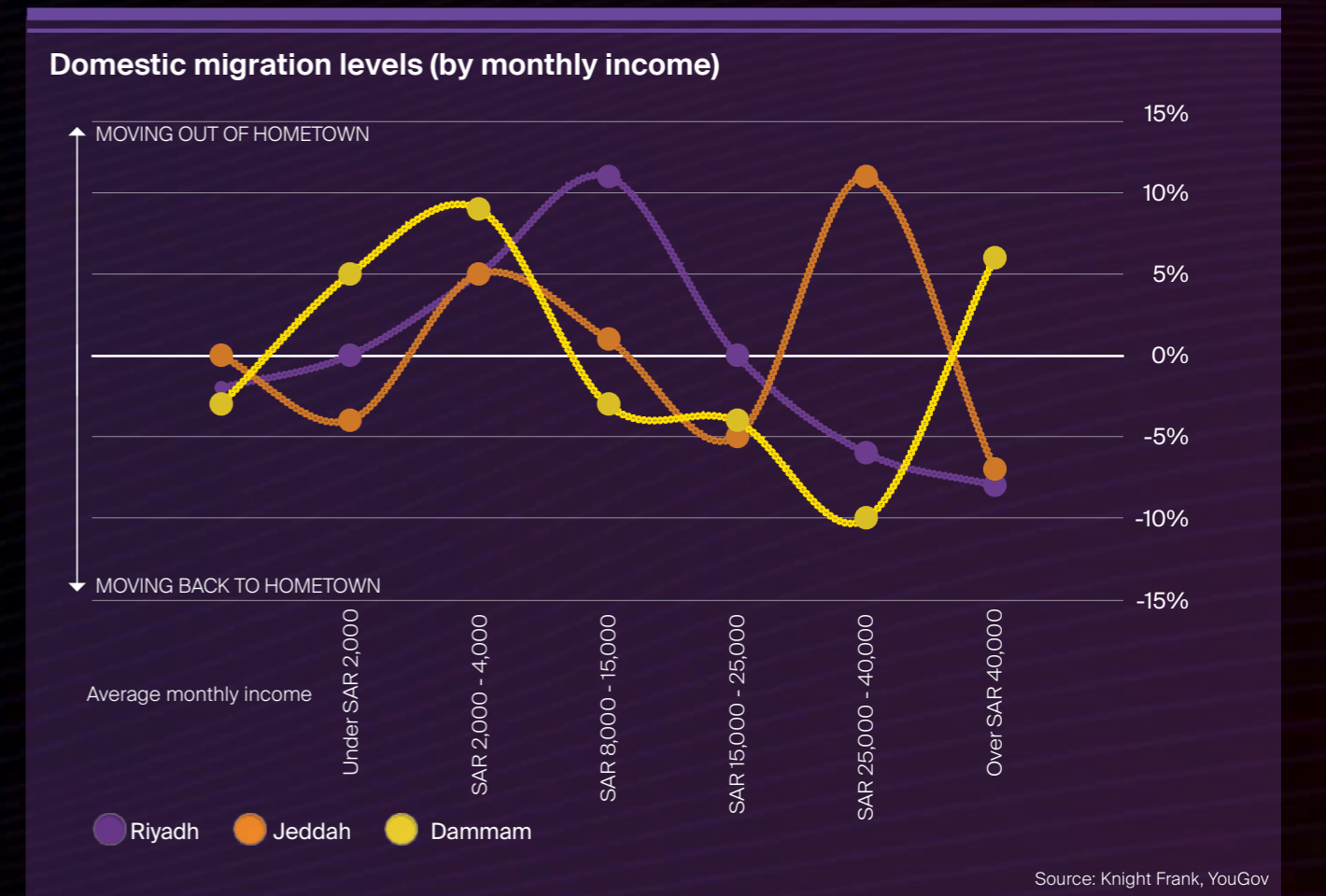
Despite the high levels of internal migration, a significant proportion of respondents appear to be uncommitted to establishing a permanent base away from their home cities.

Indeed, 68% perceive themselves as temporary residents, indicating they will move 'back home' should the right job present itself.

The graph below shows the movement of residents in and out of their home cities based on their income. Most people between the income brackets of SAR 4,000 to

15,000 per month in Jeddah and Riyadh appear more footloose and are willing to move within the Kingdom. After achieving higher incomes, however, the desire to relocate once more declines rapidly.

In Dammam, however, the story is a bit different. Most prefer to remain in the city until they breach an income threshold of SAR 40,000 per month. Anecdotally, Saudi ARAMCO, which is headquartered in Dammam, is known to offer high starting salaries, which could perhaps partly explain this trend.



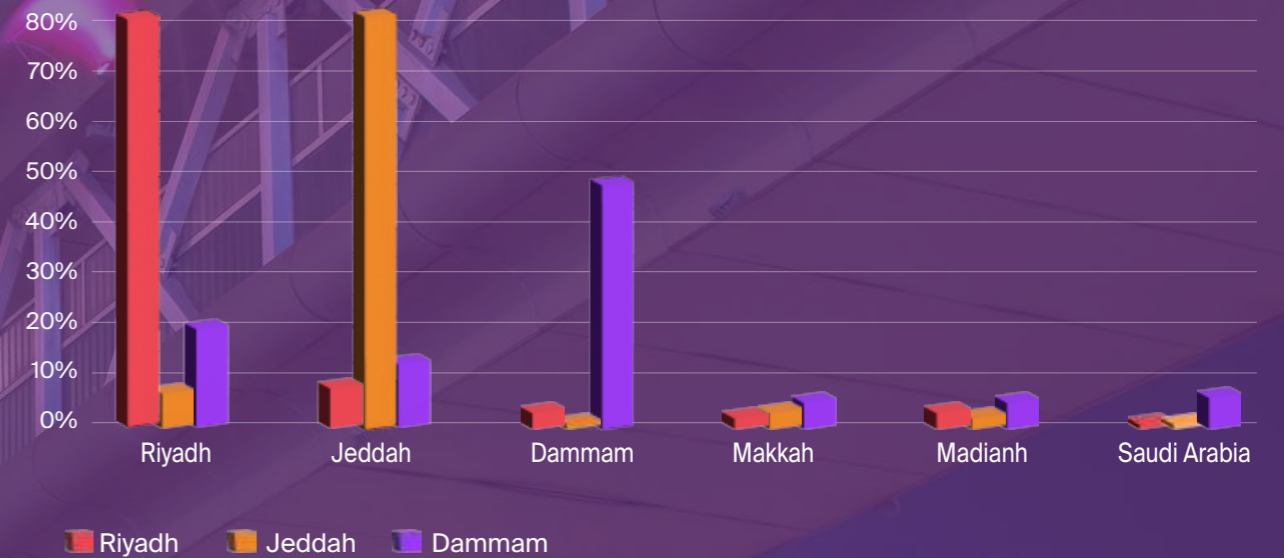
THERE'S NO PLACE LIKE HOME

Despite the slowdown in transactions and rising prices, demand for residential units in Riyadh remains high. The capital continues to be a popular target amongst home buyers, with demand being catalysed by high levels of job creation and eye-catching residential developments such as King Salman Park. The latter includes over 15,000 units across 16 square kilometres, set in amongst 11.6 square kilometres of landscaping.

Job creation coupled with Program HQ, which is designed to encourage businesses around the region to hub out of the Kingdom and the ongoing decrease in household sizes as young Saudis fly the nest at a younger age is sustaining high levels of demand.

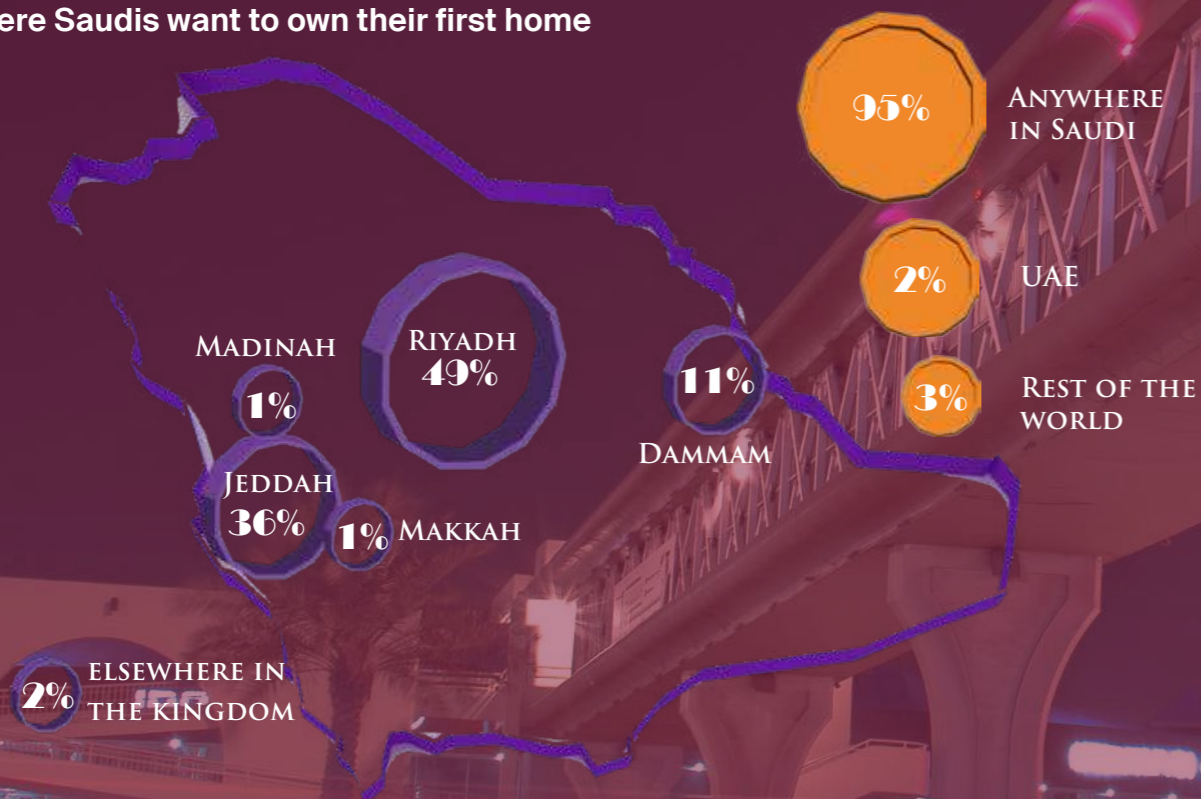
Most popular locations for home ownership (by city)

Percentage of respondents



Source: Knight Frank, YouGov

Where Saudis want to own their first home



Source: Knight Frank, YouGov

WHAT YOU NEED TO KNOW

- THE MAJORITY OF RESIDENTS OF BOTH RIYADH (84%) AND JEDDAH (85%) ARE INTERESTED IN PURCHASING PROPERTIES IN THEIR RESPECTIVE CITIES
- 50% OF DAMMAM'S RESIDENTS ARE INTERESTED IN BUYING PROPERTIES IN THE DAMMAM METROPOLITAN AREA, AND ONE-THIRD ARE LOOKING TO PURCHASE IN RIYADH (20%) AND JEDDAH (30%)

DISCOVER THE FULL REPORT



MOVIN' ON UP: HOME OWNERSHIP ASPIRATIONS

SURVEY 1

AS PART OF THE PLETHORA OF THE KINGDOM'S REFORMS, BOOSTING HOME OWNERSHIP AMONGST SAUDI NATIONALS REMAINS A KEY PILLAR IN VISION 2030. IN OUR 2022 SAUDI REPORT, WE FOUND THAT 84% OF TENANTS WERE INTERESTED IN PURCHASING PROPERTY, BUT AFFORDABILITY CHALLENGES EMERGED AS A KEY BARRIER BETWEEN ASPIRATIONS AND REALITY. AS A RESULT, MANY WERE FORCED INTO A HOLDING PATTERN, HAVING TO SAVE FOR LONGER BEFORE BEING ABLE TO TRANSITION TO HOME OWNERSHIP.

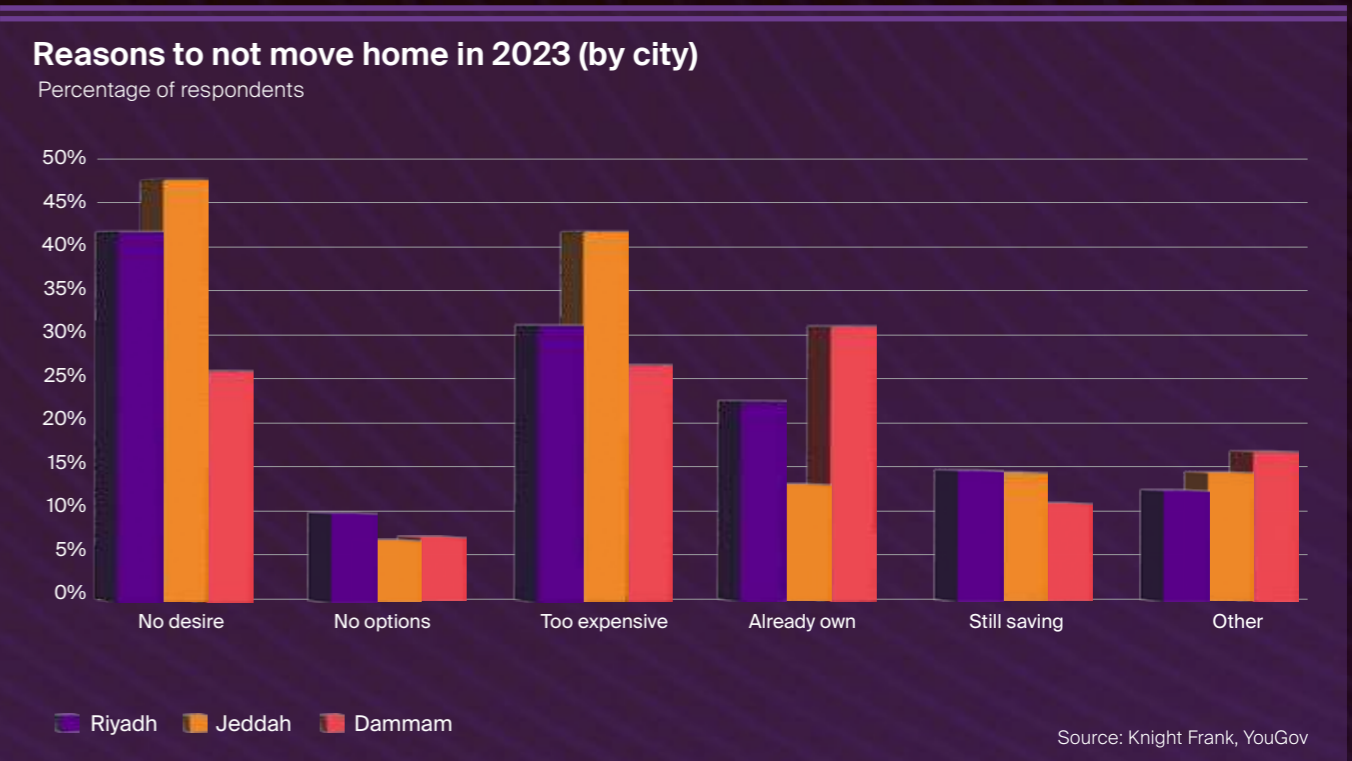
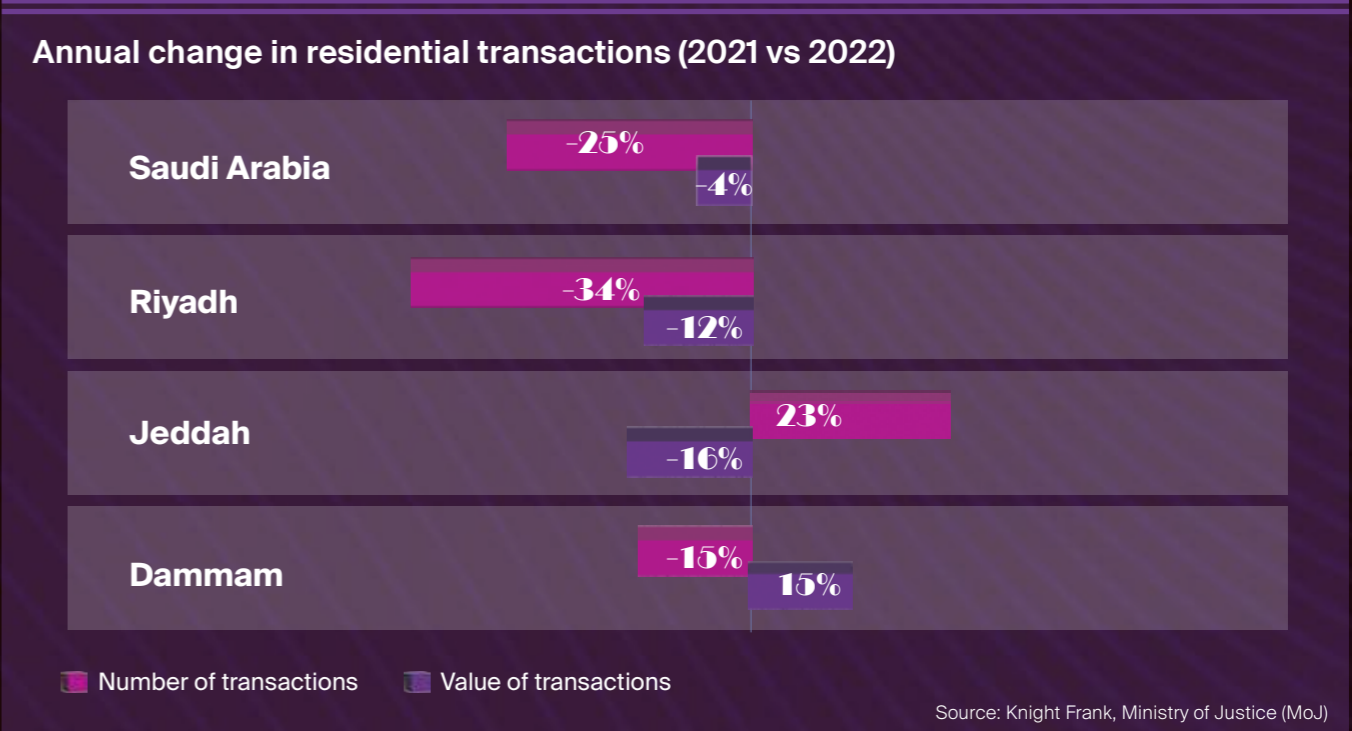
AFFORDABILITY BARRIER DAMPENING ENTHUSIASM TO OWN?

With house prices rising by as much as 40% in some of Riyadh's most desirable suburbs over the last 12 months, the affordability gap has intensified. Clearly, incomes have not risen at the same pace, and the market is now experiencing a decline in the number of homes sold.

The escalating prices may explain why only 40% of respondents in Survey 1 are keen to buy a new home in 2023, either as an upgrade or a first home. 33% say they will most likely buy in the next five years.

While the most popular reason to purchase a home is 'upsizing' (32%) and buying a 'family home' (30%), 'a good deal/opportunity' also ranks highly among respondents at 19%.

The lack of 'desire' (32%) has been cited as the top reason to remain in existing accommodation, while nearly one in three (28%) say 'available options are too expensive', suggesting a rapidly expanding void of more affordable homes. This is not something developers are necessarily overlooking; however exponential growth in land prices (up by an average of 14% in Riyadh in 2022 alone) and raw material costs are suppressing developers' appetite to cater to this segment of the market.



WHAT YOU NEED TO KNOW

- SURVEY 1 REVEALS THAT 35% OF RESPONDENTS OVER THE AGE OF 35 ARE LIKELY TO DELAY PURCHASING A PROPERTY BECAUSE "PROPERTIES ARE TOO EXPENSIVE". FOR THOSE BELOW 35, THIS DROPS TO 25%
- THE TOP REASON TO PURCHASE A PROPERTY IN RIYADH IS 'A GOOD DEAL/ OPPORTUNITY' (36%), WHILE IN JEDDAH, IT IS 'LIFESTYLE' (35%)

RIISING INTEREST RATES CURBING DEMAND

AT THE END OF 2022, THE HEADLINE INFLATION RATE IN SAUDI ARABIA STOOD AT 3.3%, FAR BELOW LEVELS BEING RECORDED ELSEWHERE IN THE WORLD; HOWEVER, THE SAUDI CENTRAL BANK (SAMA), HAS CONTINUED TO MIRROR US FISCAL POLICY, BOOSTING INTEREST RATES IN TANDEM WITH THE US.

THE BIG SQUEEZE

The Kingdom's headline interest rate rose from 1% to 5% by the end of last year. The impact on mortgaged households has been clear, with the number of transactions slipping as households carefully consider balancing home ownership with their other fixed expenses. And despite moves by authorities such as the Saudi Refinance Company to boost mortgage terms to 30 years (from a maximum of 25 previously), households remain cautious, as evidenced by the results of our surveys.

Indeed, in Survey 1, when asked how rising interest rates are impacting home purchase decisions, there is a clear sentiment divide based on age. Respondents below the age of 35 years appear to be the most significantly impacted, with 26% saying they will 'either downsize/ purchase a smaller property' and a further 21% will 'reconsider location' based on affordability.

In contrast, the biggest impact on those over the age of 35 is to 'reconsider financing options' (27%).

DREAMING BIG

When it comes to budgets, the bulk of those below the age of 35 (62%) are prepared to spend up to SAR 1.5 million on a home purchase in 2023. This echoes the wider population, with over two-thirds of households (69%) around the country will spend less than SAR 1.5 million to buy a home.

Interestingly, aspirations continue to influence those below the age of 35, with 38% claiming they will spend between SAR 1.5 million and SAR 4.5 million – far higher than those over the age of 35 (27%).

This was a key conclusion from our 2022 Saudi Report, and the results of our surveys continue to reflect the conflict between aspirations and reality. What most households can actually afford will likely continue holding back the market this year as most developers appear to be targeting those with top-end budgets.

SUPPORT FROM FAMILY

Support from the 'Bank of Mum and Dad' is culturally very common in the Middle East, and Survey 1 shows that this continues to be key to unlocking home ownership for many. In fact, 59% of respondents expect to receive family help to purchase a home this year. This support is a particularly significant financial lifeline for those below 35, with almost two-thirds (65%) depending on family funds.

Those with lower budgets appear to be less reliant on family funds. Indeed, just 44% of those with a budget of less than SAR 750,000 will seek family aid, but this figure climbs to 71% for those targeting the upper end of the market (SAR 4.5 million+).

Interestingly, respondents who appear to have permanently relocated to other Saudi cities appear least likely to seek financial support (41%), further reflecting another aspect of shifting societal attitudes towards property ownership. 61% of those who live in their own hometown, however, plan to seek family financial support.

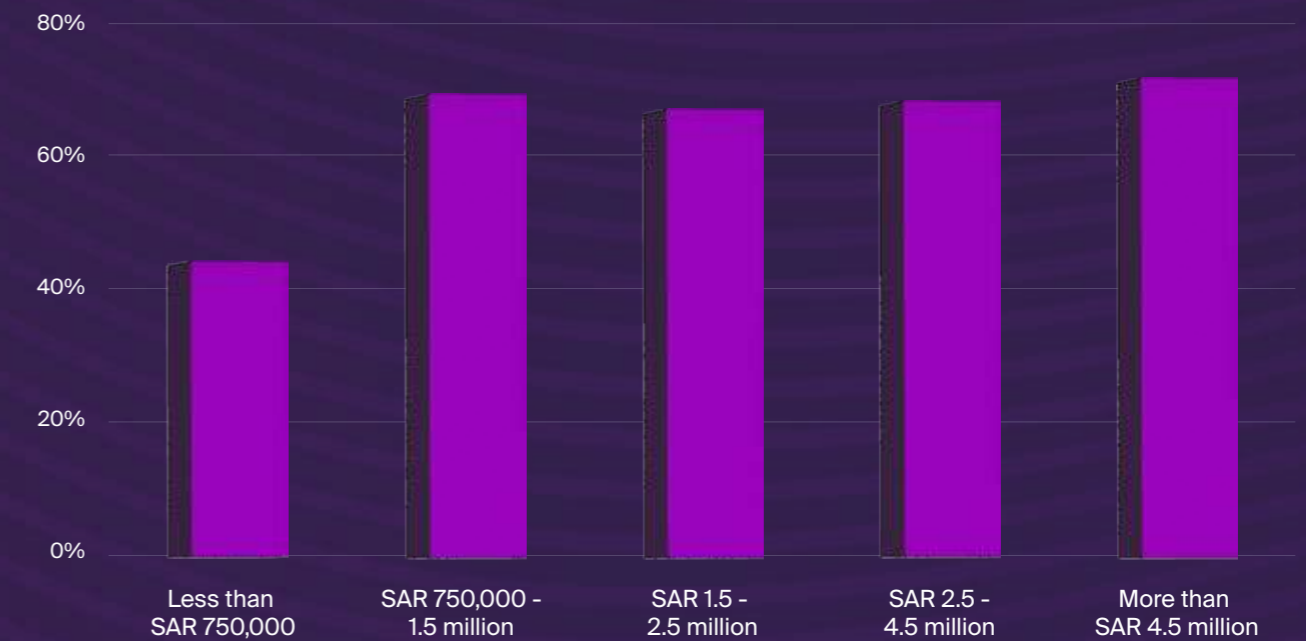
Home purchase budgets (by age group)

Percentage of respondents



Financial support to be sought (by purchasing budget)

Loan-to-value ratio



RISING INTEREST RATES CURBING DEMAND

PAYMENT PLANS

Away from family financial aid, developer and government financing options still remain popular. 39% of Survey 1 respondents will look for 'financing options from the developer', while a further 34% will seek out 'financing options from the government', such as the Sakani Program, which benefitted around 300,000 households in 2022 alone.

The importance of the availability and access to credit has been instrumental in igniting the Kingdom's residential market, and this appears set to continue, with just 16% planning to go it alone and seek out financing on their own.

The importance of fiscal support is further echoed by planned loan-to-value (LTV) ratios. 80% of respondents are only willing to pay between 10 to 20% of the total price as a down payment, preferring instead to pay the balance in regular instalments.

46% are looking to pay the remaining amount through a payment plan that extends beyond handover, while 34% are prepared to complete all the remaining payments prior to handover.

WHAT YOU NEED TO KNOW

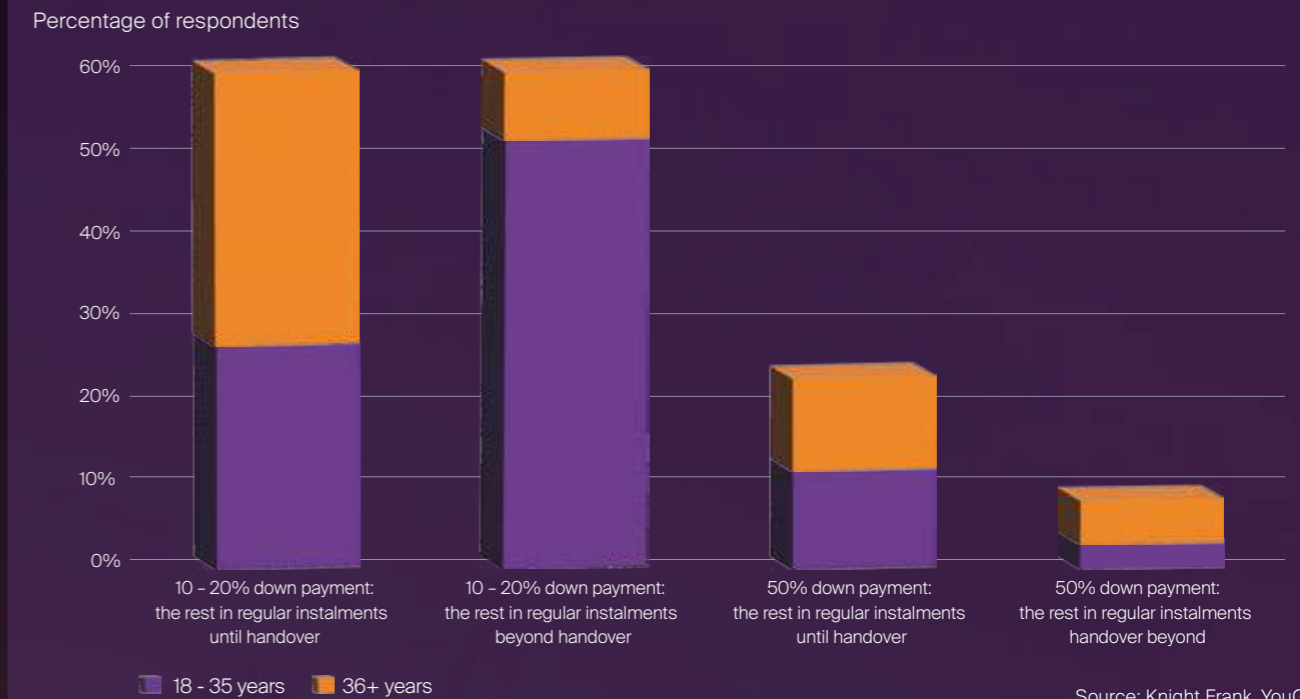
- 50% OF HOUSEHOLDS WHO HAVE PERMANENTLY RELOCATED TO RIYADH PLAN TO SPEND SAR 750,000 ON A HOME THIS YEAR; FOR JEDDAH, THIS PERCENTAGE RISES TO 60%
- NATIONALLY, WOMEN APPEAR TO HAVE HIGHER BUDGETS/ASPIRATIONS, WITH 31% PLANNING TO SPEND BETWEEN SAR 1.5 MILLION TO 4.5 MILLION ON A HOME THIS YEAR, COMPARED TO JUST 23% OF MALE RESPONDENTS

“ EXPERT INSIGHTS

THE RATE OF HOME OWNERSHIP AMONG SAUDI NATIONALS INCREASED FROM 47% IN 2016 TO REACH AROUND 65% BY THE END OF LAST YEAR. THE SUDDEN DEMAND INFLUX HAS SUPER-CHARGED HOUSE PRICES, WHILE INCOMES HAVE FAILED TO KEEP PACE, DELIVERING A CLASSIC SLOWING IN TRANSACTIONS AS HOUSEHOLDS CONTEND WITH EXTENDED PERIODS OF SAVING BEFORE BEING ABLE TO BUY A NEW HOME.

HARMEN DE JONG
PARTNER, REAL ESTATE STRATEGY & CONSULTING

Payment plan expectations (by age group)



APARTMENT LIVING GAINING TRACTION

APARTMENT LIVING IS MORE POPULAR THAN EVER

Our 2022 Saudi Report highlighted the depth of demand for apartment living among first-time-buyers, particularly those below the age of 35. This was linked to decreasing household sizes, settling down with a family later in life, as well as balancing the pressures of rising house prices and the desire to migrate to other cities in the Kingdom for work.

WHAT TENANTS WANT

Survey 1 shows that 41% of respondents are not actively looking to purchase properties; instead, they are looking to remain tenants, especially those who recently migrated to a different city.

The majority of those who are tenants (86%) currently live in apartments, and if they were to move, 63% say that they prefer apartments of different sizes.

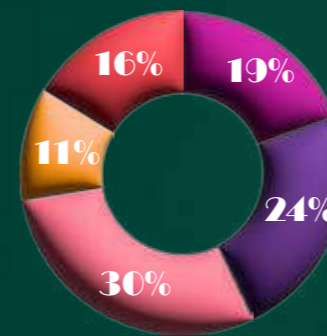
ECONOMIC MIGRANTS IN FAVOUR OF OFF-PLAN PURCHASES

Among the growing temporary resident population, 68% are in favour of apartment living, according to Survey 1. In contrast, 50% of respondents living in their hometowns prefer apartment living. Shifting social dynamics, the likely temporary move for work and the desire for community living and its associated amenities while away from 'home' are likely key motivators.

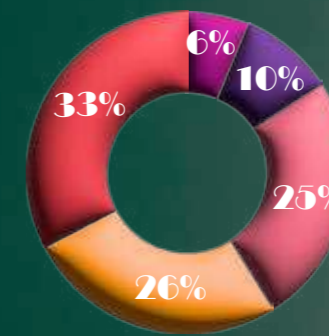
When it comes to buying, a completed property (54%) is the most desirable for house hunters. Interestingly, when filtering for migration status among our respondents, temporary economic migrants appear more willing to commit to off-plan purchases (41%) compared to those who are normally residents (32%). This may, in part, be due to the fact that temporary residents already own property in their hometowns – either directly or through the virtue of a family home – and so, an off-plan purchase may be considered a second home or buy-to-let investment.

Property size preference (by migration status)

Temporary migrant



Indigenous resident



- Studio or 1 Bedroom Apartment
- 2 Bedroom Apartment
- 3 to 4 Bedroom Apartment
- Duplex or 2 bedroom villa
- 3 to 4 bedroom villa

Percentages indicate proportion of respondents

Source: Knight Frank, YouGov



EXPERT INSIGHTS



HOME SWEET (SECOND) HOME

DESIRE FOR SECOND HOMES STILL RUNNING HIGH

One of the biggest areas of opportunity we have identified in the Kingdom is its burgeoning second homes market. In 2022, we quantified the size of the second homes market for the first time – 44% of homeowners were looking at an additional property purchase in Saudi Arabia.

Survey 1 reveals that this percentage remains high in 2023. 60% of our respondents will use a home they buy this year as their main home, implying that 40% are second home buyers, of those, 23% are planning to use their unit as a holiday home.

54% of buyers looking to make their property a primary residence are looking to purchase villas, with a further 28% looking to purchase large apartments with three to four bedrooms.

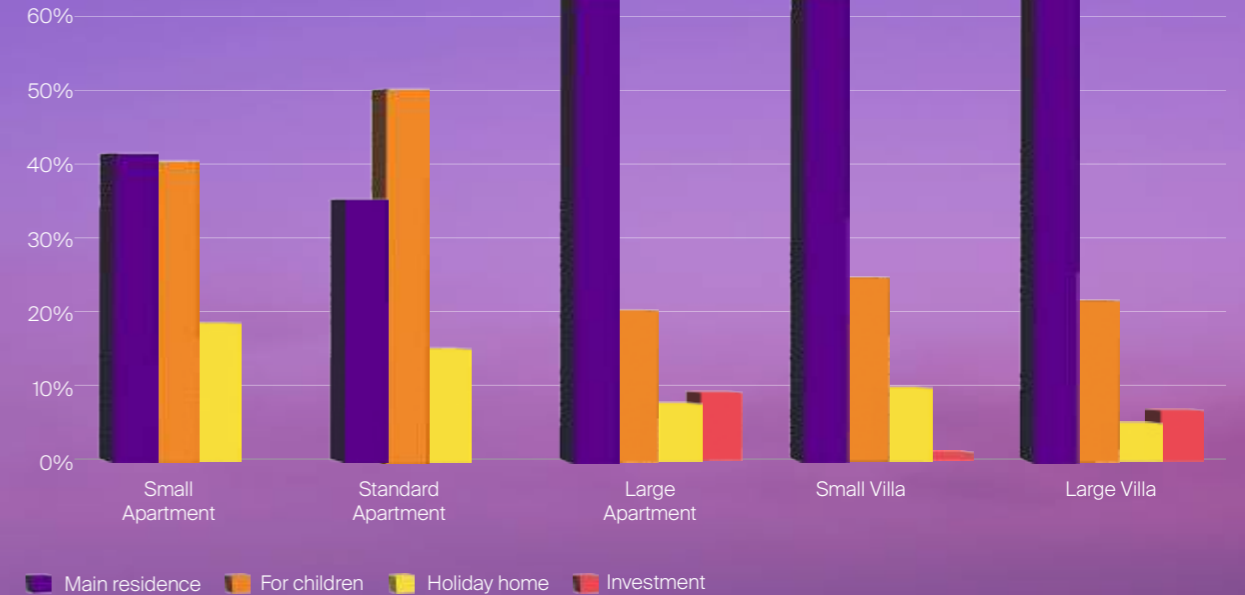
Amongst existing homeowners who are planning to purchase an additional property, only 33% are looking to buy within the next 12 months, while the remaining (67%) are looking to purchase within the next five years. Additionally, the majority of second-home buyers (49%) are looking to purchase off-plan properties, compared to 27% of first-home buyers or those looking to use the property as their primary residence.

Interestingly, Survey 1 reveals that women are more interested in buying holiday homes (61%) when compared to male respondents (39%). Culturally, it is very common that women, especially when married, perceive their husband's house as their own; therefore, anecdotally, any additional home purchase is likely to be used as a holiday/ second home instead of their primary residence.

The majority of second-home buyers are looking to purchase a property in Jeddah, as it has historically been known as a domestic holiday destination. Riyadh (35%) ranks second, while Makkah (17%) is placed third.

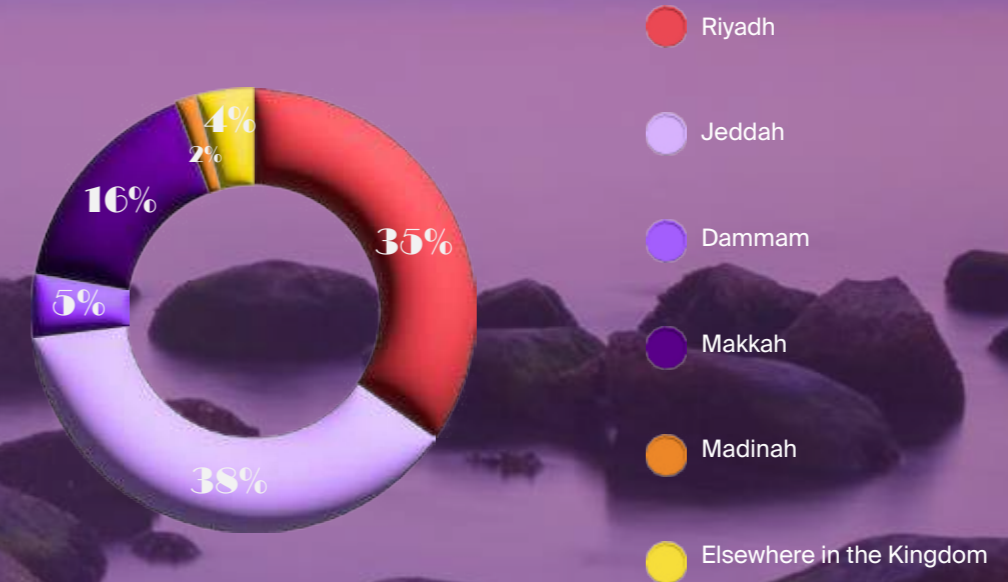
Reasons for buying a home (by property type)

Percentage of respondents



Source: Knight Frank, YouGov

Top second-home target locations



Percentages indicate proportion of respondents

Source: Knight Frank, YouGov

DISCOVER THE FULL REPORT



A BEAUTIFUL LIFE: COMMUNITY LIVING GAINS TRACTION

COMMUNITY LIVING IS THRIVING IN THE KINGDOM, WITH THE POPULARITY OF LIVING IN ACCOMMODATION WITH SHARED FACILITIES RAPIDLY GROWING.

AS HAS BEEN THE CASE GLOBALLY, THE DESIRE FOR OUTSIDE SPACE, EASY-TO-ACCESS AND/OR ONSITE FACILITIES AND AMENITIES HAS BEEN SUPER-CHARGED BY THE COVID-19 PANDEMIC, AND OUR SURVEY RESULTS SHOW THAT THE DESIRE TO LIVE IN SUCH COMMUNITIES, WHETHER GATED OR NOT, IS STRONGER THAN EVER.

DEVELOPER REPUTATION IS KEY

When presented with residential community options, 57% were interested in projects developed by ROSHN. We believe the popularity of ROSHN developments can be linked to the promise of never-before-seen shared residential amenities. Looking at our results at a city level, respondents based in Riyadh named Shams Ar-Riyadh (34%), Sedra (by ROSHN) (30%) and Mohammed Bin Salman Non-profit City (16%) as their top targets. Meanwhile, in Jeddah, the most preferred communities for purchasing a home are ROSHN (52%), Shams Al-Arous (14%) and Mohammed Bin Salman Non-profit City (13%).

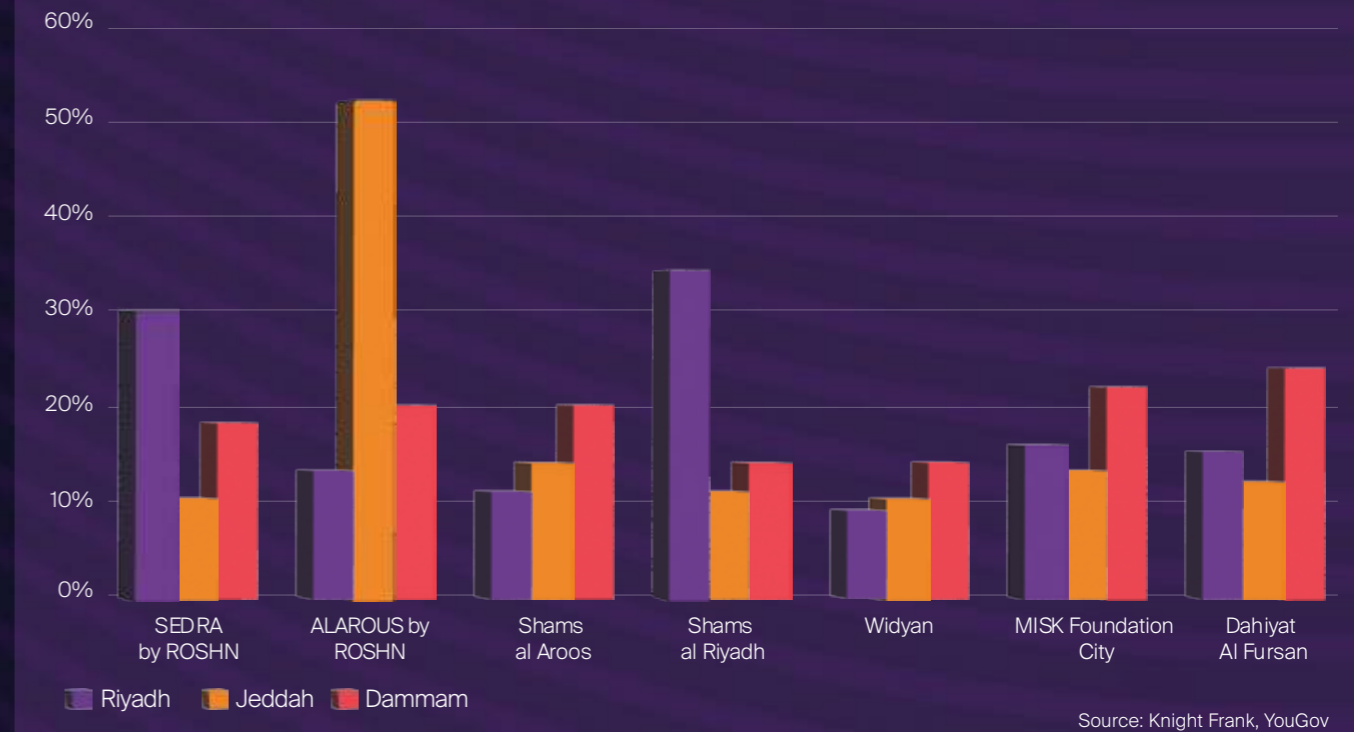
Overall, the most popular reason to live in a residential community, after 'location' (23%), is 'security' (21%), followed by the (expected) 'global standard of the build' (16%). Clearly, the reputation of the developer plays a big part in influencing decision-making and ROSHN's recent commencement of the handover of the first units at Sedra in Riyadh will help to cement its high brand perception among house hunters.

BUDGETS

Interestingly, the popularity to own a home in a residential community rises among those with a higher budget. For instance, 86% of those with a budget of between SAR 1.5-2.5 million are keen on community living, compared to just 53% who are willing to spend less than SAR 750,000.

Popularity of residential communities (by city)

Percentage of respondents



Source: Knight Frank, YouGov



EXPERT INSIGHTS

THE PROVISION OF WORLD CLASS HOUSING SITS AT THE HEART OF VISION 2030. WITH DEMAND PIVOTING TOWARDS COMMUNITY LIVING, THERE REMAINS AN OPPORTUNITY TO DEVELOP MORE TOWNHOUSING, WHICH OFFERS THE PRIVACY AND OUTSIDE SPACE BUYERS ARE LOOKING FOR.

YAZEED HIJAZI
ASSOCIATE PARTNER, REAL ESTATE STRATEGY & CONSULTING

SPOTLIGHT: POPULAR RESIDENTIAL COMMUNITIES RIYADH



1

Community name	Project value	Residential units	Additional facilities
SEDRA by ROSHN	US\$ 30 billion	30,000 units	Schools, mosques, retail centre, hospitals and cultural centres

2

Community name	Project value	Residential units	Additional facilities
Al Widyan	US\$ 5 billion	30,000	Theme park, schools and healthcare facilities

3

Community name	Project value	Residential units	Additional facilities
MISK Foundation City	US\$ 1.2 billion	8,600+	MISK headquarters, museum, academy, conference centre and education facilities

4

Community name	Project value	Residential units	Additional facilities
Dahiyat Al Fursan	US\$ 20 billion	100,000	Dunes museum, sports complex, equestrian club and medical and education facilities


5

Community name	Project value	Residential units	Additional facilities
Shams Al Riyadh	US\$ 16 billion	3,200+	Multiple schools, retail centre and mosques

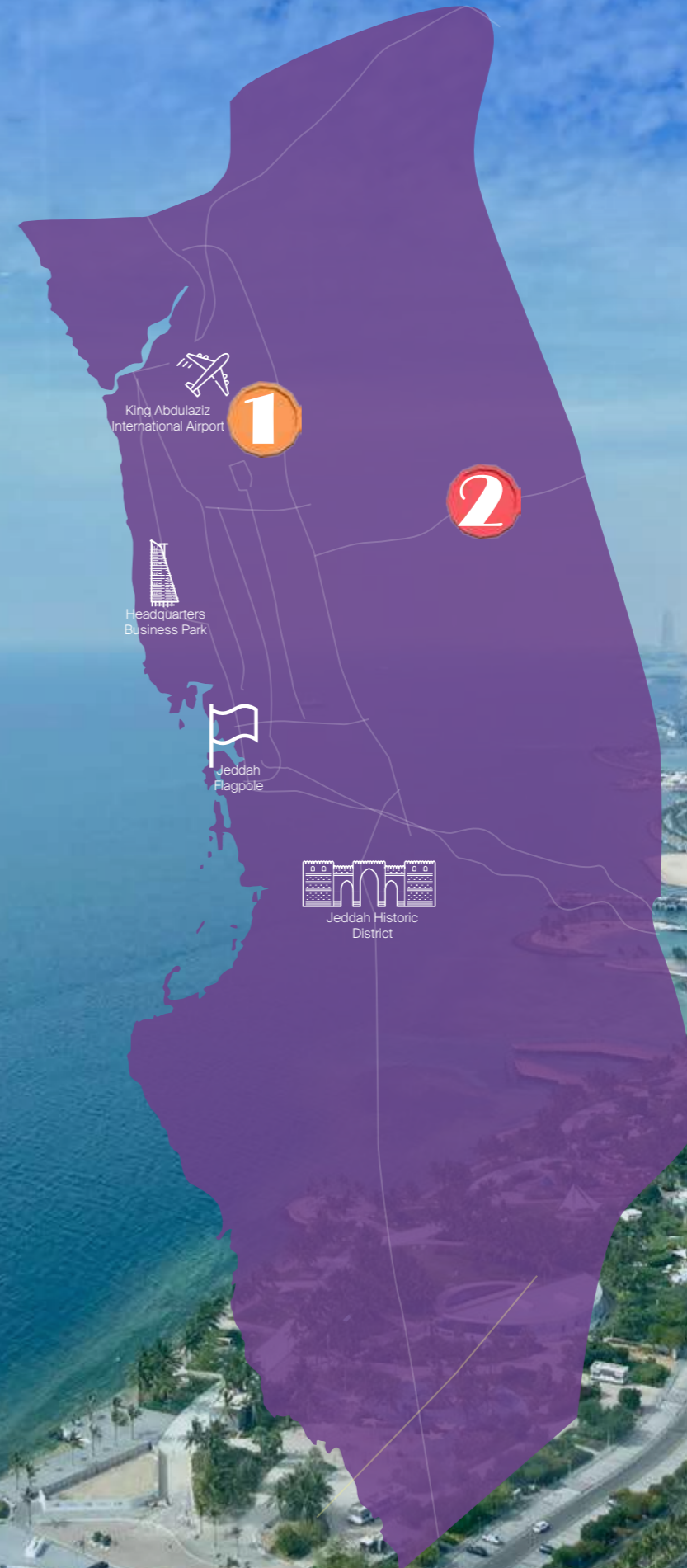
Source: Knight Frank, MEED Projects

SPOTLIGHT: POPULAR RESIDENTIAL COMMUNITIES

JEDDAH

1				
	Community name ALAROUS by ROSHN	Project value US\$ 1 billion	Residential units 18,000+	Additional facilities Schools, retail centres, mosques, hospitals and cultural centres
2				
	Community name Shams Alarous	Project value US\$ 2 billion	Residential units 10,000+	Additional facilities Schools, retail centres and mosques

Source: Knight Frank, MEED Projects



“ EXPERT INSIGHTS

DEMAND FOR HIGH-QUALITY RESIDENTIAL COMMUNITIES THAT PROVIDE AMENITIES, SUCH AS FITNESS CENTRES, PLAY AREAS, AND RETAIL FACILITIES HAS BEEN ON AN UPWARD TRAJECTORY. THERE REMAINS A SHORTAGE OF SUCH COMMUNITY DEVELOPMENTS AROUND THE KINGDOM. THE CHALLENGE FOR DEVELOPERS IS TO PROVIDE HIGH-QUALITY, AFFORDABLE COMMUNITY DEVELOPMENTS.

RANA MIRA
SENIOR RESEARCH ASSOCIATE, MIDDLE EAST RESEARCH

BRANDED RESIDENCES: UNTAPPED POTENTIAL

THE RISE OF BRANDED RESIDENCES

Like elsewhere in the world, the appetite to own and invest in branded residential units is on an upward trajectory across the Kingdom.

These properties are commonly popular among high-end buyers, who are looking for iconic designs, along with world-class services, amenities and facilities that are typically offered through adjoining luxe hotel brands.

Branded residential developments are especially popular amongst Saudi buyers in markets such as Dubai which boasts the highest concentration of branded residential properties in the world, including operators such as the Ritz Carlton, The Address, the Dorchester, Mama Shelter, Mr. C and most recently, Atlantis The Royal.

Within the Kingdom, the prevalence of true branded residences remains low. A handful of examples that include branded furniture in apartments has perhaps tarnished the reputation of what really encapsulates a branded residential development – luxe hotel services and amenities. This trend does appear to be changing, with the likes of Shangri-la and Four Seasons, for instance, recently unveiling new projects in Jeddah.

Furthermore, PIF last year, along with Cain, acquired a US\$ 900 million stake in Aman, who’s 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 true branded residential properties appearing.

Perhaps unsurprisingly, awareness of the concept of branded residences is closely correlated with income and social status. Indeed, Survey 1 reveals that that as income rises, the level of knowledge about branded residence increases as well. Among those earning over SAR 25,000 per month, 38% are ‘very familiar’ with the concept and 42% are ‘somewhat familiar’.

DREAMING BIG

While our 2022 Saudi Report showed a very low appetite to purchase branded residential units (<5% amongst first time buyers and <10% among existing home owners), through the provision of a detailed definition in Survey 1 this year, an entirely different aspiration has emerged among Saudi home buyers.

An extraordinary 69% claim that they are likely to purchase a branded residence in 2023. The most common reason is ‘service provisions and physical amenities’ (42%), followed by ‘maintenance’ (25%) and ‘brand identity’ (24%).

45% of respondents are interested in using a branded residential unit as their main residence and 37% are interested in making it their second home, presumably for use as a holiday home, while the remainder of our sample consider it an investment.

The results clearly highlight the strong demand for luxury and hassle-free living where services such as 24-hour maintenance and security are always available. Additionally, the importance of having facilities and services on-site is fast becoming the norm in new developments around the country and was in fact a key finding in our 2022 Saudi Report.



THE IMPORTANCE OF HAVING FACILITIES AND SERVICES ON-SITE IS FAST BECOMING THE NORM IN NEW DEVELOPMENTS.

BRANDED RESIDENCES: UNTAPPED POTENTIAL

While the demand for luxury branded residences appears incredibly high, these results must be treated with caution as the responses are indicative of aspiration rather than reality. With the bulk of respondents (66%) citing a budget of less than SAR 1.5 million for a branded home, many will be hard-pressed to find a property at this price point.

Overall, the budgets being allocated to purchase a branded residential unit vary depending on the preferred use. Overall, those interested in using the property for investment purposes are more likely to allocate slightly higher budgets, with 52% willing to spend between

SAR 15,000 to 20,000 per sqm compared to 15% of respondents looking to use the property as their primary residence.

At a city level, the residents of Riyadh and Dammam are likely to allocate higher budgets to purchase branded residences, with 19% suggesting they will spend over SAR 20,000 per sqm in Riyadh and 18% are willing to allocate the same budget in Dammam.

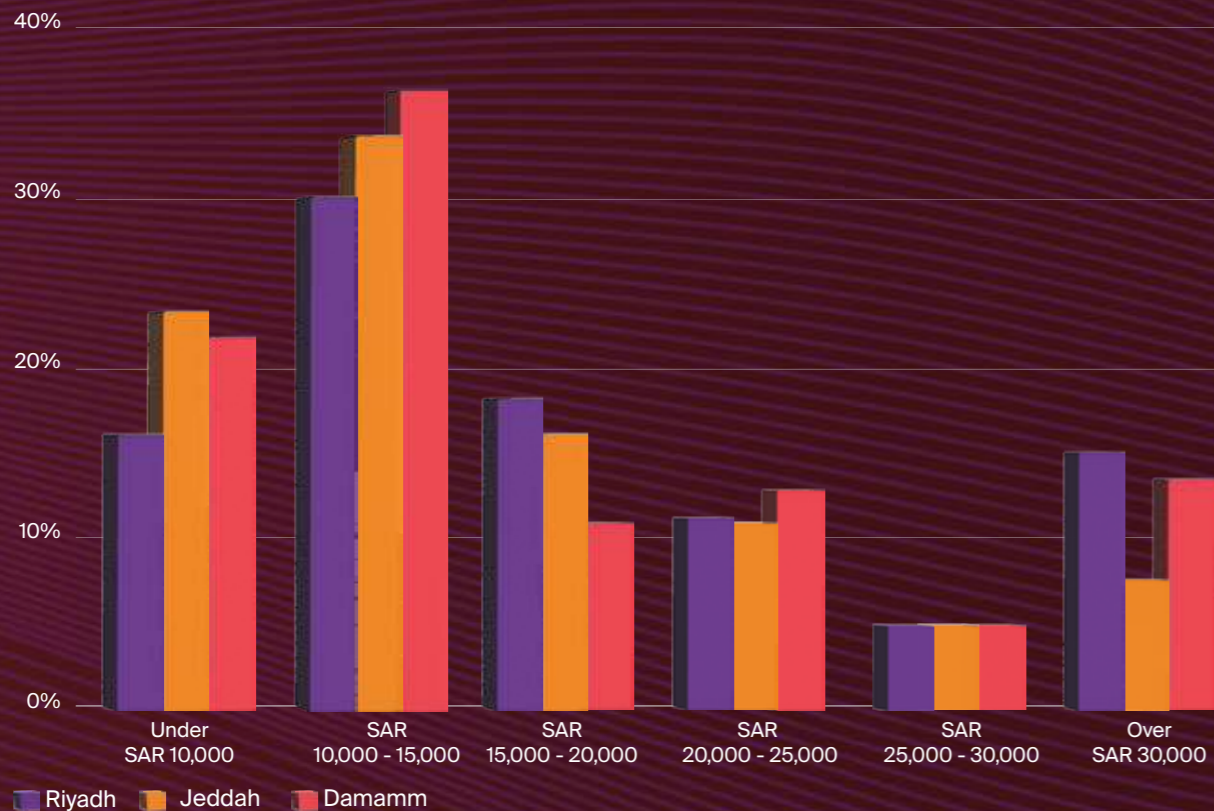
In Jeddah, on the other hand, budgets are lower, and only 13% are willing to allocate a budget of over SAR 20,000 per sqm.

WHAT YOU NEED TO KNOW

- JEDDAH HAS THE HIGHEST PIPELINE OF BEACHFRONT BRANDED RESIDENCES, WHERE RAFFLES (118 UNITS), FOUR SEASONS (64 UNITS) AND THE VUE (36 UNITS) ARE CURRENTLY SELLING OFF-PLAN. STARTING PRICES VARY DEPENDING ON THE BRAND AND FACILITIES ON OFFER BUT RANGE FROM AN AVERAGE OF SAR 13,000 PER SQM TO SAR 20,000 PER SQM
- LUXURY VACATION DESTINATIONS ARE ALSO INCORPORATING BRANDED RESIDENCES AS PART OF THEIR PLANS, SUCH AS THE RED SEA PROJECT, WHERE AROUND 1,000 BRANDED RESIDENTIAL UNITS ARE EXPECTED TO ENTER THE MARKET BY 2030

Budget for branded residences (by city)

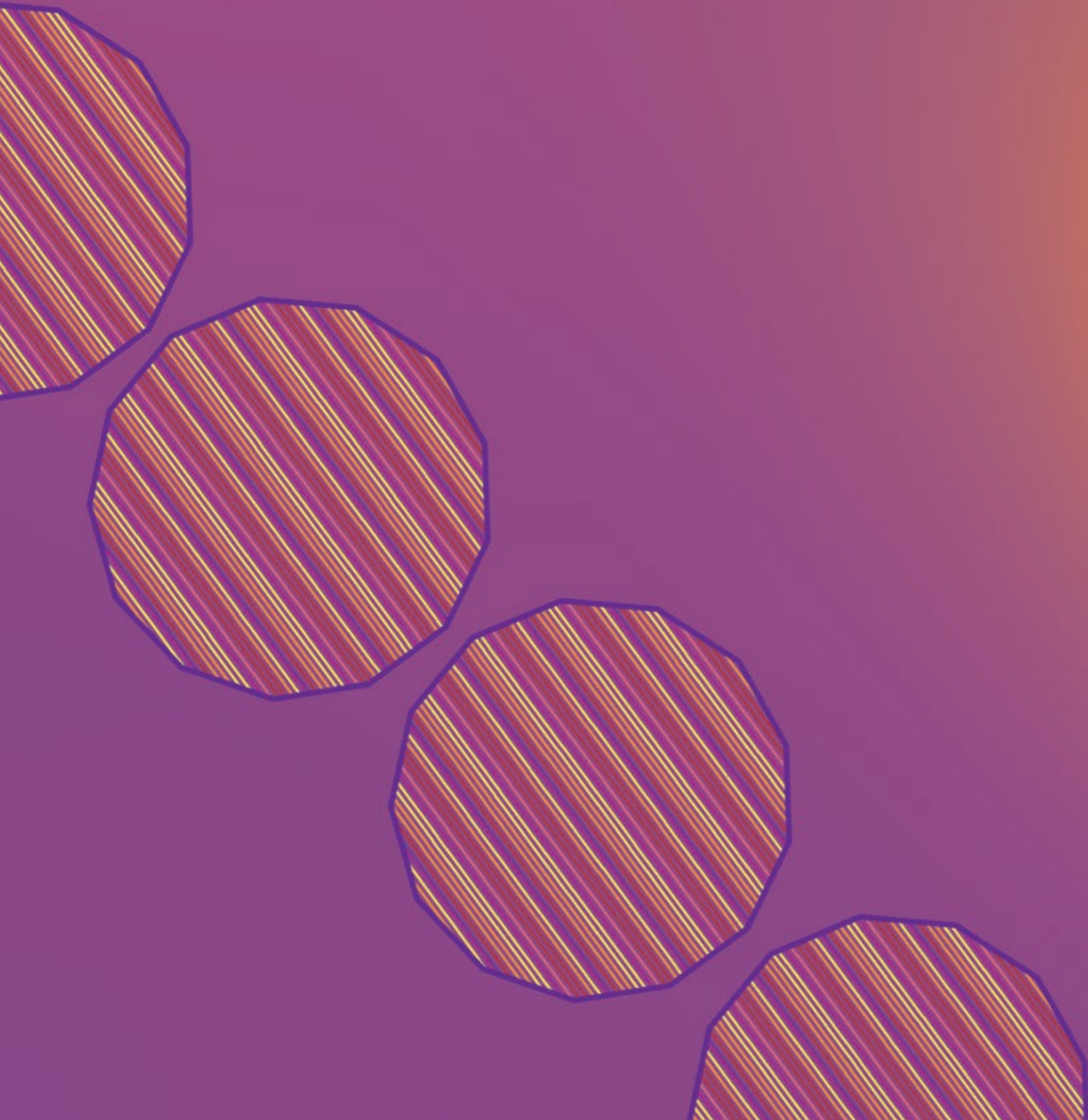
Percentage of respondents



Source: Knight Frank, YouGov

DISCOVER THE DATA





LET'S GO ALL ON A SUMMER HOLIDAY... IN SAUDI

TOURISM TO FORM A KEY PILLAR OF FUTURE GROWTH

The tourism and hospitality sector is transforming and quietly being positioned as one of the key lynchpins of future economic growth in the Kingdom.

Indeed, we are tracking more than 310,000 hotel rooms, all due to be completed by 2030. For comparison, the UAE, which includes the emirate of Dubai, has 200,000 completed hotel rooms.

The National Tourism Strategy, launched in 2019, is quickly gaining momentum. It is supported by plans to develop the world's largest airport by passenger capacity, King Salman International Airport in Riyadh, which is forecast

to welcome 185 million passengers by 2050. The airport, which has placed culture and heritage at the heart of its design, will house a new national flag carrier, RIA, which is expected to start operations in 2024.

With 100 million visitors expected to pass through the Kingdom's gateways by 2030, the volume of real estate projects linked to the hospitality, tourism and entertainment sectors is unsurprisingly soaring. In fact, the Saudi General Entertainment Authority (GEA) has granted operating licenses to 24 theme parks in the Kingdom and issued over 4,000 permits for events and a further 3,370 licenses for live performances during 2022.

The rapid expansion of hospitality-linked offerings across the country is expected to play a critical role in boosting domestic tourism, which we forecast will form a key part of the future of the Kingdom's hospitality landscape and is already a thriving industry.

Survey 2 reveals that most (65%) Saudi nationals travel domestically between one to three times a month, with reasons varying from 'short business trips' (16%), to 'entertainment/seasonal attractions' (12%) and 'religious purposes' (16%).

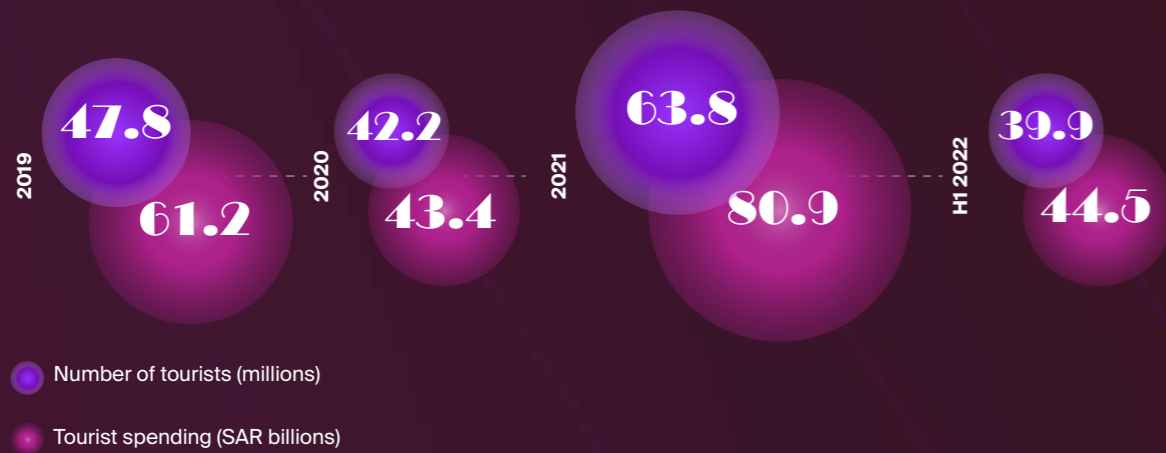
While the majority (66%) travel with family members, traveling with friends (36%) and traveling solo (30%) are also rising.

YOUNG, BROKE AND FREE

One of the prevailing trends that appears in our Gen Z respondents (those aged between 18 and 25) is their higher desire to travel domestically – 24% vs. 14% for those over the age of 25. In particular, Gen Z respondents say they especially enjoy travelling with friends (46%), but most find it cost prohibitive at present and so prefer to travel with their family (73%) instead.

The most common reason for this group to travel is to visit family (25%), with exploring the Kingdom (15%) and 'entertainment or seasonal attractions' (14%) following in third place.

Domestic tourism in Saudi Arabia



Who Gen Z travel with



Percentages indicate proportion of respondents

Source: Knight Frank, YouGov



GEN Z RESPONDENTS SAY THEY ESPECIALLY ENJOY TRAVELLING WITH FRIENDS, BUT MOST FIND IT COST PROHIBITIVE AT PRESENT.

LET'S GO ALL ON A SUMMER HOLIDAY... IN SAUDI

GLAMPACKERS

For those a generation above Gen Z, holidaying in Saudi has a very different meaning. For Millennials (those aged between 25 and 35), domestic travel revolves around entertainment, with 'exploring/discovering the Kingdom' (39%) emerging as the main driver. This subgroup is least concerned about costs and primarily interested in the experience of travel.

For this group, when travelling with friends, the number one preferred destination is Riyadh (77%) and the most common reason for visiting the capital is 'entertainment/seasonal attractions' (39%).

When it comes to more secondary cities in the Kingdom (Al-Ula, Umluj, Taif, Abha, Jizan, etc.), 'exploring/discovering the Kingdom' (35%) and 'entertainment/seasonal attractions' (35%) are the most popular reasons, followed by visiting friends and/or family (27%).

For Millennials, affordability appears to be less of a barrier with only 14% claiming the costs for a holiday in Saudi are too high.

This generation appears to want to prioritise "living in the moment" ahead of long-term goals, especially financial objectives and our results echo this sentiment. In fact, in Survey 1, we have found that most Millennials (67%) are happy to use family financial support to purchase a home.

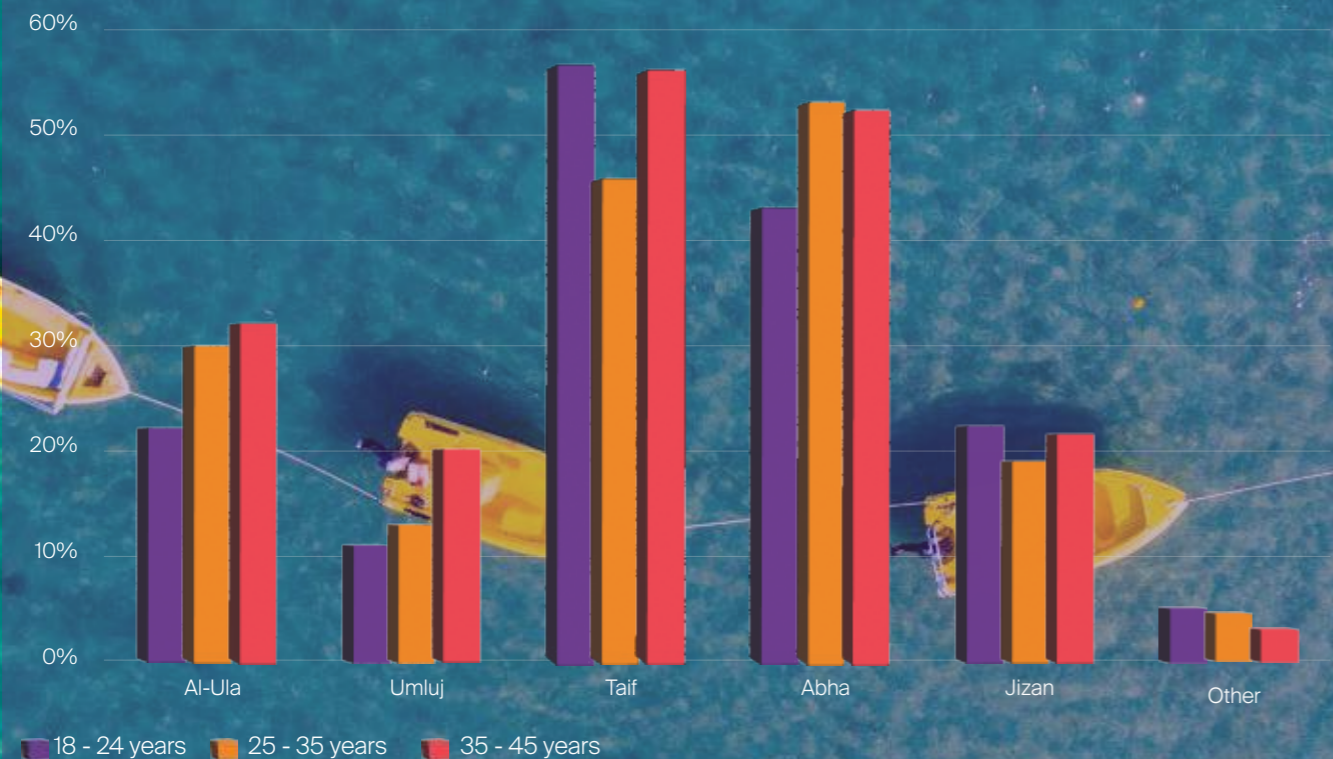
“ EXPERT INSIGHTS

WE EXPECT TO SEE THE RAPID DEVELOPMENT OF SEVERAL PARALLEL INDUSTRIES THAT WILL BE FORCED TO EVOLVE TO CATER TO THE IMPENDING INFUX OF VISITORS. CLEARLY THERE WILL NEED TO BE A SIGNIFICANT CHANGE IN THE KINGDOM'S PHYSICAL INFRASTRUCTURE, BUT IN PARALLEL, NEW NATIONAL AIRLINES WILL NEED TO BE RAPIDLY ESTABLISHED. INDEED, SOME OF THESE CHANGES ARE ALREADY UNDERWAY – INCLUDING KING SALMAN INTERNATIONAL AIRPORT AND THE NEW AIRLINE THAT WILL BE ITS ANCHOR TENANT, RIYADH AIR.

TURAB SALEEM
PARTNER, HEAD OF HOSPITALITY, TOURISM & LEISURE ADVISORY SERVICES

Popularity of secondary cities (by age group)

Percentage of respondents



EXPERT INSIGHTS



LET'S GO ALL ON A SUMMER HOLIDAY... IN SAUDI

FOR GEN X RESPONDENTS (THOSE BORN BETWEEN 1965 AND 1980), THERE ARE TWO DISTINCT ATTITUDES TOWARDS DOMESTIC TRAVEL, DEPENDING ON THE AGE OF OUR RESPONDENTS.

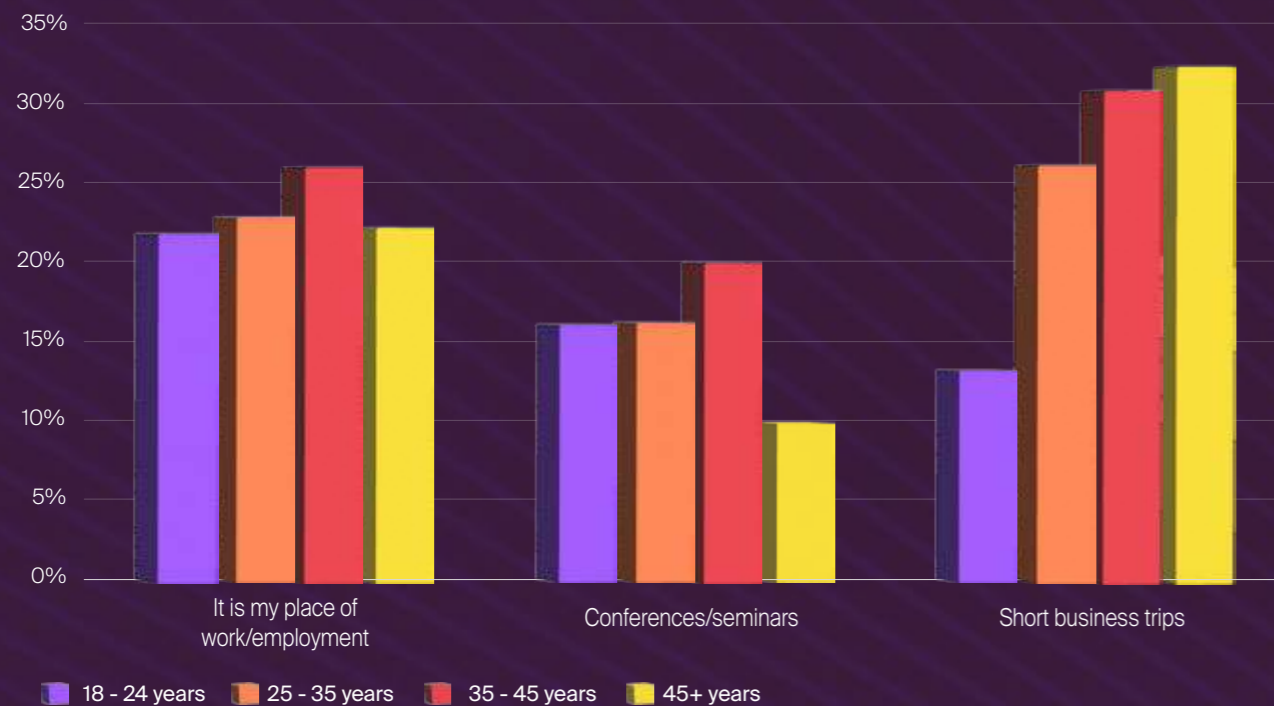
WORK HARD, PLAY HARD

One of the dominant patterns in younger Gen X respondents, aged between 35-45, is traveling for work-related reasons (50%). Riyadh (25%) followed by Jeddah (21%) are the two most popular primary city destinations; however, visiting Dammam (17%) is also the highest amongst this age group in particular.

Although traveling with family (39%) is most common for this group, 25% travel with co-workers; this is higher than younger age groups, where only 16% and 20% of Gen Z and Millennials, respectively, travel with colleagues.

Types of business trips (by age group)

Percentage of respondents



Source: Knight Frank, YouGov

EAT, PRAY, EXPLORE

Older Gen X respondents (those over 45) travel less frequently, with just 34% travelling once every two to three months and 21% travelling just once a year.

Besides holidaying with family (45%), solo travel (22%) is preferred over group holidays (5%).

Visiting the holy cities of Makkah and Madinah peak with this age group (46% combined), closely followed by Jeddah (21%), which is historically known as a local vacation destination in Saudi. This age group's most common reason to travel is for 'religious purposes' (59%).

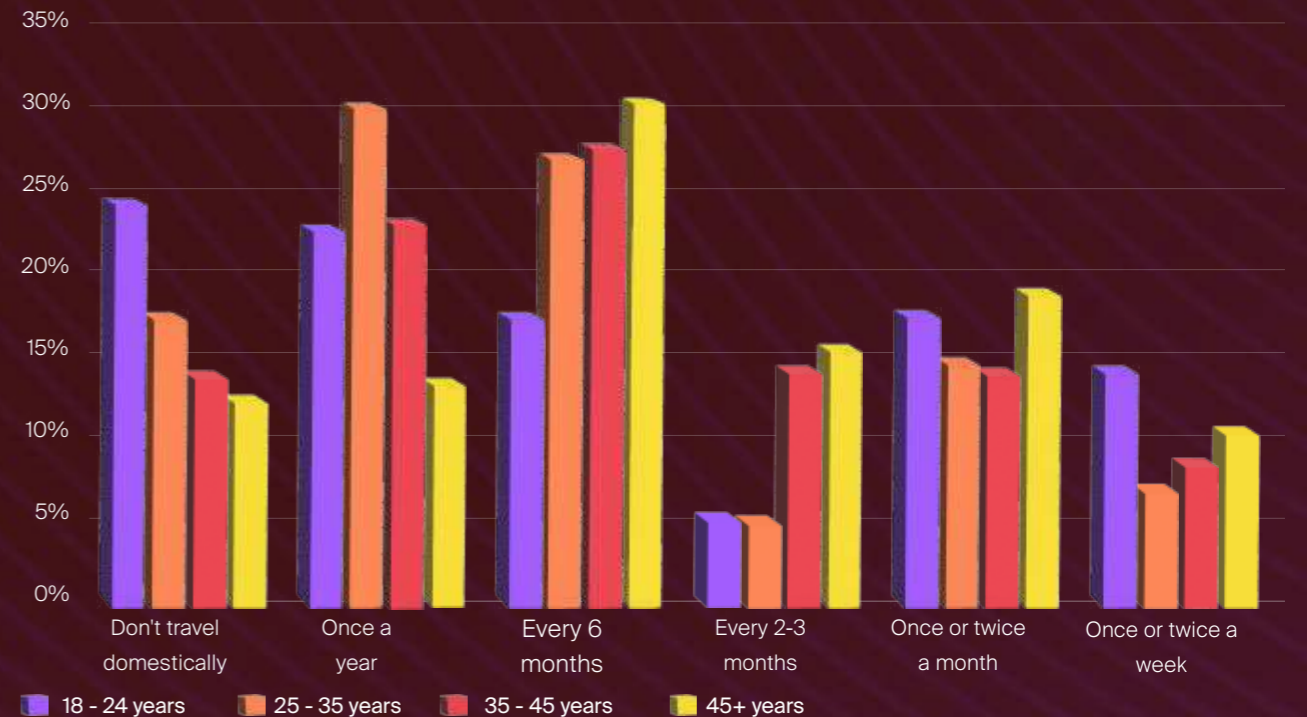
When it comes to secondary cities, Taif and Abha (30% & 29%, respectively) dominate the list of favourites, mainly for entertainment purposes, including 'Entertainment/Seasonal attractions' (20%) and 'Exploring/discovering the Kingdom' (17%), followed by visiting friends (11%).

The varying expectations and behaviours through the generations has significant ramifications for hotel operators and developers if they are to capture and foster a vibrant and thriving domestic tourism market.

We will revisit this in more detail in the *Opportunities chapter*.

Frequency of travel (by age group)

Percentage of respondents



Source: Knight Frank, YouGov

A ROOM WITH A VIEW

WITH TOURIST ARRIVALS PROJECTED TO APPROACH 100 MILLION BY 2030, THE HOSPITALITY SECTOR IN THE KINGDOM IS RACING TO DEVELOP HOTEL ROOMS AND TOURIST FACILITIES TO CATER TO THE EXPECTED INFLUX OF VISITORS.

HOTEL DEMAND REMAINS HIGH

We are tracking more than 300,000 rooms due to be built by the end of the decade. STR data has already confirmed the rapid COVID rebound in the performance of the country's hotels, with nationwide hotel revenues crossing SAR 8 billion during H1 2022, exceeding the level recorded in H1 2019 and equalling the figure recorded in H1 2018.

Survey 2 has helped us better understand the needs and expectations of domestic tourists who will play a critical role in helping unlock Saudi Arabia's domestic tourism potential.

Survey 2 reveals that 42% of all respondents prefer to stay in a hotel when travelling around the country. The second most popular choice is to stay with family or friends (21%), followed by serviced apartment options (20%). Resorts (9%) and Air BnB properties (8%) are less favourable.

This is likely in large part due to limited Air BnB options around the country, and similarly, the number of resorts in Saudi Arabia remains low for now.

That being said, younger generations, particularly those between the ages of 25-35, find restrictions imposed by hotels (37%) to be off-putting and would rather avoid staying in a hotel. Cost appears to be the least of their concerns (28%), ranking lower than any other group.

Most older respondents (over 45) say they feel hotel rooms are too small and restrictive for their large families (44%).

(INTERNATIONAL) BRAND LOYALTY?

When it comes to the most popular brand of hotels, internationally branded/operated hotels are preferred (56%) over local brands (44%), and the choice appears to be linked directly to price (33%), followed by location (31%).



NATIONWIDE HOTEL REVENUES CROSSED SAR 8 BILLION DURING H1 2022.

DISCOVER THE FULL REPORT



Why not stay in a hotel?

Percentage of respondents



WHAT YOU NEED TO KNOW

- RESPONDENTS FROM JEDDAH ARE MORE LIKELY TO FAVOUR STAYING IN A RESORT (12%), COMPARED TO RIYADH (8%)
- OVER 50% OF RESPONDENTS FROM JEDDAH VALUE 'GOOD VIEWS' WHEN CHOOSING A HOTEL
- RESPONDENTS FROM DAMMAM ARE MORE LIKELY TO STAY IN SERVICED APARTMENTS (25%), COMPARED TO THOSE IN JEDDAH (12%)

A ROOM WITH A VIEW

IN-ROOM AMENITY PREFERENCES

Entertainment



71%
SMART TV
(NETFLIX,
YOUTUBE, ETC.)



29%
SATELLITE
TV

Storage



69%
WARDROBE



24%
DRAWERS

Check-in/check-out



54%
SELF CHECK-IN-
/CHECK-OUT

For respondents below the age of 35, self check-in/out increases to 62%

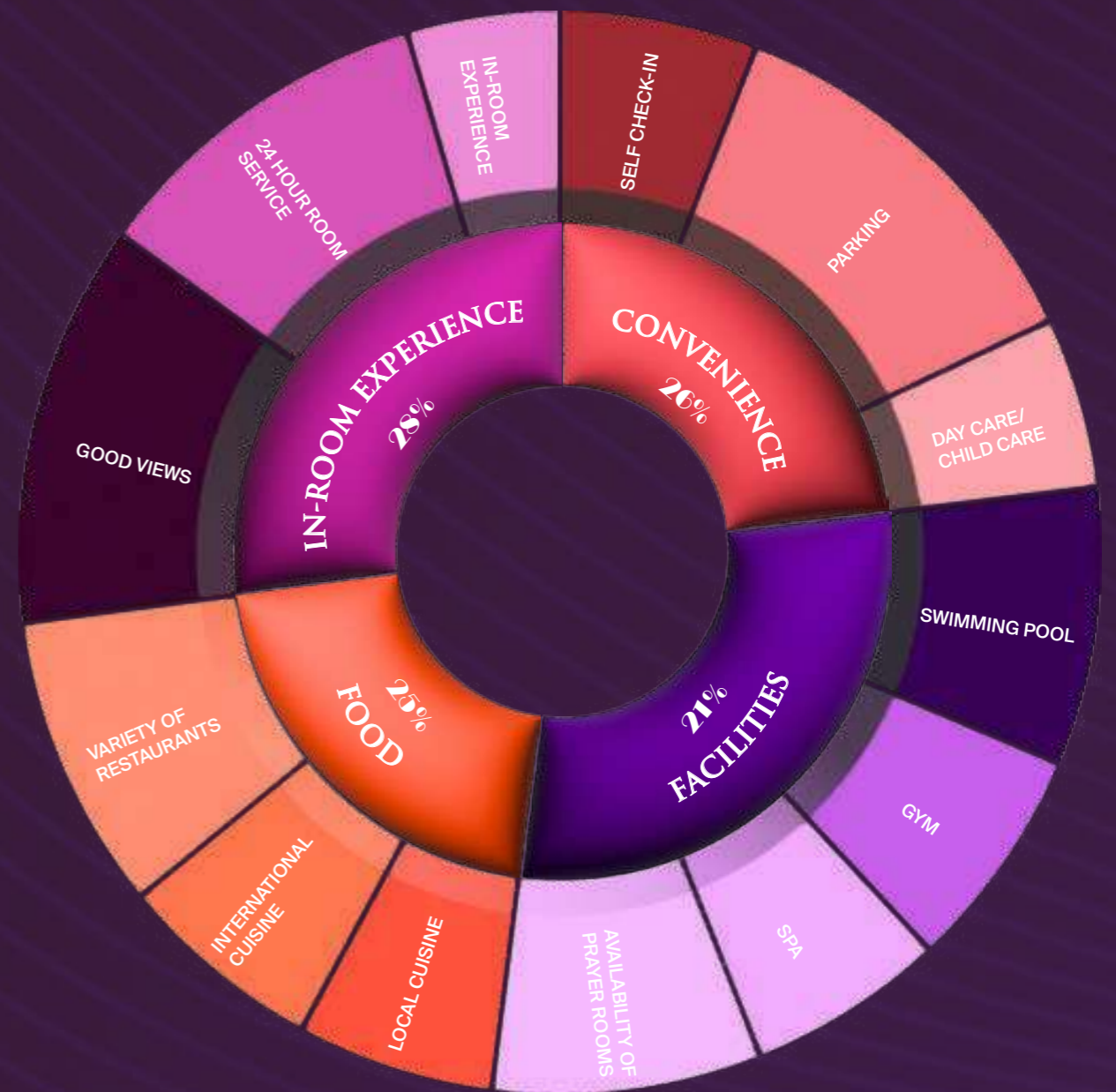


46%
CHECK-IN
CHECK-OUT AT
RECEPTION

Percentages indicate proportion of respondents

Source: Knight Frank, YouGov

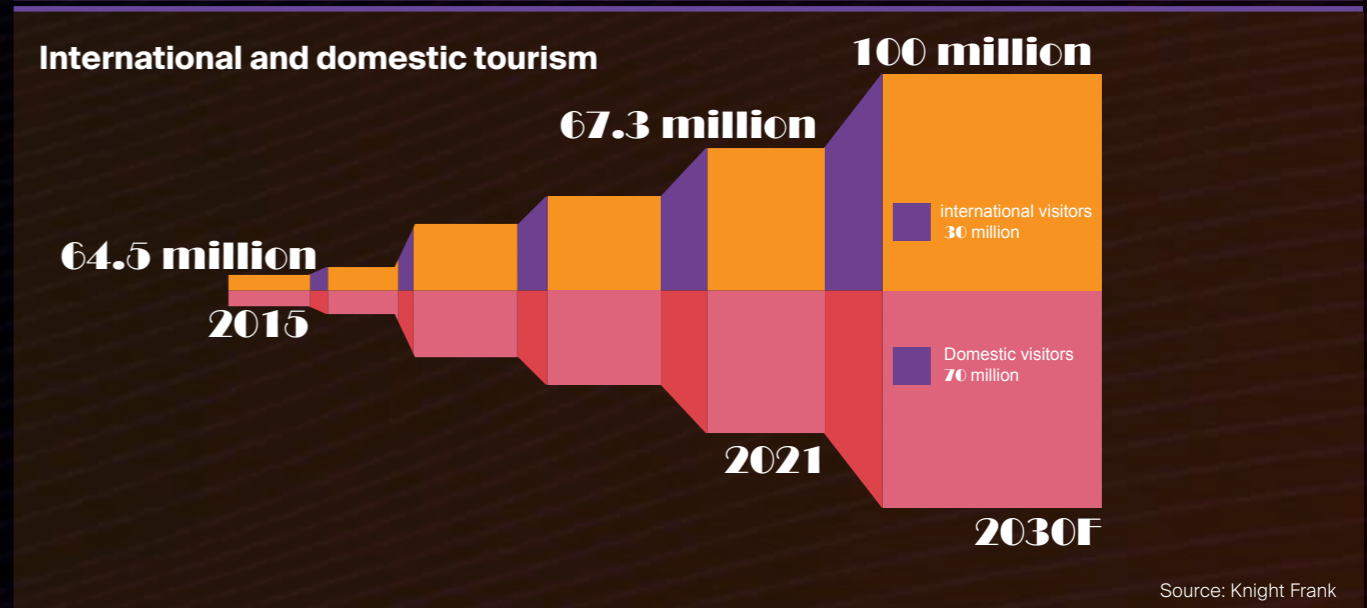
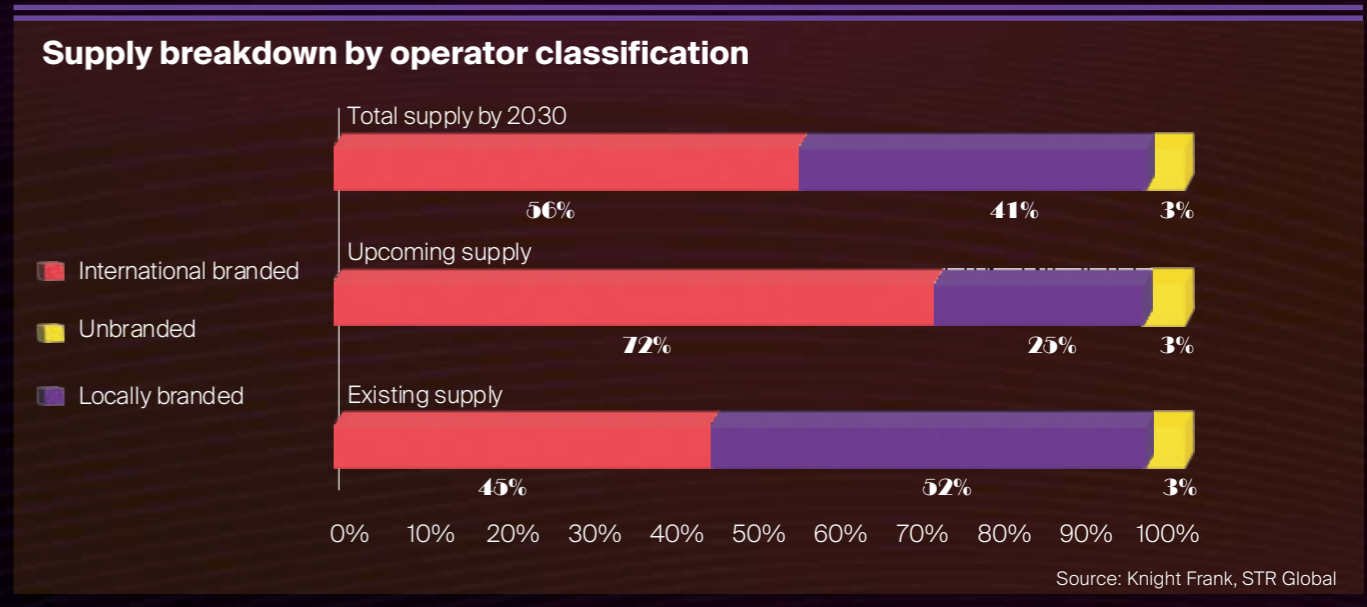
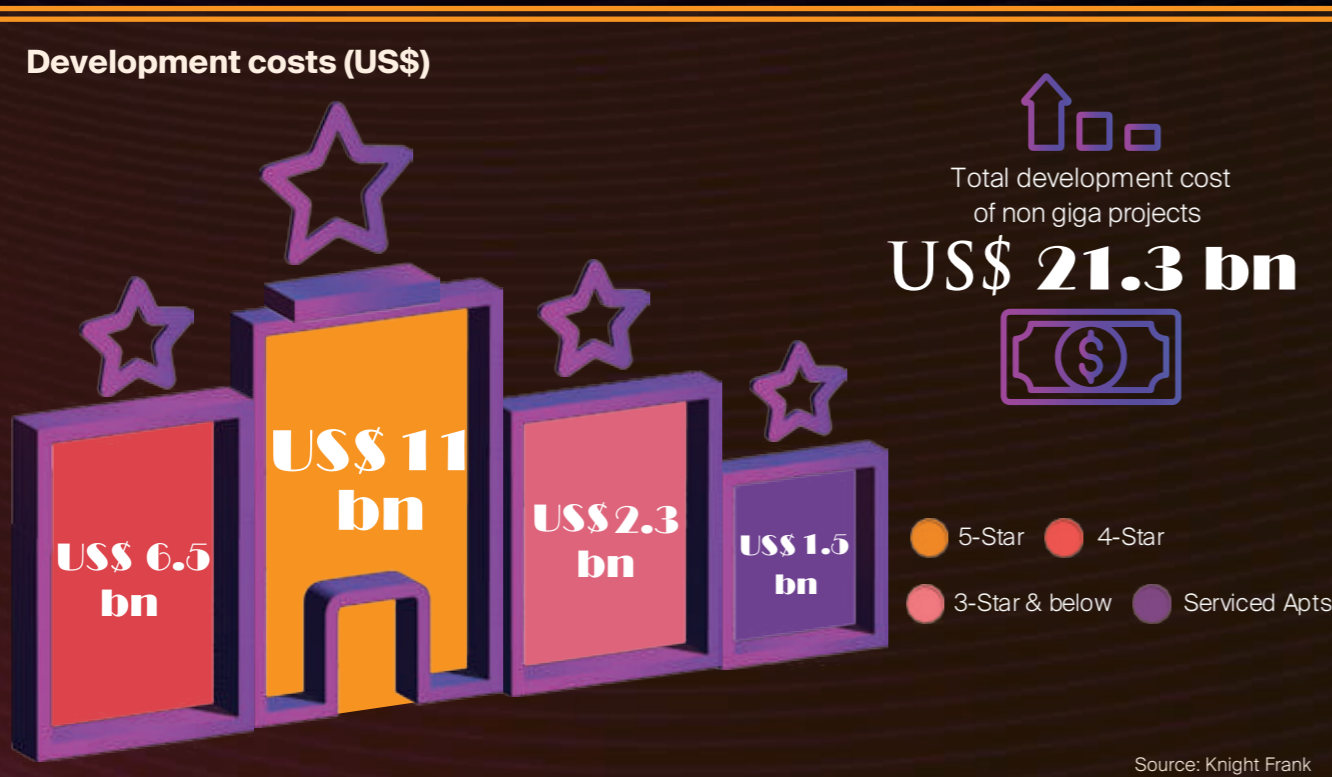
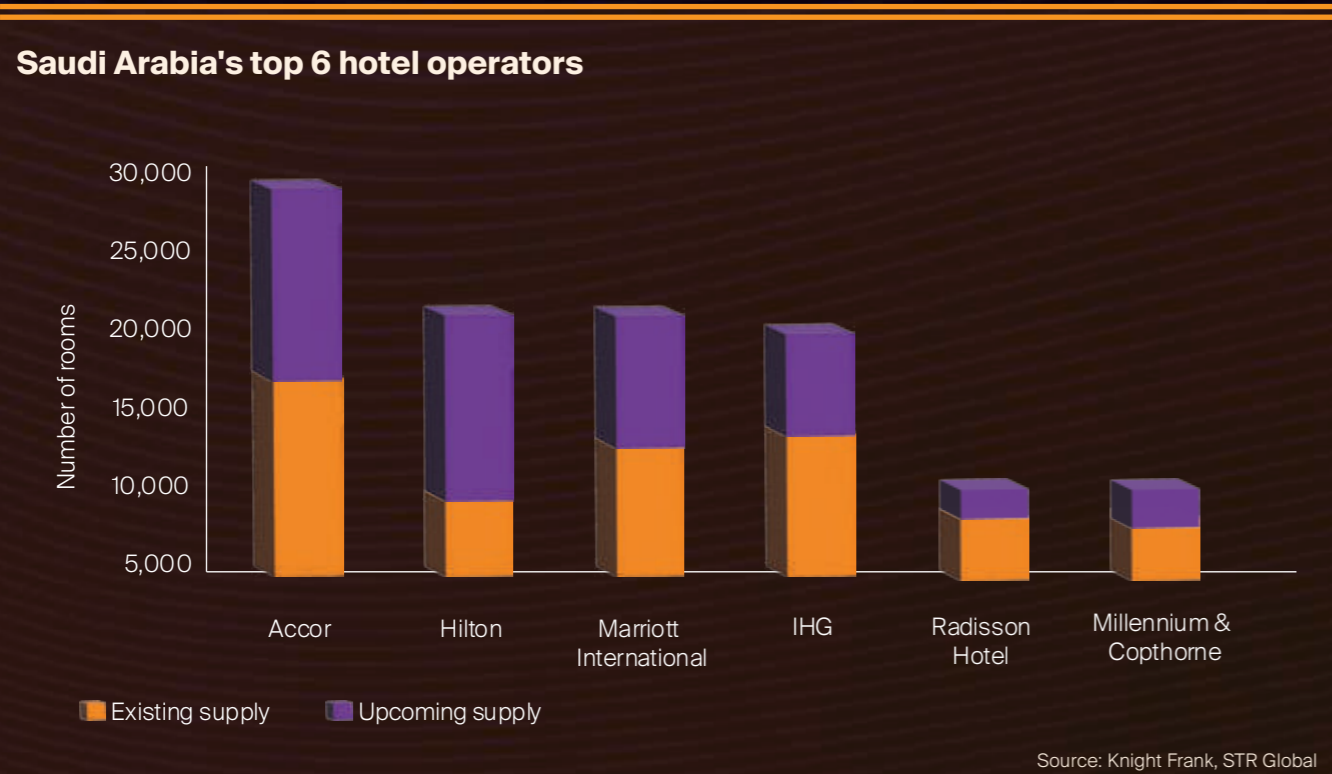
The most important services and facilities



Percentages indicate proportion of respondents

Source: Knight Frank, YouGov

SAUDI ARABIA'S 2030 HOSPITALITY VISION



TOP DOMESTIC HOLIDAY DESTINATIONS

1 ABHA



Top attractions

- Asir National Park
- High City
- Ancient village of Rijal Almaa



Flying time

- Riyadh: **1h 45m**
- Jeddah: **1h 15m**
- Dammam: **2h 15m**



Driving distance

- Riyadh: **840 km**
- Jeddah: **530 km**
- Dammam: **1,200 km**

2 TAIF



Top attractions

- Souk Okaz
- AlWahbah crater
- Shubra Palace



Flying time

- Riyadh: **1h 55m**
- Jeddah: **55m**
- Dammam: **2h 5m**



Driving distance

- Riyadh: **750 km**
- Jeddah: **170 km**
- Dammam: **1,100 km**

3 AL-ULA



Top attractions

- Hegra (Mada'in Salih)
- Elephant Rock
- Maraya Theater



Flying time

- Riyadh: **1h 45m**
- Jeddah: **1h 25m**
- Dammam: **2h 20m**



Driving distance

- Riyadh: **1,070 km**
- Jeddah: **565 km**
- Dammam: **1,400 km**

Alsoda mountains in Abha

SAUDI ENTERTAINMENT SEASONS

The General Authority of Entertainment (GEA) initiated a series of events including musical concerts, sports events, kids/family activities, cultural and heritage events held across all regions of the Kingdom.

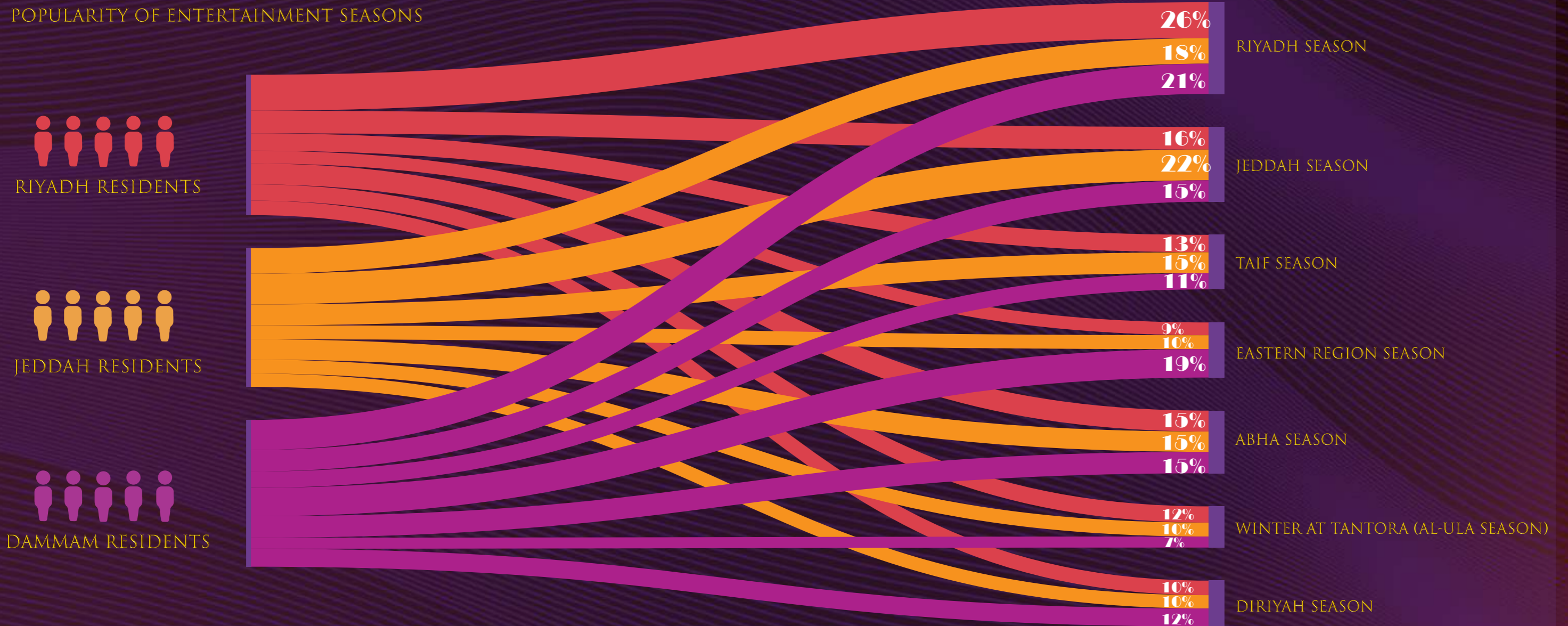
Overall, Riyadh Season is the most preferred entertainment season among all respondents (23%), followed by Jeddah Season (18%). Winter at Tantora (Al-Ula Season) is mostly popular amongst those with higher income levels.

The graphic below details the preference of "Entertainment Seasons" amongst our survey respondents.

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POPULARITY OF ENTERTAINMENT SEASONS



Source: Knight Frank, YouGov



THE RETAIL
MARKET

SHOP TILL YOU DROP

A RETAIL (R)EVOLUTION

As part of the National Transformation Plan and the Quality of Life Program, the retail sector has been undergoing a slow but incredible transformation, with the rise of lifestyle retail developments around the country, which place entertainment and food and beverage outlets at their heart. In the wake of the pandemic, online shopping in the Kingdom has soared. Landlords, mall operators, and developers have turned their attention to experiential retail to boost footfall and dwell times.

The success of this strategy is visible in the form of the sharp increase in the number of such developments. Riyadh alone, is now home to over 16 lifestyle-led retail developments that have added more than 300,000 sqm of retail to the capital's offerings – and this excludes Riyadh Seasons Boulevard, which until only recently was a seasonal attraction and is itself estimated to extend over a further 300,000 sqm of built-up area.

Against this backdrop, we wanted to understand attitudes towards retail and how Saudi nationals are engaging with the current and emergent retail scene.

IF I'M NOT AT HOME...

Despite the swathes of new outdoor-centric shopping venues, traditional shopping malls still play an important role in satisfying shoppers in the Kingdom. However, the results of Survey 2 demonstrate generational differences, which have significant ramifications for the future of the traditional shopping mall.

Survey 2 shows that 50% of respondents prefer traditional malls, followed by the rising 'lifestyle retail centers', which is a mixed-use commercial development that combines traditional retail with other lifestyle-linked amenities such as playgrounds, walkways, restaurants, and movie theatres.

THE FUTURE IS EXPERIENTIAL RETAIL

Overall, older respondents (aged 35+) favour shopping in traditional retail centres, while younger respondents (aged below 35 years) are more likely to favour lifestyle retail centres (33%) and online shopping (22% compared to 5% for those aged 45+).

This nuanced shift in attitudes through the generations does not necessarily spell the end of bricks and mortar retail as we know it but hints strongly at the need to boost the experience of visiting a store. Concept stores that offer customisation of goods bought in store, stores that adopt a "showroom" concept, or indeed those that integrate F&B elements are glimpses of the future of retail.

LANDLORDS, MALL OPERATORS, AND DEVELOPERS HAVE TURNED THEIR ATTENTION TO EXPERIENTIAL RETAIL TO BOOST FOOTFALL AND DWELL TIMES.



Retail preferences (by age group)

Percentage of respondents



Source: Knight Frank, YouGov

SHOP TILL YOU DROP

HOW TO DRAW IN THE CROWDS

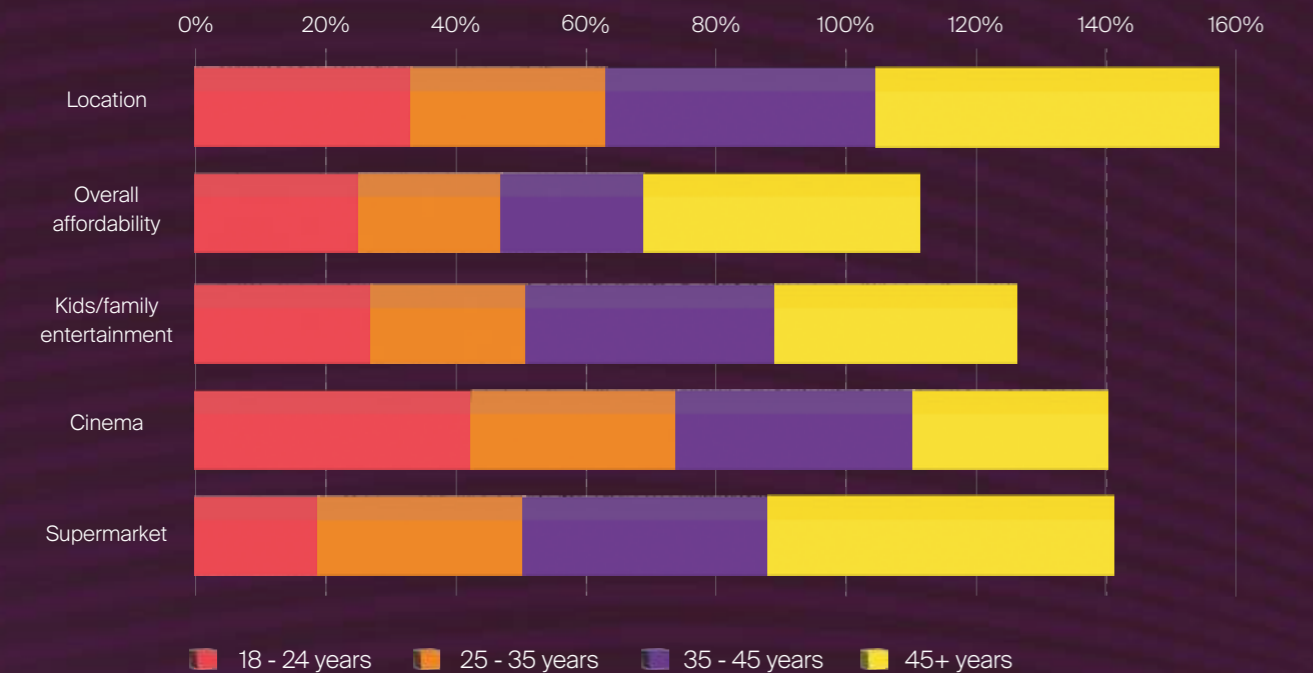
Away from lifestyle retail developments, our respondents have varied expectations of retail destinations, with some significant generational differences, once again.

For instance, respondents aged 18-24 prefer a retail destination that focuses on entertainment (33%), with cinemas being a particular draw. Restaurants and cafes (33%) follow closely behind, highlighting the importance of creating an all-round lifestyle and entertainment destination.

Meanwhile, respondents over the age of 45 appear to be looking for “a one-stop shop” where they can entertain their children (17%), have a variety of dining options (17%) and do their grocery shopping (12%), all close to home (12%) and at an affordable price (9%).

The most important features in a retail centre (by age group)

Percentage of respondents



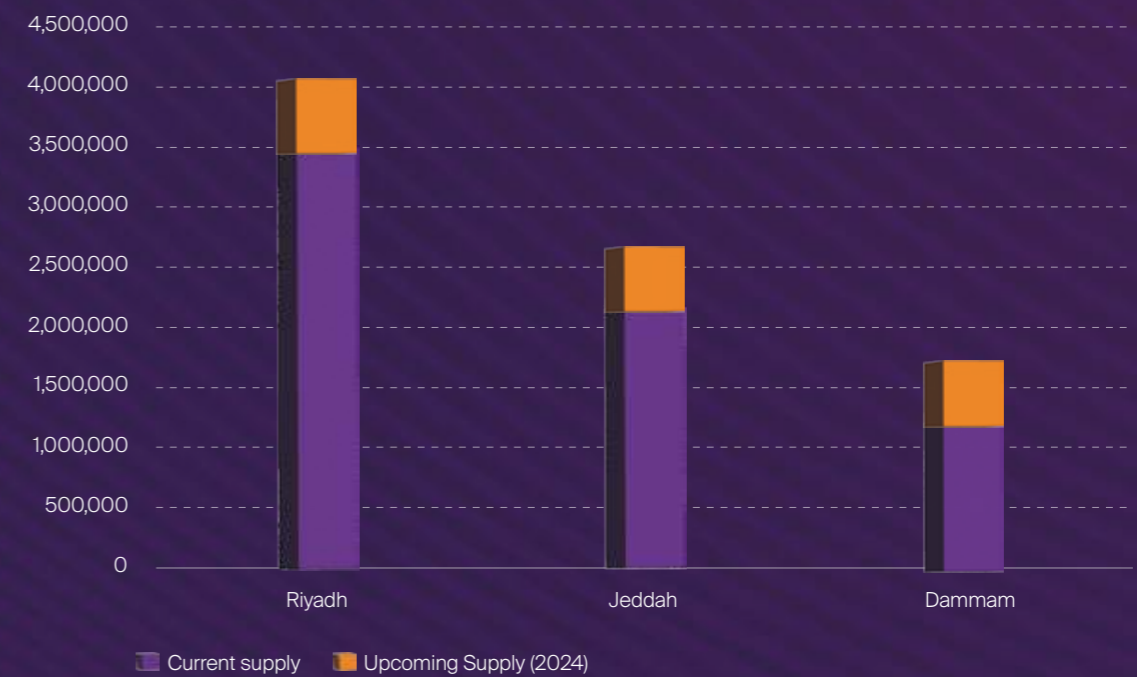
Source: Knight Frank, YouGov

WHAT YOU NEED TO KNOW

- 15% OF WOMEN PREFER SHOPPING ONLINE, COMPARED TO 10% OF MEN
- STRIP RETAIL IS MORE POPULAR IN RIYADH (14%), COMPARED TO 10% IN JEDDAH AND DAMMAM
- 54% OF THOSE OVER 45 PREFER MALLS, BUT THAT PREFERENCE DECREASES TO 38% FOR THOSE UNDER 25
- ONLINE SHOPPING IS MOST POPULAR AMONGST RESPONDENTS UNDER 25 (16%), COMPARED TO THOSE OVER 45 (5%)

Retail supply

GLA (sqm)



Source: Knight Frank

SUPERMARKET, SHOP, REPEAT

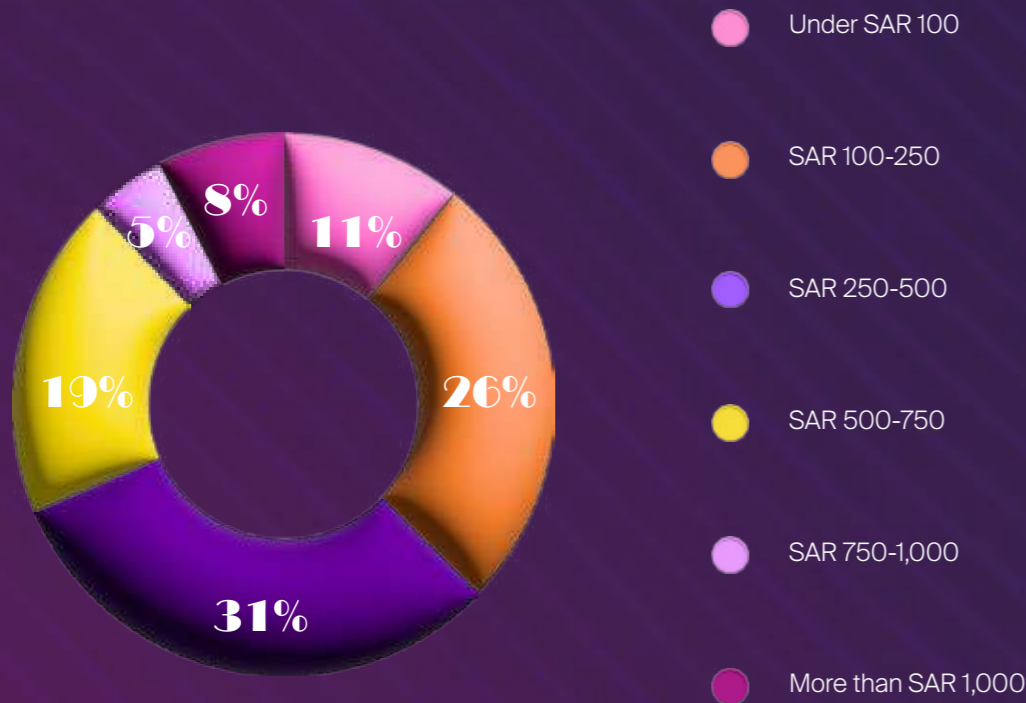
SUPERMARKET SHOPPING RETAINS APPEAL

A key takeaway from our 2022 Saudi Report was the rise in the popularity of onsite amenities and facilities within residential community developments. This included having easy access to supermarkets, which ranked among the top 10 most important considerations when buying a home.

This year, we have gone further to better understand supermarket preferences, weekly budgets and how far households are willing to travel to access their favourite grocery store.

Online retailing in Saudi, like elsewhere, has boomed, with GolbalData estimating the Kingdom's e-commerce sector, which includes online supermarket shopping, was worth SAR 58.6 billion (\$15.6 billion) at the end of 2022. However, Survey 2 reveals that only 4% of respondents have their groceries delivered. Those under 25 have a higher "click and deliver" preference (11%), compared to a mere 2% for those over 45. This indicates a strong desire for in-store grocery shopping, regardless of age.

Weekly supermarket budgets



Percentages indicate proportion of respondents

Source: Knight Frank, YouGov

PROXIMITY IS EVERYTHING

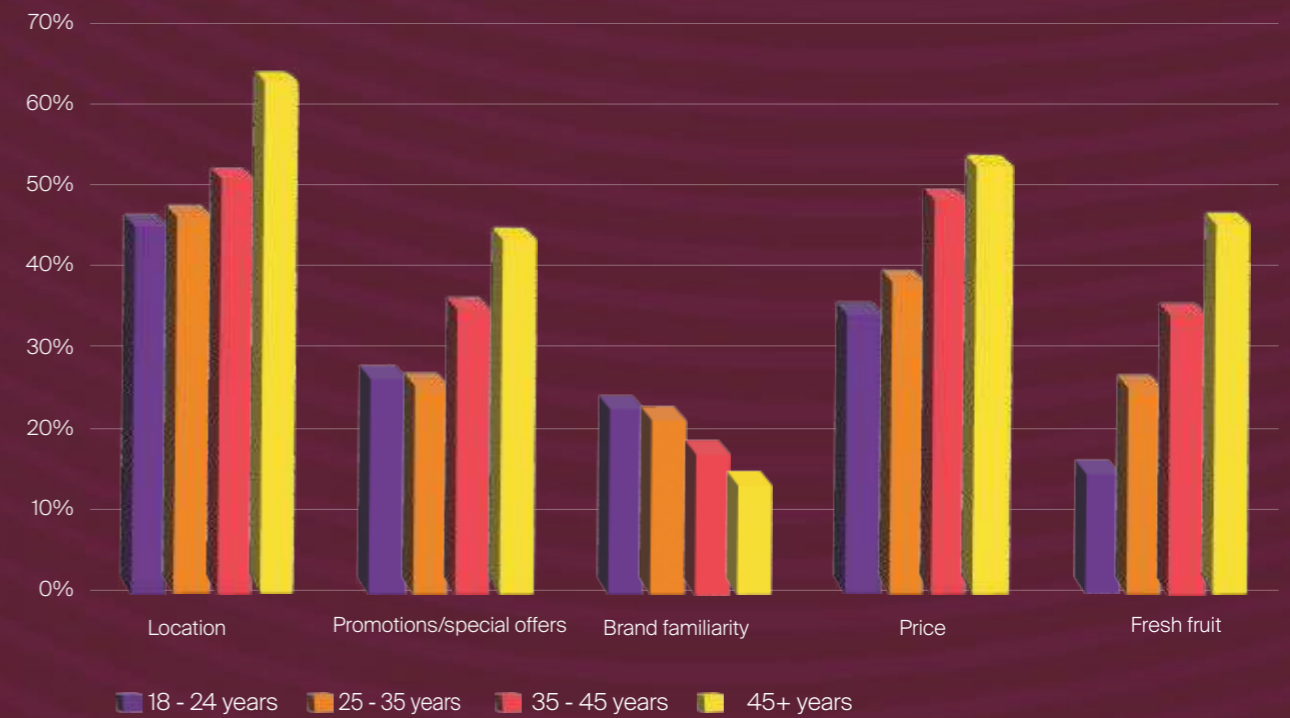
Echoing last year's report, 31% say they visit supermarkets within a driving distance of 5-10 minutes, while almost a fifth (19%) prefer going to a supermarket or smaller grocery store within walking distance from their homes.

As income increases, the distance to our respondents' preferred supermarkets becomes less important, with 15% of those earning over SAR 40,000 per month happy to travel for over 15 minutes to access their favourite supermarket.

This is likely linked to those on higher incomes often having drivers and additional household staff to carry out the weekly shop, even if it means venturing further than most to access specialty stores and/or products.

Factors that make supermarkets attractive (by age group)

Percentage of respondents



Source: Knight Frank, YouGov

DINE-IN OR TAKEAWAY?

BOOMING RESTAURANT SCENE

The food service sector in Saudi Arabia is the largest in the Middle East and is currently valued at around SAR 49 billion (\$13 billion), according to Fortune Business Insights. Vision 2030 and the economic transformation that is now unfolding across the Kingdom have attracted a slew of international restaurant franchises to the country; however, our research has shown that the vast majority of restaurant brands still remain local. Indeed, in Riyadh, 68% of restaurants at the city's lifestyle retail outlets are homegrown brands.

Nonetheless, as the volume of expats moving to the Kingdom rises, we are seeing the arrival of leading international restaurant chains, such as London's EL&N, New York's Black Tap and Rome's Il Vero Alfredo.

Like elsewhere in the world, the popularity of food delivery apps is also growing exponentially. The food app delivery market was valued at US\$ 511 million in 2021, and is expected to grow at an annual rate of 10% until 2026 (Monsha'at).

For developers of residential communities, mall operators and developers, the changing attitudes towards eating out will likely have a significant knock-on impact on development plans. This is primarily driven by young Saudi migrants who are now living on their own away from their hometowns and searching for convenient amenities, including onsite or easy-to-access dining options.

Survey 2 corroborates this behaviour; 51% of respondents prefer 'going out to eat', while 27% prefer 'ordering in', with about a fifth (22%) showing a higher preference for 'cooking at home'.

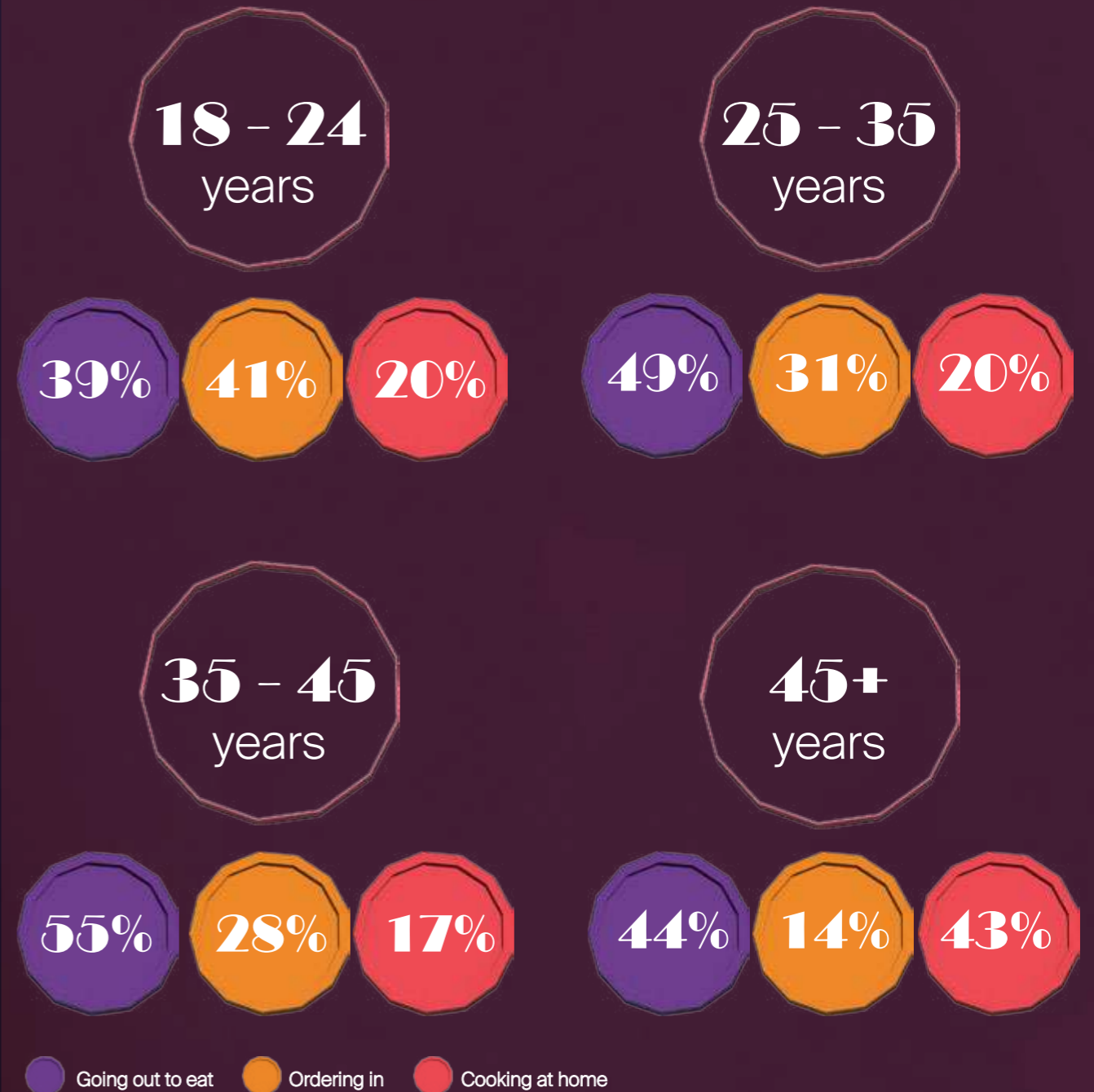
CHANGING ATTITUDES TOWARDS EATING OUT WILL LIKELY HAVE A SIGNIFICANT KNOCK ON IMPACT ON RETAIL DEVELOPMENT PLANS.



EXPERT INSIGHTS



Dining preferences (by age group)



Percentages indicate proportion of respondents

Source: Knight Frank, YouGov

DINE-IN OR TAKEAWAY?

CLASH OF THE GENERATIONS

Unpicking the results of Survey 2 further reveals significant differences in generational attitudes towards eating out.

Older respondents (those over 45) are more likely to cook at home (43%) compared to just 20% of those under 25. When it comes to ordering a takeaway, 41% of under-25s are keen on ordering in, while among those over 45 years, the figure stands at 14%.

Unsurprisingly, income also plays a significant role in dining choices. 64% of those earning over SAR 40,000 a month choose to dine out, with about a third (36%) of those earning less than SAR 10,000 a month opting to cook a home meal instead.

Similarly, the percentage of households opting for a home-cooked meal declines as income rises, falling from 36% for those earning less than SAR 10,000 per month to just 7% for those on salaries over SAR 40,000 per month.

KHALEEJI ALL THE WAY

When it comes to cuisine preferences, older respondents (45+ years) prefer regional cuisine above all else, with Arabic food being named as the favourite, followed by Lebanese (61%) and Turkish (49%).

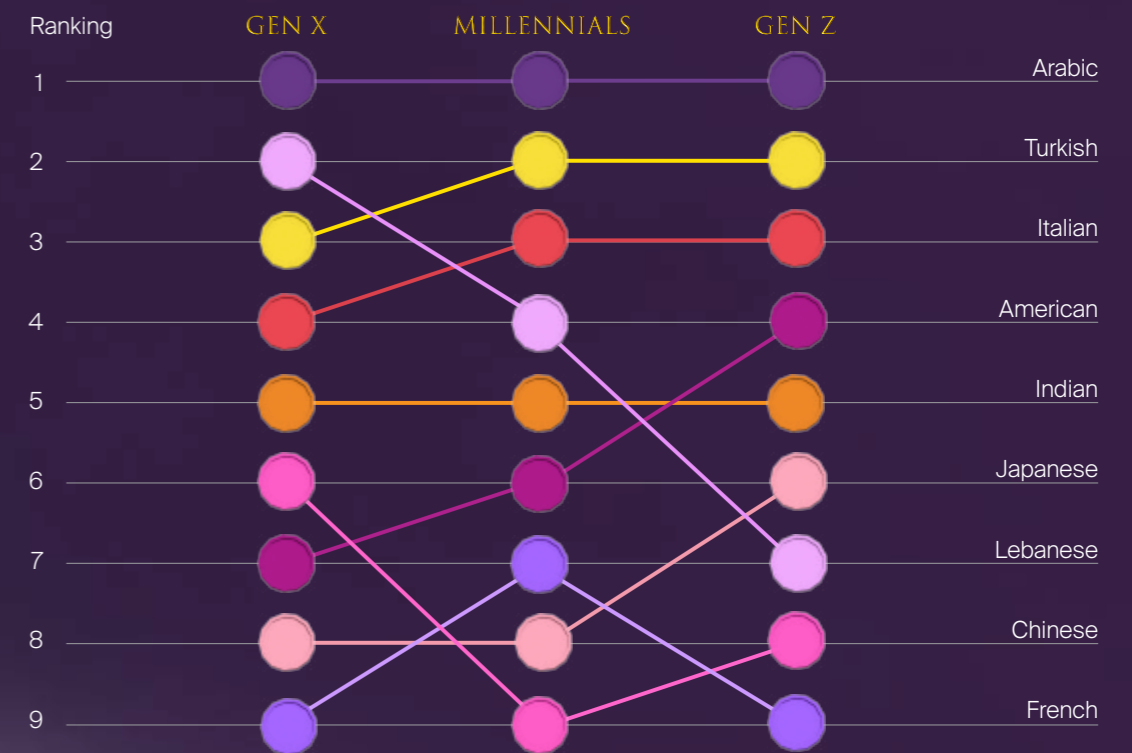
Asian cuisine, Japanese in particular, is more popular with younger respondents, with the popularity declining as age rises: 20% for respondents under 25, as opposed to 10% for respondents over 45.

Interestingly, in the capital's lifestyle-led retail developments, Japanese restaurants account for just 5% of restaurants, with restaurants with international menus (24%) dominating the restaurant scene.



OLDER RESPONDENTS PREFER REGIONAL CUISINE ABOVE ALL ELSE, WITH ARABIC FOOD BEING NAMED AS THE FAVOURITE.

Cuisine preferences (by generation)



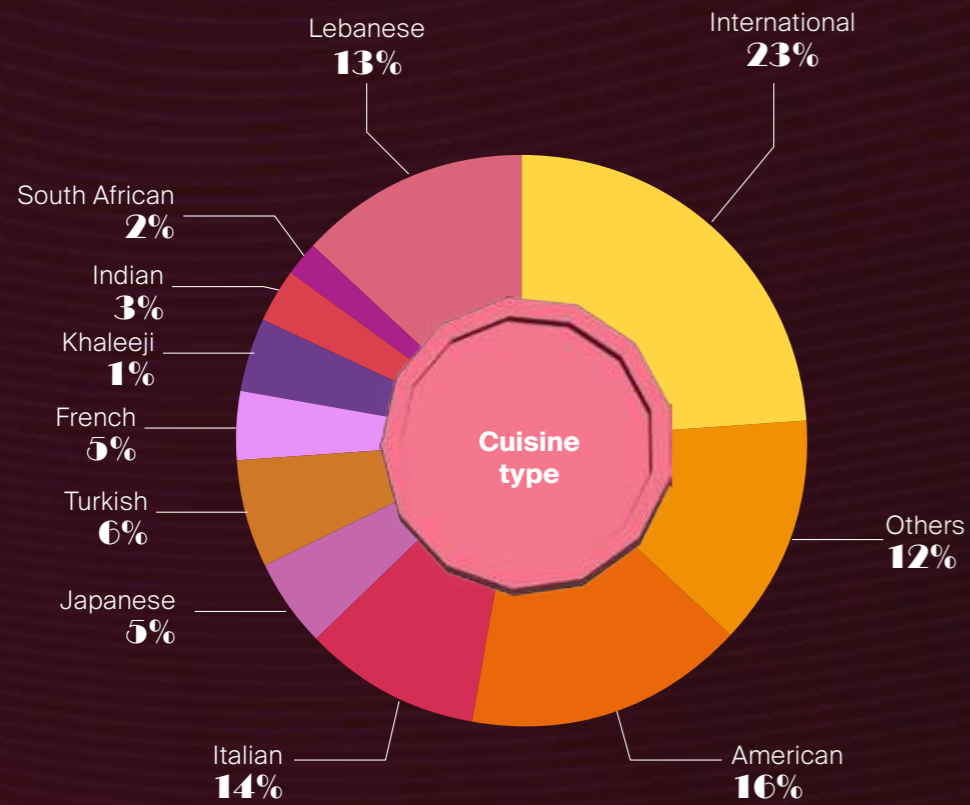
Source: Knight Frank, YouGov



RIYADH'S THRIVING FOOD SCENE

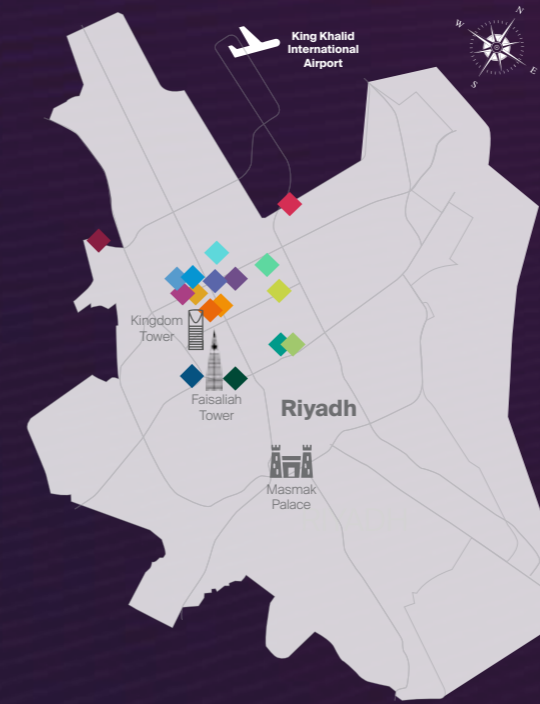
RIYADH'S FOOD AND BEVERAGE SCENE IS TAKING OFF, WITH 304,000 SQM OF RESTAURANT-LED LIFESTYLE RETAIL DEVELOPMENTS, WHICH INCLUDE 293 NEW RESTAURANTS, SPREAD ACROSS 17 LIFESTYLE RETAIL DEVELOPMENTS, ALL OF WHICH HAVE COME ONLINE SINCE THE NATIONAL TRANSFORMATION PLAN WAS ANNOUNCED IN 2016.

Cuisine types on offer



Source: Knight Frank

Gastronomy hotspots



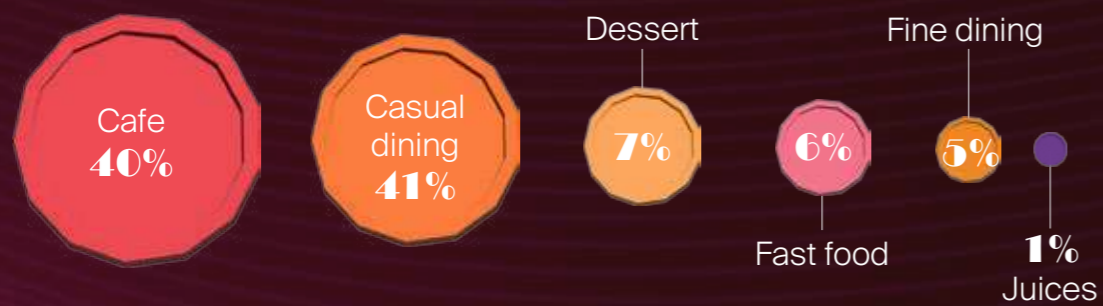
Source: Knight Frank

F&B landscape



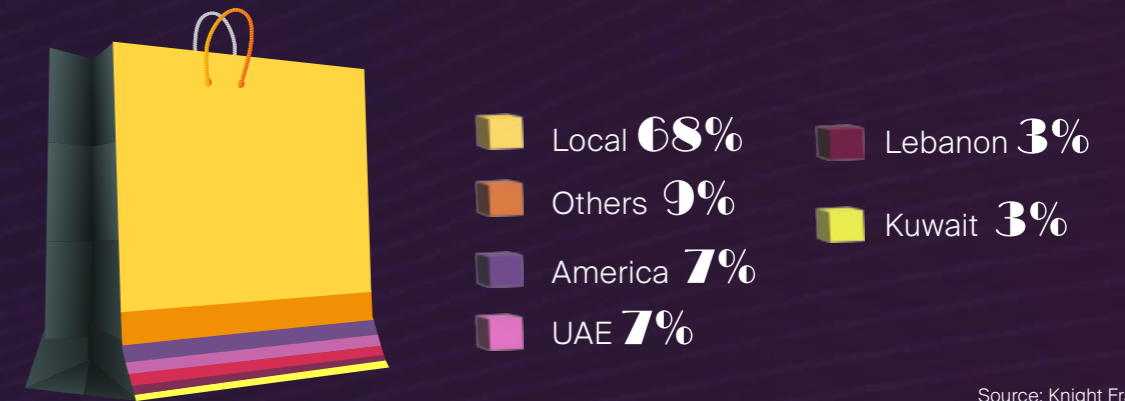
Source: Knight Frank

Type of experience



Source: Knight Frank

Origin of restaurant brands



Source: Knight Frank



HEALTHCARE
&
EDUCATION

WELL-BEING AT THE HEART OF PLANS

HEALTHCARE & EDUCATION BACKDROP

At the heart of the Kingdom's transformation plans sit a significant number of projects linked to well-being with the ultimate aim of enhancing the habitability and liveability of Saudi cities for residents, as well as the influx of expatriate workers expected as the economic transformation unfolds.

The improvement and provision of world-class urban environments are central to the well-being boost. Projects include the US\$ 500 million Riyadh Sports Boulevard and the US\$ 23 billion 'Green Riyadh' initiative, which will transform the capital into a verdant metropolis by planting 7.5 million trees. Elsewhere, Dammam's 650,000 sqm Amanat Al Sharqiya project will see the revitalisation of the city's corniche.

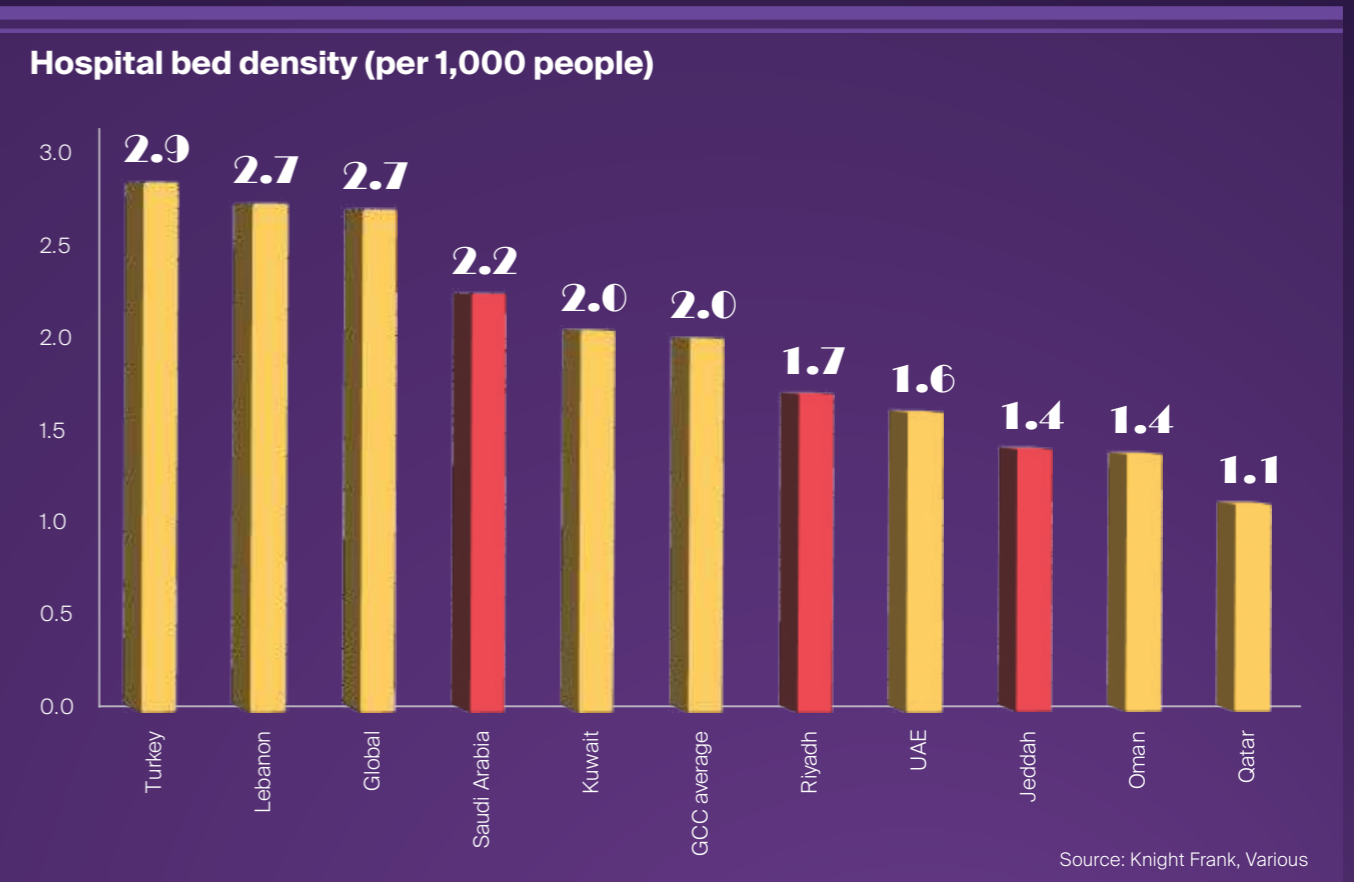
In addition, the well-being agenda will see the provision of 19,000 extra hospital beds at a cost of US\$ 13.8 billion; of that, US\$ 8.6 billion will be dedicated to Riyadh Province alone. The goal for authorities is to raise the private sector's contribution to the health sector from 40% to 65% through the privatisation of 290 hospitals and 2,300 primary health centres.

Aside from the enhancement to the general well-being of the population, the number of hospital beds in the Kingdom needs to grow to meet the projected increase in population. Indeed, our estimates show that the Kingdom will require an additional 20,000 beds by 2035 alone and currently ranks 18.5% below the global average for the density of hospital beds, highlighting the need for investment and the opportunity for hospital operators and developers.

The health and well-being focus forms part of a wider national economic strategy to reduce the country's reliance on hydrocarbon revenues. Indeed, the 2023 National Budget has allocated SAR 189 billion towards healthcare and social development and SAR 189 billion towards education, representing 17% each of the total expenditure.

 THE WELL-BEING AGENDA WILL SEE THE PROVISION OF 19,000 EXTRA HOSPITAL BEDS AT A COST OF US\$ 13.8 BILLION.

DISCOVER THE FULL REPORT



WELLBEING AT THE HEART OF PLANS

THE HEALTHCARE SECTOR OPPORTUNITY

Survey 2 indicates that, on average, most Saudi nationals (55%) visit healthcare facilities between once a month and once a quarter. Almost a fifth (17%) claim they visit healthcare facilities only when the need arises, perhaps reflective of the youthfulness of the population – 56% are below 35 years.

As for reasons to visit healthcare facilities, a 'routine check-up' (25%), followed by an 'ongoing healthcare plan' (22%), top the list. Unsurprisingly, there is a direct correlation with age for visits to clinics or hospitals, with 36% of respondents over 45 visiting for routine check-ups, while only 24% of those between 25-30 years do the same.

“ EXPERT INSIGHTS

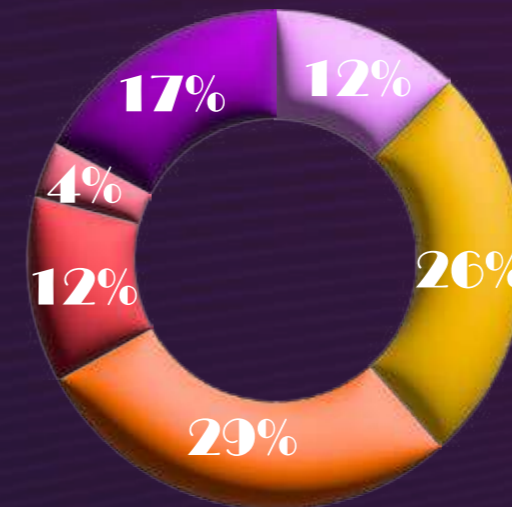
ONE OF THE KEY CONCERNS WHICH APPEARS TO BE CORRELATED WITH AGE IS AFFORDABILITY OF HEALTHCARE SERVICES DUE TO THE INCREASING INSURANCE PREMIUMS. OUR CONVERSATIONS WITH LEADING HEALTHCARE PROVIDERS IN THE KINGDOM HAS INDICATED THAT THERE IS A RISING GAP IN LOW TO MID INCOME SEGMENT CLINICS WHICH COULD BE A POTENTIAL OPPORTUNITY FOR PRIVATE SECTOR SERVICE PROVIDERS.

DR GIREESH KUMAR
ASSOCIATE PARTNER, HEALTHCARE CONSULTANCY

DISCOVER THE DATA



Frequency of visits to healthcare facilities

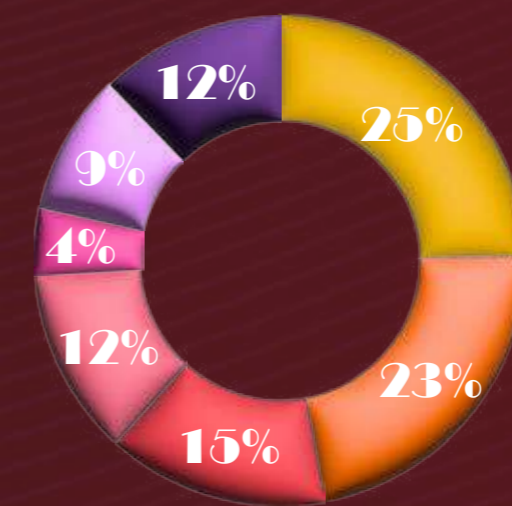


- Once or twice a week
- Once or twice a month
- Every 2-3 months
- Every 6 months
- Every year
- No pattern / visit when needed

Percentages indicate proportion of respondents

Source: Knight Frank, YouGov

Reasons to visit healthcare facilities



- Routine check-up
- An ongoing healthcare plan
- Chronic illness
- Inquiry/consultation
- Cosmetic services
- Emergency services
- Do not visit a hospital regularly or for treatments

Percentages indicate proportion of respondents

Source: Knight Frank, YouGov

WELL-BEING AT THE HEART OF PLANS

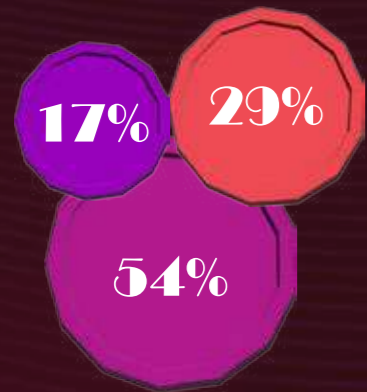
UNDERSTANDING THE NATURE OF HEALTHCARE DEMAND

When it comes to medical procedures, cosmetic services are cited most often by those aged 25-45 (7% compared to 1% for those over 45). For those under 25, the primary reason cited is 'routine check-ups' (28%).

Similarly, the importance of living near a medical facility rises with age. For those over 45, 52% cite this as being 'very important', while 25% say it is 'somewhat important'. For those under 25, only 26% say it is 'very important', and 36% claim it is 'somewhat important'.

And when it comes to the public vs private hospital conundrum, there is a clear preference for private hospitals (54%), which we believe is largely based on perceptions of the quality of physicians and treatments available in private institutions.

Public vs. private hospitals

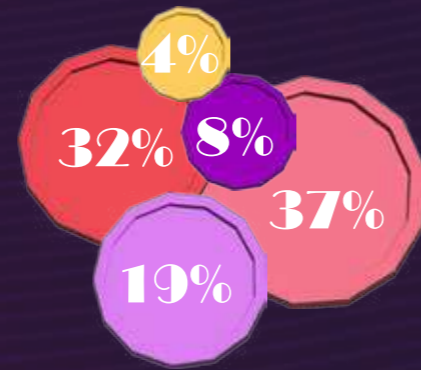


- Governmental hospital
- Private hospital
- No preference

Percentages indicate proportion of respondents

Source: Knight Frank, YouGov

Preferred type of healthcare facility



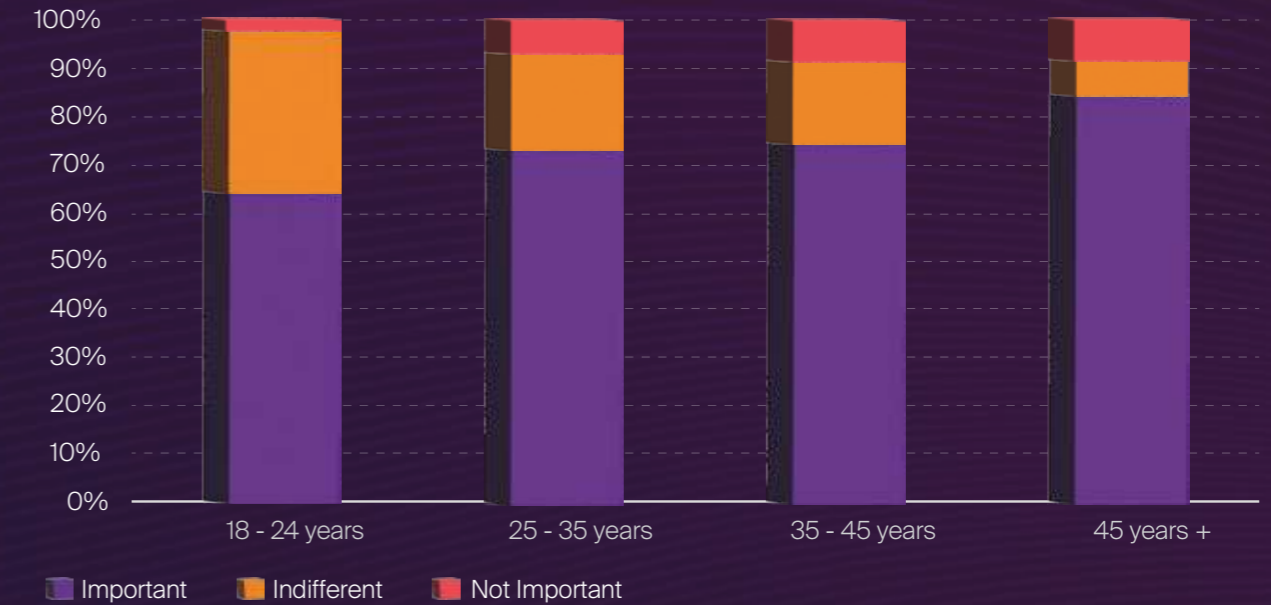
- Walk-in clinics
- Multi-specialty medical centres
- Hospitals
- Centers for excellence
- No preference

Percentages indicate proportion of respondents

Source: Knight Frank, YouGov

Importance of living near a healthcare facility (by age group)

Percentage of respondents



Source: Knight Frank, YouGov

WHAT YOU NEED TO KNOW

- 36% OF RESPONDENTS FROM RIYADH PREFER RECEIVING MEDICAL CARE IN MULTI-SPECIALTY MEDICAL CENTRES, WHILE 34% PREFER HOSPITALS
- IN JEDDAH (41%) AND DAMMAM (43%), RESPONDENTS MOSTLY PREFER HOSPITALS OVER OTHER MEDICAL FACILITIES
- ONLY 41% OF THOSE MAKING LESS THAN SAR 10,000 PER MONTH PREFER PRIVATE HOSPITALS, COMPARED TO 62% OF THOSE MAKING OVER SAR 40,000 PER MONTH

MEDICAL TOURISM: A NECESSITY OR A LUXURY?

Seeking medical care abroad is common amongst Saudi nationals, particularly as the Saudi government regularly refers patients with severe illnesses to overseas clinics of global repute, typically in locations such as the United States, Germany, and the UK.

Away from life-threatening diseases, travelling abroad for elective cosmetic treatment has also been rising in popularity, with anecdotal evidence pointing to destinations like LA, Rio de Janeiro, and Istanbul as being the most popular for “instant makeovers”.

Globally, the medical tourism industry is worth around US\$ 100 billion, and this figure is set to double over the next

10 years. Currently, Arab nationals account for 30% of global medical spend, hinting strongly at the opportunity to create world-class medical facilities within the Kingdom to capture some of this demand leakage (Arab Tourism Organisation).

Survey 2 echoes the Arab Tourism Organisation's findings, with 40% of our respondents claiming to travel abroad to receive any medical treatment, whether essential or elective. While motives to travel internationally for treatment vary, the focal point is the quality and reputation of both the treatment (29%) and healthcare professionals (24%), closely followed by the affordability of treatment (21%).

WHAT YOU NEED TO KNOW

- 46% OF RESPONDENTS FROM JEDDAH CLAIM THAT THEY WOULD TRAVEL ABROAD FOR MEDICAL TREATMENT, COMPARED TO ONLY 39% OF RESPONDENTS FROM RIYADH
- WOMEN ARE MORE LIKELY TO TRAVEL ABROAD FOR A ‘SECOND OPINION/ VALIDITY OF EXISTING TREATMENT’ (23%) COMPARED TO THEIR MALE COUNTERPARTS (11%)
- MEN ARE MORE LIKELY TO TRAVEL ABROAD FOR ‘AFFORDABILITY’ (25%) COMPARED TO WOMEN (14%)

Reasons to travel abroad for medical treatment

29%

Quality of treatment

21%

Affordability

24%

Quality of healthcare professionals

15%

Second opinion/validity of existing treatment

6%

Wider range of specialisms & services

5%

Premium services

Percentages indicate proportion of respondents

Source: Knight Frank, YouGov

DISCOVER THE FULL REPORT



40% OF SAUDIS CLAIM TO TRAVEL ABROAD FOR MEDICAL TREATMENTS, EITHER ESSENTIAL OR ELECTIVE.

LONG LIVE THE WEALTHY

SURVEY 2

HEALTH AND WEALTH

Income acts as a basic indicator of social class and is often directly correlated to the overall health of individuals and households.

Studies published in the International Journal for Equity in Health show that as income increases, so does overall mental and physical health. Reasons include the ability to afford better medical care, as well as financial stability, generally leading to healthier lifestyle choices.

Indeed, the results from Survey 2 show different attitudes towards medical services based on income. Interestingly, as income levels rise, so does the tendency to visit a private hospital.

When it comes to reasons to visit healthcare facilities, those earning upwards of SAR 40,000 per month (3%) are least likely to visit hospitals for emergency services, compared to 11% for those making less than SAR 10,000 per month.

For the higher earners, visiting a medical facility to treat chronic illnesses is cited as the most common reason (26%), regardless of age. Regular check-ups and an ongoing healthcare plan are likely why this cohort is less likely to make emergency visits.

IMPROVING THE SATISFACTION OF PATIENTS

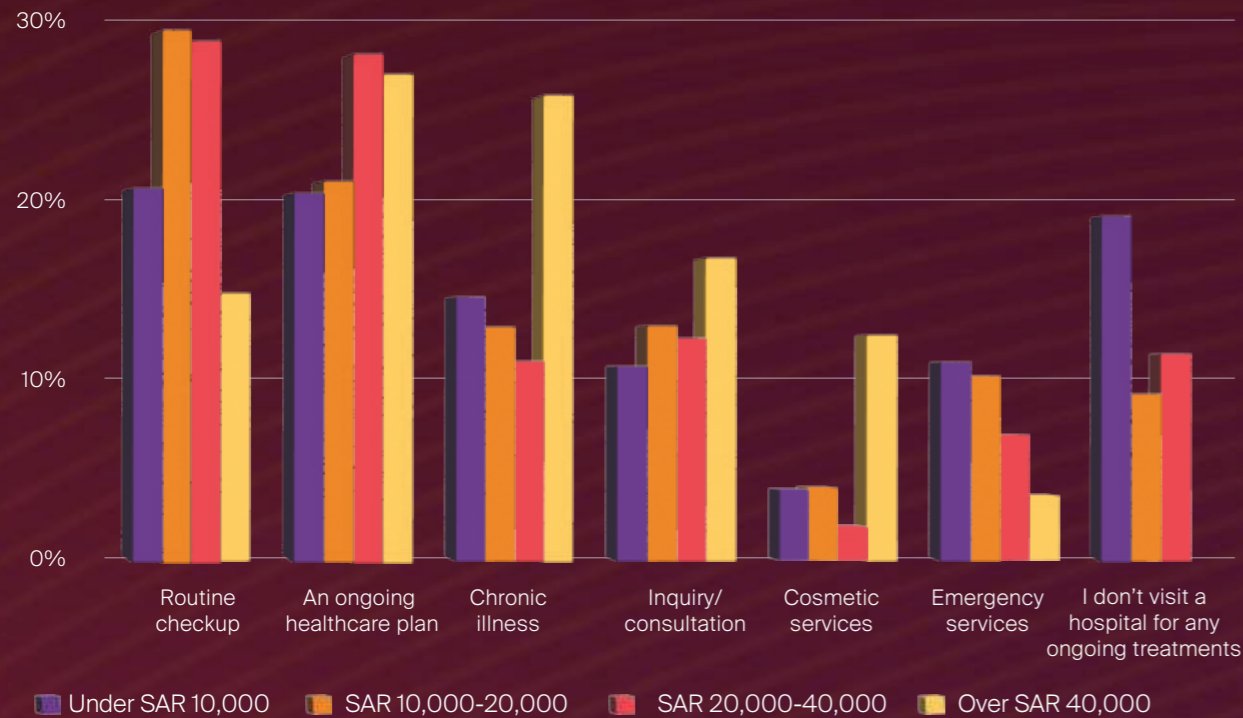
Survey 2 also explored the ways in which patient satisfaction can be improved across the Kingdom. We have found that the highest earners (>SAR 40,000 per month) tend to be the most vocal about what they would like to see improved.

However, the affordability of treatments in the country (10%) and better insurance coverage (13%) are the most important areas for improvement, regardless of income.

That said, it is evident that as income rises, so does the desire to have access to better quality healthcare and facilities.

Reasons to visit a healthcare facility (by monthly income)

Percentage of respondents



Source: Knight Frank, YouGov

Reasons for travelling abroad for medical care (by monthly income)

Percentage of respondents



Source: Knight Frank, YouGov

UNDERSTANDING ATTITUDES TOWARDS EDUCATION PLANS

CHILDREN ARE OUR FUTURE

The second significant focus by the authorities is to boost both access to and the quality of educational institutions for the next generation of Saudis. Indeed, as part of the National Transformation Plan, some US\$ 7 billion has been allocated to new schools and universities across the Kingdom, all due to be completed by 2030.

While public schools are free to all citizens and residents, historically, there has always been a clear bias towards private schools, with the perception of public schools playing a significant role in influencing parents' school selection decisions.

Survey 2 mirrors this, with 54% of respondents demonstrating a preference to send their children to private schools. Interestingly, younger Saudis, presumably many of whom have graduated from universities and colleges overseas, place even greater emphasis on a private education for their children: 58% of under 25s favour private schooling over public schools, while the figure stands lower at 49% for those aged over 45.

Naturally, respondents with higher incomes lean towards private schools, with two-thirds (66%) of those earning over SAR 20,000 per month saying they prefer private schooling for their children, compared to less than half (49%) of those on a monthly salary of below SAR 20,000.

THE CASE FOR PUBLIC SCHOOLS

The number one reason why respondents prefer public schools is the perception of cost savings (30%). On average, annual private school fees start at around SAR 10,000 and can climb to SAR 120,000, depending on the school curriculum, facilities, and staff qualifications.

Location (29%) closely follows as a reason for selecting a public school. In our 2022 Saudi Report, having easy access to amenities, i.e., within walking distance or a short drive away, was a common thread that linked all respondents. As Saudi cities continue to evolve and grow, commuting is becoming a greater consideration for home buyers and tenants, as well as parents.

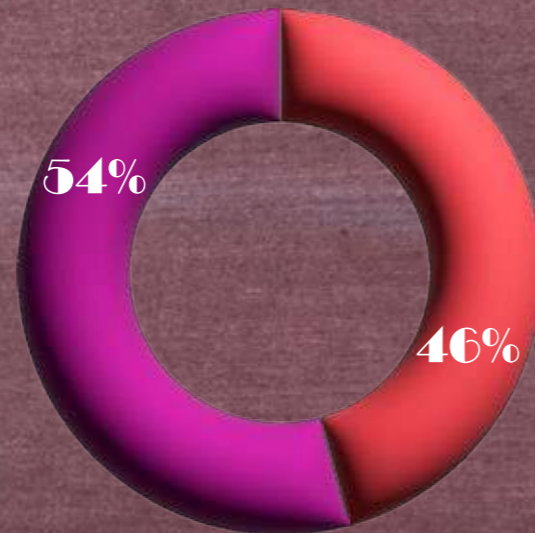
Schooling in Saudi: the basics

Public schools places are available to all Saudi citizens and residents, free of charge.

Students study the General Education National Curriculum in Arabic in three stages: primary (six years), intermediate (three years) and secondary education (three years), summing to a total of 12 years, excluding pre-school.

In public schools, English is taught as secondary language starting in Grade 4.

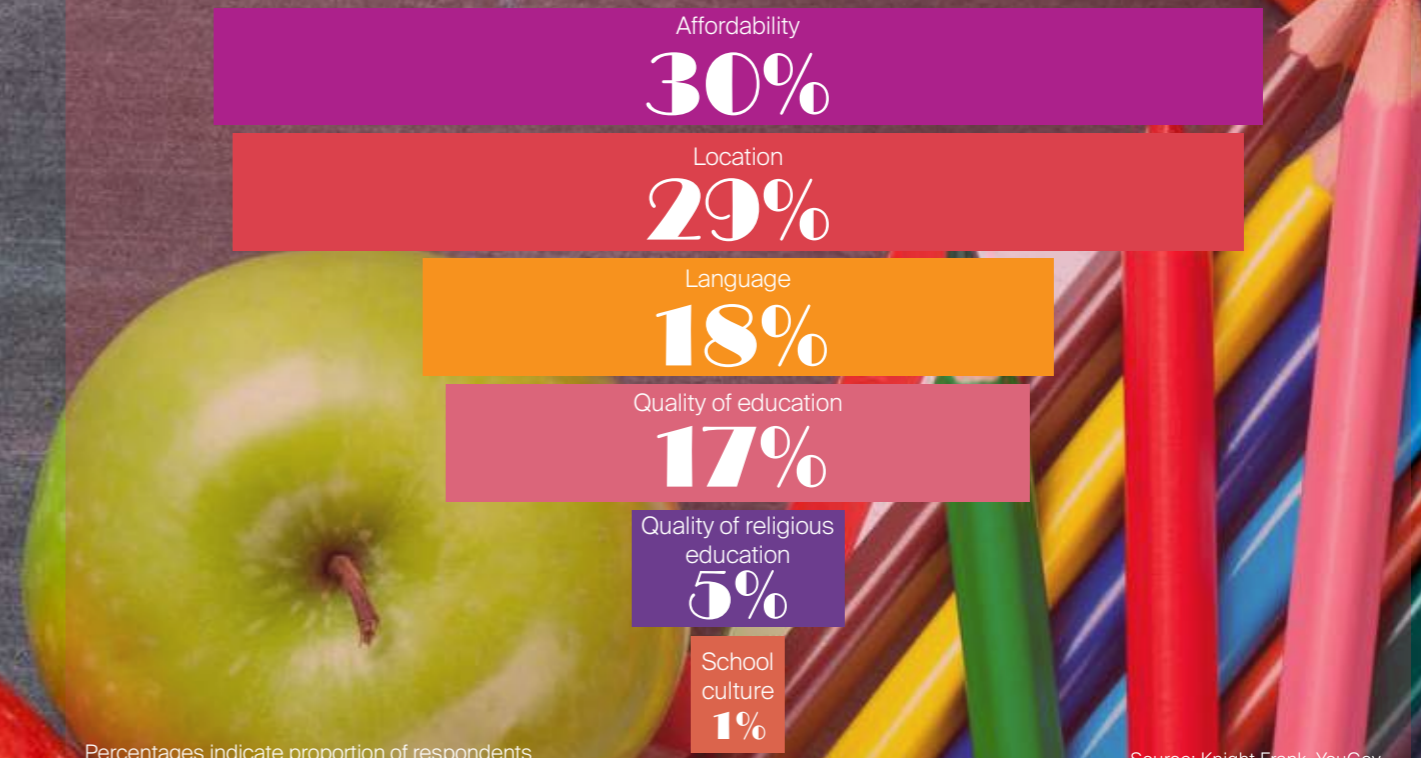
Public vs. private schooling



- Governmental school
- Private school

Percentages indicate proportion of respondents
Source: Knight Frank, YouGov

Reasons parents select public schooling for their children



Percentages indicate proportion of respondents

Source: Knight Frank, YouGov

THE OPPORTUNITY SCHOOLS OFFER

Location or proximity to high-quality educational institutions is an important consideration for developers. As highlighted earlier, onsite amenities and facilities can be a significant differentiator for the Kingdom's developers, but so can high-quality schools. This has been demonstrated in regional markets such as Dubai and Abu Dhabi, where world-class schools often anchor residential communities and are a substantial driver of demand.

Indeed, our research shows that a 2,000-desk school can generate up to 1,200 visits a day by parents, creating significant traffic that could, and is often a key source of footfall for any adjacent retail developments or F&B outlets.

The value a school can add to a residential community



Creating a sense of community



Creating demand and sustaining high occupancy



Value creation for residents

Source: Knight Frank

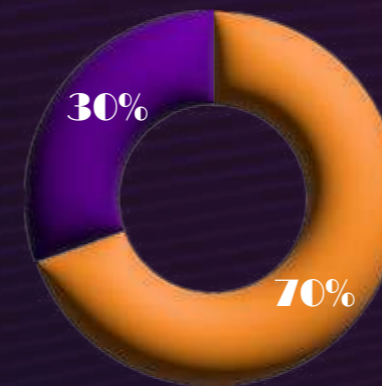
“ EXPERT INSIGHTS

OUR RESEARCH SHOWS THAT A 2,000 PUPIL SCHOOL CAN GENERATE UP TO 1,200 UNIQUE VISITS A DAY, CREATING SIGNIFICANT TRAFFIC THAT COULD BE CAPITALISED ON TO FEED ANY ADJACENT RETAIL DEVELOPMENTS, OR FOOD AND BEVERAGE OUTLETS, UNDERSCORING THE IMPORTANT ROLE SCHOOLS CAN PLAY IN ANCHORING COMMUNITIES.

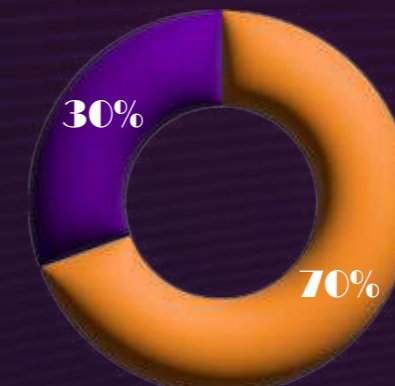
SHEHZAD JAMAL
PARTNER, STRATEGIC CONSULTING (REAL ESTATE | HEALTHCARE | EDUCATION)

How important is proximity of the following to your home

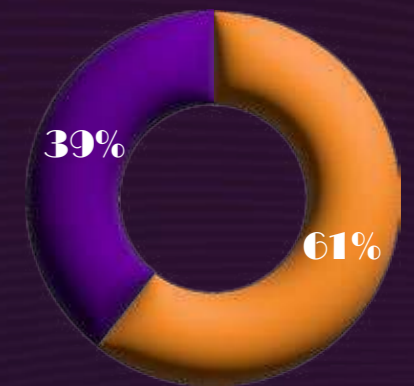
Day-care or nursery



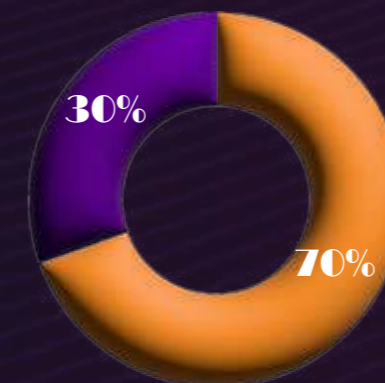
School (all levels)



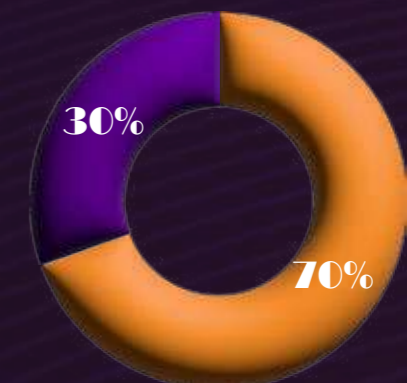
University



Technical institution



Adult education



● Important ● Not important

Percentages indicate proportion of respondents

Source: Knight Frank, YouGov

THE CURRICULUM MENU

The type of curriculum offered at schools in Saudi Arabia and, indeed, throughout the Gulf has historically been designed to cater to the needs of largely expatriate populations.

In Saudi Arabia, where locals outnumber expats by nearly 3:1, it comes as no surprise to see that the most popular schools for our respondents in Survey 2 are those offering a combination curriculum, where both English and Arabic are taught (25%).

That being said, the fact that many young Saudis are educated abroad (c. 78,000 in 2018, according to the World Bank) – and now returning home – are seeking international syllabi for their children.

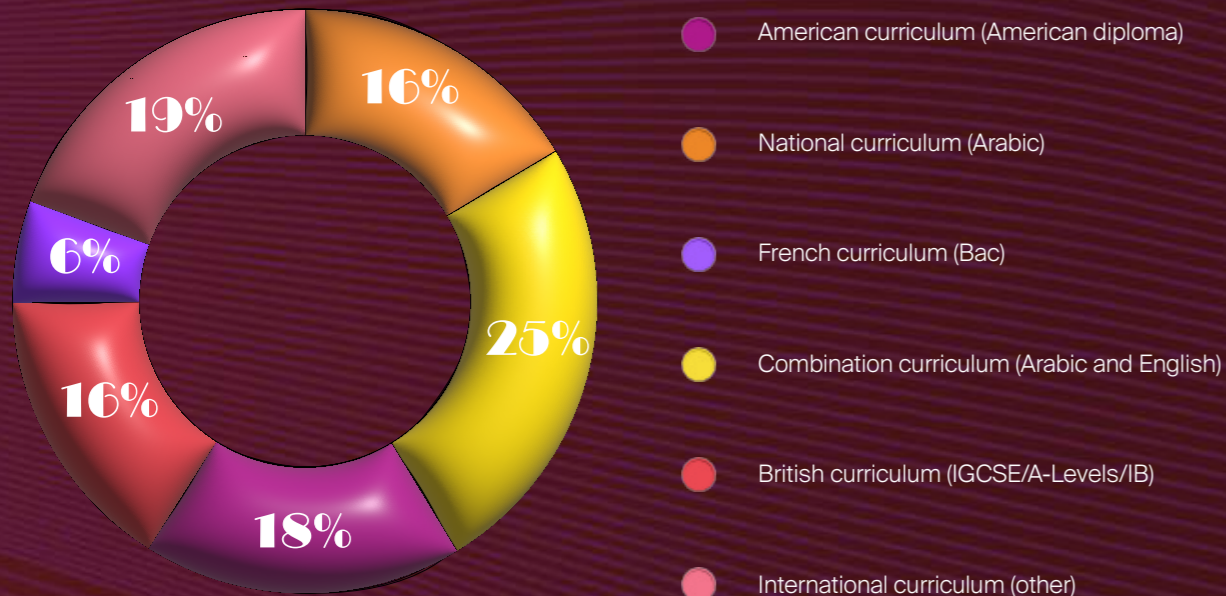
And our respondents in Survey 2 echo this sentiment, with 59% declaring their intention to select schools that offer international curricula. The American syllabus (18%) tops wish lists and is closely followed by the British system at 16%.

Notwithstanding the above preferences, the opportunity for developers is to cater to the burgeoning demand for international schools from the rapidly growing expat population – the number of white-collar expats in the Kingdom soared by six-fold to almost 1.2 million between March and September 2022.

WHAT YOU NEED TO KNOW

- RESPONDENTS FROM RIYADH ARE MORE LIKELY TO SELECT PRIVATE SCHOOLS OFFERING THE NATIONAL CURRICULUM (26%), COMPARED TO JUST 19% OF RESPONDENTS FROM JEDDAH
- RESPONDENTS EARNING OVER SAR 40,000 PER MONTH ARE MORE LIKELY TO SELECT PRIVATE SCHOOLS OFFERING A BILINGUAL CURRICULUM (58%) COMPARED TO THOSE EARNING LESS THAN SAR 10,000 PER MONTH (32%)
- 59% WANT THEIR CHILDREN TO STUDY AT SCHOOLS WITH INTERNATIONAL CURRICULA
- THE AMERICAN SYLLABUS (18%) TOPS WISH LISTS AND IS CLOSELY FOLLOWED BY THE BRITISH SYSTEM AT 16%

Most preferred curricula



Percentages indicate proportion of respondents

Source: Knight Frank, YouGov



OVER HALF OF SAUDIS PREFER TO SEND THEIR CHILDREN TO PRIVATE SCHOOLS.

EXPERT INSIGHTS



SCHOOL SPIRIT: THE UNIVERSITY FACTOR

ACROSS SAUDI ARABIA, THERE ARE AROUND 30 PUBLIC UNIVERSITIES AND 38 PRIVATE UNIVERSITIES AND COLLEGES. AS A RESULT OF ONGOING EFFORTS BY THE MINISTRY OF EDUCATION, UNIVERSITIES ACROSS THE KINGDOM HAVE BEEN ADVANCING UP THE LEAGUE TABLE OF THE WORLD'S TOP UNIVERSITIES. IN 2022, 14 SAUDI UNIVERSITIES ENTERED THE QS (QUACQUARELLI SYMONDS) WORLD UNIVERSITY RANKINGS, COMPARED TO ONLY 9 IN 2019.

DIMINISHING APPETITE FOR OVERSEAS DEGREES?

Historically, the Ministry of Education in Saudi collaborated with several government entities to offer paid scholarships to thousands of students to complete their tertiary education overseas. This resulted in a high percentage of Saudi students studying abroad. Indeed, 10-years ago, almost 5.5% of the Saudi higher education student population was studying overseas, compared to a global average of just 0.6%.

Since 2016 however, there has been a notable decline in the number of students qualifying for international scholarships due to tightening qualification criteria and a greater desire by the authorities to boost the appeal and quality of home-grown universities.

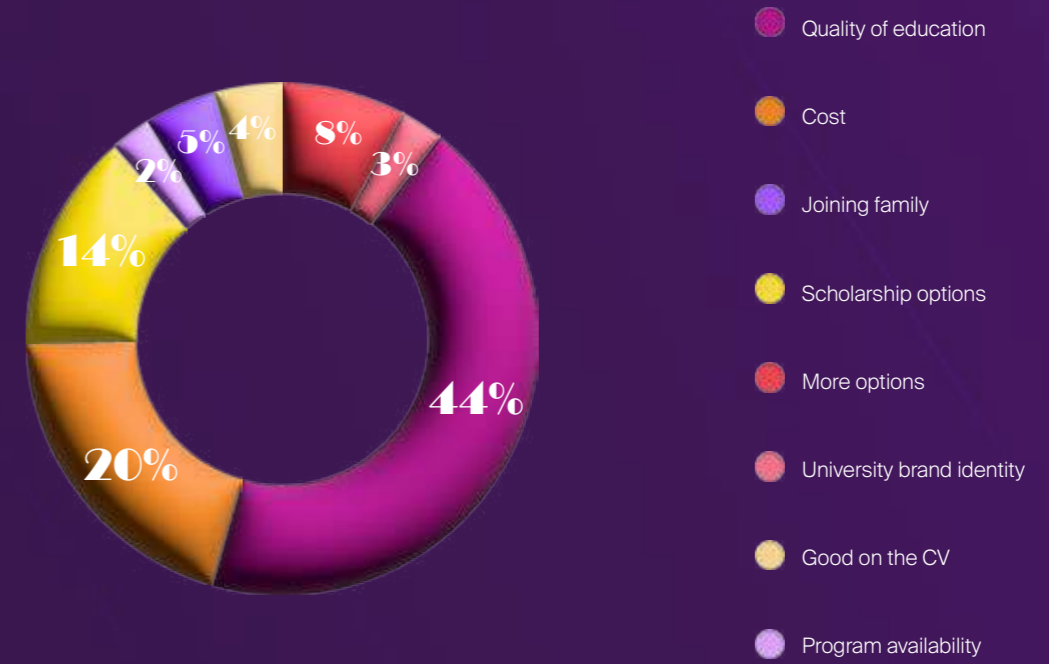
Survey 2 reveals that of those interested in higher education, the popularity is split equally between private and public universities in the Kingdom (44% each), with just 12% setting their sights on studying abroad.

Mirroring our findings for primary education, respondents' salaries influence preferences for university; 57% of those earning over SAR 20,000 prefer private universities, compared to 38% of those earning below SAR 20,000.

The top reason to travel abroad is the perception of a better 'quality of education' (44%), followed by cost savings (20%), with scholarships likely making studying in another country cheaper than remaining in the Kingdom.

Interestingly, university 'brand identity' (3%) and being 'good on CV' (4%) were also cited as reasons to travel abroad to study, further highlighting the perceived gap in the quality and reputation of local universities.

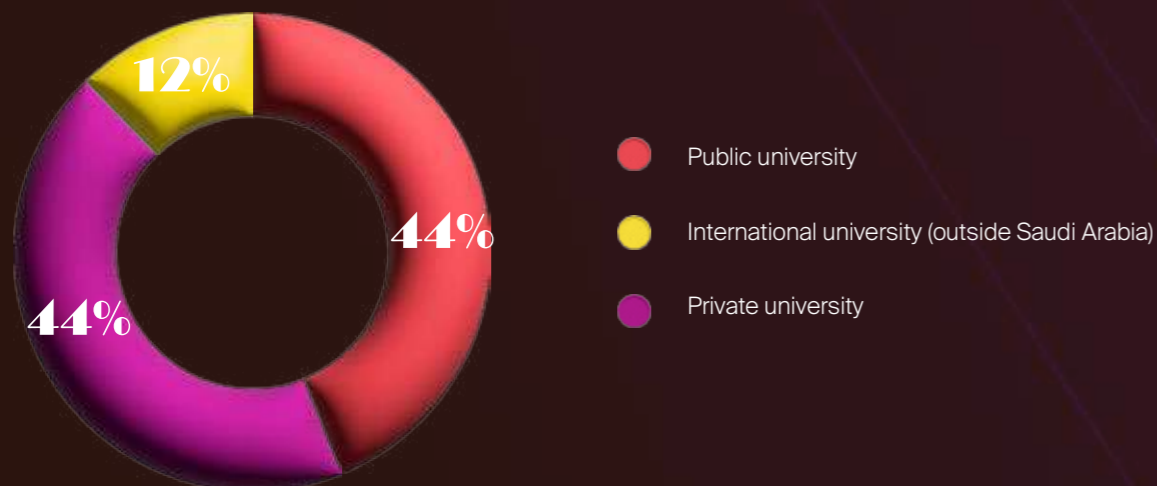
Reasons to study abroad



Percentages indicate proportion of respondents

Source: Knight Frank, YouGov

University preferences



Percentages indicate proportion of respondents

Source: Knight Frank, YouGov

WHAT YOU NEED TO KNOW

- ONLY 12% OF RESPONDENTS WOULD LIKE TO STUDY ABROAD
- 57% OF THOSE EARNING OVER SAR 20,000 PER MONTH PREFER PRIVATE UNIVERSITIES, COMPARED TO 38% OF THOSE EARNING BELOW SAR 20,000 PER MONTH
- RESPONDENTS FROM DAMMAM ARE MORE LIKELY TO SELECT TRAVELING ABROAD FOR UNIVERSITY, COMPARED TO JUST 9% OF RESPONDENTS FROM JEDDAH
- TRAVELING ABROAD IS MORE POPULAR AMONG FEMALE RESPONDENTS (16%) COMPARED TO THEIR MALE COUNTERPARTS (10%)



**GCC - BASED
HNWI INVESTMENT
APPETITE**

A NEW REGIONAL INVESTMENT MAGNET EMERGES

TO ATTRACT FDI, THE SAUDI GOVERNMENT LAUNCHED THE NATIONAL INVESTMENT STRATEGY (NIS) IN 2021, TO FOSTER PARTNERSHIPS BETWEEN THE PUBLIC AND PRIVATE SECTORS, ALL WITH THE ULTIMATE GOAL OF TURNING SAUDI ARABIA INTO A GLOBAL INVESTMENT MAGNET.

SAUDI REAL ESTATE HIGH ON THE AGENDA

As with our deep dive into GCC-based High Net Worth Individuals' (HNWI) interest in the Kingdom's Giga projects, we wanted to also understand the regional appetite to invest in existing Saudi cities through Survey 3.

Perhaps unsurprisingly, the appeal of real estate in the Kingdom is high, likely driven in large part by the stellar economic growth that has bedded in following the launch of Vision 2030. Indeed, 83% of our GCC-based respondents are interested in purchasing a property anywhere in Saudi Arabia. And these are seasoned investors with extensive property portfolios across the Middle East.

GCC-based HNWI respondents with a net worth of over US\$1 million (34%), for instance, own more than four properties, besides their main residence, compared to 28% of those with a net worth of between US\$ 500,000-1 million.

And Saudi isn't absent in our respondents' portfolios – we just expect the share to grow rapidly once more investment options materialise. Survey 3 shows that the UAE (24%) is the most common location to own real estate, closely followed by Saudi Arabia (14%) and then Egypt (11%).

When it comes to the preferred property type (apartment vs villa), net worth appears to be a significant factor. For those with a net worth of less than US\$1 million, apartments (62%) are the primary choice, while for those with a net worth of over US\$1 million, villas (56%) are in higher demand.



83% OF OUR GCC-BASED RESPONDENTS ARE INTERESTED IN PURCHASING A PROPERTY ANYWHERE IN SAUDI ARABIA.

RESIDENTIAL ALL THE WAY

Survey 3 also reveals that the most preferred real estate sector for the region's wealthy is residential (29%), followed by retail real estate (17%). Residential real estate is often the "go-to" asset class for individual investors due to the perception that it is easier to understand and relate to, which is echoed in our results.

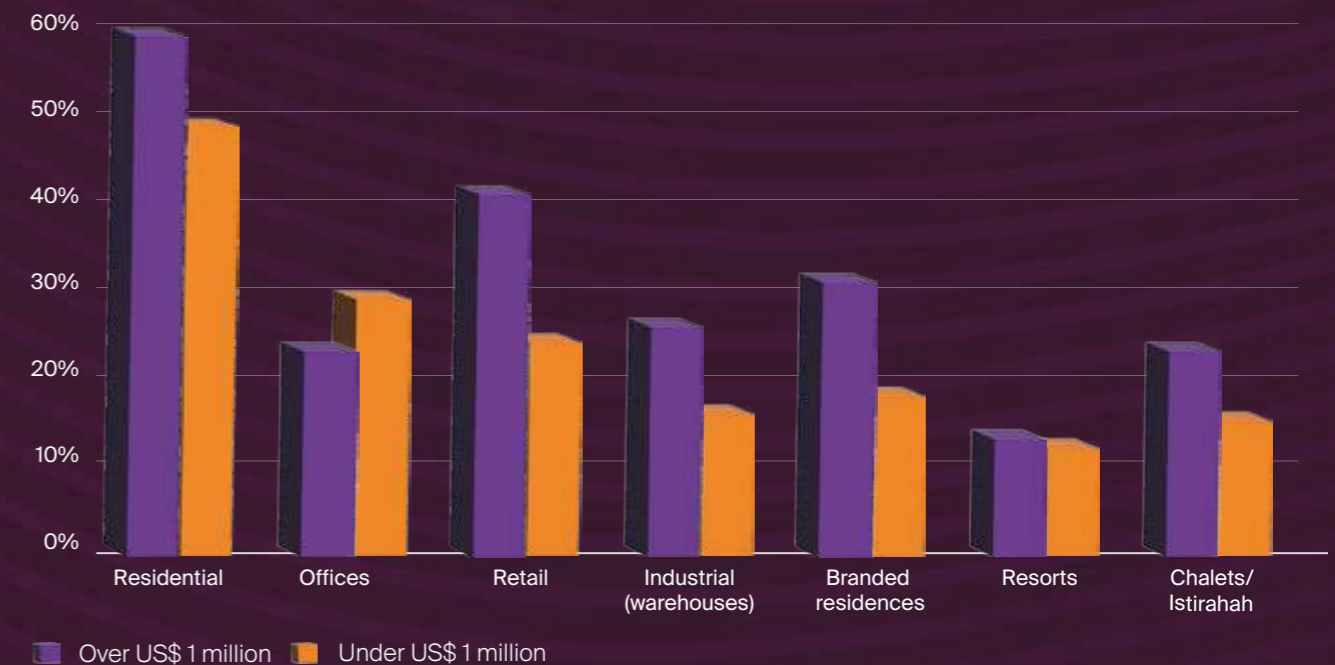
While the preference for residential real estate transcends net worth, investing in commercial real estate is more common amongst those with a net worth of over US\$ 1 million. This segment of respondents is twice

as likely to invest in retail and branded residences and around 10% keener on investing in warehouses or industrial properties than their sub-US\$ 1 million counterparts.

Similarly, for those with a net worth over US\$1 million, off-plan homes are viewed more favourably (21%) than those with a personal value of less than US\$ 1 million (13%). Overall, however, 54% prefer to buy a completed home.

Real estate investment preferences (by net worth)

Percentage of respondents



Source: Knight Frank, YouGov

SAUDI INVESTMENTS HIGH ON THE AGENDA

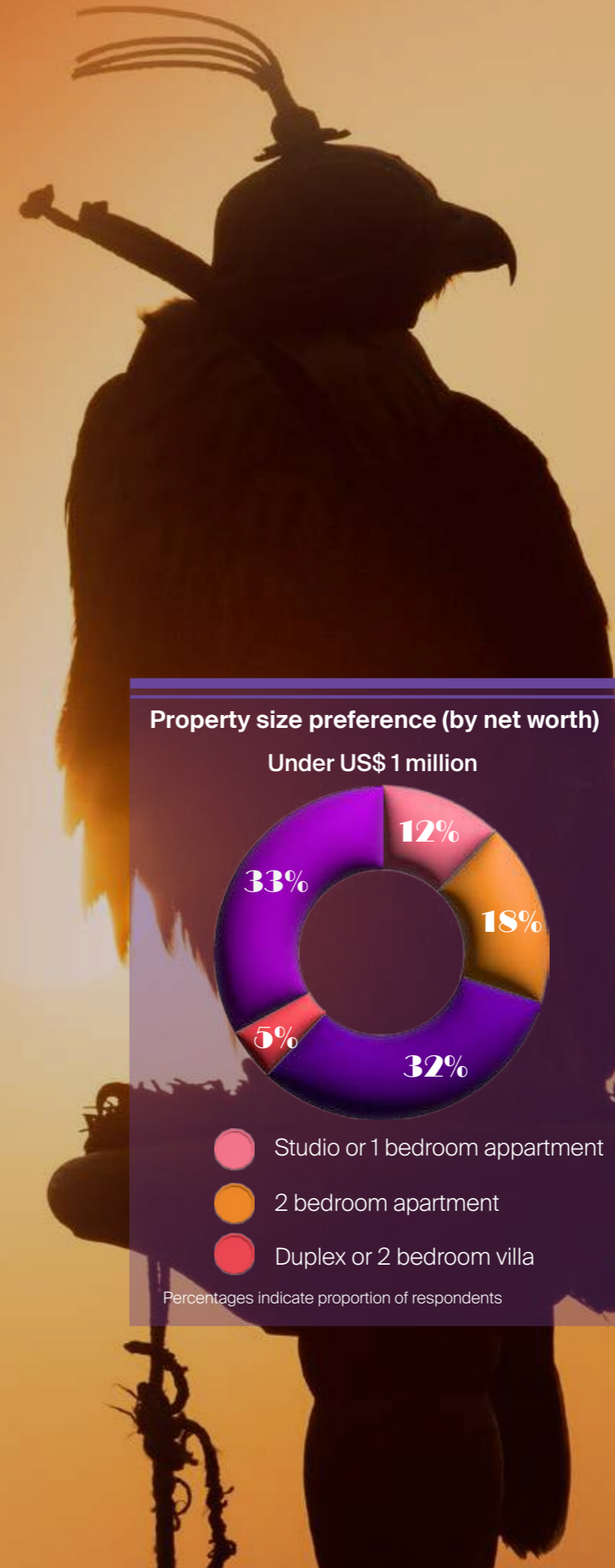
TOP INVESTMENT DRIVERS

With the growing level of internal migration, there is anecdotal evidence to suggest many vendors are moving their properties to the rental market to cater to rising demand for short-term leases, particularly from young and single Saudis. This trend is particularly common in the capital city, Riyadh, where the removal of properties for sale has contributed to the sharp price rises over the last two years.

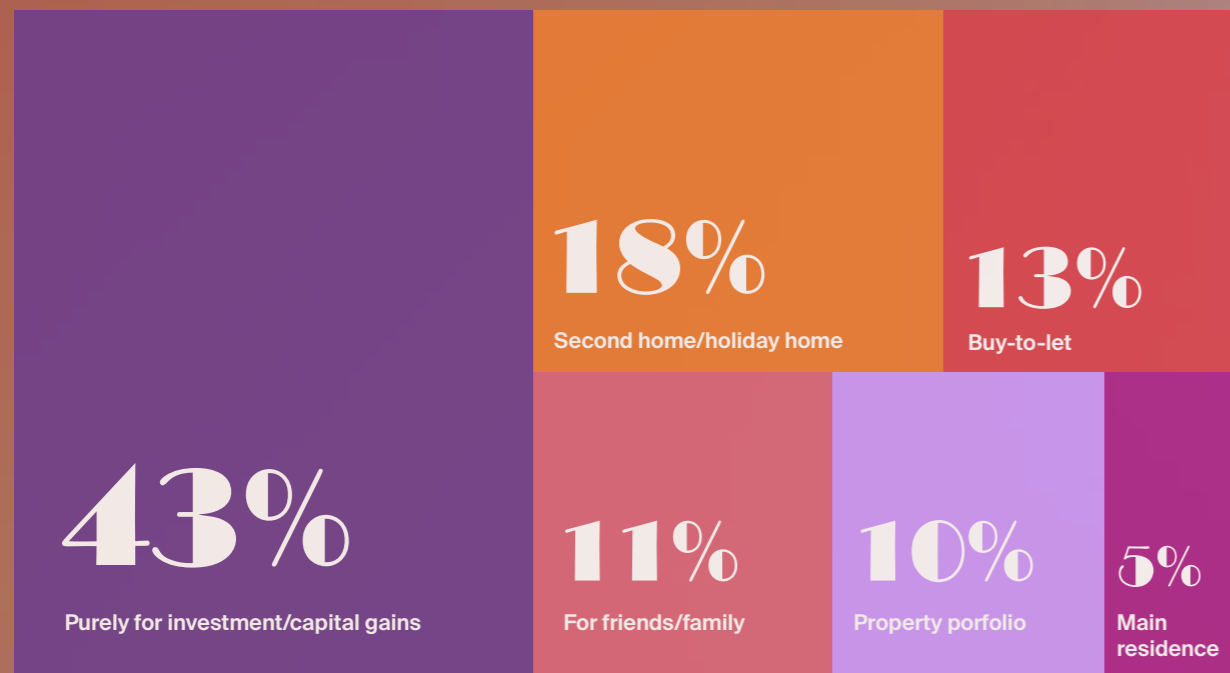
The stellar price rises – up to 40% year on year for villas in some of Riyadh’s most sought-after neighbourhoods – have not escaped the attention of the region’s investors. Survey 3 shows that GCC-based HNWI would, for the most part, make a residential acquisition ‘purely for investment or capital gains’ (42%).

A second home (18%) and a buy-to-let (13%) follow in second and third place, respectively.

Survey 3 also shows that 54% of those purchasing ‘purely for investment or capital gains’ have very high expectations for continued price growth – to the tune of 8% p.a. for the next 3-5 years. It is worth noting that average apartment prices rose by 6.5% (in Jeddah) and 27.5% (in Riyadh) during 2022.



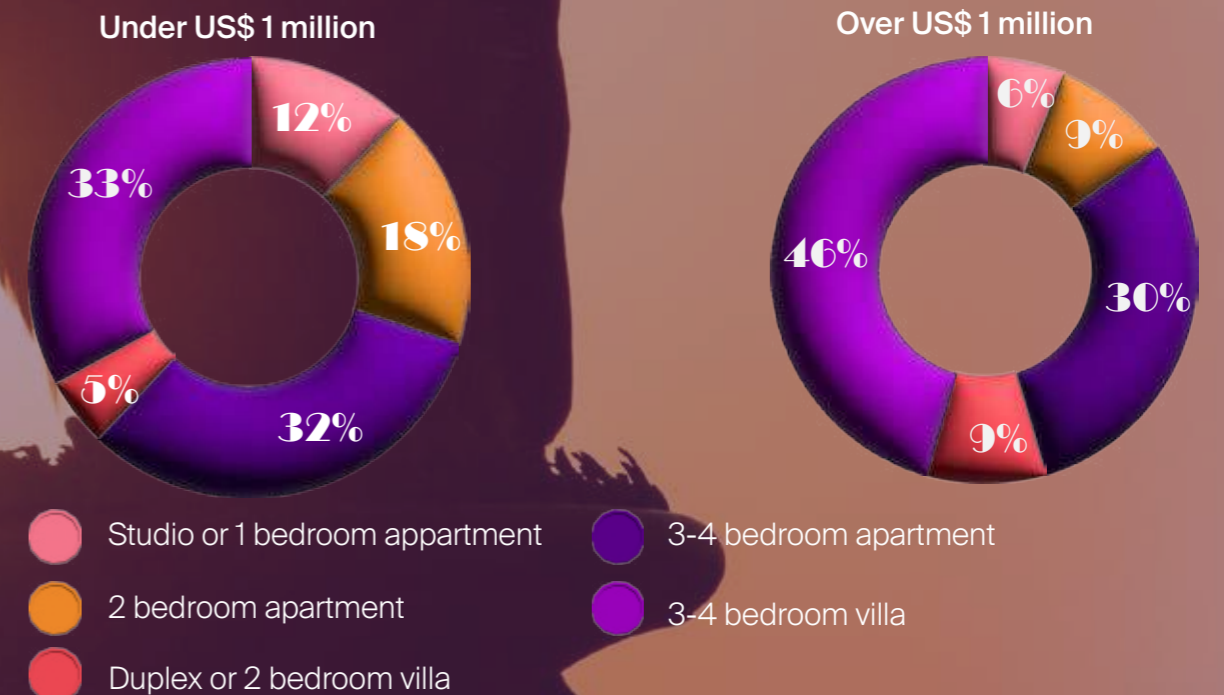
Planned residential property use



Percentages indicate proportion of respondents

Source: Knight Frank, YouGov

Property size preference (by net worth)



Percentages indicate proportion of respondents

Source: Knight Frank, YouGov

THE OPPORTUNISTIC INVESTOR

SURVEY 3 TELLS US THAT 83% OF OUR GCC-BASED HNWI RESPONDENTS ARE INTERESTED IN PURCHASING A PROPERTY ANYWHERE IN SAUDI ARABIA, AND 66% ARE LOOKING TO PURCHASE THE PROPERTY DURING 2023.

INVESTMENTS MOTIVES

When it comes to motives, an investment due to 'the opportunity arising from Vision 2030' is cited as the number one reason (44%).

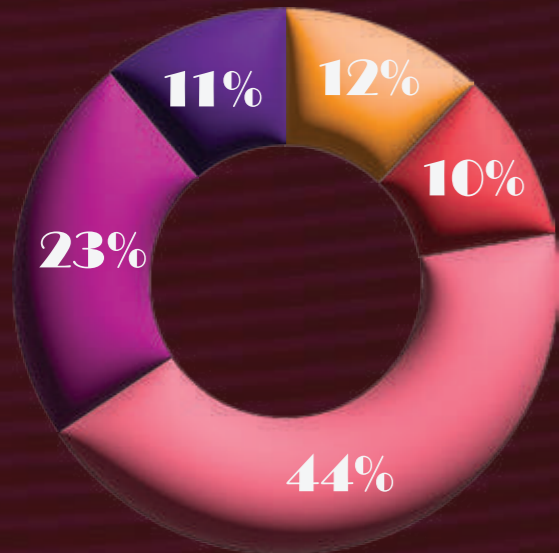
The second most common reason is 'for work or business reasons' (23%), highlighting both the impact of Program HQ, which is attracting global talent and regional businesses to hub out of Riyadh's King Abdullah Financial District.

Furthermore, respondents with a net worth of over US\$ 1 million are almost twice as likely to purchase property in Saudi for the same reason (32% compared to 17% for those with a net worth of less than US\$1 million).

RIYADH CALLING

When asked where in the Kingdom they are most likely to invest, Riyadh is named as the top choice (29%). Purchasing in one of the Giga projects (27%) is second, while the Holy City of Makkah (20%) ranks third.

Investment motives

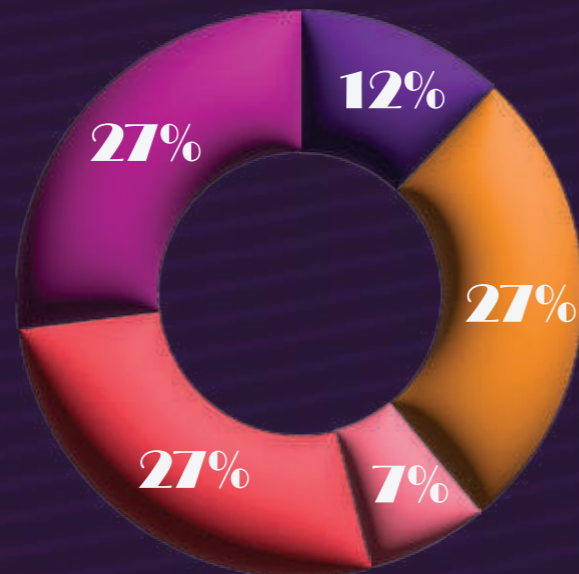


- Religious
- Family
- Investment
- Work
- Lifestyle

Percentages indicate proportion of respondents

Source: Knight Frank, YouGov

Expected annual return on investment

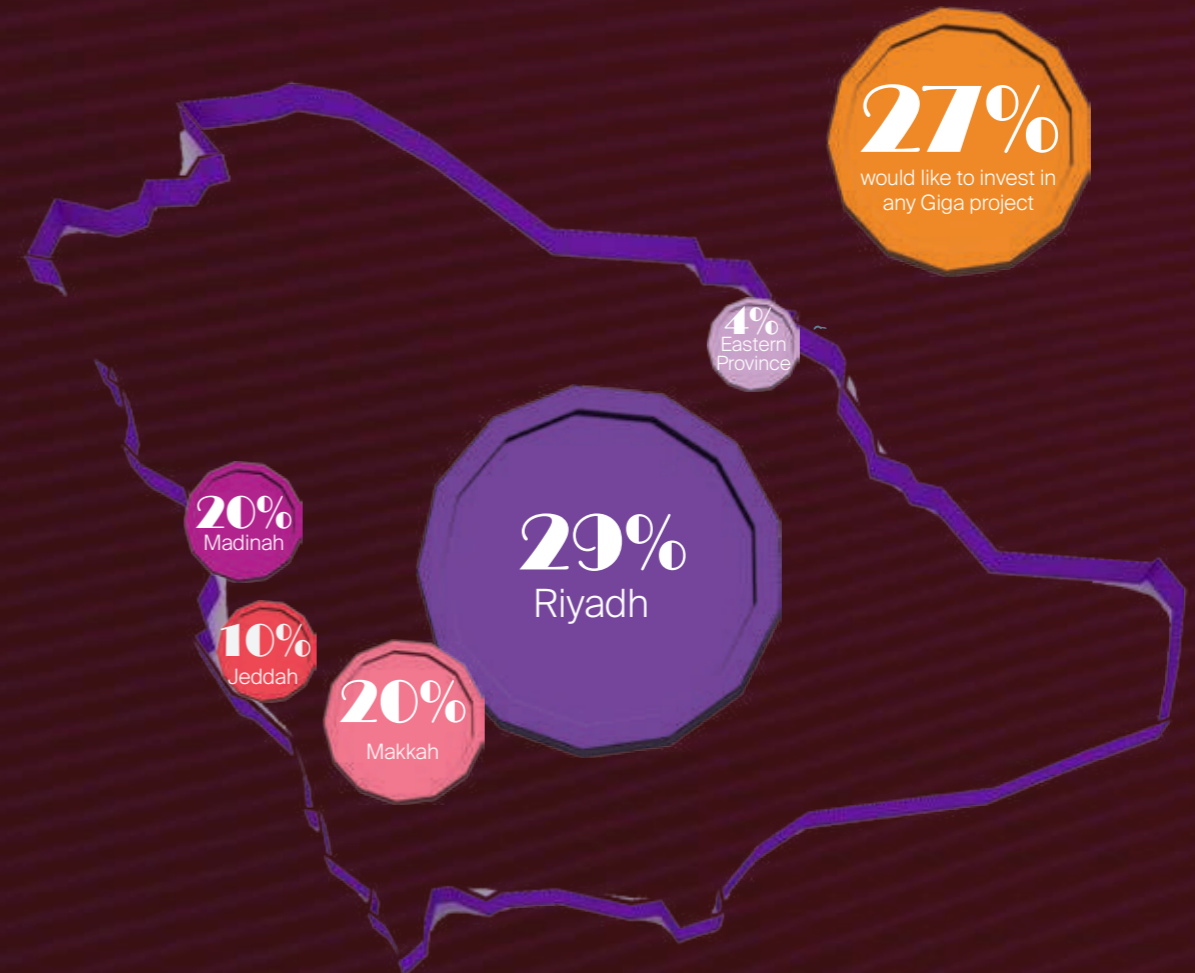


- 2-4%
- 4-6%
- 6-8%
- 8-10%
- 10%+

Percentages indicate proportion of respondents

Source: Knight Frank, YouGov

Top GCC-based HNWI investment target locations



Percentages indicate proportion of respondents

Source: Knight Frank, YouGov

EXPERT INSIGHTS



FINANCING THE DREAM INVESTMENT

THE LACK OF LOCAL FINANCING OPTIONS FOR INTERNATIONAL BUYERS AND INVESTORS IS OFTEN SEEN AS A BARRIER TO THE DEVELOPMENT OF A FLOURISHING INVESTMENT MARKET IN ANY PART OF THE WORLD, AND THE SAME IS LIKELY TRUE IN THE KINGDOM, AT LEAST FOR THE TIME BEING.

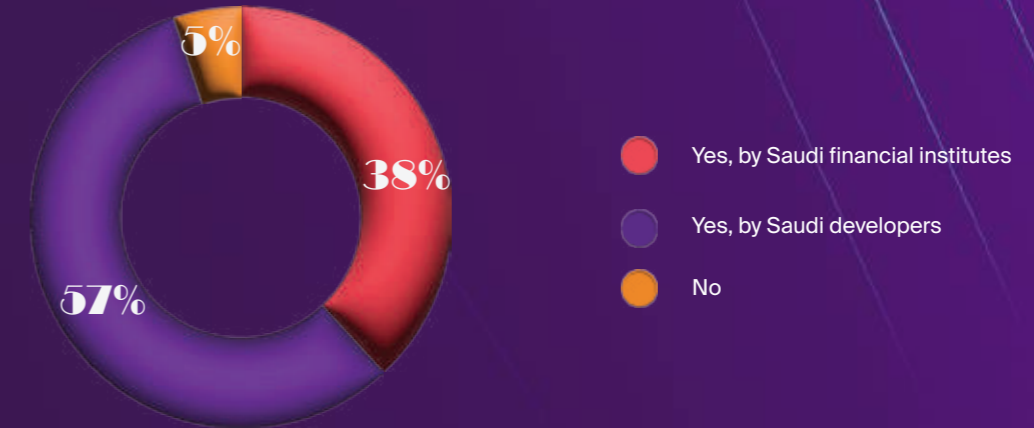
AN INVESTMENT LEVER IN WAITING?

When there is an option for local financing offered by Saudi parties, the investment appetite from our GCC-based HNWI respondents in Survey 3 is exceptionally high at 95%.

These results strongly hint at a powerful lever that has the potential to radically alter the residential market's demand dynamics.

Financing by a developer is the top preference (57%), followed by financing by local institutes (38%).

Appetite for Saudi financing options

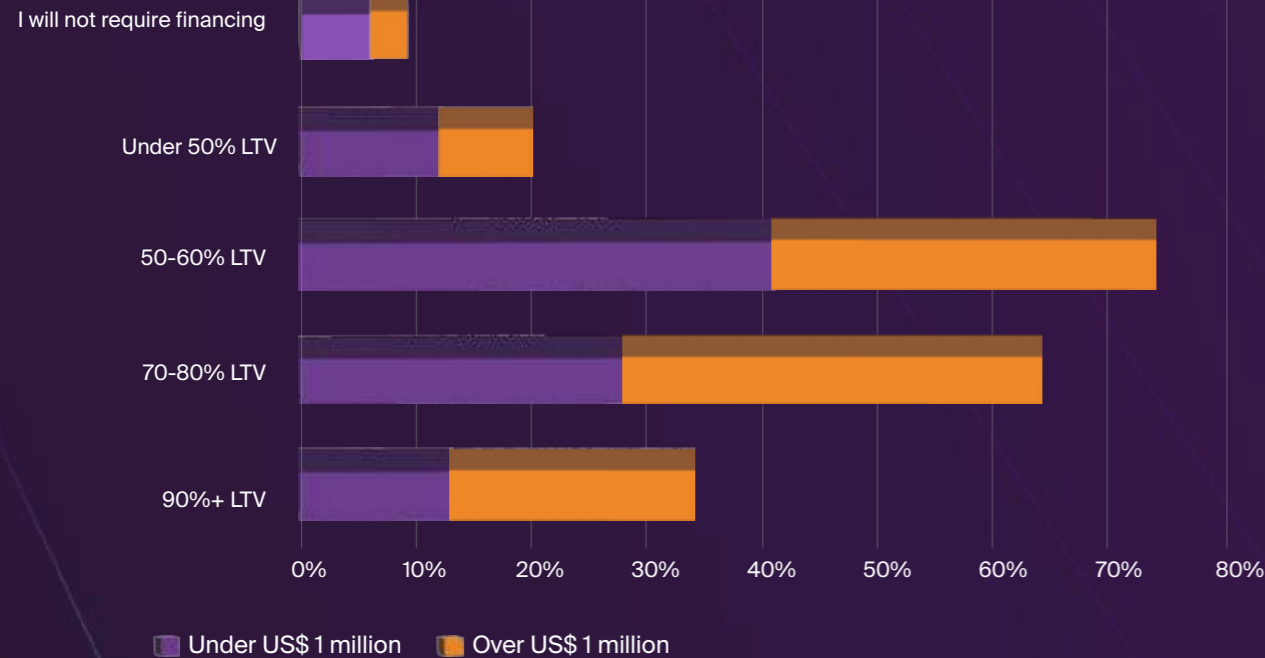


Percentages indicate proportion of respondents

Source: Knight Frank, YouGov

Level of debt financing to be sought (by net worth)

Percentage of respondents



Source: Knight Frank, YouGov

“ EXPERT INSIGHTS

REGULATORY CHANGES ARE EXPECTED TO FACILITATE FDI INFLOWS INTO THE SAUDI MARKET FROM INTERNATIONAL INSTITUTIONAL PLAYERS. THERE ARE 16 FOREIGN BANKS CURRENTLY OPERATING IN SAUDI ARABIA AND 6 ADDITIONAL BANKS WERE RECENTLY GRANTED LICENSES. AS THE SAUDI REAL ESTATE MARKET OPENS UP TO INTERNATIONAL INVESTORS, IT WILL CERTAINLY BE COMPLEMENTED BY FINANCING SOLUTIONS FROM BOTH LOCAL AND FOREIGN BANKS IN THE KINGDOM.

TALAL RAQABAN
PARTNER, VALUATION & ADVISORY

DISCOVER THE DATA



BRANDED RESIDENCES DROUGHT?

BRANDED RESIDENCES ARE A POPULAR INVESTMENT SECTOR AMONGST GLOBAL HNWI. INVESTING IN A WELL-KNOWN INTERNATIONAL HOTEL BRAND OFFERS SECURITY, ESPECIALLY IN UNFAMILIAR MARKETS, WITH THE ADDED ATTRACTION OF HAVING ACCESS TO LUXURY HOTEL SERVICES AND AMENITIES, COURTESY OF AN ADJOINING LUXE HOTEL.

UNTAPPED POTENTIAL

Perhaps predictably, when asked about their understanding of branded residences, 72% of our GCC-based HNWI sample say they are familiar with the concept and offering.

Among our respondents, 55% are looking to purchase branded residences anywhere in Saudi Arabia, and a further 19% are interested in purchasing branded residences anywhere in the UAE.

For HNWI based in the UAE, this percentage rises to 21%, but Saudi Arabia still leads at 53%, underscoring the depth of demand there is for both branded residential property in the region as well as in Saudi Arabia.

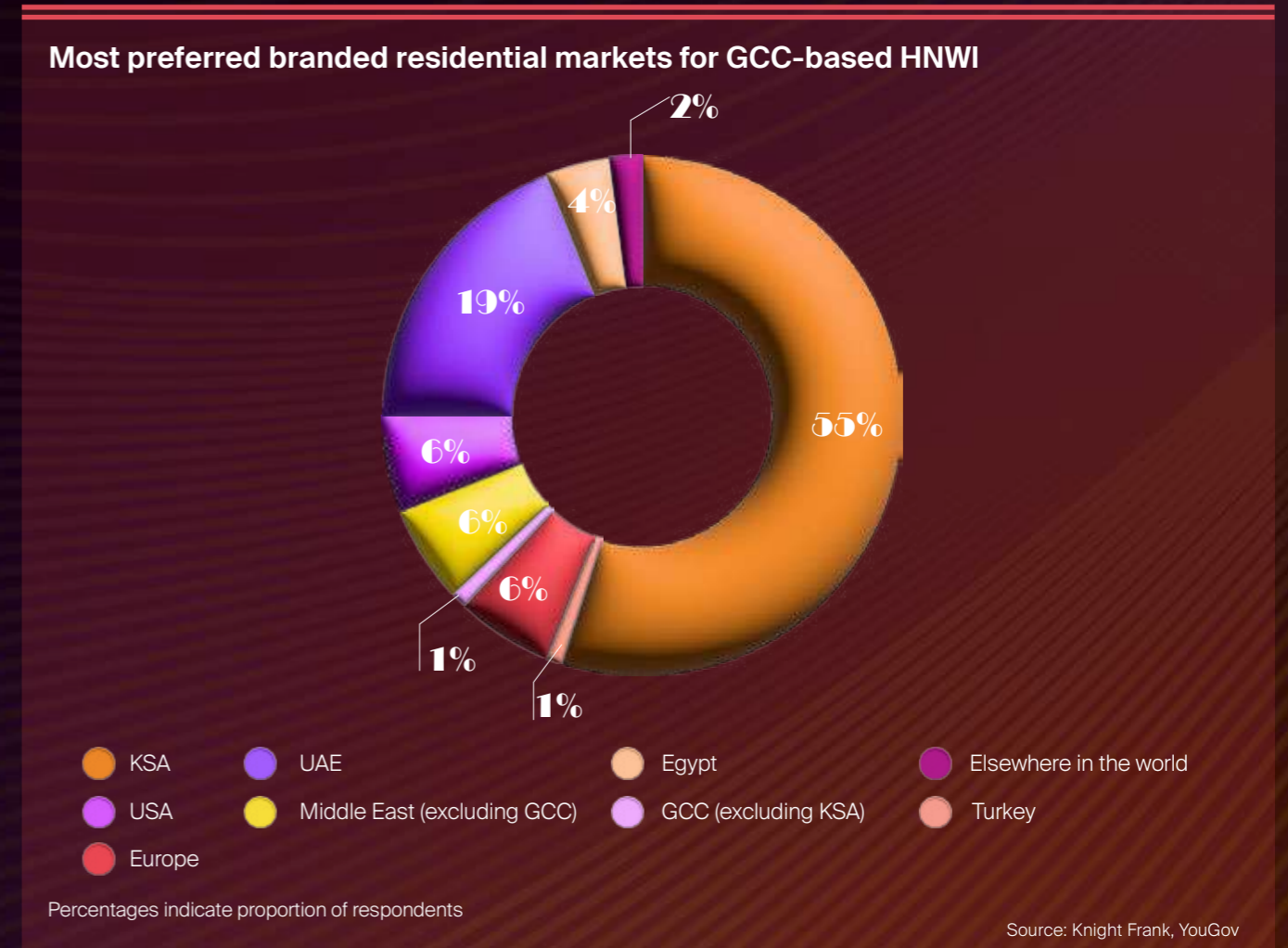
As already outlined, the UAE, specifically Dubai, has the world's highest concentration of branded residential properties, with luxury brands ranging from the Ritz Carlton to The Dorchester recently entering the market. And one of the biggest buyer groups of Dubai's branded residential property is Saudi nationals. To date, a very limited branded residential offering in the Kingdom means this sector remains a significant and untapped vein of opportunity.



SIGNIFICANT PREMIUMS

Branded residential property often comes with significant premiums, and our HNWI respondents appear to be aware of this. Indeed, over half of our respondents (63%) are willing to spend over US\$5,500 psm (c. SAR 20,000 psm) on a branded residential property.

When analysed by net worth, naturally, the percentage of those allocating higher budgets increases. For those with a net worth of over US\$ 1 million, over a third (35%) claim they will spend over US\$8,500 per sqm (c. SAR 32,000 psm), compared to just 11% for those with a net worth of less than US\$1 million.



BRANDED RESIDENCES DROUGHT?

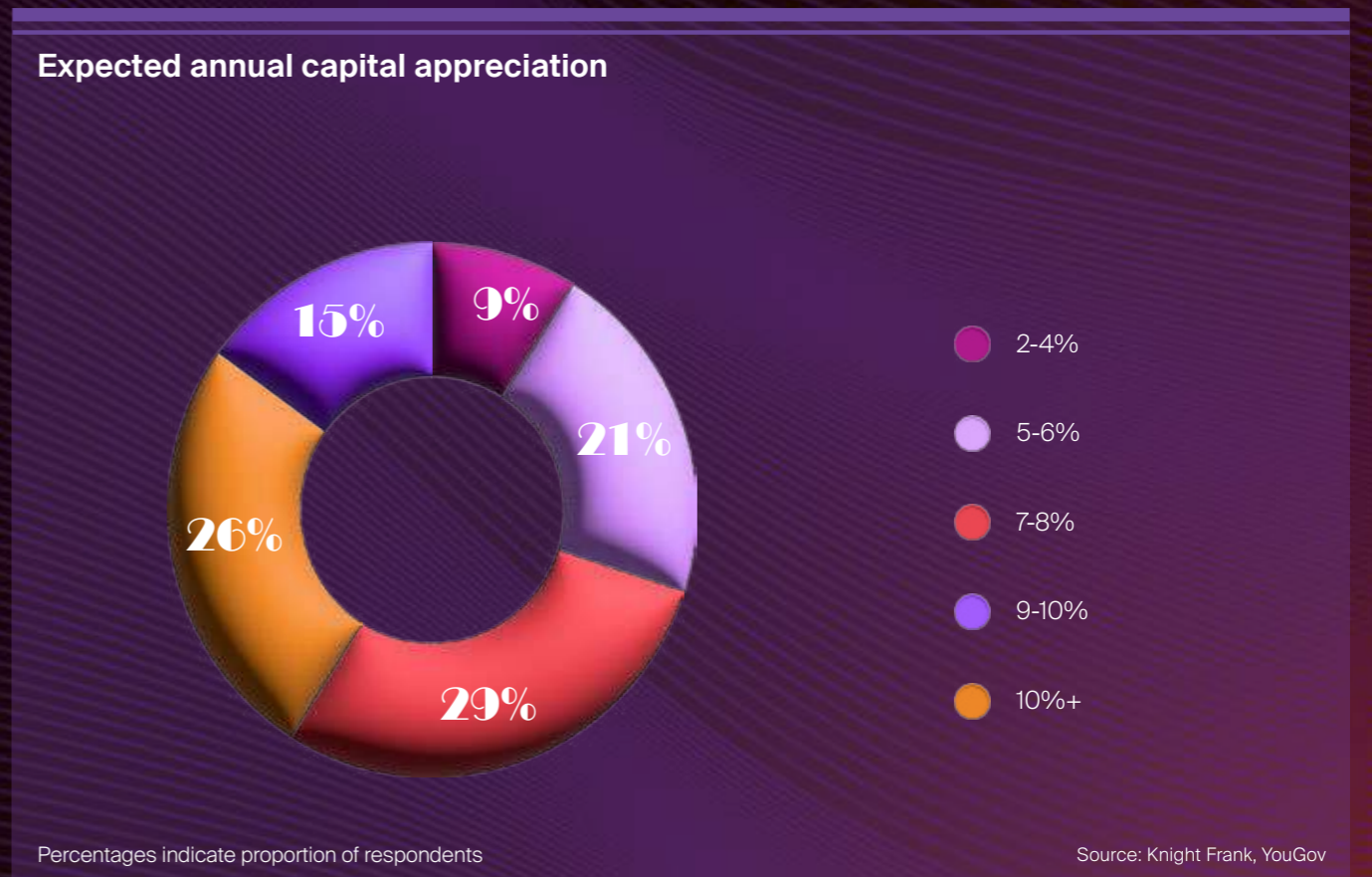
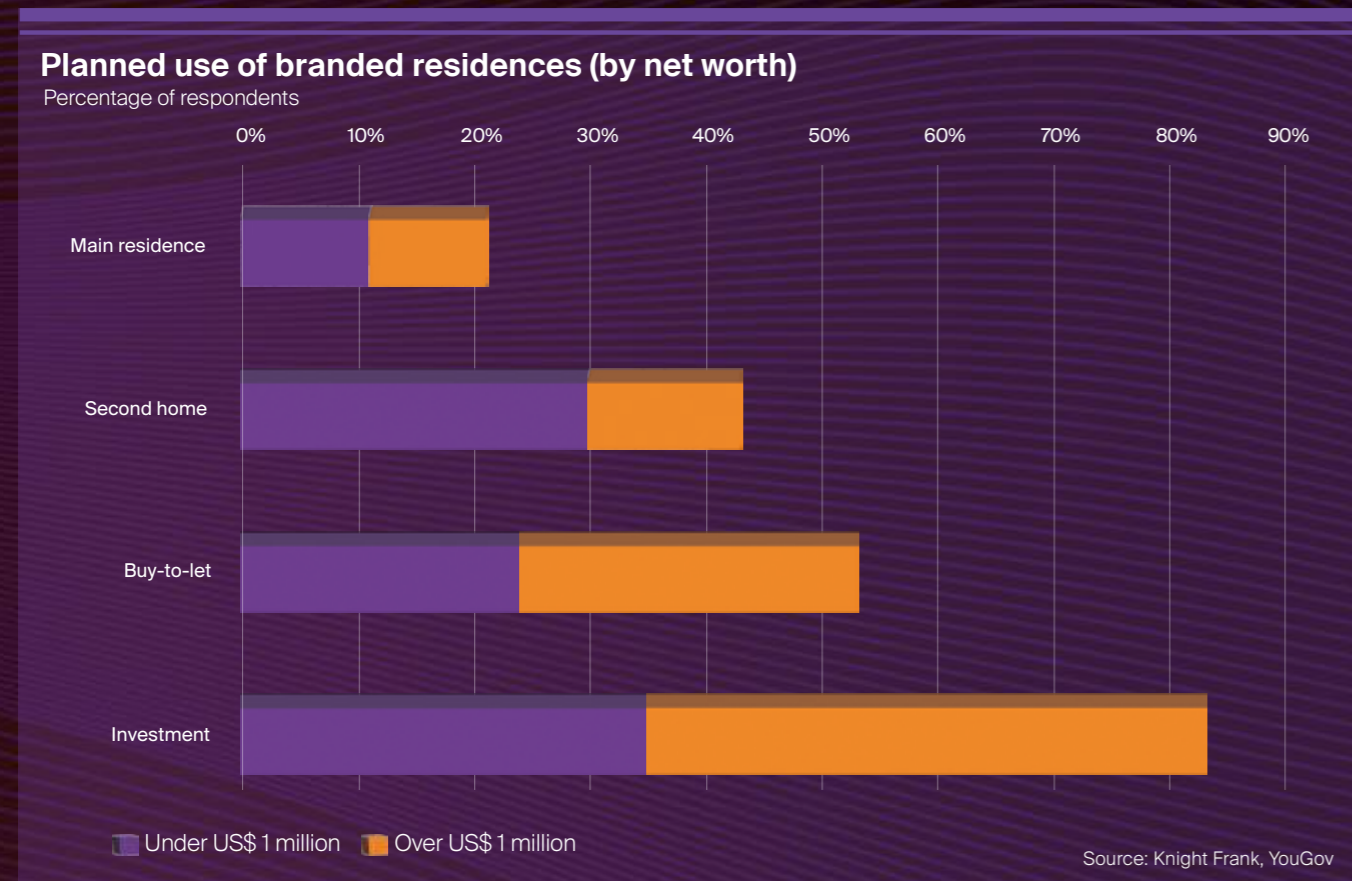
HIGH EXPECTATIONS

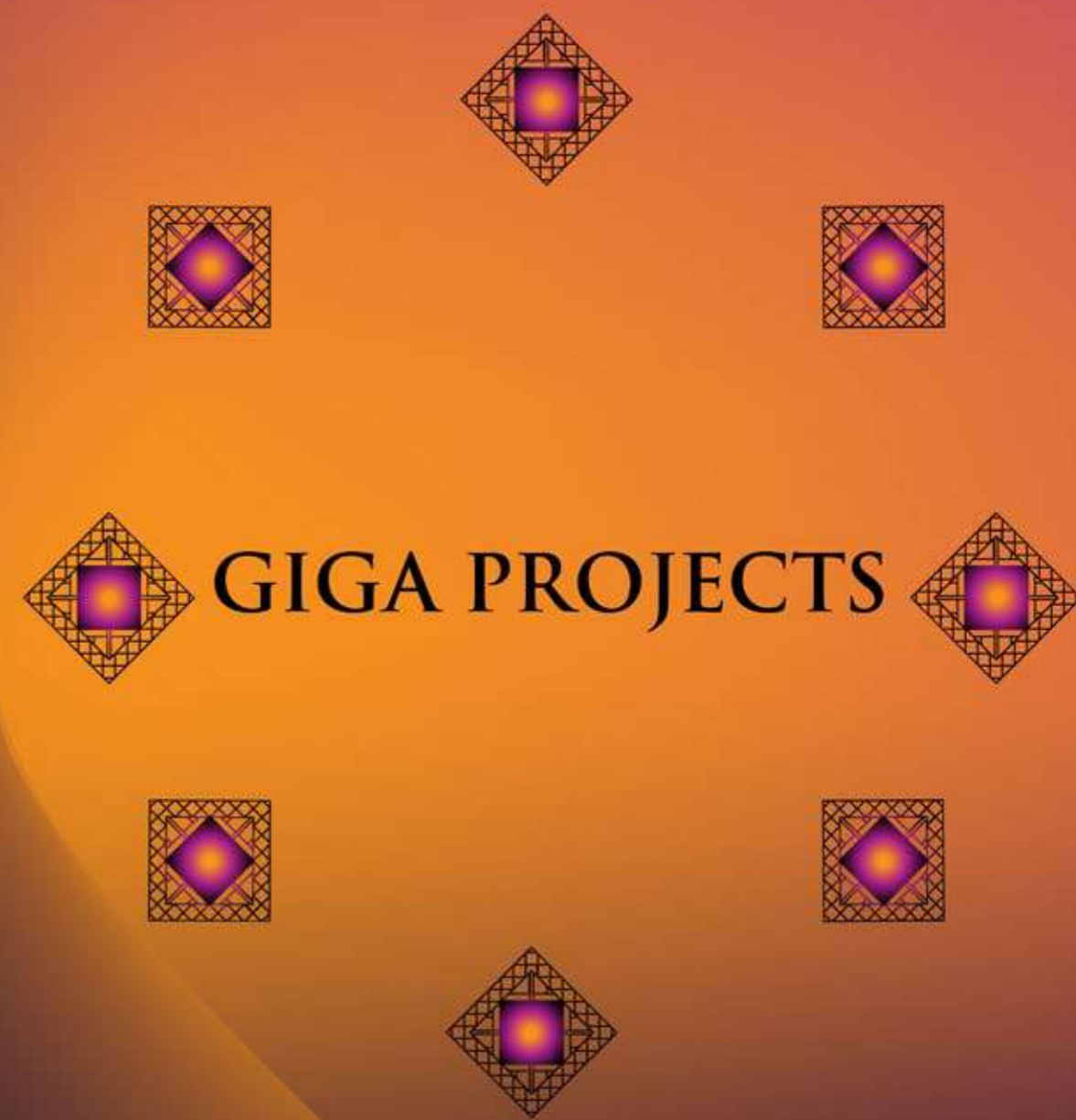
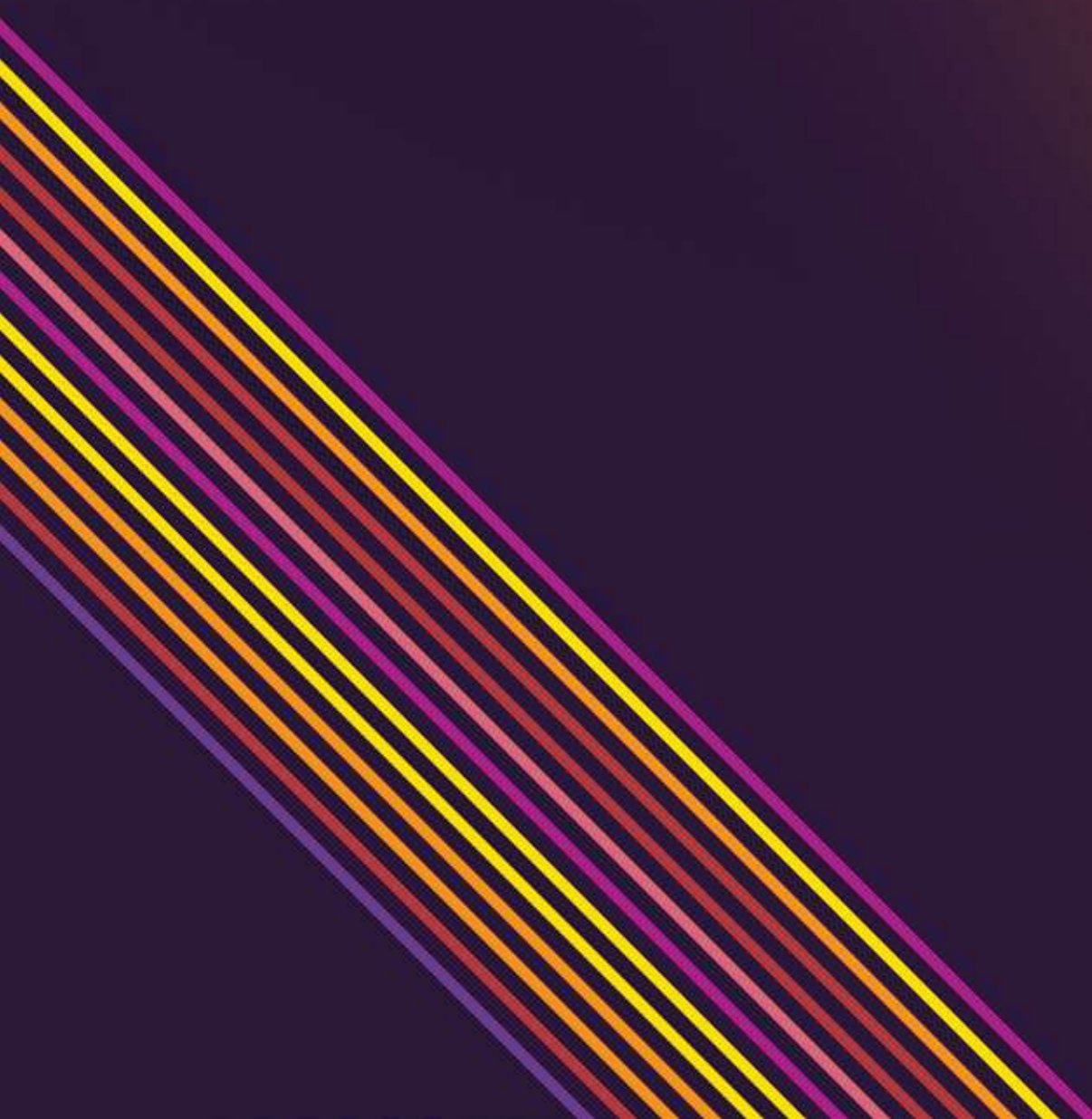
Unlike Saudi nationals in Survey 1, where most (45%) plan to use a potential branded residence purchase as their main home, Survey 3 shows that this figure stands at only 11% for GCC-based HNWI. While 24% plan to use it as a holiday home, the majority (40%) hope to benefit from the high rental yield potential.

Furthermore, the expectation of significant capital growth is also high amongst our respondents to Survey 3. Around a third (29%) anticipate achieving 7-8% growth p.a. during the first 3-5 years, and 26% expect prices to rise by 9-10% p.a. over the same time frame.

WHAT YOU NEED TO KNOW

- 88% OF UAE-BASED HNWI ARE INTERESTED IN PURCHASING RESIDENTIAL PROPERTY ANYWHERE IN SAUDI ARABIA, COMPARED TO 78% OF HNWI BASED ELSEWHERE IN THE GCC
- 27% OF RESPONDENTS ARE INTERESTED IN PURCHASING A PROPERTY IN ONE OF THE GIGA PROJECTS
- 82% OF GCC-BASED HNWI ARE LIKELY TO PURCHASE A BRANDED RESIDENTIAL PROPERTY





GIGA PROJECTS

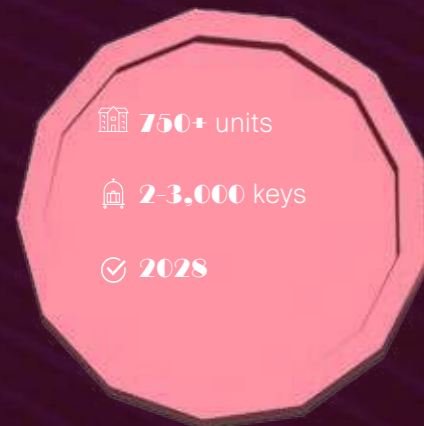
SAUDI ARABIA'S US\$ 1.1 TRILLION VISION

Giga projects

1. AMAALA

US\$ 1.4 billion

A unique and ultra luxurious tourism destination



2. KING SALMAN PARK

US\$ 17 billion

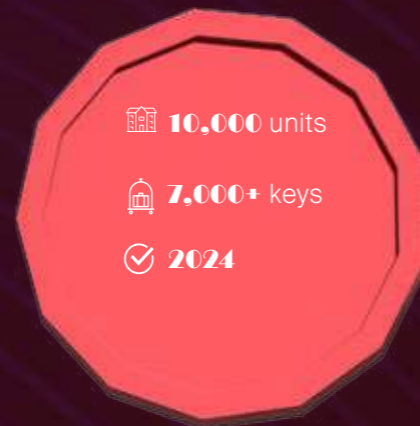
The world's largest urban park and integrated residential community



3. AL-ULA

US\$ 15 billion

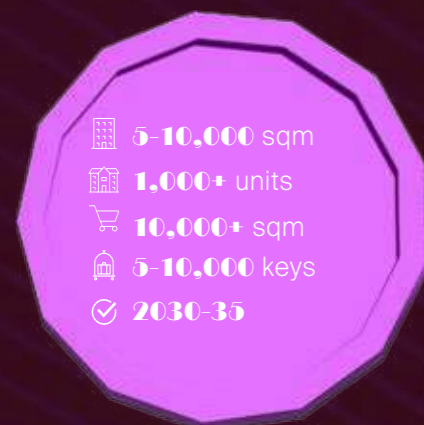
A world class hub for arts, culture and nature



4. RED SEA PROJECT

US\$ 16 billion

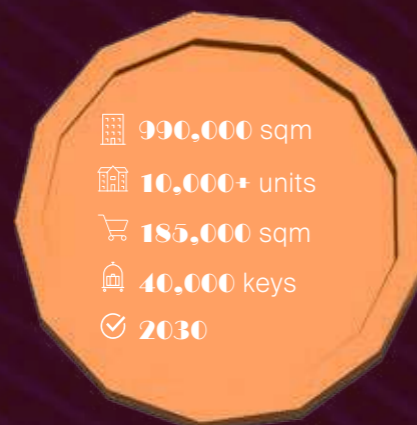
The world's most ambitious luxury tourism development



5. MASAR MAKKAH

US\$ 4.4 billion

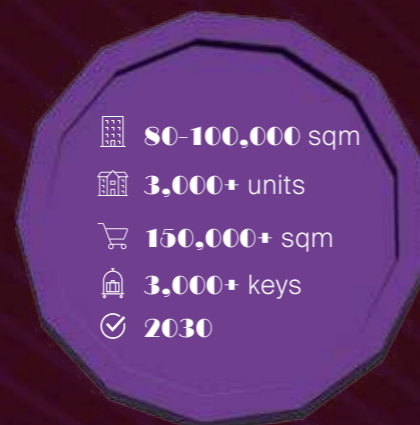
A mega urban development project



6. QIDDIYAH

US\$ 9 billion

An entertainment-led mega project



Source: Knight Frank, MEED projects

7. RUAA ALMADINA

US\$ 10 billion

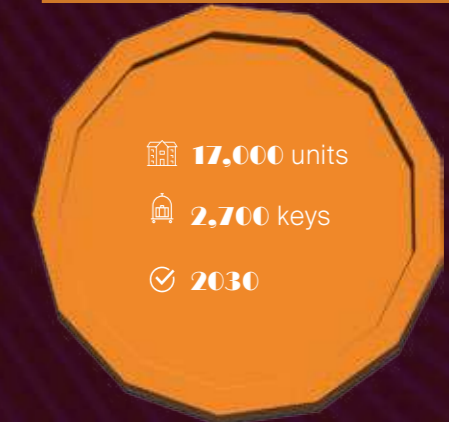
Project which focuses on enriching the religious journey of pilgrims



8. JEDDAH CENTRAL

US\$ 20 billion

A revitalisation project centered on the city's history

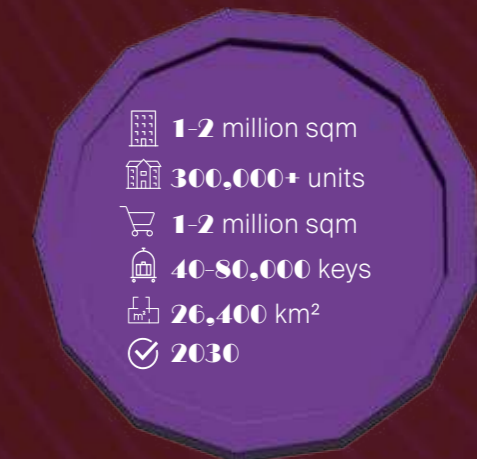


Source: Knight Frank, MEED projects

9. NEOM

US\$ 500 billion

Saudi Arabia's new super-city



i. The Line

US\$ 150 billion

Aspires to deliver a novel urban living experience while protecting the surrounding natural environment



ii. Oxagon

US\$ 20 billion

A project centered around sustainability that intends to bring people, industry, and technology together



iii. Trojena

US\$ 3 billion

Comprised of natural and manmade landscapes, it aims to provide residents and tourists with distinct human-centric experiences



Source: Knight Frank, MEED projects

📍 Project value 🏢 Total amount of office space 🏠 Total number of residential units 🛒 Total amount of retail space

🏨 Total number of hotel keys 📏 Total land area 📅 Expected completion year

TOMORROW'S WORLD

NEOM STILL TOP

The total value of real estate projects since the launch of Saudi Arabia's National Transformation Plan in 2016 has crossed US\$ 1.1 trillion.

The phenomenal transformation in 2022's fastest-growing major global economy is clearly visible across the entire urban landscape, with the Kingdom's Giga projects set to deliver a new urban future for Saudi Arabia.

Survey 1 has allowed us to explore the domestic appetite to invest, purchase or live in the Giga projects and, crucially, compare attitudes 12 months on as this is a theme we focussed heavily on in our 2022 Saudi Report.

First, we wanted to understand how familiar Saudis are with the Giga projects. The futuristic US\$ 500 billion city of NEOM is, perhaps expectedly, the most well-known among respondents, with 59% saying they are familiar with the project, followed by Al-Ula (40%), which aims to be the world's largest living cultural museum.

POPULARITY LEAGUE TABLE SHAKE-UP

Our 2022 Saudi report found that NEOM was the most attractive project for Saudi home buyers and investors, as 44% of respondents were interested in buying a property there. NEOM remains the most preferred project in 2023, with 32% of respondents interested in a property purchase.

The rest of the league table of Giga project popularity has seen a major shake-up, with Jeddah Central (19%) jumping to second place. The project is most popular amongst respondents from Jeddah (35%), compared to just 8% of those in Riyadh.

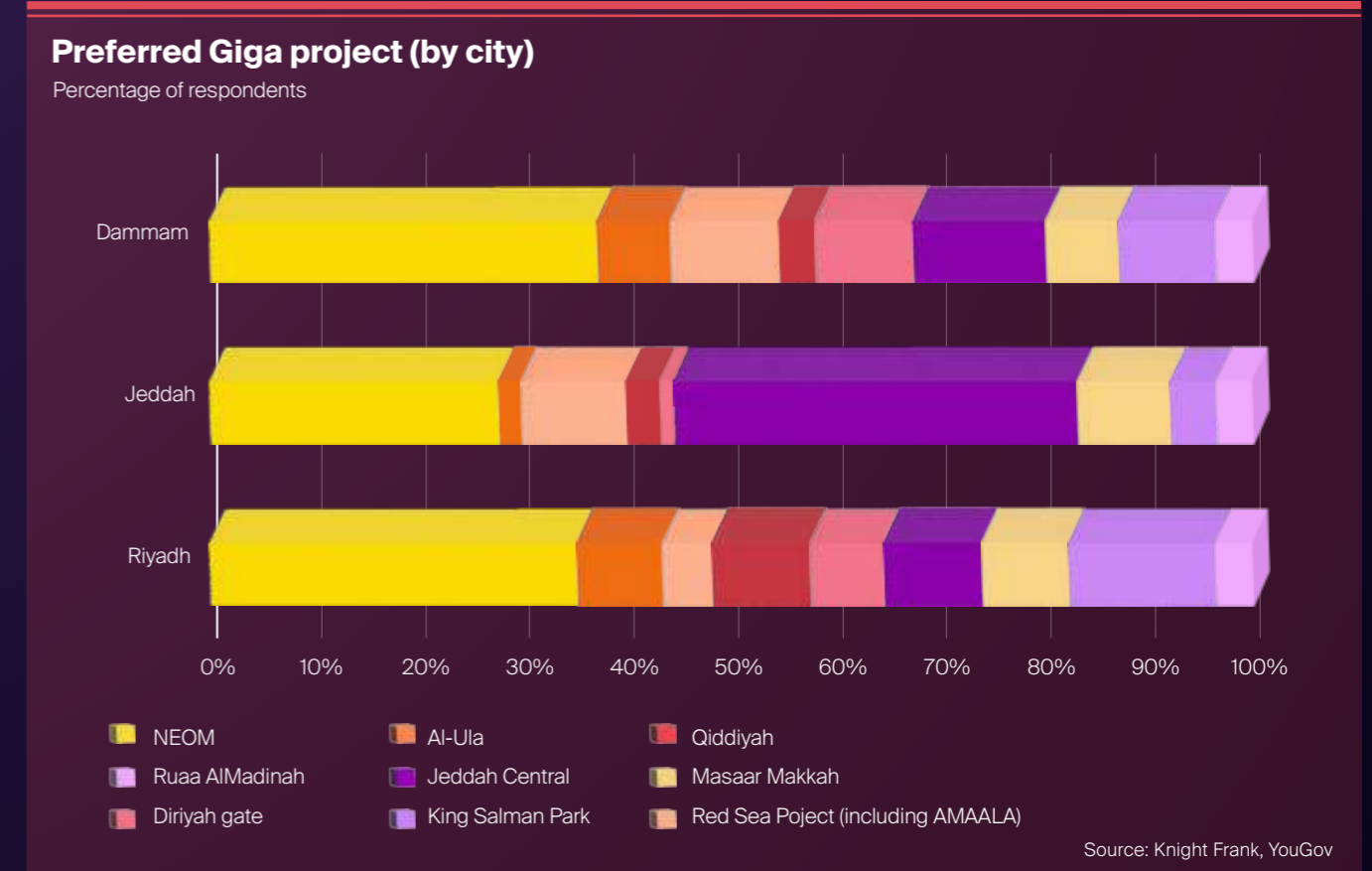
Meanwhile, Riyadh's King Salman Park is now the third most popular Giga project among our respondents (9%). The Red Sea Project slips to 5th place this year, compared to second place last year, but it is not necessarily a reflection of its diminished popularity, but more likely a realisation among aspirational home buyers and investors that it is primarily a second-home and/or holiday destination.

As the Red Sea Project (including Amala) has one of the highest levels of visible completion – 57% of US\$ 3.2 billion worth of contracts, according to our latest estimate – there is much greater clarity on the offering, which for the most part, is centred on luxury hotels. And so buyers' attention may be shifting to Giga projects centred on residential offerings instead.



THE LEAGUE TABLE OF GIGA PROJECT POPULARITY HAS SEEN A MAJOR SHAKE-UP.

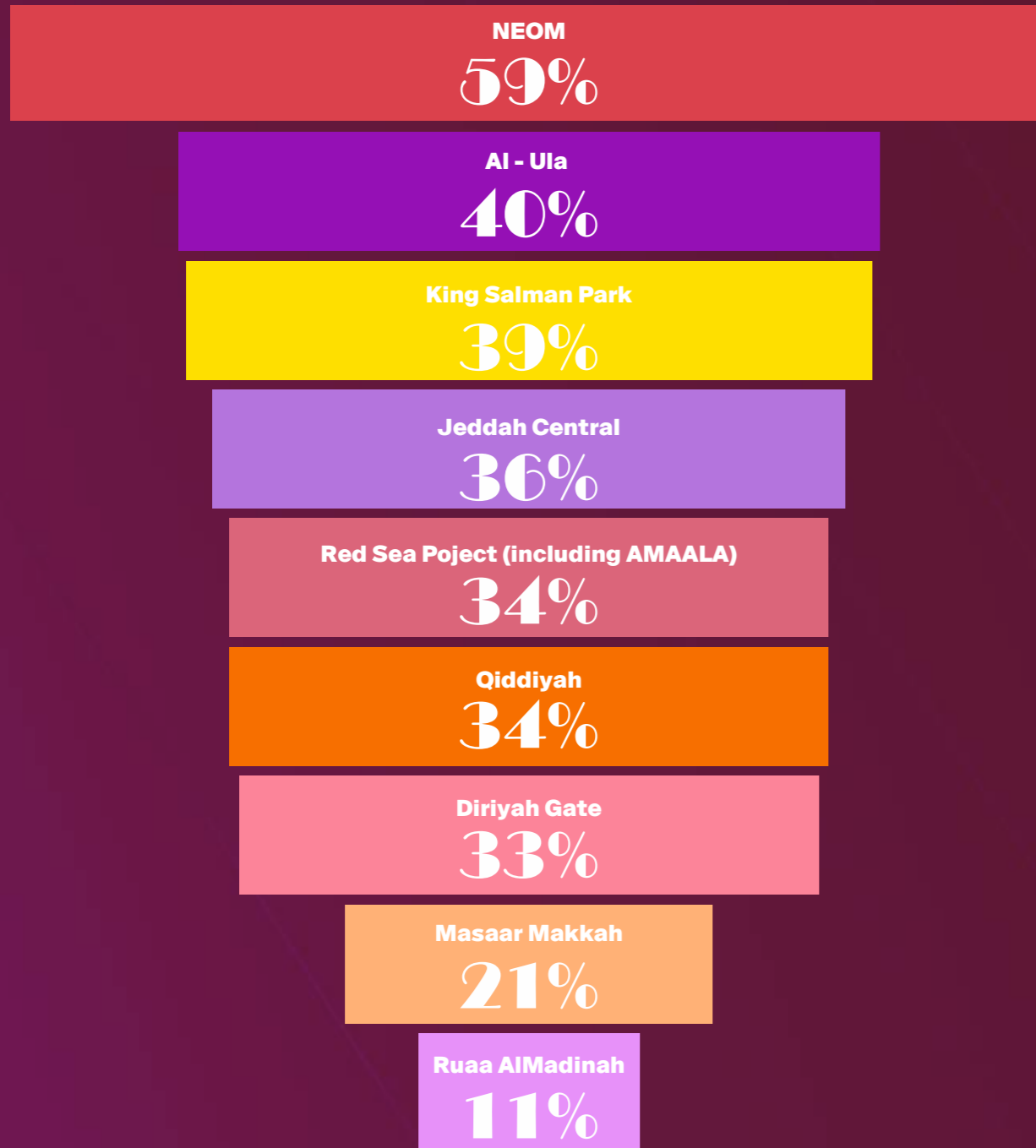
DISCOVER THE FULL REPORT



TOMORROW'S WORLD

Familiarity with Giga projects (Saudi nationals)

Percentage of respondents



Source: Knight Frank, YouGov

“ EXPERT INSIGHTS

WITH A VALUE OF OVER SAR 4 TRILLION, GIGA PROJECTS SPREAD ACROSS THE KINGDOM ARE TRANSFORMING THE URBAN LANDSCAPE. WHILE SOME OF THESE PROJECTS ARE BEING DEVELOPED WITHIN EXISTING CITIES, SUCH AS JEDDAH CENTRAL AND KING SALMAN PARK, OTHERS ARE STAND-ALONE SUPERCITIES, SUCH AS NEOM - THE LARGEST GIGA PROJECT ANNOUNCED TO DATE. SOMEWHAT OF A CROWN JEWEL, NEOM, REMAINS A TOP CHOICE FOR SAUDI NATIONALS AND GCC-BASED HNWI ALIKE, MIRRORING RESULTS FROM OUR 2022 SAUDI REPORT.

LUBABA FAKIHI
GEOSPATIAL ANALYST, MIDDLE EAST RESEARCH

WHAT YOU NEED TO KNOW

- 86% OF RESPONDENTS ARE INTERESTED IN PURCHASING IN ANY OF THE GIGA PROJECTS
- KING SALMAN PARK IS MOST POPULAR AMONG RESPONDENTS FROM RIYADH (13%) FOLLOWED BY RESIDENTS FROM DAMMAM (9%)
- JEDDAH CENTRAL IS THE MOST POPULAR GIGA PROJECT AMONGST RESPONDENTS FROM JEDDAH (35%), FOLLOWED BY NEOM (25%)
- NEOM IS THE MOST WELL-KNOWN PROJECT AMONGST OUR RESPONDENTS (59%), FOLLOWED BY AL-ULA (40%)
- 82% OF THOSE INTERESTED IN PURCHASING A GIGA PROJECT ARE WILLING TO PAY A PREMIUM TO OWN A PROPERTY IN THEIR PREFERRED GIGA PROJECT

SAR 1.45 BILLION OF CAPITAL TARGETING GIGA PROJECTS

GIGA PROJECTS' APPEAL INTENSIFIES

When it comes to the appetite to purchase a home in one of the Giga projects, the appetite has jumped from 66% in 2022 to 86% this year.

Overall, 66% of respondents are willing to allocate a budget of under SAR 1.5 million to purchase a property in their preferred Giga project, while 6% claim they will spend over SAR 4.5 million (c. US\$ 1.2 million).

CULTURAL ATTRACTION

Those interested in purchasing in Al-Ula have the highest budgets. Some 22% will spend between SAR 2.5-4.5 million in Al-Ula, while a further 8% say they are happy to commit over SAR 5.5 million to a property here, which is the highest proportion of respondents for the top-end budget range.

Furthermore, the average budget for a home in Al-Ula is SAR 2.5 million - the highest across all Giga projects.

For other Giga projects, such as the Red Sea Project (including Amaala), the average budget is slightly lower at around SAR 2.2 million, with 32% saying they are willing to allocate a budget of between SAR 750,000 and 1.5 million. A further 32% plan to spend between SAR 1.5-2.5 million to own a property in The Red Sea Project.

THE PRICE FOR A HOME IN A CITY OF THE FUTURE

When it comes to premiums, Survey 1 shows that 82% of those interested in purchasing at a Giga project are willing to pay a premium. This is up from just 51% last year, highlighting the growing appeal of the Kingdom's future cities.

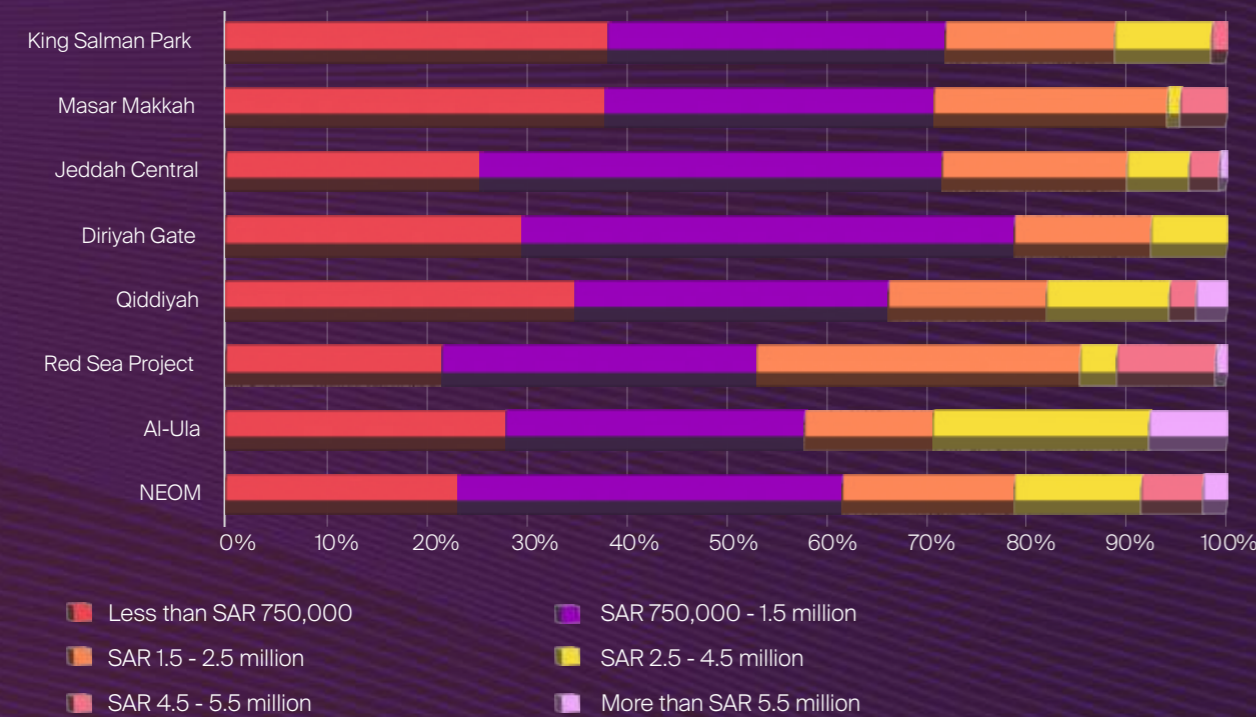
The premium buyers are willing to pay to own a home in one of the Giga projects varies, but the vast majority (71%) are willing to pay a premium of less than 7.5% compared to a similar home elsewhere.

Respondents interested in purchasing in Al-Ula have the highest percentage of those willing to pay premiums over 7.5% (19%), compared to other projects such as Qiddiyah, where only 7% are interested in paying a premium of over 7%.

Diriyah Gate has the highest proportion of respondents willing to pay a premium of between 5-7.5%.

Giga project budgets

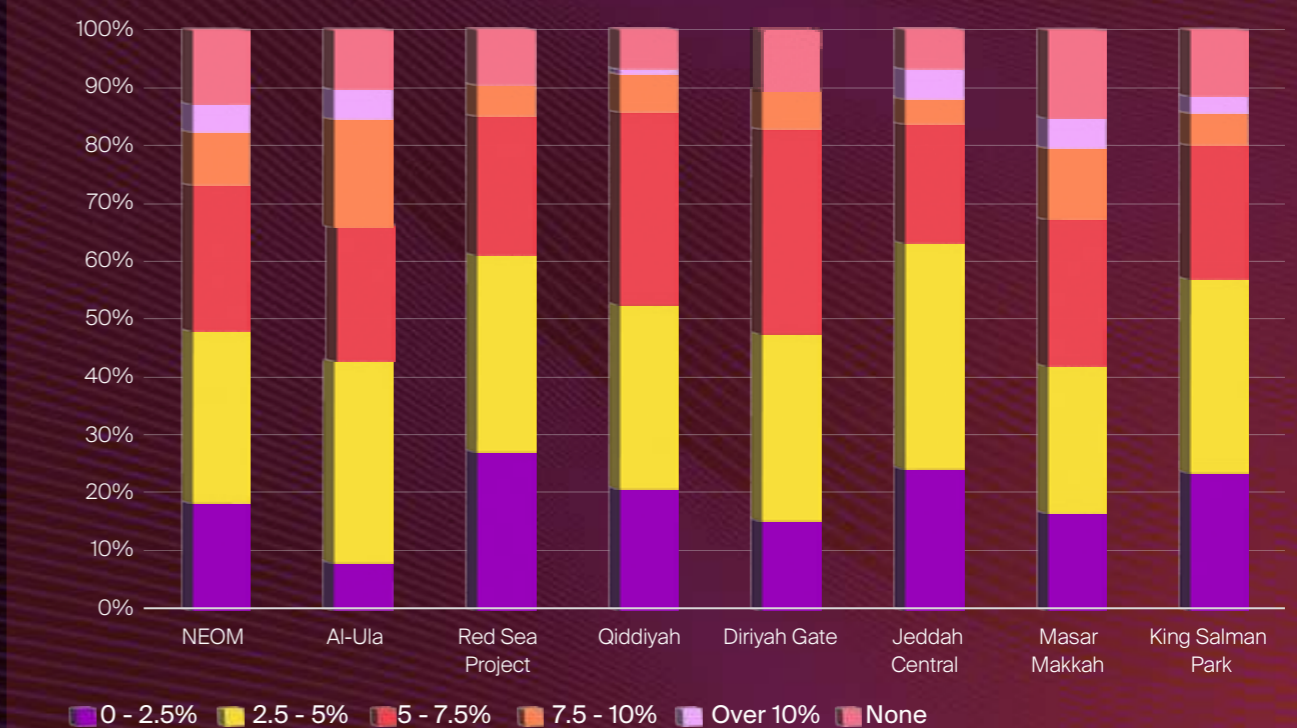
Percentage of respondents



Source: Knight Frank, YouGov

Giga project premiums

Percentage of respondents



Source: Knight Frank, YouGov

GIGA PROJECTS SPOTLIGHT

AL-ULA



AVERAGE ALLOCATED BUDGET



ARE WILLING TO PAY A PREMIUM



ARE WILLING TO PAY A PREMIUM OF OVER 7.5%

JEDDAH CENTRAL



AVERAGE ALLOCATED BUDGET



ARE WILLING TO PAY A PREMIUM



ARE WILLING TO PAY A PREMIUM OF BETWEEN 2.5-5%

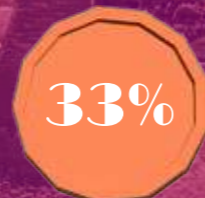
KING SALMAN PARK



AVERAGE ALLOCATED BUDGET



ARE WILLING TO PAY A PREMIUM



ARE WILLING TO PAY A PREMIUM OF BETWEEN 5-7.5%

“ EXPERT INSIGHTS

THE PROPORTION OF THOSE KEEN ON ACQUIRING A HOME IN ANY OF THE NEW SAUDI CITIES OF THE FUTURE REMAINS VIRTUALLY UNCHANGED ON LAST YEAR AT 86%, WITH TWO-THIRDS WILLING TO SPEND UP TO SAR 1.5 MILLION. AL-ULA HAS THE DISTINCTION OF ATTRACTING THE BIGGEST SPENDERS, WITH THE HISTORICAL CITY COMMANDING THE LARGEST PROPORTION OF THOSE WILLING TO SPEND UPWARDS OF SAR 5.5 MILLION.

FAISAL DURRANI
PARTNER, HEAD OF MIDDLE EAST RESEARCH

GCC WEALTH EYEING UP SAUDI INVESTMENTS

A MAJOR CONCLUSION DRAWN FROM OUR 2022 SAUDI REPORT WAS THE DISPARITY BETWEEN BUDGETS AND THE RESIDENTIAL PRODUCT BEING PLANNED ACROSS THE KINGDOM'S GIGA PROJECTS, HIGHLIGHTING THE APPARENT RISK OF AN OVERSUPPLY OF LUXURY HOMES OVER THE NEXT DECADE.

A NEW SOURCE OF DEMAND FOR LUXURY HOMES?

A potential mitigation of such a risk could be identifying new sources of non-Saudi demand. Given the close historic, economic and cultural links, we feel that the GCC may be an obvious target to widen the field of potential investors and buyers.

Survey 3 has been designed to understand the potential demand from regional HNWI for an investment or home in Saudi Arabia.

When it comes to familiarity with the Kingdom's Giga projects, NEOM (50%) has been named the project with the highest level of familiarity amongst GCC HNWI. The Red Sea Project (including Amaala) closely follows at 40%, while King Salman Park (35%) is the third most well-known project.

Interestingly, those with a net worth of over US\$1 million (36% of our sample in Survey 3) are more familiar with The Red Sea Project (59%) than NEOM (56%).

Overall, 97% of all respondents are interested in purchasing a property in any Giga project. Echoing the trend with Saudi nationals, Survey 3 reveals that NEOM (27%) is the most attractive to this group. The Red Sea Project (18%) and Jeddah Central (16%) rank in second and third places, respectively.

NEOM IS KING

While interest in purchasing in NEOM is universal, regardless of net worth, those with a net worth of over \$1 million name The Red Sea Project (including Amaala) as their second most preferred Giga project (26%).

Meanwhile, for those with a net worth of less than US\$ 1 million, the second most preferred Giga project is Jeddah Central (16%).

As is the case with Saudi nationals, GCC-based HNWI also appear to be well versed with the positioning of developments at The Red Sea Project, which are, for the most part, geared towards luxury second-home buyers, which perhaps explains its popularity amongst this cohort.



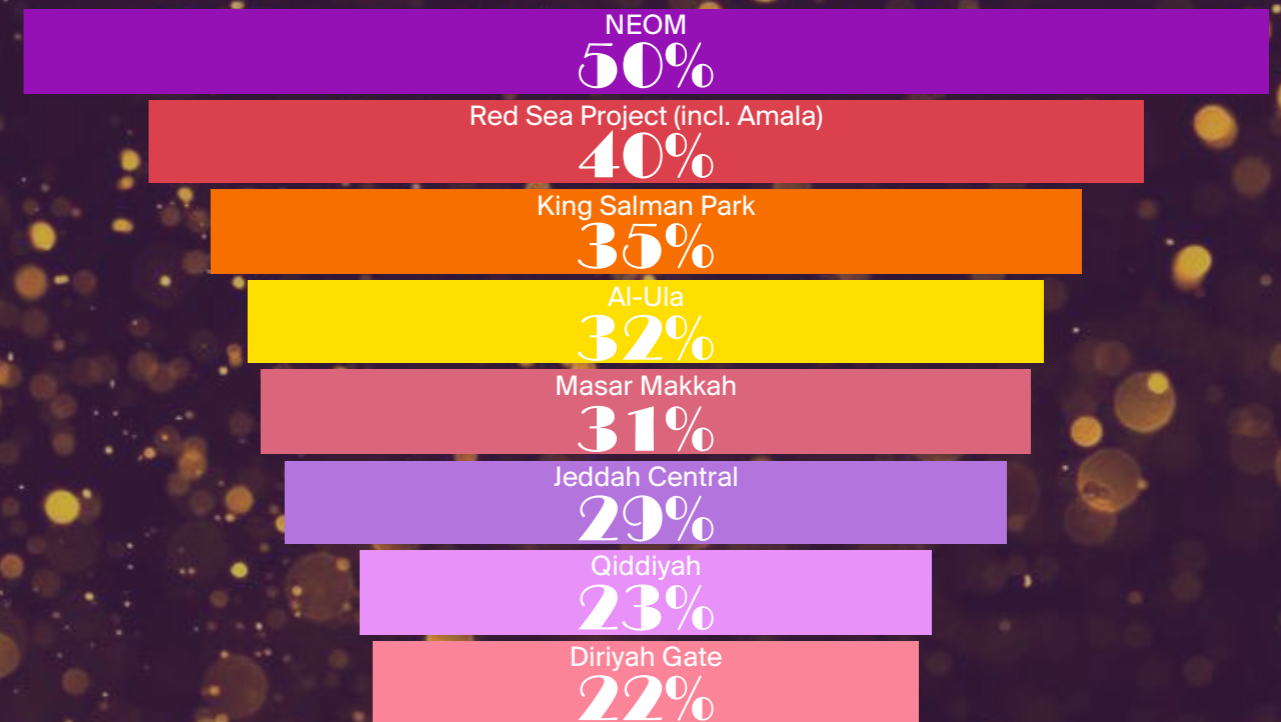
97% OF GCC HNWI ARE INTERESTED IN PURCHASING A PROPERTY IN ANY OF THE KINGDOM'S GIGA PROJECTS.

DISCOVER THE DATA



Familiarity with Giga projects (GCC-HNWI)

Percentage of respondents



Source: Knight Frank, YouGov

GCC WEALTH EYEING UP SAUDI INVESTMENTS

GOOD NEWS TRAVELS FAST

We have also used Survey 3 to unpick how the region's HNWI consume information relating to the Giga projects; it's a critical tool in understanding how to access this often hard to reach group of elite buyers and investors.

Overall, 'official news outlets' (36%) and 'social media' (27%) are cited as the most common ways to get information on Giga projects. While 11% say they are reliant on their financial advisors.

A big part of Vision 2030 has been to 'take the Saudi story to the world' with billboards about the latest Giga project dotted throughout cities from New York to Dubai, but this advertising seems to be least effective for those with a net worth of over US\$1 million, with just 3% claiming to be influenced by such advertising.

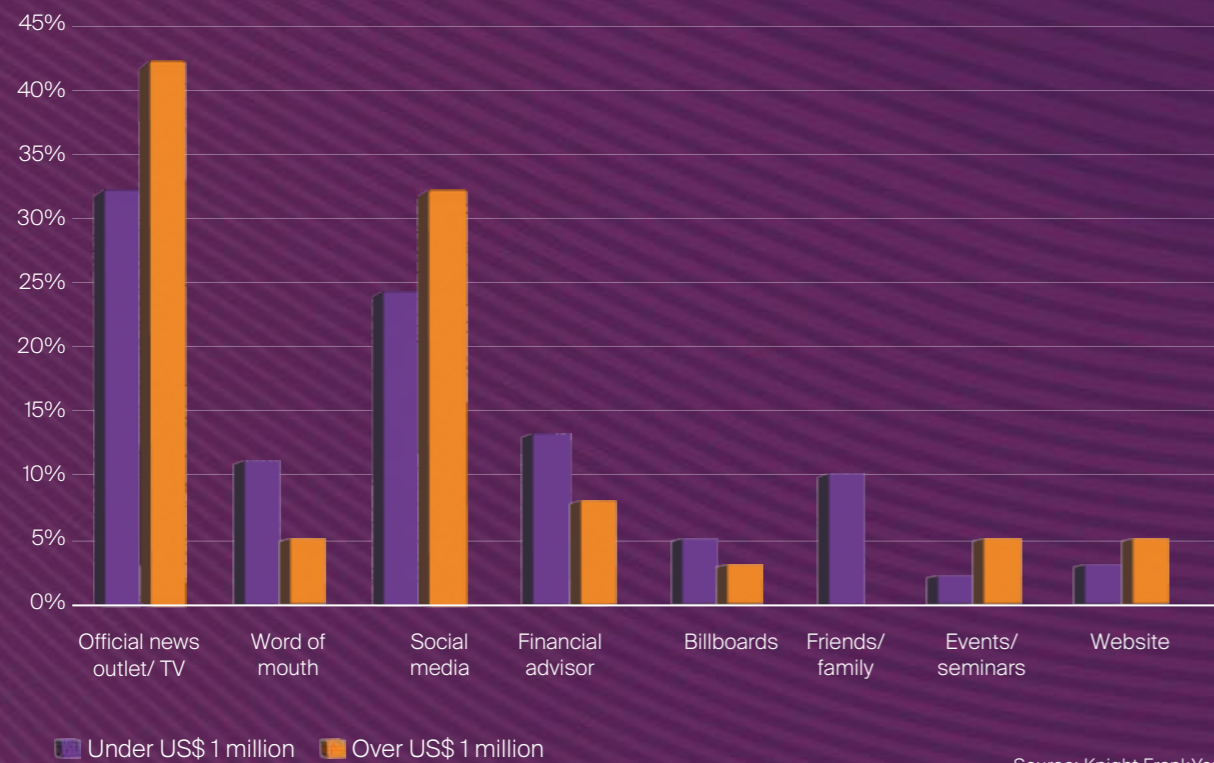
Overall, 87% of GCC-based HNWI interested in the Giga projects claim they are likely to consider purchasing a residential property.

WHAT YOU NEED TO KNOW

- 98% OF GCC HNWI ARE INTERESTED IN MAKING A PURCHASE IN A SAUDI GIGA PROJECT
- OVERALL, NEOM IS THE MOST POPULAR PROJECT AMONGST GCC HNWI (23%), FOLLOWED BY THE RED SEA PROJECT (18%)
- MASAR MAKKAH IS MORE POPULAR AMONGST THOSE WITH A NET WORTH OF LESS THAN US\$1 MILLION (15%) COMPARED TO THOSE WITH A NET WORTH OF OVER US\$1 MILLION (15%)
- 12% OF GCC-BASED HNWI ARE INTERESTED IN PURCHASING A PROPERTY IN KING SALMAN PARK

Source of Giga project information (by net worth)

Percentage of respondents



Source: Knight Frank, YouGov



A BIG PART OF VISION 2030 HAS BEEN TO 'TAKE THE SAUDI STORY TO THE WORLD'.

GCC WEALTH EYEING UP SAUDI INVESTMENTS

DEEP POCKETS

Survey 3 also reveals the deep pockets our GCC-based respondents have when it comes to the Giga projects. It will offer comfort to developers with plans to deliver homes in the vast majority of these cities of tomorrow which are expected to have residential units with starting prices of over US\$ 1 million.

29% of respondents will be happy to spend between US\$ 600,000-800,000, while a further 22% are willing to allocate a budget of US\$ 1-1.5 million.

For those with a net worth of over US\$ 1 million, around a fifth (21%) are prepared to spend over \$1.5 million (c. SAR 5.5 million) to purchase a property in any Giga project - three times higher than those with a net worth of less than US\$ 1 million (7%).

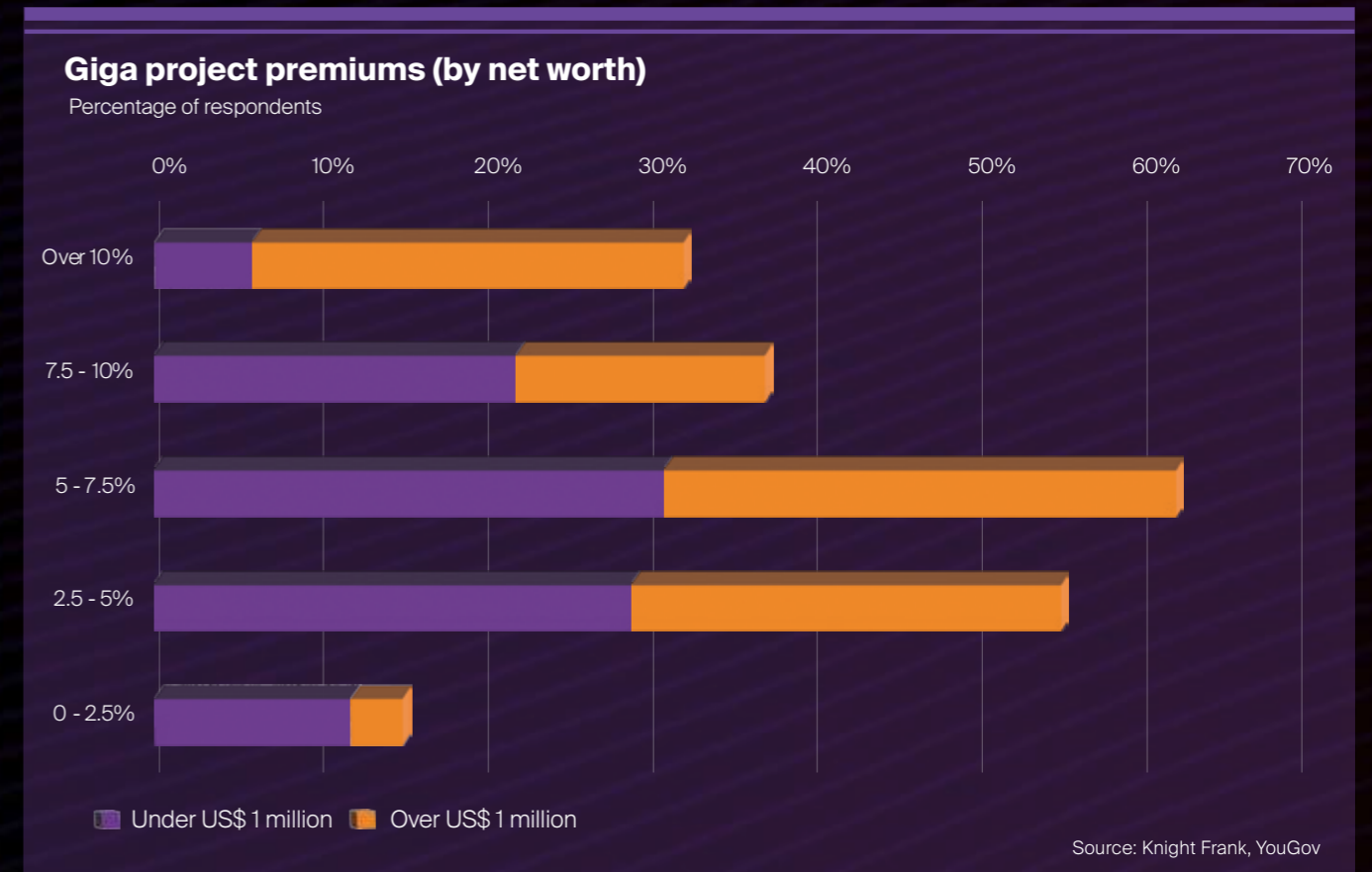
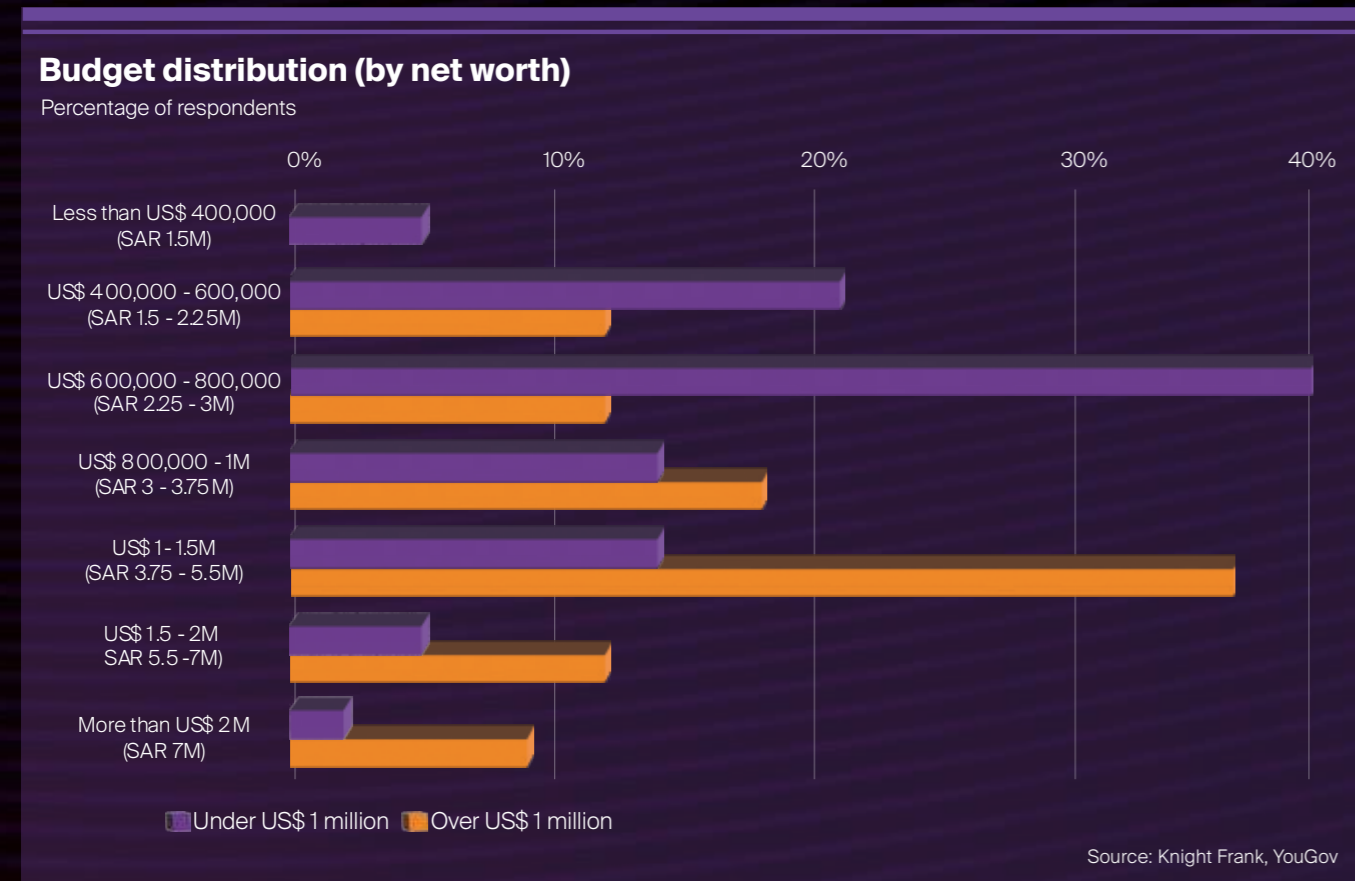
PREMIUMS

When it comes to premiums for the privilege of owning a home in one of the Giga projects, Survey 3 reveals that all of our GCC-based HNWI respondents are willing to pay a premium.

This is higher than those in Survey 1 (Saudi non-HNWI), where around 82% say they are willing to pay a premium.

About a third (31%) are happy to pay a premium of between 5-7.5%, and 13% are willing to pay a premium of over 10%.

21% OF THOSE WITH A NET WORTH OF OVER US\$ 1 MILLION ARE PREPARED TO SPEND OVER \$1.5 MILLION ON A GIGA PROJECT HOME.



THE CROWN JEWEL: NEOM

SURVEY 1

SURVEY 3

The \$500 billion futuristic city is the centre of attention in Saudi Vision 2030. Both Survey 1 and Survey 3 show that knowledge about the project and interest in being part of this extraordinary city is quite high (34% in Survey 1 and 27% in Survey 3).

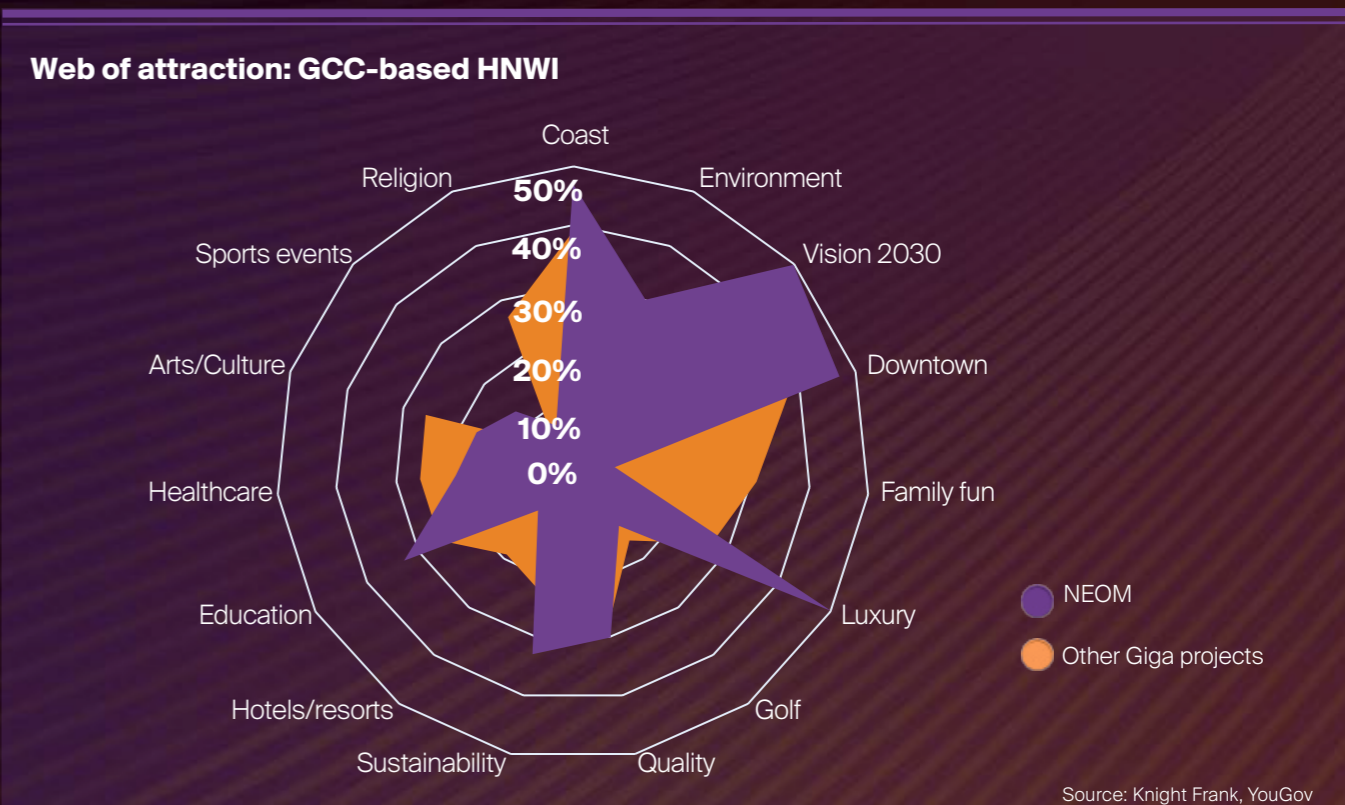
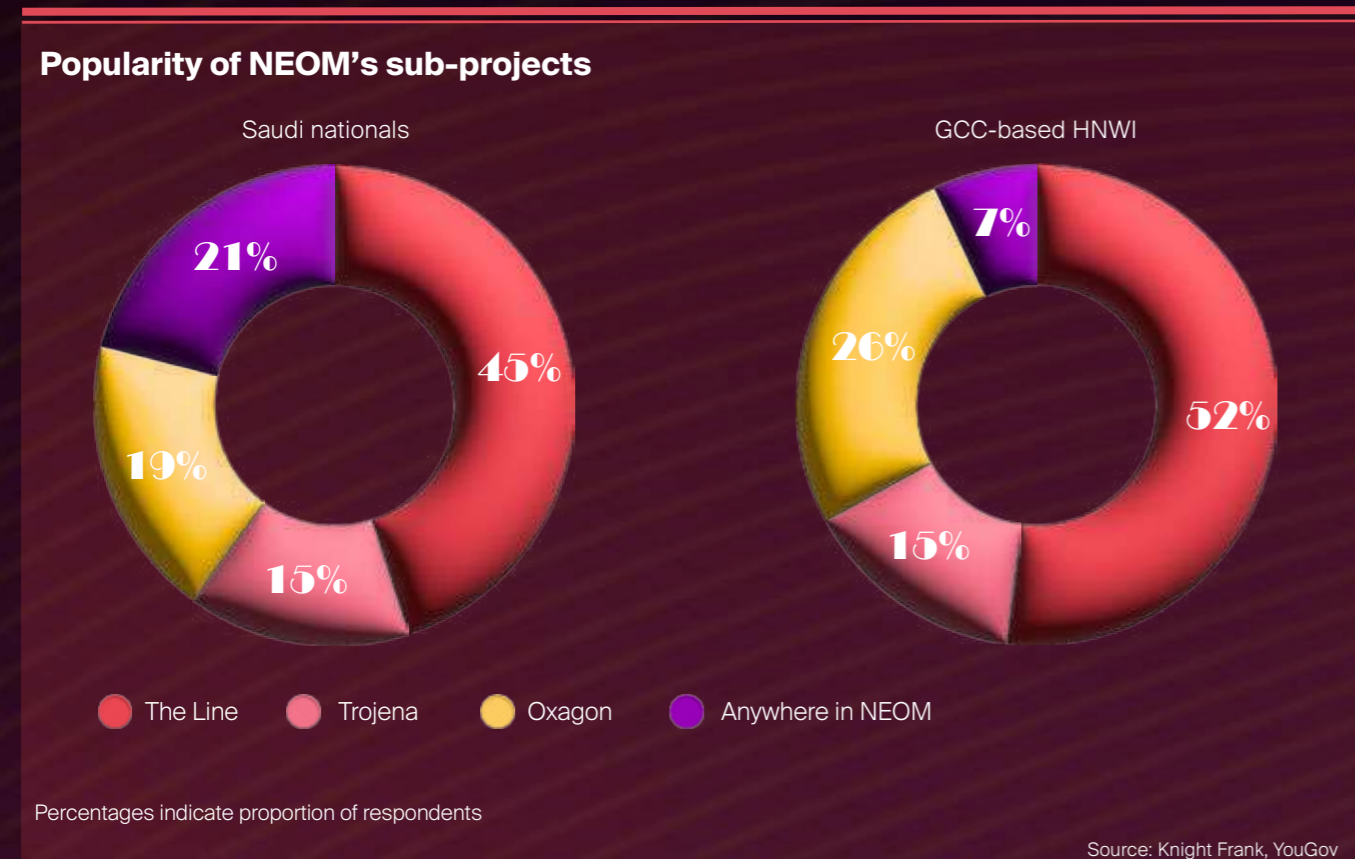
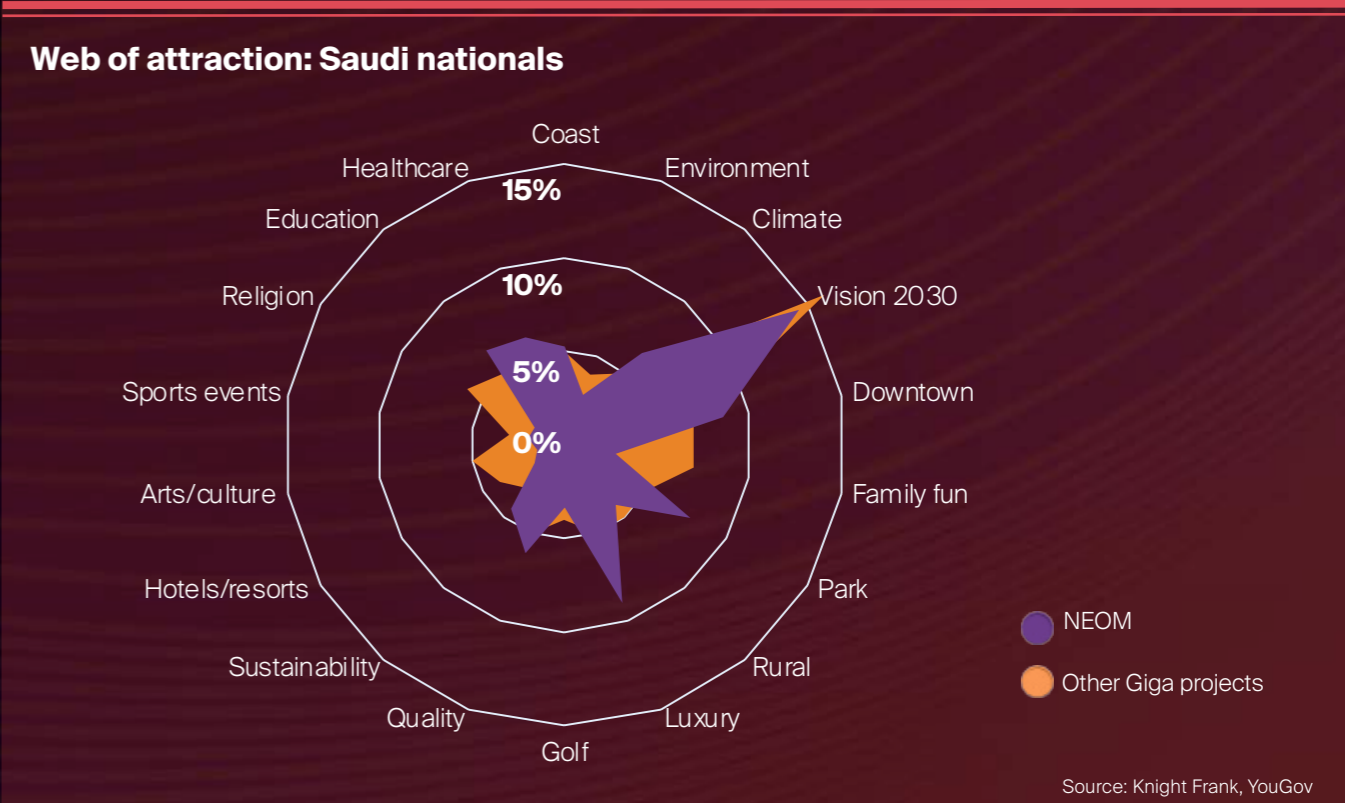
Meanwhile, the Oxagon, which will not only run entirely on renewable energy, will also have the world's largest fully automated logistics park and claim the title of the world's largest floating city when complete.

NEOM has four main sub-projects to date where people can live, work, and invest: The Line, TROJENA, Oxagon and Sindalah. Each has unique features and caters to certain lifestyles, but all have sustainability and luxury living in common.

Our Surveys reveal that The Line is the most popular project within NEOM, with 52% of respondents in Survey 3 and 45% of respondents from Survey 1 considering a purchase here.

Across both surveys, Oxagon follows in second place (26% in Survey 3 and 19% in Survey 1).

For instance, The Line promises to provide a unique urban living experience while minimising the impact on the surrounding natural desert landscape.





THE OPPORTUNITIES

THE RESULTS OF THE THREE SURVEYS FOR OUR 2023 SAUDI REPORT HAVE REAFFIRMED OUR UNDERSTANDING OF THE RESIDENTIAL MARKET DYNAMICS IN SAUDI ARABIA. IT HAS ALSO SHED LIGHT ON NON-RESIDENTIAL SECTORS AND HINTS AT POTENTIAL NEW AND YET-TO-BE-TAPPED SOURCES OF DEMAND FOR REAL ESTATE IN THE KINGDOM.

WE HAVE IDENTIFIED FIVE STAND-OUT OPPORTUNITIES TO CONSIDER THAT WILL HELP DELIVER THE AMBITIONS OF VISION 2030 AND WHICH ALIGN WITH OUR MARKET EXPERIENCE, ALL CONFIRMED BY OUR SURVEYS.

1 THE RESIDENTIAL MARKET

70% HOME OWNERSHIP TARGET

Over the last three years, home prices in Saudi Arabia have accelerated thanks to the support offered through government initiatives such as Sakani, which has benefited over 1.4 million households since its launch in 2017. The rising demand to buy has driven up home values at a record rate while at the same time boosting home ownership levels to c. 67% - just shy of the government's 70% target by 2030.

In Riyadh, which is fast emerging as an epicentre for economic activity connected to Vision 2030, apartment prices have grown by 54% in two years, while villa prices have risen by an equally impressive 32%.

HOMES THAT ARE AFFORDABLE

The rate of capital appreciation has far exceeded income growth and has driven households into a holding pattern as they work to save ever larger deposits. The impact of the stellar price growth is reflected in transactional volumes, which fell by 25% last year across the country, while the total value of homes sold declined by 4%.

Furthermore, our survey of 1,000 Saudi households (Survey 1) has shown buyers' aspirations have been dented, with just 40% of our sample declaring their appetite to purchase this year - down from 84% last year.

The challenge for developers is clear; soaring land prices, growing costs of raw materials, and a shortage of labour are making it ever more difficult to offer homes classified as "affordable".

THE AFFORDABILITY CHALLENGE

There is a persistent disparity between buyer expectations and market reality. 22% of our respondents from Survey 1 would like to purchase a large 3-4-bedroom villa this year. Home values up to six times annual income are considered affordable by global standards. However, the ratio of annual income to home prices in Riyadh is around 13.3 times and Jeddah is 15.1 times- the challenge is laid bare.

Townhouses remain a significant area of opportunity for developers - they are, by their very nature, similar in style and layout to villas, but development densities are higher. They have also proven to be exceptionally popular. AlMajdiah Village in Riyadh, for instance, was rapidly absorbed by the market soon after its launch, however, the current supply of townhouse developments remains limited.

Another area yet to be fully explored and embraced involves **Modern Methods of Construction (MMC)**. MMC typically encapsulates techniques including 3D printing, off-site manufacture and modular construction. If used in combination with traditional construction methods, development costs can be better contained, especially as these techniques become more widespread worldwide and there are economies of scale.

Going forward, we expect to see MMC being widely embraced to deliver the large volume of new real estate planned across the nation's Giga projects, particularly if the 2030 deadline is to be met.

1 THE RESIDENTIAL MARKET

A final area of opportunity in the mainstream residential sector is building smaller homes. Historically, the emphasis has always been on large, family homes, largely due to cultural reasons. However, with household sizes declining as young Saudis fly the nest at an increasingly younger age in search of employment opportunities in the Kingdom's larger cities, most (74%) are looking for **smaller homes**.

Indeed, Survey 1 shows that 47% of our sample were born outside Riyadh, and overall, 62% would rather rent than own a home. This suggests they already own in their hometown or are not yet prepared to commit to homeownership in their adopted city. In fact, 68% of all those we canvassed in Survey 1 consider themselves temporary residents, highlighting the significant volume of domestic migration underway in the Kingdom.

Some vendors have noticed this trend and moved their homes from the sales market to the rental market. This is eroding sales stock and further contributing to the substantial price increases registered recently. And so there is an opportunity to develop a vibrant, high-quality, community-centric **build-to-rent** market (BtR) to cater to this young, seemingly footloose, career-hungry generation of Saudis without disrupting the sales market. Numerous high-profile and high-calibre international BtR operators have delivered and continue to run vast rental portfolios in the world's leading hub cities but are increasingly conspicuous by their absence not just in Saudi but the wider Middle East.



THE DEVELOPMENT OF A VIBRANT, HIGH-QUALITY, COMMUNITY-CENTRIC BUILD-TO-RENT MARKET TO CATER TO A YOUNG, SEEMINGLY FOOTLOOSE, CAREER-HUNGRY GENERATION OF SAUDIS REMAINS A TREMENDOUS OPPORTUNITY.

SECOND HOMES MARKET

Further up the price spectrum, demand for homes remains robust. 40% of our respondents in Survey 1 are second home buyers, mirroring the figure from last year and quantifying the size of the Kingdom's second homes market. 33% want to buy a second home this year, with the rest planning on buying a second home before 2028.

54% of buyers looking to make their property a primary residence are looking to purchase villas, with a further 28% looking to purchase large apartments of three to four bedrooms. We feel this cohort could help fuel the emergence of a branded residences market, but offerings in this sector are limited for now.

INTERNATIONAL BUYERS

The lack of local **financing options for international buyers** and investors is often seen as a barrier to developing a flourishing investment market in any part of the world, and the same is likely true in the Kingdom, at least for the time being.

When presented with the option to have local financing offered by Saudi parties, our GCC-based HNWI respondents in Survey 3 have shown that the appetite for Saudi financing options is exceptionally high at 95%. Financing by a developer (57%) is the top preference, followed by financing by local institutes (38%).

These results strongly hint at a powerful lever that has the potential to radically alter the residential market's demand dynamics.



PROPORTION OF GCC-BASED HNWIS WHO WOULD FIND INVESTING IN SAUDI EVEN MORE ATTRACTIVE IF LOCAL FINANCING OPTIONS WERE AVAILABLE.

2 THE BRANDED RESIDENTIAL MARKET

WHILE THE CHALLENGES OF A RAPIDLY GROWING MARKET ARE CLEAR IN THE MAINSTREAM RESIDENTIAL MARKET, THOSE WITH HIGHER BUDGETS APPEAR UNDERSERVED.

STRONG DOMESTIC DEMAND

Like elsewhere in the world, the appetite to own and invest in branded residential units is on an upward trajectory across the Kingdom. These properties are commonly popular among high-end buyers, who are looking for iconic designs, along with world-class services, amenities and facilities, typically offered through **adjoining luxe hotel brands**.

An extraordinary 69% in Survey 1 claim they will likely purchase a branded residence in 2023. The most common reasons for the attractiveness are 'service provisions and physical amenities' (42%), followed by 'maintenance' (25%) and 'brand identity' (24%).

In addition, 45% of the respondents are interested in using a branded residential unit as their main residence, 37% are interested in making it their second home, presumably for use as a holiday home, while the remainder consider it an investment.

City dwellers appear the keenest on a branded property. The residents of Riyadh and Dammam are likely to allocate higher budgets to purchase branded residences, with 19% suggesting they will spend over SAR 20,000 per sqm in Riyadh. 18% are willing to allocate the same budget in Dammam. This figure slips to 13% in Jeddah.

UNTAPPED GCC MARKET

Looking further up the income spectrum to the region's HNWI (Survey 3 - 100 respondents) reveals even deeper pockets for branded residences and appetites for this style of luxury living. 55% of **GCC-based HNWI** would like to purchase a branded residential property in the Kingdom. Over half of our respondents (63%) are willing to spend over US\$5,500 psm (c. SAR 20,000 psm) on a branded residential property.

For those with a net worth of over US\$ 1 million, over a third (35%) claim they will spend over US\$8,500 per sqm (c. SAR 32,000 psm). A very limited branded residential offering in the Kingdom means this sector remains a significant and untapped vein of opportunity.

 55% OF GCC-BASED HNWI WOULD LIKE TO PURCHASE A BRANDED RESIDENTIAL PROPERTY IN THE KINGDOM.



3 HEALTHCARE AND EDUCATION

A COMMON THREAD THROUGHOUT ALL THREE SURVEYS IS THE DESIRE FOR HIGH-QUALITY OFFERINGS, WHETHER RESIDENTIAL COMMUNITIES, SCHOOLS, HOTELS, HOSPITALS, OR RESTAURANTS.

HIGH EXPECTATIONS

With 56% of the population under 35, many of whom have either studied overseas or been exposed to western culture through the rise of the digital age, expectations and attitudes towards an acceptable standard of living are shifting. An apparent emphasis is placed on **international brands** due to the perception of higher quality.

With schools, for instance, Survey 2 (of 500 Saudi households) shows 54% of parents opting for a private school. This figure rises to 66% for parents with incomes in excess of SAR 20,000 per month.

INTERNATIONAL SCHOOLS

Onsite amenities and facilities can be a significant differentiator for the Kingdom's developers, but so can **high-quality (preferably international) schools**. This has been demonstrated in regional markets such as Dubai and Abu Dhabi, where world-class schools often anchor residential communities and are a substantial driver of demand.

Indeed, our research shows that a 2,000-desk school can generate up to 1,200 visits a day by parents, creating significant traffic that could feed any adjacent retail developments or food and beverage outlets.

PRIVATE (INTERNATIONAL) HOSPITALS

Away from schools, when it comes to public vs private hospitals, there is a clear preference for private hospitals (54%). We believe this is largely based on perceptions of the quality of physicians and treatments available in private institutions, most of which are linked to **internationally renowned medical brands**.

40% of our respondents in Survey 2 claim to travel abroad to receive medical treatment, be it essential or elective.

While motives to travel internationally for treatment vary, the focal point is the quality and reputation of both the treatment (29%) and healthcare professionals (24%), closely followed by the affordability of treatment (21%).

And so, the opportunity? To ensure the success of the 19,000 hospital beds planned at a cost of US\$ 13.8 billion, partnering with international brands will be crucial.

 ONSITE AMENITIES AND FACILITIES CAN BE A SIGNIFICANT DIFFERENTIATOR FOR THE KINGDOM'S DEVELOPERS, BUT SO CAN HIGH-QUALITY SCHOOLS.



PROPORTION OF SAUDI NATIONALS WHO TRAVEL ABROAD FOR MEDICAL TREATMENT, EITHER ESSENTIAL, OR ELECTIVE.

4 THE HOSPITALITY SECTOR

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 310,000 HOTEL ROOMS, ALL DUE TO BE COMPLETED BY 2030. WITH 100 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.

INTERNATIONAL BRAND LOYALTY

When it comes to the most popular brand of hotels, as is the case with schools and hospitals, internationally branded/operated hotels are preferred (56%) over local brands (44%) by the respondents of Survey 2. The choice appears to be linked directly to price (33%), followed by location (31%).

The opportunity? Delivering the vast number of rooms the Kingdom has planned will bring with it many opportunities. 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.

There will need to be a significant change in the Kingdom's physical infrastructure, but in parallel, **new national airlines** will be required. Indeed, some of these changes are already underway, for example, King Salman International Airport and RIA, the new airline that will be its anchor tenant.

Most importantly, however, regulations will be needed to manage all aspects of an international and vibrant tourism scene, ranging from hospitality labour to facilitating hospitality investments through **streamlined processes**.

THE DOMESTIC TOURISM VARIABLE

The rapid expansion of hospitality-linked offerings across the country is expected to play a critical role in boosting domestic tourism, which we forecast will form a key part of the future of the Kingdom's hospitality landscape and is already a thriving industry.

On domestic tourism, care and attention must be paid to the development of attractions in secondary and tertiary cities if they are to compete and thrive alongside all the new Giga projects' hospitality offerings.

Furthermore, with our Gen Z (18-25-year-olds) respondents highlighting high costs (15%) as a barrier to domestic travel, there remains an opportunity to develop more **cost-effective accommodation options**.

Think luxury glamping sites, youth hostels, and 3* hotels (just 17% of the total supply will be 3* and below by 2030), noting, of course, cultural sensitivities and adaptations that may be required.



5 EXPERIENTIAL RETAIL

AS PART OF THE NATIONAL TRANSFORMATION PLAN AND THE QUALITY OF LIFE PROGRAM, THE RETAIL SECTOR HAS BEEN UNDERGOING A SLOW BUT INCREDIBLE TRANSFORMATION, WITH THE RISE OF LIFESTYLE RETAIL DEVELOPMENTS AROUND THE COUNTRY, WHICH PLACE ENTERTAINMENT AND FOOD AND BEVERAGE OUTLETS AT THEIR HEART.

THE RETAIL CHALLENGE

Survey 2 shows that 50% of respondents prefer traditional malls, followed by the rising 'lifestyle retail centers'.

The challenge? Older respondents (aged 35+) favour shopping in traditional malls, while younger respondents (aged below 35) are more likely to favour lifestyle retail centres (33%) and online shopping (22%).

For instance, respondents aged 18-24 prefer a retail destination that focuses on entertainment (33%), with a particular soft spot for cinemas. Restaurants and cafes (33%) follow closely behind, highlighting the importance of creating an all-round lifestyle and entertainment destination, particularly for younger Saudis.

THE OPPORTUNITY

This nuanced shift in attitudes through the generations does not necessarily spell the end of bricks and mortar retail as we know it but hints strongly towards the need to boost the **experience** of visiting a store. Concept stores that offer customisation of goods bought in-store, stores that adopt a "showroom" concept, or indeed those that integrate F&B elements are glimpses of the future of retail.



THE SHIFT IN ATTITUDES THROUGH GENERATIONS HINTS TOWARDS THE NEED TO BOOST THE EXPERIENCE OF VISITING A STORE.

2023 SAUDI REPORT KEY HIGHLIGHTS

SURVEY 1 THE RESIDENTIAL MARKET



are looking to purchase a residential property in 2023



are interested in purchasing a branded residential property



of homeowners want to purchase a second property



want to buy a home in a residential community



are interested in owning a property in any of the Giga projects



are interested in purchasing a home in NEOM

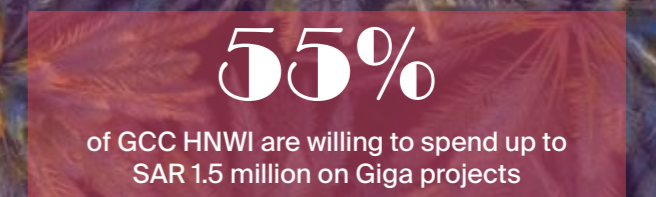
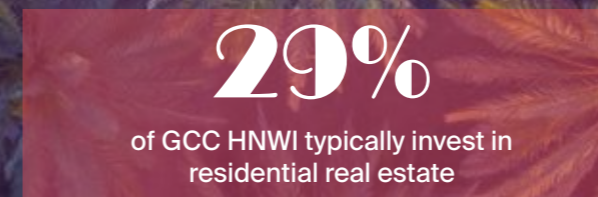
Source: Knight Frank, YouGov

SURVEY 2 NON-RESIDENTIAL SECTORS

- THE NUMBER ONE REASON TO RECEIVE MEDICAL CARE ABROAD IS THE PERCEPTION OF BETTER QUALITY
- 61% OF THOSE WITH A MONTHLY SALARY OF OVER SAR 20,000 PREFER PRIVATE SCHOOLS
- 16% OF THOSE BELOW THE AGE OF 25 YEARS PREFER ONLINE SHOPPING
- TAIF IS THE MOST POPULAR DOMESTIC TOURISM DESTINATION

Source: Knight Frank, YouGov

SURVEY 3 GCC-BASED HNWI



Source: Knight Frank, YouGov

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- HOSPITALITY, TOURISM AND LEISURE
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- REAL ESTATE STRATEGY AND CONSULTANCY
- RESEARCH AND GEOSPATIAL ANALYSIS
- RETAIL ADVISORY
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- INDUSTRIAL & LOGISTICS
- LONDON INTERNATIONAL PROJECT SALES
- MORTGAGE AND DEBT ADVISORY
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- PRIME RESIDENTIAL
- PRIVATE OFFICE
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James Lewis

Managing Director, Middle East & Africa
James.Lewis@knightfrank.com

Harmen De Jong

Partner, Real Estate Strategy & Consulting
Harmen.DeJong@me.knightfrank.com

Faisal Durrani

Partner, Head of Middle East Research
Faisal.Durrani@me.knightfrank.com

Stephen Flanagan, MRICS

Partner, Head of Valuation & Advisory
Stephen.Flanagan@me.knightfrank.com

Talal Raqaban

Partner, Valuation & Advisory
Talal.Raqaban@me.knightfrank.com

Amar Hussain

Senior Manager, Middle East Research
Amar.Hussain@me.knightfrank.com

Jonathan Pagett

Partner, Retail Advisory
Jonathan.Pagett@me.knightfrank.com

Mohamad Rabih Itani

Partner, International Project Marketing
Mohamad.Itani@me.knightfrank.com

Rana Mira

Senior Research Associate, Middle East Research
Rana.Mira@me.knightfrank.com

Shehzad Jamal

Partner, Strategic Consulting (Real Estate | Healthcare | Education)
Shehzad.Jamal@me.knightfrank.com

Turab Saleem

Partner, Head of Hospitality, Tourism & Leisure Advisory
Turab.Saleem@me.knightfrank.com

Lubaba Fakeih

Geospatial Analyst, Middle East Research
Lubaba.Fakeih@me.knightfrank.com

Daniel Pugh

Partner, Head of Hospitality Valuation & Advisory
Daniel.Pugh@me.knightfrank.com

Yazeed Hijazi

Associate Partner, Real Estate Strategy & Consulting
Yazeed.Hijazi@me.knightfrank.com

Lars Jung-Larsen

Partner, Luxury Brands
Lars.Junglarsen@me.knightfrank.com

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Contact Us

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

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

 [@KnightFrankME](https://twitter.com/KnightFrankME)  [@KnightFrankMiddleEast](https://www.linkedin.com/company/knightfrankmiddleeast)  [@KnightFrankMiddleEast](https://www.instagram.com/knightfrankmiddleeast)  [@KnightFrankME](https://www.facebook.com/knightfrankme)  [@KnightFrankMiddleEast](https://www.youtube.com/channel/UCknightfrankmiddleeast)

