



The Kingdom of Saudi Arabia

- The residential sector in Riyadh and Jeddah recorded a robust start to the year, with a substantial increase in the number of delivered residential units.
- The surge in demand for residential units, driven by the younger generation's preference for independent living arrangements, has prompted an innovation wave in housing design.
- Given the scale of development, developers are facing challenges such as increasing land costs, particularly in Riyadh, volatile construction costs influenced by global economic headwinds, capacity constraints in the local market, increasing shipping costs, and high costs of financing.

In Riyadh's residential market, approximately 16,200 units were delivered in the first two quarters, while in Jeddah, around 11,300 units were delivered. This has resulted in an increase in total stock to 1.46 million units in the capital and 891,000 units in Jeddah. More so, it is expected that in both Riyadh and Jeddah, we are expecting to see the addition of 16,000 units in the remaining six months of the year.

The number of mortgage contracts registered in Saudi Arabia reached 24,482 as at Q2 2024, up 12% from a year earlier, over this period the total value of these contracts was registered at SAR 18 billion, up 8%.

Both Riyadh and Jeddah's residential sectors demonstrated strong performance in the second quarter. In Riyadh, sale prices experienced a noteworthy 10% year-on-year increase as of June. Similarly, average rents throughout the city grew by 9% annually. In Jeddah, the pace of growth was slightly slower, with sale prices rising by 5% and rents increasing by 4% year-on-year during the same period.

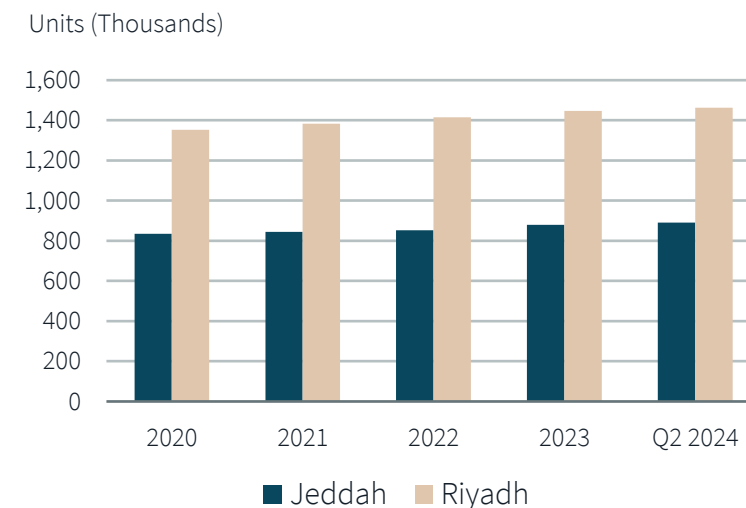
Outlook

Whilst the fundamentals supporting the residential sector remain steadfast, there are a number of challenges that are impacting the development of this sector in the short to medium term. Given the scale of development, developers are facing challenges such as increasing land costs, particularly in Riyadh, volatile construction costs influenced by global economic headwinds, capacity constraints in the local market, increasing shipping costs, and high costs of financing. As a result, we are seeing that in parts of the market, the scheduled delivery schedules are slipping, which in turn is impacting potential transactional activity as owner-occupiers and investors approach a wait-and-see approach.

Fundamentals

Total stock – Riyadh	1.46m units
Future supply H2 2024 – Riyadh	16,000 units
Total stock – Jeddah	891,000 units
Future supply H2 2024 – Jeddah	16,000 units
Sale prices (Y-o-Y) – Riyadh	+10%
Sale prices (Y-o-Y) – Jeddah	+5%
Rental rates (Y-o-Y) – Riyadh	+9%
Rental rates (Y-o-Y) – Jeddah	+4%

Historical supply trend



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