



Cavendish  
Maxwell

# Affordable Housing in The Kingdom of Saudi Arabia

*Are Developers Ready to Deliver?*

Z  
O  
Z  
O







## *How much affordable housing is needed?*

The starting point to answer this question is to determine the overall demand for new build housing in the Kingdom of Saudi Arabia. The first factor to consider is population growth. The latest World Bank population estimate is from 2023: 33.2 million with annual growth of 3.3%.<sup>1</sup> This figure was probably exceptional, however, the forecast population growth of 1.5% regarded as more likely for the next five years, and possibly lower after that. The second factor is household size. The Saudi census of 2022 estimated average household size at 4.8.<sup>2, 3</sup> Together, these factors would generate a requirement for around 100,000 new homes every year.

However, given a larger population by 2025, together with falling household size across the country (even if it may be rising in Riyadh), the actual figure is likely to be closer to 150,000.

But a third factor to consider is the rate of replacement of the existing housing stock, and this is the most difficult to estimate. The impact of the climate on housing is one factor driving the need to upgrade a significant proportion of the Kingdom of Saudi Arabia's housing, leading to large-scale redevelopment efforts for new construction such as the Jeddah Central project and others in parts of Riyadh. As a result, the number of new homes required every year could be well in excess of the estimates above. In fact, the annual overall requirement to construct new homes is currently running at around 250,000, a figure that is relatively close to the Saudi Government's own estimates.<sup>4</sup>

How does this compare to what developers are currently delivering? On one hand there are the publicly owned developers that were specifically created to support the National Housing Program. Roshn plans to deliver 100,000 and the National Housing Company 60,000 units annually, many of them in Riyadh where they are most needed.<sup>5</sup> Deliveries in recent years have only begun to ramp up to these levels, with the Housing Program reaching 66,000 families in 2023,<sup>6</sup> although they are increasing steadily assisted by design changes that reflect social trends and changing individual preferences.<sup>7</sup>

Added to these are partnerships with the private sector. Recent Government data indicated that 65 local developers were collectively investing over SAR 200 billion (\$53.32 billion) in the housing sector, which should add at least another 200,000 homes, although these will be phased over several years. So, overall, developers are now coming close to the required number of new homes. A final complexity is the use of modular housing at the construction sites, some of which are already adding to the total, whether at NEOM, the Red Sea or elsewhere.





## How do we measure the need for affordable housing?

It has been said that housing is affordable when families are able to access housing of reasonable quality at a price that allows adequate income for other essential needs.<sup>8</sup> But how should it be measured? The most commonly used and – with reservations – widely supported benchmark for housing affordability<sup>9</sup> is that no more than 30% of household income should go towards housing costs. Households that spend more than that are considered 'cost burdened' by the U.S. Department of Housing and Urban Development. This threshold has been adopted in many other jurisdictions, including by Saudi housing researchers.<sup>10</sup> So how many of these 250,000 need to be affordable, by the US definition?

The answer depends on the interaction between the resale and rental markets. Riyadh presents the largest challenge. Around 8 million people now live there, a quarter of the entire Saudi population.<sup>11</sup> More than half of all buyers are planning to buy in Riyadh. Yet, as with capital cities everywhere, rising land and dwelling values are pricing new entrants out of the market. Furthermore, commuting times are lengthening, with the new Riyadh metro arriving just in time.

With villa prices now well in excess of SAR 3 million, first-time homeowners are mainly buying apartments. Given interest rates of 6.9%, mortgage payments on a 25-year mortgage of SAR 1,400,000 on an apartment would take up 38% of the average monthly income in Riyadh (SAR 26,000 in 2025)<sup>12</sup>, up from 35% last year.

But the situation is constantly changing. The same calculation, when this year's data is available, will undoubtedly show an increased need for affordable housing. That said, Property Monitor reported in early 2025 that price appreciation had peaked in Dubai. Prices in Jeddah have also eased somewhat. It is likely that future price rises in Riyadh will be more moderate than those of recent years. But since incomes remain at two-thirds the level of the capital, housing stress is reduced, in part, due to higher household sizes. While secondary cities display much reduced price trajectories compared to Riyadh, as average incomes there are lower.

Fewer than half of those who live in Riyadh now own their own home. Depending on the size of apartment, renting significantly reduces housing stress. The rent for a 3-bedroom apartment in the city centre was estimated at SAR 7,500 per month.<sup>13</sup> Rent payments would take up 22% of average income. By way of comparison, the latest US census data revealed that over 21 million renter households spent more than 30% of their income on housing costs in 2023, representing nearly half (49.7%) of the 42.5 million renter households in the United States for whom rent burden is calculated.<sup>14</sup>

Switching to renting poses a significant but localised problem in Riyadh for the Vision 2030 target of 70% home occupancy, which is otherwise ahead of target. Nevertheless, it does reduce housing stress. Not all of Riyadh is therefore in need of affordable housing, but the evidence is mounting that most of the city is – at least according to the US definition. A sizeable percentage of new entrants into the market will also be seeking affordable housing, although this is not necessarily because they cannot afford to buy or rent at all. Rather, to meet rising expectations for size and quality standards, they would need to spend more than the 30% threshold. Continued discussion over the willingness of Saudis to accept apartment living is a reflection of the debate worldwide.<sup>15</sup> So, in common with virtually every country around the world, in the Kingdom of Saudi Arabia new development alone cannot solve the problem.







*There is a significant demand for affordable housing across the Kingdom, which are being addressed through federal housing programs and public-private partnerships. The developers of such communities continue to innovate and enhance quality of life within communities, meet end-user expectations, and ensure such projects integrate seamlessly into the urban fabric of cities in the Kingdom.*

**Siraj Ahmed**

*Partner, Head of Strategy and Consulting*

## *Affordable Housing Around the World*

The UK Government acknowledges the need for 300,000 new homes annually but the latest data on annual construction shows 234,000 homes built in 2022–23.<sup>16</sup> The UK figure is however three times greater than that required only for population growth, reflecting a large quantity of sub-standard accommodation and overcrowding that the Government would now like to address. But of the homes delivered, most were delivered by the private sector at market price, with only 63,605 being affordable (27%).<sup>17</sup>

In the Kingdom of Saudi Arabia, by contrast, the large publicly owned developers are delivering two-thirds of new homes and the private sector the remainder. Roshn is by no means exclusively an affordable housing specialist, but in many cases even private developers are delivering price-controlled homes through Shrakat and other similar public-private partnerships (PPP).<sup>18</sup> This has been reinforced through the property rights sub-instruments developed by the Saudi Government to regularise land tenure and expand land registration<sup>19</sup> alongside tax reforms such as the introduction of the White Lands Tax and the replacement of 20% VAT with the real estate disposal tax of 5%.<sup>20</sup> There would be more housing development in the Kingdom of Saudi Arabia if not for land scarcity—especially in Riyadh<sup>21</sup>—and rising construction costs.

A comparison in terms of payment mechanisms is similarly instructive. Affordable housing programmes in the US have enjoyed considerable success through a range of delivery models. The Low-Income Housing Tax Credit (LIHTC) is a federal programme established in 1986 that provides tax credits to developers in exchange for keeping rents low. It has helped generate around 3.6 million units since then, accounting for over half of all federally supported low-income housing nationwide. But developers were incentivised with a 30-year hold on rents, and many of these holds are now ending with tenants now unable to pay market rental levels that can be more than twice their existing rent.<sup>22</sup> By comparison, the programmes such as Sakani and Ejar in the Kingdom of Saudi Arabia are open-ended. They have also been enacted far more quickly: 2 million Saudis have benefitted from Sakani since 2018,<sup>23</sup> twice the percentage of the population benefitting from the LIHTC and in less than a fifth of the time.



# Conclusions

Affordable housing is one of the highest priorities of the Saudi Government. Data shows that the answer does not revolve around whether developers can deliver the quantities required. They can if one includes those that are publicly owned and assuming that existing incentive programmes are not materially altered. The required legal framework now exists and developers possess the financial and technical capacity.

Instead, the challenge for the Saudi Government is to decide how much of this inexhaustible demand for affordable housing it chooses to meet through new build, in what way, and where. The issue is therefore one of policy – to what extent does the Saudi Government wish to continue to use development to provide relatively high-quality housing at below-market prices to its own citizens? Some, drawing on the experience of countries such as the UK and USA, might argue that the longer it continues to do so, the better, given the close correlation between housing quality and socioeconomic development, including indicators such as health.<sup>24</sup> This may be especially true since, in the longer term, demographic pressures are almost certain to ease, and with them the requirement for such substantial public sector investment in housing. At that point, the focus of public housing development can move from near universal provision to instead focus on support for low-income groups.



## Key Contacts



**Julian Roche**

*Chief Economist*  
Cavendish Maxwell  
julian.roche@cavendishmaxwell.com



**Ali Siddiqui**

*Research Manager*  
ali.siddiqui@cavendishmaxwell.com  
+971 50 877 0190



**Siraj Ahmed**

*Partner, Head of Strategy and Consulting*  
siraj.ahmed@cavendishmaxwell.com  
+971 50 382 4409



**Zacky Sajjad**

*Partner, Business Development and Client Relations*  
zacky.sajjad@cavendishmaxwell.com  
+971 50 297 9654

For the complete list of references, please refer to our [website](#)

---

### Dubai

+971 4 453 9525  
dubai@cavendishmaxwell.com  
2205 Marina Plaza, Dubai Marina, P.O. Box 118624, Dubai, UAE

Dubai | Abu Dhabi | Sharjah | Ajman | Ras Al Khaimah | Muscat | Kuwait City | Riyadh



cavendishmaxwell.com



### Disclaimer:

The information and analysis contained in this publication are derived from sources generally considered reliable and based on assumptions deemed reasonable and current at the time of undertaking market research. However, no representation or warranty, express or implied is made regarding their accuracy or completeness. We reserve the right to vary our methodology and to amend or discontinue the indices at any time for regulatory or other reasons.

The information and its analysis in this publication do not constitute legal, financial, or any other form of advice. Furthermore, it does not constitute a formal valuation, feasibility study or analysis of any property interest and should not be construed as such. Such analysis, including forward-looking statements are opinions and estimates only, and are based on a wide range of variables which may not be capable of being determined with accuracy. Variation in any of these indicators can have a material impact on the analysis and we draw your attention to this.

Cavendish Maxwell accepts no liability whatsoever for any loss or damage whether direct or indirect arising from reliance on this information.