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

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Abstract

All human have a right to live in adequate shelter [1]. Therefore, housing is one of the most critical topics in most developed and developing countries.

Recently, and because of oil revenues, Gulf countries achieved great developments and made huge steps to be an advanced countries. These revenues encouraged Gulf countries to develop their economy, infrastructures and policies. Among Gulf countries, The Kingdom of Saudi Arabia has made a noticeable progress in recent decades in enhancing and developing the economy and urban form.

The Kingdom had and still has a rapid increase in population. The growth rate of the total population between 2004 and 2010 was around 3%. Group aged below 25 years old represents more than 50% of the total population. In addition, the process of urbanization has gained considerable momentum during the past decades, particularly during the years of the economic boom in the early 1970s. The proportion of the population living in urban areas increased rapidly from 48 percent in 1974 to 81 percent in 2004[2]. Also, the high rate of migration to major cities cannot be neglected.

Housing market in the Saudi Arabia witnessed a rapid rise in houses and land prices in most areas of the Kingdom. This increase exceeded the household incomes. This contributed in creating a shortage in affordable housing supply. The majority of households are unable to purchase houses with these high prices.

On the other hand, the demand for affordable housing has largely increased in the past decades due to many reasons. Increase of population, inflation, variation of income levels...etc. are examples of these reasons. Although, Saudi government has given a high priority to the housing sector, the market witnessed a decline in percentage of homeownership, particularly for middle and low incomes.

The aim objective of this study is to demonstrate and identify of the major problems and challenges to access housing sector in Saudi Arabia. The reasons behind these problems will be also illustrated. The study will also emphasize on affordable housing and homeownership for the middle and low income.

The study is divided into two main parts. The first part provides a theoretical review of selected literature from many source related to the study. The second part provides analysis of data collection. This part is using, comprising different research techniques. The research techniques used are analysis of a selection television programs, Interviews with real estate developers, E-Questionnaire and face interview with people. Finally, the study gives some recommendation that would help to solve this housing crisis.

Key word: Saudi Arabia, housing sector, housing supply and demand, home ownership, affordable housing.

[1]The Universal Declaration of Human Rights, Article 25(1), 1948

[2]http://www.aleqt.com/2010/05/10/article_390789.html

Resumen

Todos los humanos tienen derecho a vivir en una vivienda adecuada[1]. Por lo tanto, la vivienda es uno de los temas más críticos en la mayoría de los países desarrollados y en desarrollo.

Recientemente, y debido a los ingresos del petróleo, los países del Golfo logrado grandes avances y ha dado pasos enormes para ser una los países avanzados. Estos ingresos se alentaron a los países del Golfo para desarrollar su economía, infraestructuras y políticas. Entre los países del Golfo, El Reino de Arabia Saudita ha hecho un progreso notable en las últimas décadas en la mejora y el desarrollo de la economía y la forma urbana.

El Reino tenido y sigue teniendo un rápido aumento de la población. La tasa de crecimiento de la población total entre 2004 y 2010 fue de alrededor del 3%. Grupo de edad inferior a 25 años representa más del 50% de la población total. Además, el proceso de urbanización ha adquirido un impulso considerable durante las últimas décadas, particularmente durante los años del boom económico en la década de 1970. La proporción de la población que vive en las zonas urbanas aumentó rápidamente de 48 por ciento en 1974 a 81 por ciento en 2004[2].Además, la alta tasa de migración a las ciudades principales no se puede descuidar.

El mercado de la vivienda en Arabia Saudita fue testigo de un rápido aumento en las casas y los precios de la tierra en la mayoría de regiones del Reino. Este incremento superó los ingresos de los hogares. Esto contribuyó en la creación de una escasez en la oferta de las viviendas asequibles. La mayoría de las familias no pueden adquirir casas con estos altos precios.

Por otro lado, la demanda de viviendas asequible ha aumentado mucho en las últimas décadas debido a muchas razones. Aumento de la población, la inflación, la variación de los niveles de ingresos…etc. son ejemplos de estas razones. Aunque, el gobierno de Arabia Saudita ha dado una alta prioridad al sector de vivienda, el mercado fue testigo de una reducción en el porcentaje de vivienda propia, particularmente para los ingresos medias y bajas.

El objetivo principal de este estudio es demostrar e identificar los principales problemas y desafíos para acceder al sector de la vivienda en Arabia Saudita. Las razones detrás de estos problemas se ilustran también. El estudio también se hará hincapié sobre las viviendas asequibles y propiedad de viviendas para los ingresos medias y bajas.

El estudio se divide en dos partes principales. La primera parte provee una revisión teórica de la literatura seleccionada relacionada con el estudio desde muchas fuentes. La segunda parte proporciona un análisis de la recopilación de datos. En esta parte utiliza, comprende diversas técnicas de investigación. Las técnicas utilizadas son: el análisis de una selección de programas de televisión, entrevistas con promotores, E-cuestionario y entrevista personal con la gente. Finalmente, el estudio da algunas recomendaciones que sería contribuir a resolver esta crisis de la vivienda.

Palabra clave: Arabia Saudita, sector de la vivienda, la oferta y demanda de viviendas, propiedad de la vivienda, vivienda asequible.

[1] La Declaración Universal de los Derechos Humanos, el artículo 25 (1), 1948

[2] http://www.aleqt.com/2010/05/10/article_390789.html

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CHAPTER ONE

INTRODUCTION

CHAPTER ONE: INTRODUCTION

1.1 Introduction

Housing is a topic of vital concern in most developed and developing countries. Developing countries are particular affected by problems associated with urban housing, and in most cases the problems are increasing in scope and intensity. We cannot limit or resolve these problems unless we conduct research studies and develop legislation. Additionally, proper planning will help find appropriate solutions.

Recently, oil revenues have enabled Gulf countries to begin to change relatively quickly from poor to advanced countries. This has encouraged Gulf countries to further develop and diversity their economies and institute planning policies. Governments are determined to construct modern cities that can compete with cities in the most advanced countries in the world in term of urban, economic, and social planning. However, in the last decade the population growth associated with rapid development has made housing one of the most important problems.

The Kingdom of Saudi Arabia, a prominent Gulf country, has made noticeable progress in enhancing the economy and developing urban centers in recent decades. Dramatic progress in both the quality and quantity of housing has been made over the past forty years. With this progress, society, in particular the residential environment, has changed and this has led to changes in the structure of the city, aspirations for housing, and residents' perceptions of their needs.

The housing market in Saudi Arabia has witnessed a rapid rise in house and land prices in the most areas of the Kingdom, which has led to lack of affordable housing. The majority of households are unable to purchase a house. The demand for affordable housing has risen considerably in the past several decades due to the increase in population, inflation, and variations in income levels. There is a gap between supply and demand, and a general failure to understand the needs of the current market.

The Kingdom also has had a rapid rise in population (MOP, 2010)[3]. Between 2004 and 2010, total population grew by approximately 3% and more than 50% of the total population was less than 25 years old, which means there will be an increase in housing demand. In addition, the process of urbanization has gained considerable

[3] Ministry of Planning of Saudi Arabia, Central department of statistics and information, 2010

momentum in Saudi Arabia during the past two decades, particularly during the economic boom in the early 1970s. The proportion of the population living in urban areas increased rapidly from 48% in 1974 to 81% in 2004[4]. There has been a high rate of migration to major cities.

In 2011, the Kingdom of Saudi Arabia had the lowest rate of homeownership in the Gulf States at approximately 35%. In contrast, the rate in Kuwait was 86% and 90% in the United Arab Emirates. Even though the Saudi government has made the housing sector a high priority concern, the market witnessed a decline in percentage of homeownership particularly for middle and low income. Based on several statistical sources, the percentage of homeownership is between 25% and 35% of the total population in the Kingdom.

Given rising demand, limited supply, low rates of ownership, rapid urbanization and population growth, the housing sector in Saudi Arabia faces significant challenges, most especially in providing adequate housing for middle and low income households.

1.2 Overall hypothesis and objectives.

1.2.1The hypothesis

The lack of affordable housing supply and demand in Saudi Arabia. In spite of all programs and assistances from the government is due to the current legislative framework and this especially in residential land and funding programs.

1.2.2 General Objective

The aim objective of this study is to demonstrate and identify of the major problems and challenges to access housing sector in Saudi Arabia. The reasons behind these problems will be also illustrated. The study will also emphasize on affordable housing and homeownership for the middle and low income.

1.2.3 Specific objectives

- Analyze the advantages of housing ownership
- Analyze the difficulty for low and middle income households to purchase housing, with reference to evidence provided by official statistics and related studies.
- Analyze the reasons that led to the lack of supply of affordable housing.

[4] http://www.aleqt.com/2010/05/10/article_390789.html

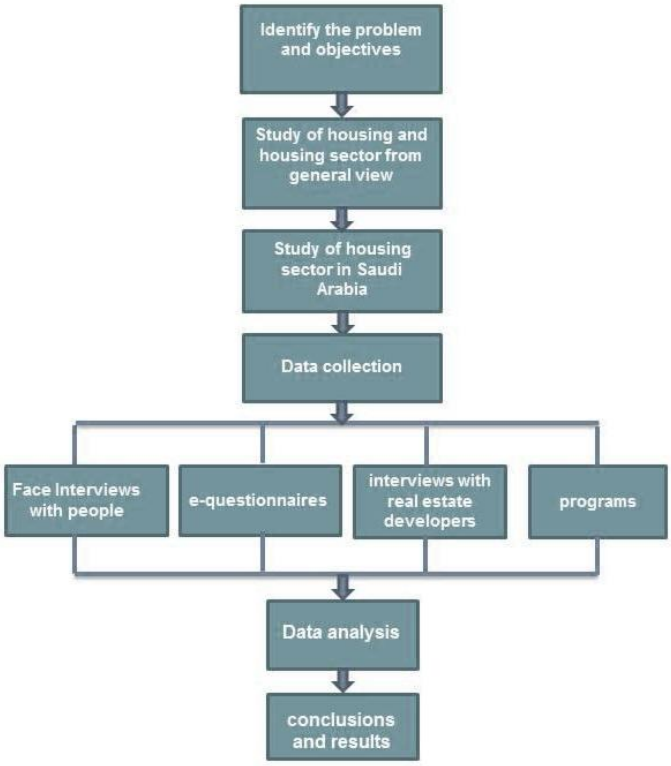
- Demonstrate that the supply of and demand for special types of housing caused pressure on the housing market.
- Identify the factors that influence homeownership for middle and low income households.
- Draw conclusions and provide recommendations that will help the housing sector provide affordable housing for low and middle income families.

1.3 Research Methodology

The study is divided into two main parts: a literature review and an analysis of the data collected. For the literature review, Initially we concentrated on selected books, newspapers, and reports that employ a qualitative methodology and which relate to housing in general with a focus on homeownership and affordable housing. After that, we narrowed the scope to literature relating to the housing sector in Saudi Arabia, also with a focus on homeownership and affordable housing. Finally, we extracted the information most relevant to this study.

Data collection and analysis relied on several different research techniques. Mixed methods are used in this study quantitative and qualitative: documentary analysis, interviews, and a questionnaire. The documentary analysis looked at a several television programs that focused on discussed the housing sector with an emphasis on homeownership and affordable housing in the Kingdom. Interviews were conducted with real estate developers to establish their perspective on the difficulties facing the private housing sector and also with representatives from middle and low income groups. The questionnaire was published on the Internet to try to reach a large number of participants. An important objective of the questionnaire was to generate a database for the study.

Figure 1: Research Methodology



1.4 The structure of the thesis

This study has been organized as follows. Chapter one outlines the objectives and research methods. Chapter two presents definitions and a review of literature related to the housing sector, particularly work dealing with important relevant issues, such as demand for housing, ownership rates, and availability of affordable housing. Examples of international experiences related to the housing sector, especially for low income households are included. To provide context for the analysis and discussion, the third chapter offers background information about the Kingdom of Saudi Arabia and examines urban planning, national development plans, urban planning theory, and the economic theory of housing demand. Chapter three also presents an overview of the Saudi Arabian real estate market and the Islamic perspective on some solutions to the housing crisis. Chapter four describes data collection and presents results and analyses. The data was collected via interviews with two Saudi Arabian real estate development companies, through an analysis of television programs that discussed the housing problems in the Kingdom, an online questionnaire and Face interviews with individual citizens. Conclusions and recommendations are presented in the final chapter.

CHAPTER TWO

HOUSING SUPPLY AND DEMAND: AN INTERNATIONAL PERSPECTIVE

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2.1 Introduction

Housing is of vital concern in both developed and developing countries. Housing is a significant problem in urban areas, particularly for developing countries, due to rising populations and the limited availability of land. Solutions to housing problems will come through research, appropriate legislation, and proper planning.

A house provides shelter and is a symbol of privacy, prestige, and social; differentiation. Most often a house reflects the characteristics of the surrounding social milieu as well as the personality of the inhabitants. The reciprocal relationship between housing and inhabitants is the reason that housing is the focus of a great many important social, demographic, economic, and political, as well as cultural and urban, studies. Housing is not merely an architectural or engineering problem. A house plays a primary social role in human life. It is a framework for the family and for neighborhoods. Adequate housing is of enormous importance to all family members and neighborhood groups and the lack of adequate housing can lead to various problems.

Recently, Gulf countries have begun to transition from poor to advanced societies due to oil revenues. Improvement in economic conditions has encouraged Gulf countries to diversify their economies and develop planning policies. The construction of modern cities that can compete with those anywhere in the world and which reflect sophisticated urban and economic planning has been a common goal (Senan, 2003). However, in the past several decades, rapid economic development and population growth has resulted in many housing problems, particularly for middle and low-income families.

2.2 What is housing and home?

A home is considered one of the main physical necessities of life, fourth after food, water, and health. It provides stability and a suitable environment for individual family members to communicate and be productive. A home forms the basis for achieving secondary physical goals that include improving the standard of living and providing services. In addition, a home consolidates the elements that enable people to achieve more spiritual and less tangible goals, such as security, identity, justice, freedom, and responsibility (Suliman, 1996).

The housing and construction sectors form one of the main tributaries of urban development and can improve living conditions and enhance the provision of basic services to citizens. They are important sectors for the growth of the economy. Building residential housing is one of the main pillars of the construction sector, which in turn contributes to the development of the contracting sector and the industries and commercial enterprises that provide building materials. Collectively, these sectors provide many career opportunities for professionals and employment opportunities for tradespeople and less skilled workers. Hence, a great many researchers from different fields are interested in housing.

2.2.1 Definition of housing

Researchers point out the importance of achieving a single definition of housing that is acceptable to experts, decision makers, and dealers. Such a definition would correct the negative interpretations and applications that have been caused by differences in understanding housing as a concept.

Providing safe and adequate housing is essential for every family. Without it an individual cannot be a productive element in society. From this perspective, housing is generally defined as a study of residential units and a study of the housing market. It is also a study of the difficulties people have finding appropriate housing and people's expectations of their home. The psychological, social and cultural effect of housing is significant.

From the perspective of an academic inquiry, we can define housing as an integrated system that touches on social science, economy, architecture, planning, internal design, policy, psychology, and law. Therefore, housing exceeds the limits of a house in which we live. It is a series of larger and complicated elements that contribute to welfare and safety. Some people consider "housing" as the plural of "house"; others think a "house" is one element among many "housing" elements.

All of the above definitions reveal that housing, especially what is known as the housing level, is extremely important. Bad housing leads to social and economic problems, especially moral ones; it affects individuals, families, and societies negatively.

Economically, national housing policies are connected with and influenced by the economic system. The housing market is important in any economic system. Like any product, housing is affected by supply, demand and exports for foundation

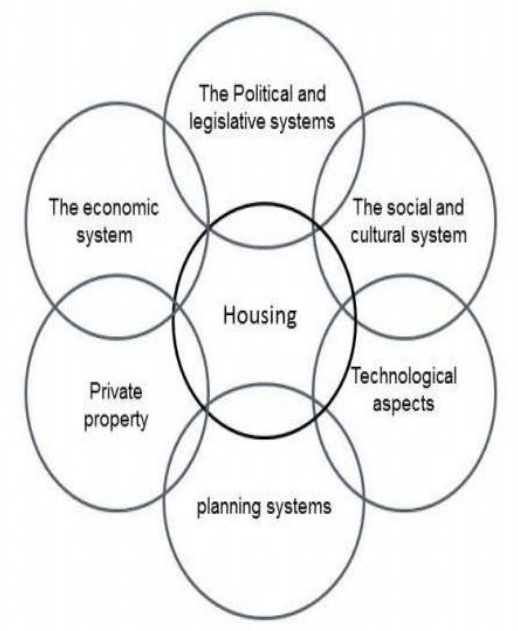
materials. Also the housing is connected with the country's political system because housing policy is part of public policy.

The social system has a direct effect on the housing system. The social system in a society depends on the family system and shifting attitudes about family organization - from complicated or extended to nuclear families – will influence both the housing and the social system. There is an emerging tendency for younger, less traditional families to prefer living in independent housing units instead of multiple-dwelling houses. This tendency will require many countries to change their housing policies.

Technological progress, including construction methods and materials that can influence internal and external design, has an effect on housing.

From above we can see that housing is not only connected with families or individual occupants but also with political, economic, planning, and social systems, as shown in Figure 2.

Figure 2: Housing system linked with other community systems



2.2.2 Home definition

A home has a great influence on family life. It is considered to be a primary necessity, like food, clothing, education, and health, and is an important element that determines the quality of life. A home provides more than rudimentary shelter; it provides different possibilities and facilities for a comfortable family life, reassurance,

and safety. A home shelters the family physically and psychologically and facilitates the expression of personality and desires (Alsweedi, 1985).

Home is defined as the building that shelters an individual and has all the necessities, facilities, and tools wanted or needed to achieve mental health and social happiness for both the individual and the family. A home is not isolated from community. A home is one of the important factors that leads to and secures social stability. Homes differ from country to country according to specific circumstances and cultures, but, in all cases, homes support and strengthen the family system.[5]

From the architectural point of view, there are general approaches that can be examined through research, debate, and experience. One approach proposes that we should think of a home mainly as daily practice back ground. The home is a reflection of cultural images expressed by society's professional experience and creative ability (Okasha, 1999).

From the above we can deduce that a home offers security and strengthens social and family ties. Housing is larger than just a set of homes. The latter is considered one of the elements of housing that includes equipment and services among other features.

The type of home a family lives in is affected by many factors. Family resources, decisions, and the many surrounding systems that affect the family also affect the quality of the home that we choose or have to live in. Families are influenced by a great many factors when making decisions about homes. Some of these factors are related to the availability of information about vacancies in the housing market; others are related to local and international social, economic, and political systems. Additionally, builders and developers and financial considerations, such as banks, mortgages, and loans, all affect a family's decision when choosing a home.

2.2.3 Household definition

We can define household as follow: all persons living under one roof or occupying a single housing unit, having either direct access to the outside (or to a public area) or a separate cooking facility. When the members of a household are related by blood or law, they constitute a family[6].

5 Ahmed Zaki Badawi: Dictionary of Social Sciences, Beirut, p. 201

6 http://www.businessdictionary.com/definition/household.html#ixzz1xMPbc61F

Households can be single or multiple occupancy dwellings and may contain a wide variety of occupants: single people; young or growing nuclear families or large extended families; and can include working, retired; inactive, unemployed, or disabled individuals[7].

2.3 The Importance of Housing

First, all human have a right to live in adequate shelter according to The Universal Declaration of Human Rights in 1948. Which clearly provides in Article 25(1) that[8]:

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

Housing is the foundation for many basic human needs, such as safety, survival, and dignity. For most people, housing is both essential and their largest financial investment or expenditure; therefore, the distribution of housing fundamentally affects a country's social and economic structure Generally, the housing sector accounts for 10 to 20% of total economic activity and 20 to 50% of reproducible wealth. In the U.S., over 20% of Gross Domestic Product (GDP) goes for consumer spending on housing construction and housing-related goods and services, greater than all other industrial sectors (Seiders, 1997). The housing sector is linked to virtually all macroeconomic sectors, for instance, interest, savings, and inflation rates; unemployment, wage rates, and even the balance of payments. The considerable influence of these links to the rest of the economy are increasingly being recognized and documented. (Zhou, 1999)

2.4 Urban housing problem

In our era, despite the development of industry and technology, there are many countries in the world where rapid population growth and migration from rural to urban areas has led to extremely complex housing problems.

One way to look at the housing problem is as a phenomenon of scarcity; too few available and appropriate housing units. That perspective would lead one to the conclusion that problem is a result of insufficient new residential construction or as a result of an acute slowdown in the construction industry due to high labor costs or

7http://translate.google.com.sa/translate?hl=ar&sl=en&tl=ar&u=http%3A%2F%2Fwww.camecon.com2FHome%2FConsultancyCapability%2FHousing_employment_and_commuting.aspx&anno=2

8 http://www.un.org/en/documents/udhr/index.shtml#atop

limited availability of construction materials. Whatever the reason, insufficient supply will drive rents or prices up and push the costs beyond low-income households ability to pay.

From the above, we can conclude that housing problems differ considerably from one community to another. However, regardless of the reasons for the problems, it is incumbent on governments to address them. For various reasons, most countries face some type of housing problem and left unaddressed they will aggravate economic, social, and political problems and hinder positive development.

Housing is an urban problem: Many analyses of housing clearly indicate that it is primarily an urban problem. These analyses also explain that the number of people crowded into cities is main cause of housing problems Population growth occurs mainly due to migration from rural villages to the city. This migration stream is a global phenomenon that has resulted in many problems that negatively affect individuals and families socially, economically, and technologically. In the last few years, the proportion of urban dwellers compared to rural dwellers has increased in many regions of the world. From that we can conclude that the contemporary crisis in urban housing, represented by increased rates of overcrowding, the proliferation of very high multi-story buildings, the doubling of housing prices and high rents, and other manifestations of social, economic and environmental problems are connected to increased urbanization and demographic growth.

Today, there are some significant obstacles to providing housing, especially in developing countries as:

- Low incomes and high cost of houses.
- The limited capacity of the country.
- The price of the land and land speculation.
- Lack of funding and savings.
- Lack of effective planning.
- Under-development in the use of materials, the construction industry, and limited architectural resources.

2.4.1 The concept of the housing problem for low-income

According to Abdullatif (2008), we can define the housing problem as insufficient supply of residential units to meet demand and the inability of low-income people to buy or rent residential units. The supply problem is generally caused by the failure to provide service facilities and the infrastructure these facilities require. Some

studies, including Abdullatif's work (2008), position these as quantitative and qualitative problems:

- Quantitative. A lack of affordable housing units for low-income households, i.e., a deficit in purchasing power relative to supply.
- Qualitative. The non-availability of facilities and services that should be basic rights for citizens, i.e., the quality of housing, or at least minimum health standards for these facilities and services.

2.4.2 Employees in the housing field

Employees in the housing field include skilled and unskilled workers, technicians, engineers, contractors, mediators, employees of corporations, and others. In this discussion, we focus on the following groups:

- Mediators.
- Contractors.
- Architects and civil engineers.
- Administrative leaders and officials in the area of housing.
- Workers in Engineering Management.

Each of these groups has a significant effect on the housing sector and contribute to its development.

2.4.3 Basic conditions for adequate housing

International conferences have agreed on some basic conditions for adequate housing, including the following:

- Privacy.
- A healthy environment.
- Availability of services.
- An appropriate location.
- An affordable cost.
- An appropriate cultural environment.

If we apply these basic conditions to housing in general, it will become obvious that housing is a global problem.

2.5 Demand for housing

Demand for housing depends on a variety of factors, such as the nature of the housing market, the tenure structure, and the socio-economic attributes of households. The quality of buildings, average standard of living, and the preferences and habits of consumers also affect housing demand. These factors vary from region to region.

Home purchase decisions are also often motivated by consumption and investment demand for housing (Henderson and Ioannides, 1983).

According to Mayer (1990), housing demand is one of two ways in which housing choices are expressed; the second is residential mobility. The following dilemma holds: do we control demographics and focus on economic parameters, or vice versa? Mayer emphasizes that the answer to this dilemma is important because it leads to alternative research designs and different model specifications. He added that the analysis of housing demand opens up important interconnections within housing demography, not all of which can be easily researched with available data. Nevertheless, it is important to recognize that specific interconnections exist.

Financial, fiscal, and government regulation are major features of housing (Renaud, 1955). Population growth has always been recognized as a primary force driving demand; in general, demographic factors shape housing demand. As well, attractive social facilities and social capital are known to be desirable features. The impact of a neighborhood on economic behavior can de demonstrated in many different ways. Public services, the availability and quality of schools, and housing consumption are influenced by these and other associated features.

The construction of houses to bolster the industrial economy was a goal for the Kingdom of Saudi Arabia, and because subsidized government financing was made available for this purpose, a high level of oil production was required. The government also wanted to diversify and improve the structure of the economy through the housing sector. This implies an increased demand for housing, which would accelerate the construction of houses. In essence, as income increased, the availability of larger homes and lots would result in higher prices. This in turn meant that people would be paying more for homes, potentially with fewer desirable physical amenities. Population growth generated a rise in demand for housing units and for more desirable neighborhoods and housing locations. Differential designs have also affected the housing market. Recently, homebuilders and regional housing builders have expressed concern about the tendency to build housing in the traditional style. This is connected to changing lifestyles, choice of housing location, and suitable services. In response to government policies and to higher prices, the stock of housing reached the stage that cities in the Kingdom were experiencing high vacancy rates for existing housing units, although increasing housing demand coupled stagnation in housing supply was expected to absorb the surplus by the year 2000 (Al-Hathloul and Edadan, 1995).

For investors purchasing a property, the return on investment is the primary concern and this has implications for portfolio allocation. Equally, owner-occupiers and investors would take the effort involved in selling the property in the future into consideration before making a purchase decision. Owner-occupiers want properties that can be sold quickly; investors want flexibility to gain optimal portfolio allocation, which also suggests that liquidity is a desirable feature. Property owners can realize capital gains when prices rise and, and in a market downturn, minimize losses by selling the asset before prices drop any further.

Household demand for space is determined by household demographics and income, and the cost of occupying the space relative to the cost of consuming other commodities. Mortgage interest rates also influence the demand for owner-occupied housing. For example in San Francisco, given rising incomes and historically low interest rates, it is predictable that the demand for both rental and owner-occupied housing has grown faster than supply.

According to (Patrick, 1976), the demand for houses is affected by three main factors:

- Population growth; as population increases the demand for houses increases.
- Family size.
- The need to replace existing housing that has reached the end of its useful life with new housing. However, improved construction technology and commitment to high quality renovation specifications prolong the life span of existing buildings and thus reduces the demand for new housing units.

2.6 Housing need and choice

Housing needs are subject to policy issues and individual perceptions where needs are seen as a lack of something or as a necessity (King, 1996). The idea of need is often relative, and that is true is relation to housing. Rather than an absolute necessity, need is more the perception of wanting housing of a particular standard and suitability (Whitehead and Kleinman, 1992). Even when households have suitable dwellings, the perceived need for improve circumstances does not disappear. Therefore, housing need, regardless of the current situation and whether or not it lacks something, should be seen as a personal necessity (King, 1998). It is personal because the necessity reflects a household's personal aspirations. In this sense, housing need cannot be isolated from a particular circumstance and therefore the concept cannot be generalized into an easily defined or quantified social need.

Demand for particular houses is influenced by the characteristics of neighbors, including the needs of neighbors in relation to income. Alternatively, this could be a housing preference effect and could also be rationalized as owners viewing their neighbors' characteristics, particularly income levels, as indicators of their future housing consumption, which could alter their own consumption in relation to their family size and the price they can afford.

At a macro level, individuals' housing needs and their ability to satisfy these needs determines the distribution of households across housing units (Rossi, 1955). Housing preferences are driven to some extent by demographic factors, such as movement through the life cycle (Speare, et al., 1975). For example, newly married couples usually look for housing that will accommodate a growing family. Similarly, neighborhood characteristics, such as school quality, may also be important. Earning capacity is obviously a determining factor; the ability to satisfy housing needs depends on resources. People with high incomes will undoubtedly have more freedom to choose where to live, and those with higher levels of education may be better able to obtain better information about housing opportunities. In contrast, individuals at lower income levels or on public assistance will be more constrained in their options.

An understanding of the nature of human needs is crucial in the development of housing and space standards. Perception of need may vary among different life-styles, depending household formation and composition, housing choices, demographics, availability, demand, mobility, and neighborhood. The desire for a range of choices leads to alternative designs and different specifications.

Myers (1990) in his book *Housing Demography* emphasizes that housing demography can be classified into four general areas:

- Housing construction and inventory change;
- Household formation and composition;
- Housing choices; and
- Spatial patterns and consequences.

Myers suggests that in household demography, a subfield of demography, the first dimension is household formation and composition, which includes other aspects of social demography. However, Myers points out that most housing research begins with the behavior of households. Myers positions housing choices as the second dimension and divides choice into three categories:

- Tenure (owning or renting),
- Size of unit,

- Structure type (single-family, multifamily, or mobile home).

2.7 Homeownership

Homeownership has economic benefits. Outside of the household, homeownership generates activity in the real estate sector (Galster, 1987). Within the household, homeowners are also expected to have an interest in both goods consumption, such as major appliances and maintenance equipment, and investment (Galster, 1987 and Saunders, 1990). Preference for homeownership over renting is an important factor in determining housing policy (Saunders, 1990).

Researchers and policy makers contend that an individual's economic, social and psychological status is enhanced by homeownership, which in turn improves the economic and social stability of the country. Psychologically, homeownership is a social status symbol (Megbolugbe and Linneman, 1993) and promotes family pride, self-expression and security. There is both freedom and status associated with being free of the pressures imposed by landlords. Homeowners have greater control over their property than tenants (Stegman, 1994), which can engender a greater sense of control over life itself (Saunders, 1990).

Homeowners are likely to value their house and amenities more highly than renters and they are more likely to both maintain and improve their homes (Saunders, 1990). Further, this behavior is influenced by social interactions in the community and surrounding neighborhoods (Galster, 1987; Rossi and Eleonor, 1996). In contrast, renters are less attached to their homes and seldom engage in renovation or refurbishing because once they leave the house, they can no longer enjoy the benefits of the improvements (Galster, 1987; Saunders, 1990). Homeowners' interest in maintaining the economic value of their home is thought to have a social impact because it leads to higher levels of participation in local voluntary organizations and political activities, and creates emotional attachment to the neighborhood (Rohe et al., 2001; Rossi and Eleonor, 1996).

Owing to the stake they have in their homes, homeowners are far less likely than renters to move (Eleonor, 1996). Homeowners tend to spend more time and money on their homes and hence, the possibility of residential mobility is reduced. The high transfer costs associated with buying and selling homes versus the lower transfer costs for terminating a lease agreement affects homeowners' decisions (Cox, 1982). The consequent decrease in residential mobility contributes to neighborhood stability,

which is likely to provide better neighborhood “health” and boost property values (Rohe et al., 2001).

Most work on the benefits of homeownership has concentrated on single detached low-rise dwellings. Are the determinants of homeownership influenced by the type of residential dwelling? Is the behavior of the homeowners of single detached dwellings similar to that of those who own homes in multiple-unit dwellings? Glaeser and Sacerdote (2000) found that owners of apartments in medium-sized (five to nine units) and large apartment complexes (more than ten units) are less involved in local politics than owners in complexes with fewer units but are more likely to be socially connected with their neighbors.

Based on the above review, this study maintains that the positive benefits of homeownership are not necessarily realized through multi-story residences. As Wekerle et al. (1980) argued, even though homeowners are more independent and do not have to deal with landlords, the social and psychological benefits are difficult to realize in multi -story residences since owners have limited control.

2.8 Affordable housing

Currently in many Asian countries, access to affordable housing is a growing problem (Figure 3). In some areas, housing is reasonably priced relative to construction and costs but incomes are too low. In other situations, incomes are adequate but housing supply and financing is limited. All over Asia, many households live in slums and informal settlements because there is a shortage of quality housing at a price they can afford. In fact, poor households often spend a disproportionate share of their income on housing. Consequently, expenditure on other basic needs, such as food, education and health is necessarily reduced.

Figure 3: Asia comprises countries from Turkey to Japan and from Mongolia to Indonesia.

(Source: UN-HABITAT, 2010)

For low income households to have a decent place to live, the adequacy cost between spending and income is extremely important. . If capital costs, in terms of financing and household income, are achievable, the propensity to buy housing or the willingness to invest in a dwelling will follow automatically (Lee, 1990). Hancock (1993), referencing Bramley (1993), takes this further and states that housing is only affordable for households if, after deducting housing costs (rent or repayment of a housing loan) there are still sufficient resources to provide the necessities of life. What constitutes affordable housing for the families below or close to the poverty line is somewhat more complicated than simply the ability to find housing within their income. The notion of affordability is different for households that spend more than 30% of their income on housing and utilities, such as electricity, water and gas (City of Ashland, 2002).

Households' access to and ability to pay for housing are also affected by government actions. Because financial instruments that facilitate the purchase of housing can be used to regulate the housing market, the financing of housing, particularly social housing, is a major issue in both developing and developed countries. Affordability can be viewed as a market problem as well as an income problem. Initially, government intervention tends to focus on the rent-to-income ratio. When housing affordability is seen as a market problem, a government's approach to the provision of housing is likely to be altered (Linneman and Megbolugbe, 1992).

In the Kingdom of Saudi Arabia, economic growth and the availability of affordable housing has resulted in high levels of migration to metropolitan regions. Providing affordable housing in these regions has been a significant policy target for the government. Although loans to finance the purchase of houses are used by the private and public housing sector, land supply and planning permission are often restricted, which contributes to higher housing costs. Issues of land supply and income inequality are equally important. Since the early 1970s, the provision of decent housing to Saudi citizens has been a national objective. To achieve this, a specialized financial institution, the Real Estate Development Fund (REDF), was set up to provide interest free credit to individuals. The private sector also participated by developing private housing (Al-Rahman, 1994).

In Saudi Arabia, homeownership is strongly related to income in Saudi Arabia. The increase in the cost of building houses and the cost of purchasing housing lots makes the provision of affordable housing necessary, as reported in the country's sixth five-year plan. The plan stated that the government should continue to provide a sufficient number of affordable houses for all segments of the population. Kemeny

(1981) draws a distinction between home owning and cost rental societies. The former includes the United Kingdom, the United States, Australia, and New Zealand where there is an extensive private housing market and the government encourages homeownership. In these jurisdictions, the rental market has two distinct segments. Social housing is in limited supply relative to demand and is strictly regulated.

2.8.1 Definition

Affordable housing is broadly defined as that which is adequate in quality and location and does not cost so much that it prohibits its occupants meeting other basic living costs or threatens their enjoyment of basic human rights.[9]

Affordable housing:

According to Monk (2010) affordable housing, which includes rented intermediate social housing provided to specified eligible households whose needs are not met by the market, should:

- Meet the needs of eligible households including availability at a cost low enough for them to afford, where cost is determined with regard to local incomes and local prices;
- Include provision for the home to remain at an affordable price for future eligible households or, if these restriction are lifted, for the subsidy to be recycled for alternative affordable housing provision.

For Calgary City Council, "Affordable housing adequately suits the needs of low- and moderate income households at costs below those generally found in the Calgary market. It may take a number of forms that exist along a continuum" from rental options to entry level home ownership. Affordable housing projects target households with 65% or less of the median household income in Calgary (City of Calgary, 2002: 18). These are households with an annual before-tax income of less than $44,000 (Statistics Canada, 2007).[10]

9 The term 'affordable housing' is often used to describe a type of housing for low-income people, which has a variety of other names for instance 'social housing', 'public housing', and 'low-cost housing'. In this publication, however, it does not refer to a type of housing (i.e., low-cost, social or public housing) but rather relates to the financial affordability of housing with respect to occupants' income.

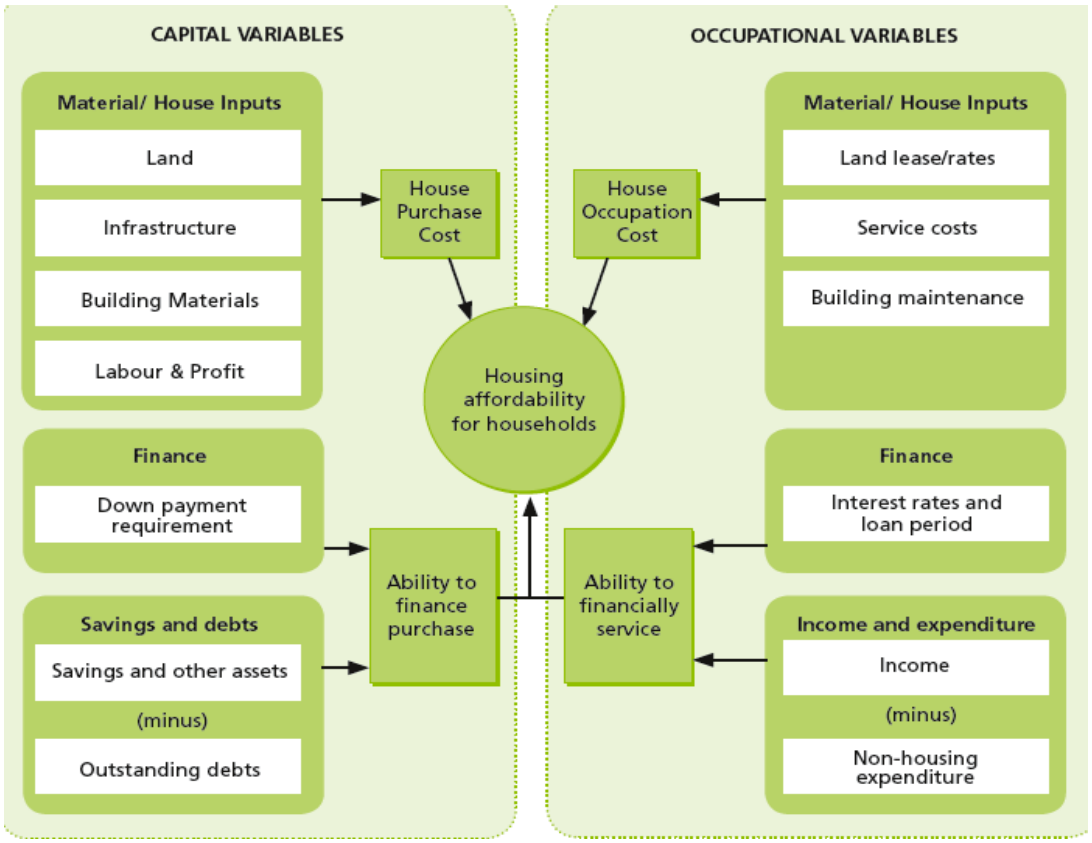
10 The 2006 Canada census reported that median annual household income in Calgary for 2005 was $67,238 (Statistics Canada, 2007). Therefore, 65% of area median income in Calgary is now set at $43,705, which was rounded up to $44,000 by Statistics Canada (2008) for custom data analyses completed for The City of Calgary.

2.8.2 Components of housing affordability

Housing affordability is affected by many factors. Figure 4 outlines the components of housing affordability for households. Affordability is primarily determined by two main variables: capital (house purchase costs) and occupation (costs associated with keeping the house). (UN-HABITAT, 2010)

The ability to purchase a house is affected by the purchase cost (the sum cost of land, infrastructure, building materials and labor, and profit) and the ability to finance the purchase (the down payment requirement and household savings). After a house is purchased, the ability to occupy and pay for the house is influenced by material inputs (land lease and rates, services costs, and building maintenance) and financial inputs (amortization period and interest rates, and household income minus non-housing expenditure).Therefore, affordability involves much more than the simple relationship between purchase price and household income. In many Asian countries, high land prices are often responsible for the high cost of housing; inadequate land policies result in insufficient available land for development. Similarly, lack of financing or prohibitive terms (high down payment requirement, high interest rates, short loan periods) also directly limit housing affordability, particularly for lower- and middle-income groups. (World Bank, 1993 and Nenova, T., 2010)

Figure 4: Basic components of housing affordability



(Source: UN-HABITAT, 2010)

2.9 Examples of global low-cost housing solutions.

2.9.1 Contribute of charitable organizations in the housing field.

There is no doubt that the government cannot solve the housing problem alone; however, it should not be leaving the field entirely to the profit-driven private sector. It is extremely unlikely that high profit margins will be attained in low-cost housing. Charities can play an important role in addressing the problems and complexities associated with the provision of low-cost housing. Specifically, charities can help the poor obtain adequate housing through the following:

- Helping to make services and facilities available, encouraging job opportunities and education, and also undertaking initiatives to raise local community's standard of living.
- Helping to locate association systems for, and funding the payment of, loans and reducing the risk of inability to repay loans through the promotion of the principles of mutual responsibility in the membership.
- Encouraging its employees and volunteers to gradually take on construction and management responsibilities, which will cut costs.
- Encouraging savings among the members of the local community and creating

resources for self-activities on their way.

- ❖ Provide effective procedures for periodic maintenance of residential buildings.

2.9.2 Low-cost housing in Malaysia.

The Malaysian government has adopted a multi-owner low-cost housing strategy to assist low-income urban households. The settlement is multi-story and inhabited by more than one household. (Figure 5) Standards and prices are controlled by the government (2006) through the National Housing Department, which is administered by the Ministry of National Housing and Local Government.

As of Q4 2009, 43.8% of the national low-cost housing stocks were multi-story development projects. The proportion of multi-story low-cost houses exceeded that of low-cost landed properties by 70% in predominantly urban states, such as Selangor, Pulau Pinang, and Kuala Lumpur (Valuation and Property Services Department, 2010, p. 5).

People move from slums to multi-story multi-owner low-cost housing environments where they share walls, floors, ceilings, and hallways as well as common facilities and services, such as lifts and playgrounds. Every aspect of the residential environment is determined collectively by the residents. However, when a consensus cannot be reached, mismanagement becomes almost inevitable (Muhamad Ariff and Davies, 2009). If housing management is a low priority, the residential environment will undoubtedly start to resemble the slums that these housing settlements replaced. Therefore, several studies have focused on the development of housing management for multi-owner low-cost housing in Malaysia.

The private sector has had a significant impact on the housing sector in Malaysia; the private sector constructed more than 70% of the ‘low-medium-cost’ housing from 2001 to 2005. However, the number of medium and high-cost houses constructed by the private sector during the same period far exceeded the target, reflecting a continuous demand for this type of housing (Government of Malaysia, 2006). This demonstrates the importance of cooperation between the public and private sector.

Figure 5: High-rise multi-household housing sits in stark contrast to low-rise wooden dwellings in Penang, Malaysia.

(Source: UN-HABITAT, 2010)

2.9.3 The experience of Singapore and Hong Kong.

Success in providing affordable house in Singapore and Hong Kong is attributed to several factors. Their governments are relatively centralized and their steadily advancing economies are highly regulated. They were not faced with constant pressure from migrants relocating to the cities because they are both small city states without a large rural hinterland. Land is publicly owned and appropriately regulated. Consequently land was not only available for housing developments, it was also used efficiently. Of equal importance is the fact that both jurisdictions developed comprehensive housing programs and did not indulge in small one-off housing projects.

In Singapore the provision of affordable housing to the majority of its population has relied on homeownership through subsidized loan payments. The Housing and Development Board has housed 80% of the population; 95% are owners (Tay, 2007).

Singapore is an excellent example of state intervention through direct construction. In 2002, an estimated 85% of the population of 3.3 million was living in subsidized public housing units. Of this number, 96% were owned by their occupants and 4% were rented. Singapore's public housing program is based on subsidized mortgages, primarily through interest rates adjustments. The success of the program is due, in part, to Singapore's rapidly growing economy and also to the fact that the government owned 85% of the land. Acquiring land was generally not a problem although some compulsory acquisition was used (UN-HABITAT , 2005d and Yuen, 2005).As well, Singapore's Central Provident Fund (CPF) has been instrumental in enabling households to save for housing by providing incentives. Workers contribute a percentage (depending on age) of their monthly income to the fund and the government exempts CPF earnings from tax, and guaranteeing payment of CPF

savings. Housing can be purchased either through the Public Housing Scheme or the Residential Properties Scheme (Acioly, 2008). The CPF is an extremely successful housing finance approach with 95% of employees aged 21 and above owning public housing bought with CPF savings.

2.9.4 Land banking

Land banking is used for urban development land acquisition ahead of need at relatively low cost. It can also be used to guide urban development, contain land speculation, redistribute land to the poor, and finance infrastructure investments. However, land banking requires strong administrative and financial capacities, which many local authorities in developing countries lack. Most land banks fail to keep prices low and prevent speculation, and extensive delays in acquiring and developing land have tended to exclude poor households. Although land banking has been used successfully in some Asian countries, such as Malaysia and Singapore, it is no longer seen as an effective strategy.

2.9.5 Building materials and the construction industry in Asia

The United Nations has advised that governments in Asia should implement policies that increase access to appropriate and affordable building materials. They also encourage research and development into innovative construction technologies. Equally important is the need to improve the quantity and quality of skilled workers. Environmentally-sound construction design and techniques, and energy efficient, low-polluting technologies should be promoted. In this respect, user-friendly technical literature on innovations, such as compressed earth blocks, dome construction, Ferro-cement channels, rammed earth and vault construction has been made available. (UNCHS and AVBC, 2001a)

Small-scale contractors can play a significant role in the implementation of policies to increase access to adequate and affordable housing. However, if they are to take advantage of the assistance offered by government and local authorities to take a more central role, they must be more cooperative with regulating bodies. Small-scale contractors could benefit from the change of attitude and enabling approach that public authorities have been urged to adopt by UN-HABITAT and the International Labor Organization (ILO)[11] (UNCHS/ILO, 1995). Large-scale contractors are encouraged to make better use of labor-based technologies.

11 (ILO): International Labor Organization

For governments in Asian countries, promoting housing construction is generally a sound investment and low-cost homes are the most economically stimulating. Low-cost housing, which is often build by the information sector, generates 30% more worker income than high cost housing because the informal sector is more labor intensive than the formal sector. Construction in the informal sector creates 20% more jobs and builds six times more units per dollar spent than the formal construction sector. However, the informal construction sector is susceptible to labor, and occupational health and safety abuses. However, countries that can create jobs and stimulate their economies by taking advantage of growing urban populations will not only survive unprecedented urbanization processes but prosper from them. (UNCHS, 1997a)

2.9.7 Financing mechanisms

In Asia, lack of access to financing is a major constraint on access to adequate and affordable housing. In general, the poor does not have access to and cannot afford formal housing finance mechanisms. However, housing microfinance innovations and community funds are improving access for many, particularly women. In some Asian countries, the use of community funds has resulted in the following trends, which should inform housing policy and strategy formulation:

- A shift from forced eviction or relocation towards slum upgrading.
- Supporting the growth of community organizations and NGOs[12].
- A shift from a strict 'market enabling' paradigm in shelter delivery to the recognition that some degree of subsidy will be necessary to reach the lower income brackets.

The development of alternative housing finance systems should be encouraged and supported by governments. Specifically, greater recognition and support should be given to community-based initiatives, such as daily-savings schemes and the federations of urban poor that have evolved from such schemes. The private sector must be encouraged to develop new financing models, particularly for the poor who through group lender schemes are trustworthy in repayment (through group lending) but cannot afford the mortgage models used for middle- and high-income groups.

However, governments should be prudent when seeking intervention opportunities and ensure that their actions have no unexpected and adverse

12 (NGOs) : Non-Governmental Organizations

consequences. Strategies to increase access to housing finance products should be developed in conjunction with improving the availability and accessibility of other critical housing inputs, such as land, infrastructure, and building materials. If housing is in short supply, a radical increase in access to housing finance without an attendant increase in other fundamental housing inputs may result in higher prices that create or extend affordability constraints for low-income households. Similarly, if large numbers of houses are built but not enough households can obtain financing, the housing market could collapse. (FinMark Trust, 2006)

2.9.8 Public Private Partnership (PPP) Arrangements

The government and private developers in Morocco are working together to address the need for more affordable housing. Five years ago, the government launched a program aimed at reducing the number of substandard dwellings, with the goal of easing the housing shortage by 25% by 2012. Access to land was identified as a major constraint and, therefore, the government has offered developers over 3,800 hectares of land at a reduced price to construct approximately 200,000 housing units. To qualify developers must agree to sell apartments for less than 140,000 Moroccan dirhams on one third of the allocated land and for 200,000 dirhams on another third. Developers are allowed to build other types of properties on the final third. These types of Arrangements can be financially attractive to developers. For example, Addoha, Morocco's largest developer and the first to be listed on the Casablanca stock exchange, has achieved strong financial returns (with revenues up 57% in 2010) based on a business model with almost 80% of its projects targeting low and middle-income housing.

The ability of the government to offer subsidized land and tax breaks to make affordable housing projects more attractive to private developers explain why PPP arrangements have worked well in Morocco. In other markets, the government has less latitude (particularly in relation to tax breaks) and this has reduced the interest from private developers in this sector.

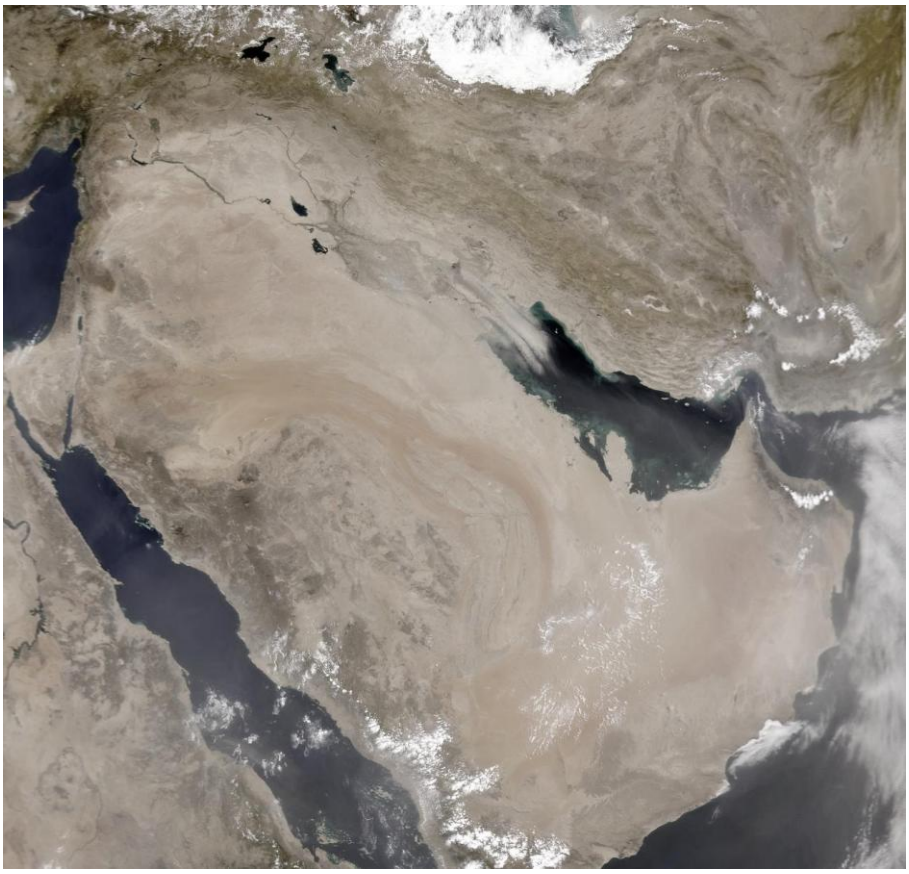
Turkey's experience with PPPs provides some useful potential lessons for the provision of affordable housing in markets in the Middle East and North Africa (MENA) region.

2.9.9 The Turkish Experience

The Turkish government has utilized a form of PPP to deliver mass housing projects through the Housing Development Administration of Turkey (TOKI). As part of

its objective of providing adequate shelter for all within a liveable environment, TOKI issues tenders for government owned land for mass housing projects. Private developers submit plans indicating the number of dwellings they propose to provide and what proportion they are willing to provide to TOKI for the government to rent or sell to those in need of public housing. Developers do not have to purchase the land (thereby improving their cash flow position). Title on the portion of the site remaining in private ownership is transferred to the developer when the agreed units designated for TOKI are delivered.

This strategy allows the private sector to develop mass housing for the government, and minimizes land speculation and the constraint that high land values have imposed on the delivery of affordable public housing in other markets. Developers have embraced this approach; TOKI has delivered more than 500,000 housing units in over 2,000 projects across Turkey over the past 25 years. If the zoning can be changed, TOKI has the authorization to acquire and dispose of surplus government land. Turkey's experience with PPPs has been successful in delivering mass market housing and could be adopted and applied in other markets across MENA. This, of course, assumes that governments have control of large areas of land.



CHAPTER THREE

URBAN DEVELOPMENT AND HOUSING SECTOR IN THE KINGDOM OF SAUDI ARABIA

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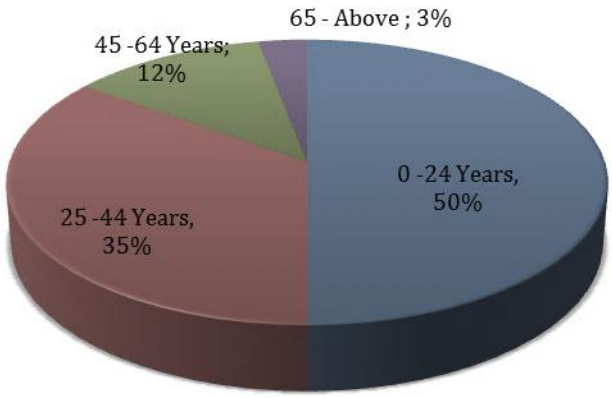
3.1 Country Background

Saudi Arabia is a predominately desert nation-state that was created in 1932 as a sovereign state by its founder, the late King Abdul Aziz Al Saud, following the disintegration of the Ottoman Empire during the early decades of the 20th century. Saudi Arabia was catapulted into the world scene due to the discovery of massive oil reserves. From an inward-looking, xenophobic, and conservative society, Saudi Arabia has been transformed into a modern developing nation over the last 70 years. It occupies an area of 2,250,000km^2, about 80% of the Arabian Peninsula.

The total population of Saudi Arabia is 27 million, and the demographics are highly skewed towards a young population. The group below 25 years old represents 50% of the aggregate, implying strong future housing demands. Further, due to its vast geographic size, the country has a high ratio of land area per capita, 83,500m^2 and a low population density, 14 people/m^2, which validates the programs undertaken by the government to expand outside the historically populous cities into greenfield development.

Figure 6: Saudi Population by Age Group 2010

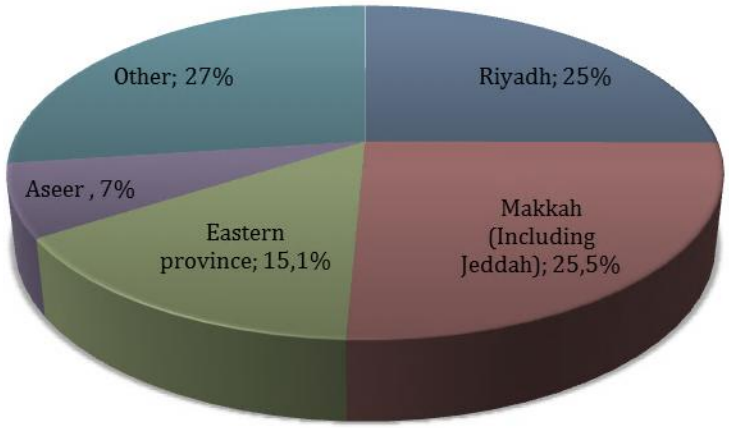


(Source: Central Department of Statistics & Information)

Riyadh, Makkah, and the Eastern province regions, host 65.6% of the population collectively due to the former's lively business and political activity and the latter's proximity to the religious tourism destinations of Makkah and Madinah and the

high business activity in the coastal city, Jeddah. The large expatriate population of 8.4 million (2010 census), which has historically had low participation in property ownership due to strict freehold regulations, has acquired a significant share of the rental market. This is mostly represented by gated compounds, shared villas, or apartments in low to mid-rise buildings.

Figure 7: Saudi Population by Geographic Distribution 2010



(Source: Central Department of Statistics & Information)

The Saudi capital is Riyadh (2010 estimated population over 5 million) and the population estimates for 2010 show continued growth for Saudi Arabia's major urban areas: Jeddah (3.5 million), Mecca (1.5 million), Medina (1 Million) and the Eastern province cities, Dammam, Khobar, and Dhahran (about 1 million). Mecca and Medina have religious significance that far outweighs their respective populations.

Some information from the 2010 Census will provide a snapshot of conditions in Saudi Arabia[13]:

- Growth rate of the total population between 2004 and 2010 was 3.2%
- Only 4 cities in 3 provinces accounted for 41.5% of total population
- Saudi citizens accounted for 68.9% of the total population
- 49.9 % were female and 50.1 % were male
- The infant mortality rate was 16.9 per thousand live births
- Net enrollment rate in primary education was 96.6%
- Statistics indicate that 65 to 70%"14 of citizens are renting
- The average monthly salary for a Saudi about SR10,000

13 Central department of statistics and information of Saudi Arabia, 2010

14 Dr. John Sfakianakis, Chief Economist in Banque Saudi Fransi,2011

Saudi Arabia's vast oil resources have shaped the kingdom's development. The country also has large natural gas reserves, as well as deposits of bauxite, coal, copper, gold, iron, phosphates, platinum, silver, tungsten, uranium, and zinc. Non-mineral resources include limestone, glass sand, and stone. The Saudi Riyal (SR) is pegged to the U.S. dollar at SR3.745 per dollar.

Saudi Arabia has a very limited tax system, as it relies mostly on oil revenues, customs duties, and licensing fees to produce government income. Rather than paying income or property taxes, Saudi nationals pay what is called the Zakat, an annual 2.5% assessment of a person's net personal wealth. Zakat revenue helps pay for social services, such as health care and education. Foreign companies and self-employed foreigners in Saudi Arabia are not obliged to pay Zakat, but do pay income tax.

The government of the Kingdom of Saudi Arabia is a monarchy and its current ruler is the Custodian of the Two Holy Mosques, King Abdullah bin Abdulaziz. The constitution is based on the principals found within the Islamic Holy Book, the Qur'an, and the principals of Islamic Law.

3.1.1 Legislative principles and philosophy in the Kingdom

Saudi Arabia is an Islamic monarchy. The political system is governed, directed, and guided by the ruling family. The country's legal system is founded on the main principles of Islamic Law and Basic Law promulgated by a royal decree in 1992. The relatively new Majlis al-Shoura is a consultative council, which has characteristics similar to an elected parliament. However, its 150 members are not elected by the people but are appointed by the King for four-year terms. Decision-making power rests with the monarch acting as both the chief of state and the head of government, i.e., King and Prime Minister, respectively.

3.1.1.1 The King

The King heads the work of the government and oversees the preparation and consideration of matters that come within the mandate of the government. He also monitors the implementation of government programs and coordinates the consideration of national and foreign decisions. He rules through Royal Decrees that are equivalent of laws and has the right to appoint higher judges and oversee the judiciary.

3.1.1.2 Consultative Council

The new consultative council, Majlis Al-Shoura or Shura Council, was established in 2000. It could be considered as a move to formalize and strengthening the participative elements in Saudi Arabia's centralized government. The primary function of the broadly-based Majlis Al-Shoura is to provide the King with good advice on issues of importance to the Kingdom.

3.1.1.3 The Council of Ministers

The Council of Ministers is comprised of the Prime Minister and, at most, 23 ministers. Each ministry is responsible for the preparation of matters within its sector and field of competence and for the proper functioning of administration, although, in principle, administrative issues are a province of the government as a whole. The Prime Minister convenes the Ministry Council sessions. Other members, such as experts, consultants, or scientists, may be appointed by the King.

3.1.2 Recent housing-related legal and legislative developments

Until it was abolished in 2003, the Ministry of Public Works and Housing was responsible for implementing and maintaining public and emergency housing. The responsibility for developing housing strategies and plans was transferred to the Ministry of Economy and Planning, and social housing was assigned to the Ministry of Social Affairs in 2003. The REDF continued to provide housing loans. The government provides direct and indirect services to the housing sector, including urban planning, provision of infrastructure, land distribution, and other services to residential areas.

The first set of comprehensive municipal regulations was issued in 1927. Later a Municipal Department with two Divisions (projects and lands) was established within the Ministry of Interior. Then in 1963, the Municipal Department was placed under the authority of the Deputy Ministry of Interior for Municipal Affairs. This Deputy Ministry supervises, plans, and monitors all municipal affairs, water departments, and storm-water drainage in the Kingdom. The Ministry of Municipal & Rural Affairs was established in 1975.

Finally, in 2011 the General Housing Agency was transferred to a newly created Ministry of Housing, which indicates the importance and possible awareness of the urgency of the matter to the rulers of the state. At the same time, after ten years of deliberation, the Shoura Council passed a full-fledged mortgage law, which now is at the King´s desk for further consideration. The laws are currently before the cabinet awaiting the issue of a Royal Decree, at which time they will become effective.

The new mortgage law is a package of laws to facilitate the creation of finance and mortgage lending companies and would introduce a registered mortgage system (e.g., Registered Mortgage Law, Enforcement and Execution Law, Finance Companies Control Law, Real Estate Funding Law, and Financial Leasing Law).

3.1.3 Governmental bodies for housing affairs

The Saudi housing sector is guided and regulated by different governmental institutions. They set the terms of the general policy for this sector. Several public and private agencies are engaged in housing sector activities, including construction of houses, approval of plans, issuance of permits, and provision of infrastructure networks in residential quarters. In the Kingdom of Saudi Arabia there are currently six main state bodies at the highest administrative level that take the lead on housing sector policy.

- The Ministry of Housing (MOH), which is currently still in the process of structuring, is at the highest administrative level.
- The Ministry of Finance is responsible for the REDF, which provides grants for housing loans applicants. It is also responsible for the Saudi Monetary Authority that supervises financial institutions and banks.
- The Ministry of Municipal and Rural Affairs (MOMRA) has been given responsibility for a wide range of tasks that play a direct or indirect role in housing delivery. The most important tasks are the spatial distribution of settlements and the execution of urban planning within the selected areas. Furthermore, MOMRA is in charge of the distribution of land grants. The Ministry also provides direct and indirect services to the housing sector, including urban planning, provision of infrastructure, land distribution and other services to residential areas.
- The Ministry of Justice is an indirect player through its responsibility for in the official land and property ownership registry.
- The Ministry of Social Affairs, via its regulatory framework for charitable organizations, is increasing the housing supply, targeting low-income groups in the society.
- The Ministry of Economy and Planning sets the main principles for economic development strategies and, therefore, influences housing strategies.
- The Ministry of Water and Electricity, established in 2001, is responsible for water and sewage services. Acting as the highest governmental body in water affairs, it is also the highest authority in the electrical power sector.

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

- Facilitating citizens' access to adequate quality affordable housing consistent with

the individual's income at a suitable time of their life.

- Increasing homeownership rate.
- Promoting private sector involvement in supporting various housing activities and programs.
- Increasing supply of housing of different types.

3.2 Developing of urban planning

Urban planning has been given major policy consideration in Saudi Arabia. According to Daghistani (1985) there was a need for a clear set of standards, regulations, and guidelines in industrial, commercial, and urban activities. Planning processes need to recognize the role that markets play in meeting consumer expectations and preferences, as one of the key tools for guiding and integrating physical development. Urban planning took place in the region mainly because of oil production. Consequently, large numbers of the population moved from rural areas to cities.

According to the United Nations' estimates, the Kingdom of Saudi Arabia was among the least urbanized countries in the world in 1950, but by 1990 was among the most highly urbanized nations. Generally, urbanization involves geographical and economic factors; an increase in the levels of urbanization generally leads to the distribution of the urban population between cities. The Kingdom of Saudi Arabia has had a relatively short history of urbanization. It now has a high level of urbanization with one of the most rapidly expanding populations in the world. A massive injection of resources into the development of infrastructure and services has improved the living conditions in urban areas; as 85% of the population now live in urban areas (Ministry of Planning, 2000). However, it is important to note that since the United Nations' report published in the 1990s that estimated 77.3% of the population lived in urban areas, that number increased by a remarkable 7.7% by 2000.

The REDF plays an important role in development planning. Major opportunities exist for infill development within the metropolitan areas on underused land. Progressive development of this land for residential and other uses therefore provides a unique opportunity to improve the quality and efficiency of the existing urban areas in the Kingdom (Al-Hathloul, and Edadan, 1995).

3.2.1 Historical development in housing

The traditional, interim, and contemporary stages play important roles when it comes to housing development. This is because of the characteristics of different regions regarding climate, topography, and environment, as well as the abundance of different types of building materials. As a result, different housing settlements and types of traditional houses were created in every region. Over the years, these traditional houses and settlements have improved constructional values, design ideas, and in the technology for the refinement and use of vernacular building methods and materials. These improvements developed through experimentation and innovation from the experience of generations of builders.

Different factors are important in the development of housing in Saudi Arabia. For instance, the beginning of the transformation started when modern building materials became abundant in the Kingdom. At first, prototypes were built using the new materials. However, in many ways these prototypes resembled traditional houses. As building technologies continued to improve, and with the emergence of municipal systems, new types of modern houses have started to appear that are totally different from traditional ones (Al-Naim, 1998).

3.2.1.1 The traditional stage

Different types of settlements and traditional houses developed in the different regions of the Kingdom, and they were suitable, competent, and effective responses to the social, cultural, and economic requirements of the citizens. The clear differences in climate, the type of land, and the variation in available building materials has greatly affected the construction and design of traditional settlements in different regions, as illustrated in Figure 8.

Figure 8: Different types of traditional housing

Central region houses Western region houses

(Source: AL-Otaibi, 2006)

The western, southern, and eastern regions of the Kingdom of Saudi Arabia have created different types of housing, influenced by the dry and hot climate of the desert region. For instance, traditionally constructed buildings in the western region are characteristically built close to each other, with many roads between them. They are also characterized by their height and their many wide exterior openings, which are covered with curtains and windows decorated with beautiful wooden mosaics.

The southern region is characterized by enormous differences in climate and topography. The landscape varies from mountains to flat plains descending to the coast of the Red Sea. Consequently, a variety of building materials were available and the houses have been constructed to suit the local climate.

Until the 1960s, most newly constructed houses in Kingdom of Saudi Arabia were traditional. They were built from indigenous materials relying on the construction experience of local people. In small communities a new home was the result of organized cooperation among local workers with construction experience taking the real needs and financial resources of the family into consideration. The construction of these houses was facilitated by the following factors:

- Inexpensive local building materials.
- Inexpensive labor; local people contributed to help each other.
- Small houses with multi-purpose rooms.
- Flexible designs that allowed for additions to of the house according to the needs and financial ability of the family.
- Recyclable building materials; either reused or disposed without negative environmental impact.

These traditional houses have improved in value and design. Guided by the experience of local builders with the benefit of generations of experience behind them,

technological improvements have been adopted to improve the use of locally available building materials and the availability of different types of building materials. Consequently, these traditional houses have proven to be very adaptable, for example, to changes of climate. At the same time, despite such changes, fundamental principles have been maintained. For example, Islamic principles, which call for the keeping of traditions and the security of the family, are reflected in the designs of the buildings. They continued to be as they have been for hundreds of years, built in the same fashion without substantial changes.

The first significant departure from traditional houses appeared in 1959. New materials and technologies, such as concrete and cement bricks, were used for the first time. These materials are stronger and quicker to use than the traditional vernacular building materials. As the number of emigrants to the cities from both inside and outside the Kingdom increased, residents started using modern materials and technologies. These abundant materials and technologies were used to build new houses which were similar in design to the traditional ones. As a result, houses in a transitional style appeared. These houses were later known as “popular houses”. They were characterized by the openness characteristic of traditional houses but with a different layout. The floor plans of these transitional houses were influenced by the allocation of roads and more uniform land units.

3.2.1.2 The contemporary period

Contemporary houses emerged in 1953with the Millaz project, which the first large housing project in Saudi Arabia. It covered an area of about 500 hectares 5.4 km north of the city of Riyadh. This project contains 745 detached houses and three blocks of apartments. The project was designed and implemented by ministry employees who had been transferred from Makkah to Riyadh. Because of the lack of Saudi engineers and construction companies, compounded by traditional workers lack of experience with projects of this size, non-Saudis were needed to build this project. The project included new housing prototypes that facilitated planning a network of roads and associated housing units.

The Millaz project became the model for planning roads, dividing areas of housing lands, and detached houses. The systems for road allocation and sub-division of land became the most widely used prototypes for any new construction in the city of Riyadh and other regions of the Kingdom. The use and abundance of the new building materials and technologies, such as cement and concrete, helped to make it feasible to undertake larger areas of new construction. In addition, the new model needed less

maintenance and the houses were more comfortable; for example, many were equipped with air conditioning systems.

Contemporary houses have continued to reflect the continuous, radical, and rapid economic and social changes that have occurred in all regions of the Kingdom. The Kingdom has witnessed the emergence of new constructional prototypes, such as modern detached houses, as well as duplexes, many blocks of apartments and luxury houses (Bahammam, 2001).

3.3 National Development Plans (The Five Year Plans)

All of the government's five-year plans, covering the years from 1970 to 2015, paid great attention to the housing sector; access to adequate housing is considered a fundamental right guaranteed by the government. Due to the high economic growth rate, increased employment and income opportunities, and the rapid acceleration of population growth rates, housing demand increased and a supply–demand gap emerged. The discrepancy between targeted and actual housing units, shown in Table 1, clearly illustrates this supply–demand gap. Successive development plans failed to meet their target number of housing units. With the exception of the 2nd and 5th development plans, actual housing units were between 37-60% of the target total.

Table 1: Targeted and actual housing units under nine 5-year development plans 1970-2015

	1st Dev. Plan 1970-1974	2nd Dev. Plan1975 – 1979	3rd Dev. Plan 1980-1984	4th Dev. Plan 1985-1989	5th Dev. Plan 1990 -1994	6th Dev. Plan 1999-1995	7th Dev. Plan 2005-2009	8th Dev. Plan 2005-2009	Total 1st – 8th Dev. Plan
New housing units targeted by the plan	154.000	174.000	267.200	285.000	121.209	600.000	800.000	1.000.000	3.351.917
Total housing units actually built	75.000	203.000	437.700	172.607	393.610	283.300	300.000	600.000	2.465.917
% of target achievement	49%	117%	164%	61%	324%	50%	37%	60%	74%

(Source author)

3.4 Social theory of urban planning

Social-demographic variables play an important role because the population in Saudi Arabian cities is composed of three distinct elements: traditional urbanites, internal migrants, and foreigners (Al-Hathloul, and Edadan, 1993). An understanding of cultural values is of particular importance in housing, often, given the large number of foreigner living and working in Saudi Arabia, because of the cultural differences that exist between different countries. Such differences, particularly those associated with religion and education, are extremely significant in the Kingdom. Given the scope and significance of the social-demographic variables at play in Saudi Arabia, an adequate supply of well-located, affordable, and appropriate housing is the key to achieving stronger and more sustainable communities.

At the beginning of the 20th century, the majority of the Saudi population lived in the desert as nomads (Al-Hathloul, and Edadan, 1995).Only a small proportion of the population lived in urban areas and small towns. A better understanding of the dynamics of Saudi Arabia can be obtained from demographic factors, such as the migratory movements from rural detached houses to cities and from urban suburbs into the center of sprawling cities. Urbanization has continued to intensify, and various social groups, the middle classes for instance, have grown because of social mobility. The popularity of private cars led to an increase in residential mobility.

Urban growth is a demographic phenomenon that refers to an increase in urban population relative to a country's total population. Urban growth is an important factor because it affects housing accessibility. Many major cities undergoing urbanization have experienced very rapid changes in urban structure. The increasing number of people and work places in cities has increased the demand for social and infrastructure facilities. In Saudi Arabia, over the twentieth century, but more particularly in the past few decades, the population began to be concentrated in urban and semi-urban centers, away from the dispersion associated with the nomadic way of life. The proportion of the population living in urban areas increased rapidly from 48% in 1974 to 81% in 2004. There were several reasons for this.

In addition to growth in the larger metropolitan areas, a large number of new villages and smaller cities with a population of five thousand or more developed. Foreign labor also contributed to the rising urban population. In Saudi Arabia, urban development took place primarily around oil production and distribution centers. As oil resources were developed there were employment opportunities for foreign workers

and most settled in urban centers. As well, urban centers have a greater capacity to absorb population and have a wider range of facilities and amenities. It is important to note that the main process by which raw land is converted into urban land is subdivision.

3.4.1 Urban growth

The phenomenon of urban growth is accompanied by a physical expansion of existing cities and the creation of new cities. As a demographic phenomenon, urban growth sees urban population increase fueled to a large extent by migratory populations moving to cities from rural areas (Al-Hathloul, and Edadan, 1995). Prior to the development of oil resources, Saudi citizens lived in a largely rural country where a large percentage of the population labored in the countryside and most rural dwellers lived in farm households. From 1950 to 1990, the rapid growth of the Saudi Arabian population occurred mostly in urban areas. The urban population increased from 5.9% to 48.7% by 1970. By 2004, the share of the urban population had increased to 81%[15]. The movement from rural to urban living in the Kingdom was financed, for the most part, through revenues from the enormous petroleum reserves, not through burdens placed on the agricultural sector (Frisie and Al-Khalifah, 1991).

The government's primary economic development goal has been to achieve high and rising living standards for the citizens by creating an environment in which sufficient, sustainable, well-paid jobs are available to an increasingly skilled workforce in urban areas, and to achieve a mixed population in terms of income. This, of course, has influenced the process of urban growth which has been marked by three phases of development: the pre-oil era, the pre-planning phase, and the post-planning phases. The pre-planning urban growth phase began with the production of oil (Al-Hathloul, and Edadan, 1992). City planning has been undertaken in Saudi Arabia in response to the unexpected industrial progress arising from enhanced national prosperity as oil revenues created new wealth.

The government's housing plans have focused on the provision of dwellings. Residential construction has been on the rise for most of the last four decades, adding significantly to the housing stock in both metropolitan and non-metropolitan areas, particularly in Riyadh, Jeddah, and Makkah. The growth in the urban population during the last two decades has resulted from relative affluence, a rapid expansion in the

15 http://www.aleqt.com/2010/05/10/article_390789.html

number of households, and a desire for detached dwellings, apartments, and other housing models.

3.5 Economic theory of housing demand

Real estate encompasses housing, land, and commercial property. It is a key driver of the urban economy (Gibb and Hoesli, 2003). The proximate macro environment consists of people involved in the housing industry, organizations such as housing agencies, and forces within real estate firms and the market. Social, historical, economic, and political forces play important roles and are, therefore, a set of factors that influence the location and growth of cities. For example, providing suitable dwellings with security of tenure at an affordable rent based on household income has been of considerable importance in both non-metropolitan and metropolitan areas, where change in household income is closely associated with the economy and the labor market. How affordable homes are, depends on the relationship between housing prices and income (Harris 2002). A strong economy means more people are moving into an area than are leaving; higher demand for housing supports rising property values. Overall, when homes are affordable, more people enter the market because they can qualify for the financing needed to purchase a home.

Social, demographic, and economic change has an effect at the individual household level. The economy contributes to the housing sector because the effects of economic and socio-demographic changes resulted in household income increasing. The possibility that housing and home ownership can be considered as contributors to social outcomes in housing markets could eventually lead to a housing market that emerges from the labor market.

The economic contribution of the construction sector, both in value added and employment, during the last 20 years has been very significant. The value added share of the construction sector increased from 3.2% in 1969 to 13.4% in 1989. The registered annual compound growth rate is 11.6%. This growth, compared to the national value added growth rate of 4.5%, was remarkable. During the construction boom of the 1980s the construction sector contributed nearly one-third of the national non-oil GDP (Ministry of Planning, 1990).

3.5.1 The Real Estate Development Fund (REDF)

Founded in 1974, the REDF is a government agency, supervised by the Ministry of Finance. The agency's objective is to support the development of real-estate projects through personal or investment loans to individuals and commercial real estate

developers. REDF provides services to all regions from 25 branch offices spread throughout the Kingdom[16]. The establishment of the REDF, with an initial capitalization of SR250 million (nearly 66.7 million of U.S dollar) to provide long term interest free loans, has changed the structure of the housing market in the Kingdom. Loans for private houses constitute the largest proportion of the loans granted by the fund. These loans constitute more than 99% of the total number of loans, and their value constitutes 95.6% of the total amount of financing provided by the fund (Ministry of Public Works and Housing, 1998).

As well as ensuring that the urban infrastructure is provided and managed in a way that meets the objectives of economic efficiency, social justice, and environmental sustainability, a key role for the government of the housing sector is to increase public awareness of the wide range of housing types through public education and incentives to the private sector. However, while it is easy to predict that, at current growth rates, overall demand could outstrip supply and result in a housing deficit in the future, it is difficult to predict the demand structure between the varying types of dwelling units.

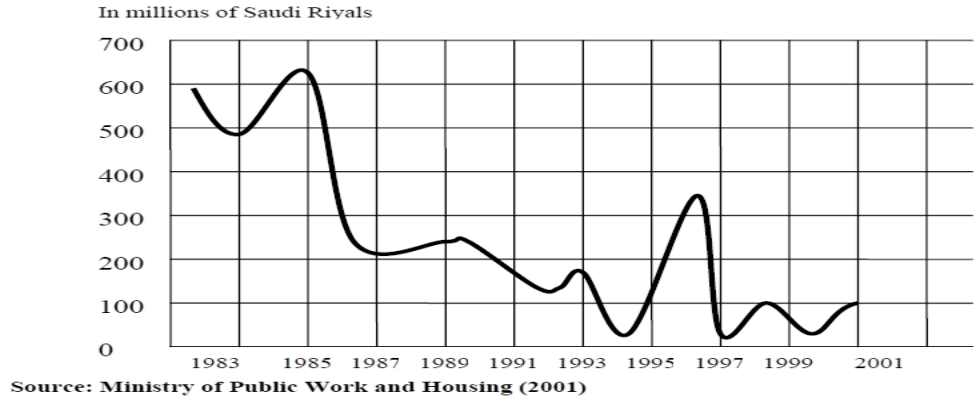
Generally, the provision of decent housing to Saudi citizens has been a national objective since the early 1970s, hence, the establishment of REDF, although the private sector has also participated by developing private housing (Al- Rahman, 1994). An important future concern will be regional inequality in the provision of housing finance. Since a significant number of the new housing units constructed are REDF financed, geographic inequality in the provision of REDF loans could lead to a significant regional imbalance in housing adequacy within the country. The strategy to meet the housing needs of the future should, therefore, be governed by a balanced trade-off between economic efficiency and social justice in the allocation of housing finance. In addition to REDF loans, banks and private firms have great potential for funding private housing. That is likely to result in the redirection of government financial resources to other forms of investment, such as historic area preservation and urban area renewal (Al-Rahman, 1994).

Government housing subsidies can have unintended consequences. For example, housing subsidies lead to an increase in housing and land consumption; an upward shift in demand for higher quality units; a decline in demand for lower quality housing units in the inner city, which eventually leads to the acceleration of the abandonment rate of these units and the further decline of the inner city (Telmesani, 1997). As well, a reduction in subsidies can have a significant impact on the housing

[16] http://www.ever-team.com/en/redf.html

market. As shown in Figure 9, in the mid-1980s REDF funding dropped from more than SR600 million (nearly 160 million of U.S dollar) to SR200 million (nearly 53.4 million of U.S dollar) due to a drop in oil prices. Funding was cuts back again at the beginning of the 1990s because of the Gulf War. Saudi Arabia experience an economic recession from 1985 to 1990. During this period, Saudi cities experienced high vacancy rates in newly built housing units, an increasing demand for affordable housing, and stagnation in the housing supply market. Al-Hathloul and Edadan (1992) attribute this, in part, to the reduction in REDF loans.

Figure 9: REDF funding level from 1983-2001



(Source: Ministry of Public Work and Housing (2001))

Despite necessary reduction of loans during recessionary periods, overall the performance of the REDF in financing the private sector housing market has been exemplary. However, a review of REDF loan criteria suggests that the impact on regional housing needs could have been more equitable if loan allocation had been made on the basis of the real housing needs of the regions. One of the main objectives of the REDF is to increase the private housing stock across all regions of the country.

The loan criteria followed by the REDF do not target any particular social group or region. The only requirement is that the loan beneficiary should be a Saudi citizen at least 21 years old who has not previously received an REDF loan. In short, the REDF practices a first-come-first-served policy. The only spatial differentiation implied in the policy is that the amount of loan per application is gauged to the size of the settlement in which the home is to be built. In larger cities, the maximum loan is about SR300,000 (nearly 80,000 USD); for town dwellers it is SR250,000 (nearly 66.700 USD) and for persons from smaller settlements the maximum is about SR 200,000 (nearly 53,400 USD). The following implications can be deduced from the present REDF loan policy:

- The largest share of loan applications would originate from the highly urbanized and developed regions, i.e., at the regional level, housing needs and loan allocation are not related.
- Rather than an economic efficiency or regional equity based allocation strategy, the larger share of the approved loans would have gone to higher cost developed regions. Therefore, the share of the total housing funding available for the rest of the country would be reduced.

At the end of 2010, the government of Saudi Arabia made a number of decisions, including the elimination of the requirement to own a land when applying for a loan from REDF. Additionally, the REDF loan amount was standardized; it is now SR 300,000 regardless of region[17]. In the middle of 2011, the loan amount was increased to SR500,000 (nearly 133,400 USD)[18].

3.5.1.1 The process for allocating private loans

Private loans are allocated from the fund to Saudi nationals in accordance with established due process that states loans should be given out in a phased manner. The process involves giving out loans in stated percentages as a cautionary measure to guarantee completion of the construction project. The loan installments are as follows:

- The first installment constitutes 10% of the amount of the loan and is given when the contract is signed.
- The second installment constitutes 40% and is given after the structure is completely framed.
- The third installment constitutes 40% and is given after the framing has been closed in, the floors installed, and work has commenced on the interior.
- The final installment of 10% is given when the project is complete.

3.5.2 Home Ownership Advantages

Home ownership has many advantages, according to a study prepared by Dar Al Tamleek (DAR)19. The study identified personal, social, and financial advantages.

Personal: A home offers a healthy environment in which the family can grow. The home and land can reflect the family's personal preferences and provide a

17 http://www.aleqt.com/2010/10/26/article_461044.html

18 http://www.alriyadh.com/2011/04/16/article624061.html

19 DAT: Dar Al Tamleek is a specialized home finance company that was funded by SR1 billion in capital from private investors to deal with the significant demand for home finance within the Saudi Arabia. The company currently operates in many cities in Saudi Arabia.

supportive environment, which could result in better educational performance and better personal behavior for the children. Owning a home affords a sense of independence and self-reliance. In contrast, renters may not always be able to renew their leases. Families who own homes have increased security; the family and, in some cases, relatives, have a place to live.

Social: The DAT study concluded that housing strongly influences civic behavior and is the foundation of any community. Home-owners are more likely than renters to be involved in their communities. They are also more prone to volunteer in community and religious organizations. Ownership fosters a willingness to work with neighbors on shared concerns, such as better schools and crime prevention programs. Because the quality of the neighborhood affects the value of their property, homeowners see the neighborhood as an extension of their property.

Financial: A home often represents a family's most significant financial investment. Unlike renters, whose only return on rents is the right to occupy a residence temporarily, homeowners view their monthly mortgage payments as a form of savings. Their personal wealth increases as the equity in their home increases and increases even more if the market value of the property improves.

There are some specific disadvantages associated with homeownership. These include[20]:

- Difficulty selling a house limits mobility, which in turn may limit an owner's future job choices.
- The Saudi real estate market, in particular, and real estate markets in general, are cyclical and can be volatile. Property values may decline.

3.6 Housing affordability

Housing has an important role to play now and in the future, both in the private and public sector housing markets. While enhancing neighborhood character is an important objective for new housing projects, the affordability of the houses is also important. Increase in the cost of building large contemporary houses and the cost of purchasing land conflicts with the country's goal of providing affordable housing. Saudi Arabia's sixth five-year plan stated that sufficient suitable houses should continue to be

20 http://www.daraltamleek.com/english/home_ownership_in_ksa.aspx

provided to all nationals and that the cost of housing should be kept at an acceptable level.

3.6.1 Factors that contribute to affordability

The solution to easing the problem of housing in the Kingdom of Saudi Arabia starts with re-evaluating the situation. The strategy of providing houses similar in type and size is not the best way to solve the problem. Contemporary houses are beyond the financial abilities of most families. The large size of contemporary detached houses is a major obstacle. All types of traditional houses had all the factors necessary for easing acquisition: the size and number of functional elements, method and technologies of construction, and the materials used (Bahammam, 1998).

Many factors contribute to the availability of affordable housing. Some of these factors are: available financing at acceptable interest rates; the possibilities of transferring the available money for more loans; availability of lots at attainable prices; cost reduction for land development; availability of building materials at suitable prices; and availability of suitable building technologies at reduced costs. In addition, the availability of technical expertise and labor required for standard-based construction at suitable prices is an important factor (Al-Abid 2003).

3.6.2 Why affordable housing

The increase in population, the high rates of migration to urban centers, and the increase in middle and low income households in Saudi Arabia led to increased demand for affordable housing. The average cost of a contemporary detached house in the city of Riyadh has reached approximately SR 1,600,000, which is equivalent to the mean annual income of a Saudi family for a period of more than six years (from wages and salaries). If a Saudi family wishes purchase a detached house by obtaining a twenty year loan for 70% of its value, then the family will have to use more than half of its income to pay the monthly installments on the loan. For families who are renting, whose mean annual income is usually less than average, the cost of a home is equal to about eight years' income and the installment payments are approximately 2/3 of their annual income. (Al-otaibi, 2004)

Currently, the percentage of Saudi families who would be able to carry a mortgage on a contemporary housing unit (in relation to the mean of income from wages and salaries) without obtaining a subsidy from the government would not be more than 20% in the city of Riyadh. This is reduced to 15% for Saudi families living in rented housing. These statistics clearly show the inability of the majority of families to

own contemporary housing units (detached houses) without government subsidies (Bahammam, 2001). The long waiting lists, which have now reached 15 years or more, to obtain a piece of land or a loan from the REFD is more proof of the difficulty of owning a contemporary house (Al- Ansari, 2004). It is evident that different forms of housing, other than the contemporary detached model, are needed to make housing affordable for the majority of the population. Although many families aspire to own a contemporary detached house, these homes are simply not affordable. Truly affordable houses would enable families to pay for them at rates that do not affect other spending and without waiting for long periods to obtain the chance of a governmental subsidy (Al-Abid 2003).

3.6.3 The role of the government in affordable housing

Government programs play an important role in the development of cities. A number of programs have helped to increase the availability of houses for nationals in the Kingdom of Saudi Arabia. As a main part of the process of constructional growth, the municipal land allocation land program has greatly affected the ownership of houses (Al-Khuwaiter, 2003). The land allocated for housing land has clearly affected the increase in the number of contemporary houses. Land subdivision is the foremost process by which raw land enters the market. Land subdivision is one of the early stages of the land development process. It is governed by a range of contextual forces that give rise to the development of certain types of houses in particular locations. These forces impact the development site and the participants.

The regulations have improved slightly through the years. They are intended to ensure that developments are built to certain standards and result in suitable neighborhoods by providing suitably-sized lots and regulating the width of streets. At one time, the minimum size of a lot for a house to be built on municipal land was 400m^2. Later it was increase to 500m^2.When it was increased to 625m^2 in 1986, the average size of a house increased. It is important to emphasize that the minimum is currently around 300 m^2.

The demand for residential lots continues to increase. Thus, there are increasing regulations governing construction. For example, if landowners want to develop certain areas, they need to provide infrastructure, such as electricity and water and drainage systems. The REDF program directly affected the availability of housing units for nationals, and enabled them to own their own houses and live in security. However, under the conditions of the fund, the size of the loan was tied to the size of the house. People opted for larger units in order to receive the largest possible loan,

which resulted in more and larger contemporary houses being built (Bahammam, 2001).

Land use strategies are key for the Kingdom's housing plans. Land use planning is about the allocation of a scarce resource to different uses. As a result, the government and entrepreneurs favor certain existing lots in specific location that best fit their political and economic interests. For instance, if the size of a lot is large, a loan cannot completely cover the building costs, whereas smaller lots limit the size of the house, which means lower building costs and, in turn, the lot itself becomes more affordable. Smaller lots would increase the supply of affordable houses. The government may also need to look at income in order to control increases in house prices. At a more general level, this should meet the principal objective of providing a comprehensive land use plan.

Housing sizes continue to increase, and demand for lots grows. Consequently, there are increasing regulations governing infrastructure issues and construction. For instance, when the landowners want to develop certain areas, they need to provide infrastructure, such as electricity, and drainage and water systems. However, the landowner determines the size of each. As mentioned previously the minimum lot size is now 300m^2, whereas it used to be 500m^2 and at one time it was 625m^2. It is worth repeated that this decrease in plot size serves to make the land more affordable. The owner of land needs to take into account all the regulations and the criteria for planning permissions. To provide a mix of housing options, urban planners need to incorporate different lot size; consequently, the municipality needs to respond with consistent and sensible regulations.

Overall, smaller lots will contribute to affordable land acquisition. However, lot size in and of itself in the complete solution. For example, land owners may rationally choose to keep land vacant, speculating that they will make larger profits in the future. This leads to a situation in which planners, through well-reasoned planning, establish that there is sufficient land available for housing; but since owners are not developing and building houses the main objective is not attained. It is important to take into account that the basic structure of land use planning in the Kingdom of Saudi Arabia was introduced in the 1970s by the REDF.

3.7 Overview of Saudi Arabia Real Estate Market

The housing market in Saudi Arabia is characterized by a shortage of supply coupled with increasing demand, which makes homeownership unaffordable for many.

New units are urgently needed to provide middle and low income citizens with homes. The government is working diligently to try to ease supply constraints. Nevertheless, prevailing house prices compared to income makes ownership an unreachable goal for many public and private sector employees, particularly those just starting their careers. Land prices are also a challenge. In the last ten years, the price of residential lots has risen sharply; some assessments indicate that land accounts for more than half of total building costs.

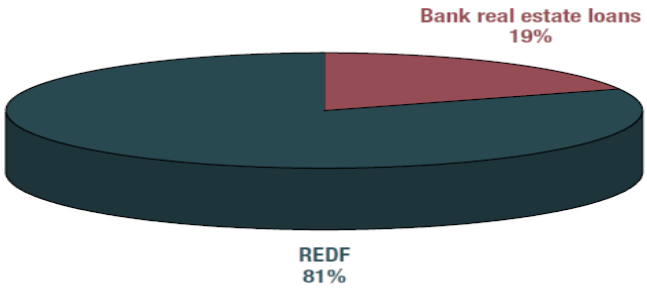
Public and private developers will need to build about 275,000 units a year through 2015 to meet the demands of a population that has doubled since 1988 and grows more than 2% annually. Put another way, this is a total of 1.65 million houses over six years. The housing market in Saudi Arabia is markedly different from that of other Gulf countries. No other country has such a critical undersupply of housing units. Semi-annual surveys of Saudi real estate markets demonstrate that, in 2010, the cost of apartments and villas rose quickly. Also, some surveys estimate home ownership rates to be as low as 30%.

The government of Saudi Arabia's goal is to raise home ownership rates to 80% by 2024 by expanding both the supply of affordable housing and financing options. This could prove difficult. Approximately 67% of the Saudi population is under 30. In the under 30 group, 47% are under the age of 20. Over the next ten years, the number of young who will leaving their parents' homes and looking for independent dwellings will swell. This large pool of young people will be looking for small, detached, affordable homes. They will prefer small units because the average size of Saudi families continues to decrease. In 1987, the average household was comprised of 7.4 people; in 2008 it was 5.65

3.7.1 Ownership and home loans

Like many countries in the Middle Easter, Saudi citizens have traditionally used personal capital and family savings to purchase homes. Banks offer home loans, but only on a limited basis, and some companies in both the private and public sectors have in-house financing schemes to help employees buy homes. However, these options, usually reserved for wealthier Saudis, are often not available to mid to low-income households. Saudis of lesser means can apply to REDF for home loans. REDF loans dominate the Saudi housing market, accounting for 81% of total home financing.

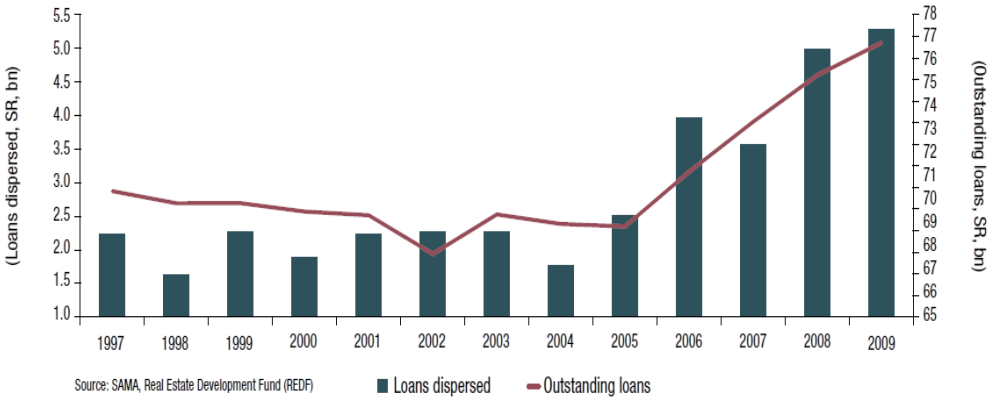
Figure 10: REDF dominates Saudi home finance



(Source: SAMA, REDF)

In recent years, REDF's mandate has expanded rapidly. Home lending doubled between 2005 and 2009. This period was characterized by historically high inflation rates and mounting pressure on the government to increase financial assistance to citizens. The loans granted by REDF in 2009 alone were equal to the total value of loans made between 2000 and 2004.

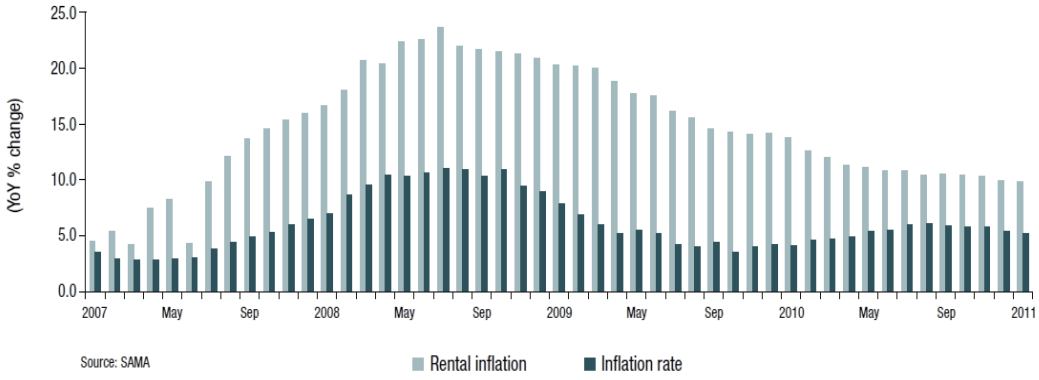
Figure 11: REDF loans double from 2005-09 (compared to previous 5 years)



(Source: SAMA, Real Estate Development Fund (REDF))

The huge upsurge in lending coincided with two events. Between 2003 and mid-2008, there was a rapid jump in oil prices that dramatically increased government revenues and its reserve of foreign assets, which provided the ability to fund social programs. Almost at the same time, a huge rise in house prices caused rents to increase by 4.5% in 2007 and to close to 24% by mid-2008.

Figure 12: Saudi rents still high, forecasting supply constraints



(Source: SAMA)

With rising inflation, caused to a great extent by housing costs, REDF has been under increasing pressure. The government responded by providing REDF with additional capital and also increased the General Housing Authority's budget to build more affordable housing for state employees. It is doubtful that the new capital will do much to relieve the pressure on REDF. The waiting period to get REDF loans approved has been up to 18 years. The government's goal has been to reduce the waiting period to eight years. The new capital will help, but the goal of eight years is unlikely to be met. According to the Ministry of Economy and Planning, the long waiting period has been caused by the agency's inability to collect collecting outstanding loans.

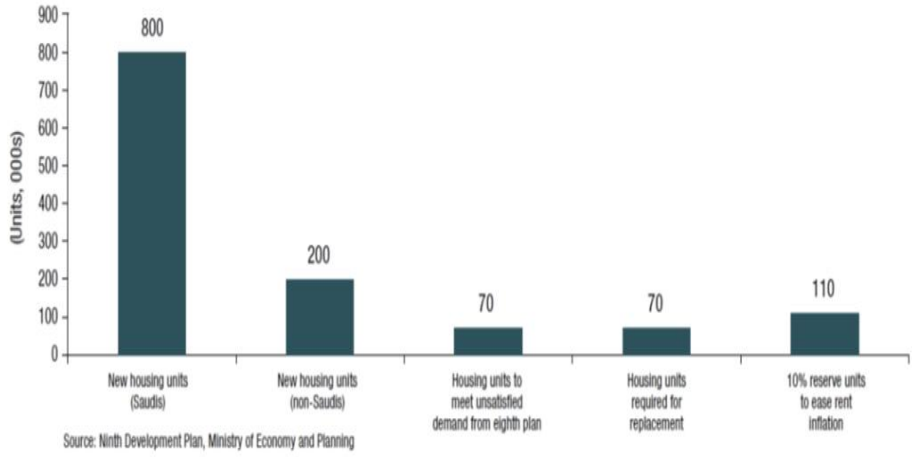
The median price of a large apartment in 12 Saudi districts in Riyadh, Jeddah, Khobar, Dammam, and Dhahran was SR485,833; for small villa it was SR1.06 million (Sfakianakis, 2011). The maximum amount of a loan from REDF is SR500,000, which is sufficient to subsidize the purchase of an apartment but not a detached home.

Although Saudi families tend to prefer living in villarather than apartments, the price has become prohibitive. The median price for a small detached house in Riyadh increased by 19% in the second half of 2010 to SR1.23 million. In Jeddah, a comparable house cost SR1.54 million. In the Eastern Province, median prices for small villas were SR768,000. To a large extent, the increases in prices reflect a cultural preference for larger homes, something that does not go unnoticed by developers. However, ministry data shows that in 2004, 12-15% of houses were unoccupied, up to four times higher than normal. The percentage of unoccupied homes has likely remained at a similar level due to purchasing power constraints (Banque Saudi Fransi, 2011).

3.7.2 Housing supply and demand

Given current high and rising prices and the predicted increase in demand, urgent steps are needed to address housing supply shortages. The ninth five-year plan (2010-2014) estimated demand to be 250,000 units per year (1.25 million in total). Anticipating population growth of an average of 2.23% through 2014, the government projects an additional 750,000 households. According to the plan, 200,000 housing units would be required to cater to the non-Saudi population. The plan, also calls for 110,000 units to be built in reserve to ease rental inflation. Furthermore 140,000 new units are needed to replace existing units and dilapidated housing units. Most Saudi homes do not survive more than 30 years, which has limited the growth of an active secondary market. Banks generally refuse finance the acquisition of units more 10 or 15 years old. This restriction could be lifted if the quality of construction improved.

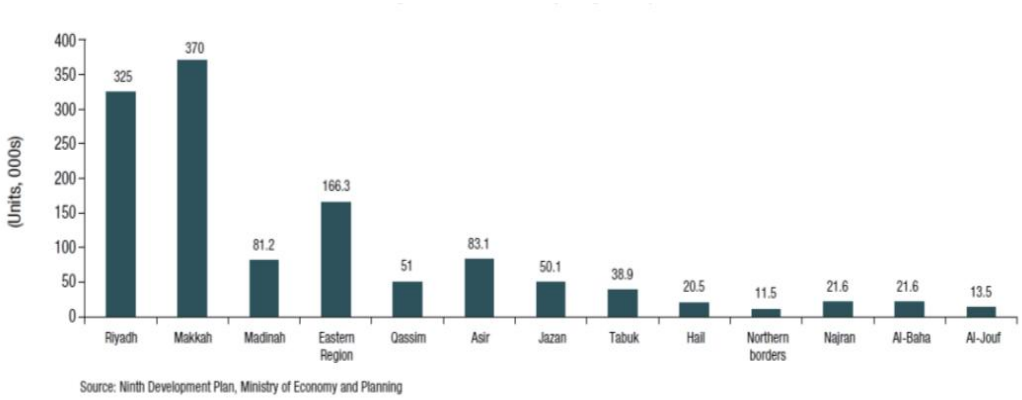
Figure 13: Housing demand in the Saudi 2014 development plan



(Source: Ninth Development Plan, Ministry of Economy and Planning)

According to government estimates, the greatest demand for housing is in Makkah province, which includes Jeddah city, at 370,000 units, followed by the capital Riyadh at 325,000 units For the period covered by the ninth development plan, Makkah province and Riyadh, along with the Eastern Province and the holy city of Madinah, account for three-quarters of new demand. The concentration of demand in Jeddah is not surprising; occupancy rates in the city surpass 95%. Housing shortages in Jeddah have been exacerbated by extensive flooding that has damaged many homes in recent years. According to independent estimates, the demand for replacement units is higher in all regions.

Figure 14: Housing units needed up to 2014 by region

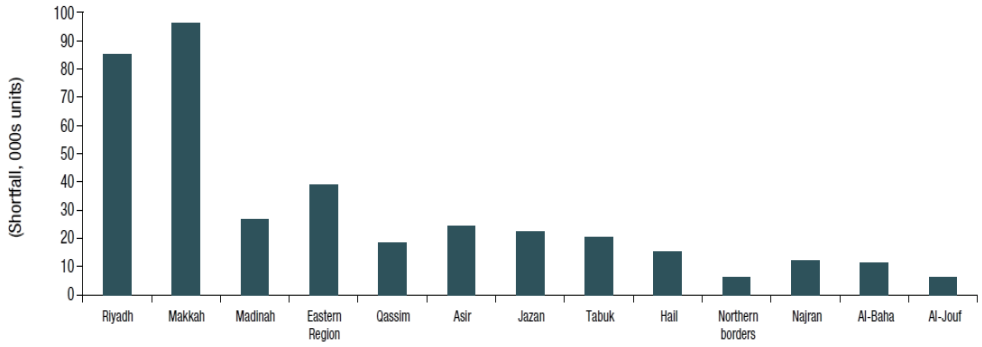


(Source: Ninth Development Plan, Ministry of Economy and Planning)

The government foresees adding one million units to the market by 2014, which is 20%, or 250,000 units, short of the demand estimate. Compared to the previous five years, a massive 66% increase in the pace of construction would be required to produce 200,000 new units per year. In comparison, during the eighth five-year plan (2005-2009), 120,000 new units were added annually and this was double the number added in each of the previous two five-year plans. It is evident that construction targets have not been, and are unlikely to be, achieved.

Even if Saudi Arabia achieves the one-million unit target, according to Banque Saudi Fransi (2011) there would still be an estimated housing shortfall of 375,000 units. A looming demographic bulge, represented by the percentage of young people, has the potential to ignite demand in coming years, particularly in urban centers. The biggest deficits will be in Riyadh and Jeddah.

Figure 15: By 2014, housing market still likely to face deficit of 375,000 units

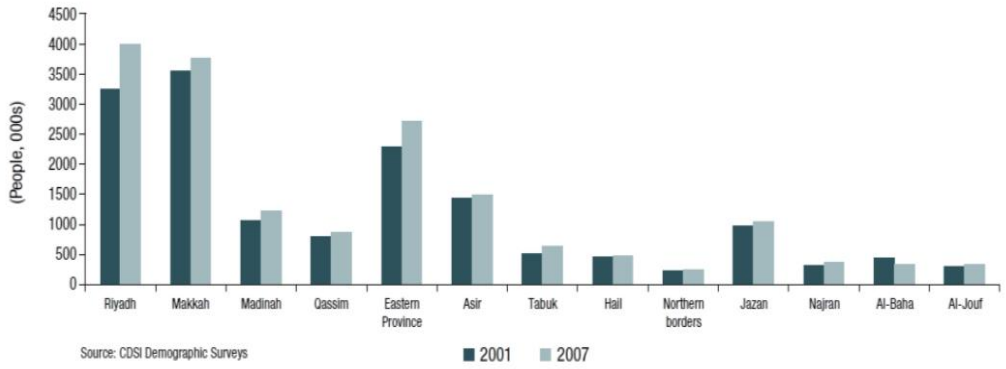


(Source: Banque Saudi Fransi forecasts)

Over the past decade, the Saudi population has become concentrated in urban centers. For example between 2001 and 2007, Riyadh's Saudi population grew by 23%, the highest rate in the country, and its non-Saudi population expanded by 24%.

On the other hand, in smaller localities, like Al-Baha, the Saudi population declined by more than 22%. As it continues, which is almost inevitable, this trend will place a greater strain on housing supply in urban centers. The presence of large numbers of expatriates also places pressure on rents and further elevates replacement demand. Rent inflation is now at 10%. Families also tend to be smaller in urban areas, which puts even more pressure on the demand for housing. For example, in 2004 the average family size in Riyadh was 6.2 people. Te Riyadh Development Authority expects this number to fall to 5.7 in the next decade.

Figure 16: Saudi population growth highest in urban areas



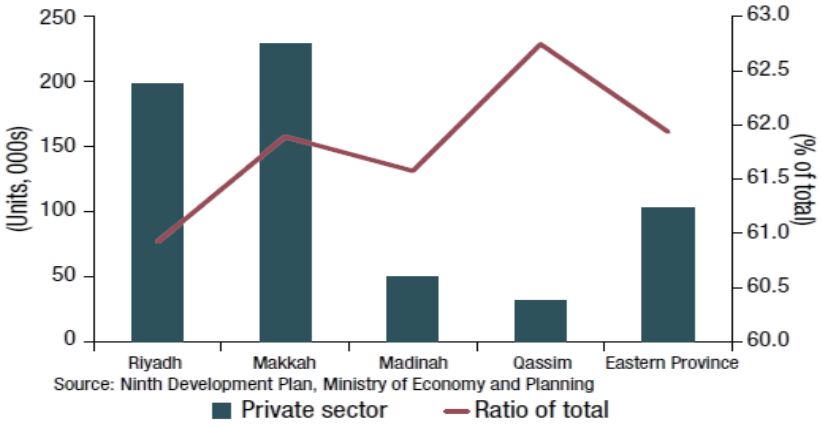
(Source: CDSI Demographic Surveys)

3.7.3 The role of the private sector in the provision of new housing units

Meeting building targets will be a critical if property prices are to be controlled in the coming years, and the private sector is expected to bear most of the burden. According to the ninth plan, private sector firms would build the majority of new homes, including 61% of new homes in Riyadh and 62% in the Makkah region. The Kingdom foresees:

- The Public Housing Authority building 66,000 housing units.
- REDF financing construction of 109,000 housing units by providing 90,000 loans.
- Government agencies building 50,000 units for their employees.
- The private sector funding and constructing 775,000 residential units.
- Some 266 million sq. m of land dedicated for housing projects.

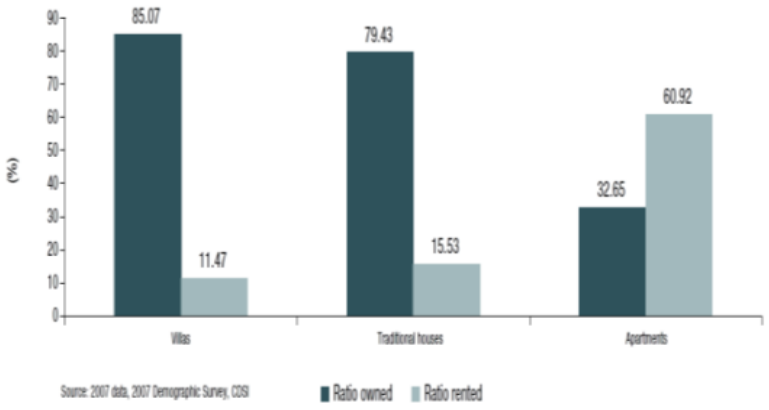
Figure 17: Private sector to build over 60% of new homes



(Source: Ninth Development Plan, Ministry of Economy and Planning)

As well as being affordable, new homes should be relatively large in size and more ergonomic. In 2004, 56% of Saudi households were above the national average for occupancy per room; essentially, they were overcrowded. Therefore, increase supply of affordable two- and three-bedroom detached units and duplexes is vital. A 2007 demographic survey showed that only one-third of Saudis lived in apartments, and just a third of those owned their flats, compared with ownership rates of 85% for villas and 79% for traditional houses. In Jeddah, where housing costs are the most-expensive in the country, owning a home is a luxury reserved for a minority.

Figure 18 : Apartment ownership levels low



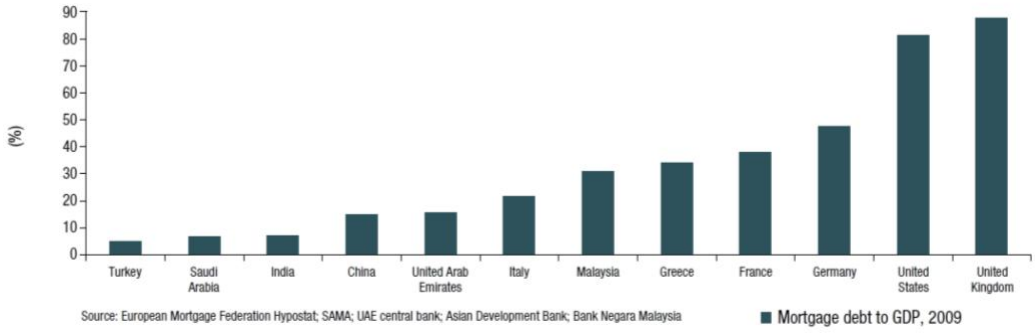
(Source: 2007 data, 2007 Demographic Survey, CDSI)

3.7.4 Saudi Banks and real estate

Up to Q3 2010, building and construction loans accounted for only 6.7% of total credit extended by Saudi banks, the lowest ratio in the Gulf region. In the UAE, Kuwait and Bahrain, real estate and construction loans constitute about one-third of total

credit. Similarly, Saudi mortgage lending is undersized at 6.8% mortgage debt to GDP in 2009. In the UAE, mortgage debt to GDP was 15.5% and in Malaysia and many European countries it is more than 30%. In the United States and the United Kingdom, it is even higher at 81.4 and 87.6%, respectively.

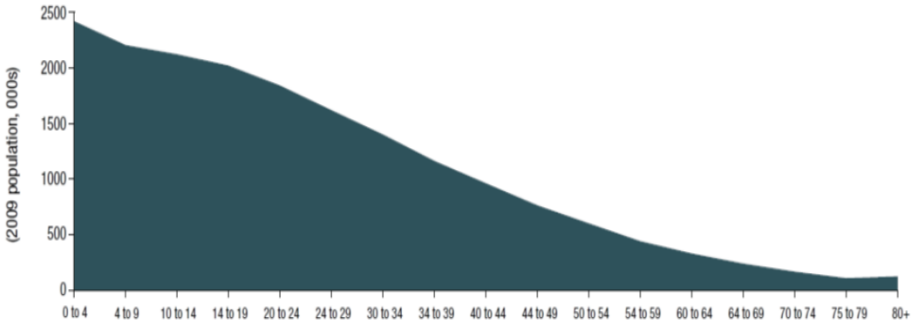
Figure 19: Saudi mortgage loan penetration exhibits vast potential



(Source: European Mortgage Federation Hypostat; SAMA; UAE central bank; Asian Development Bank; Bank Negara Malaysia)

Market reforms measures should include expanding the scope of financing for home purchases. This would be a critical component that would address the anticipate demand, particularly from young people reaching marriage age and leaving home.. In 2009, youth below the age of 30 accounted for 66% of the Saudi population and, in the coming decade, this group of potential home-buyers will most likely seek loans from banks and mortgage finance companies. The lack of a clear mortgage law framework to govern property ownership, repossession, enforced eviction and asset liquidation in the case of delinquency has deterred banks from expanding lending to this group.

Figure 20 Youth under 30 accounts for 2/3rds of Saudi population



(Source: SAMA)

3.7.5 The affordability challenge

An appraisal of prices for villas and apartments compared to average public and private sector wages clearly demonstrates the affordability challenge facing the Kingdom. Take the case of a Saudi buyer, a man who relies on his income alone to support a wife and three children, purchasing an apartment of 190m^2 in Riyadh for SR574,167, which was the median price given in the Banque Saudi Fransi's housing survey for the second half of 2010. Assume he makes a down payment of 10% and receives a flat-rate mortgage of SR516,750 to cover the remainder and that the loan must be repaid over 15 years at an interest rate of 6%. The loan payment would be SR4,361 per month, which would require a monthly wage of at least SR12,113 (SR145,354 per year), assuming that the installment payments represent 36% of the buyer's income. To finance a villa, the same family's monthly income would need to be almost double. The median cost of a 300-400m^2 villa was SR1.23 million (Banque Saudi Fransi, 2010). Assuming a larger down payment of 20% but the same interest rate (6%), the family's monthly installment payment would be SR8,270, requiring a monthly salary of SR22,972.

Based on these scenarios, and as illustrated in Table 2, the villa and apartment are beyond the means of vast numbers of state and private sector employees, most of whom earn less than SR8,000 per month. Even if the amortization period were extended to 20 years, the minimum salary required to purchase the apartment would be SR10,284 and SR19,503 for the villa.

Table 2 : Villa prices out of reach for most Saudis wage households

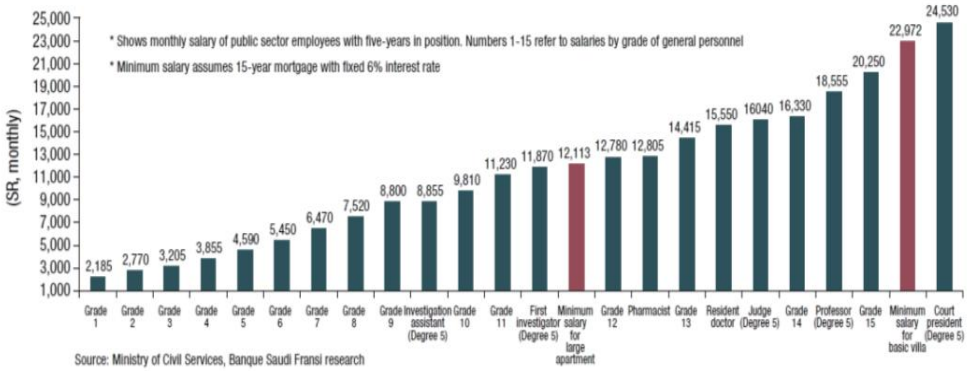
Property cost	
Median asking price of small Riyadh villa	SR 1.23 million
Median asking price of small Jeddah villa	SR 1.54 million
Median asking price for small Eastern Province villa	SR 768,333
Mortgage terms	
Assumed down payment	20%
Monthly mortgage instalment vs salary ratio	36%
Loan profit/interest rate	6%
Tenure of loan	15 years
Monthly salary requirements	
For Riyadh villa	SR 22,972
For Jeddah villa	SR 28,879
For Eastern Province villa	SR 14,408
Typical Saudi monthly salary	SR 8,000

(Source: Banque Saudi Fransi, 2011)

3.7.6 Income

Most public servants with five years' experience are paid between SR3000 and SR20,250 per month. Public service employees are paid a 15 grade scale; the wage is SR8,644, although most employees earn around SR5,699. Even at the highest end of the scale, a public service employee could not afford the Riyadh villa described in the below scenario Figure 21.

Figure 21: Home ownership out of reach for many government employees



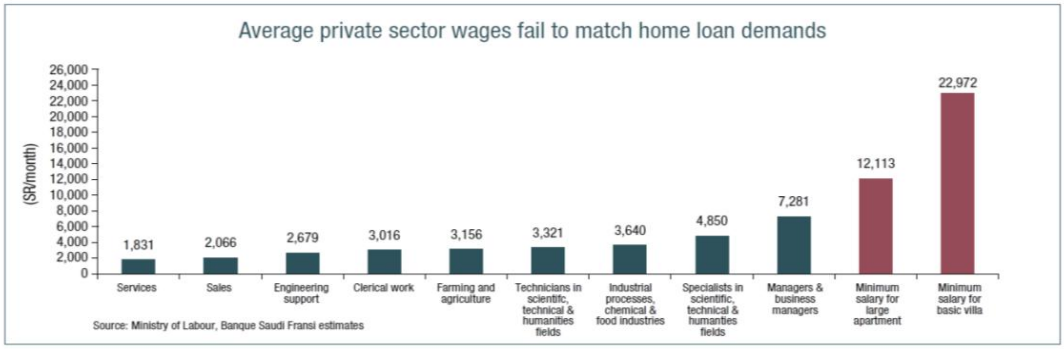
(Source: Ministry of Civil Services, Banque Saudi Fransi research)

* Shows monthly salary of public sector employees with five-years' experience. The numbers 1-15 refer to salaries by grade for general personnel

* Minimum salary assumes 15-year mortgage with fixed 6% interest rate

A significant proportion of wage households are unable to finance an adequate apartment. Many higher-skilled public sector professionals, such as pharmacists, doctors, professors, and court presidents are able to afford properties, although they may also be required to make higher down payments. The issue is even more apparent in the private sector, where wages are generally lower than in the public sector. Described in the below scenario Figure 22.

Figure 22: Average private sector wages fail to match home loan demands

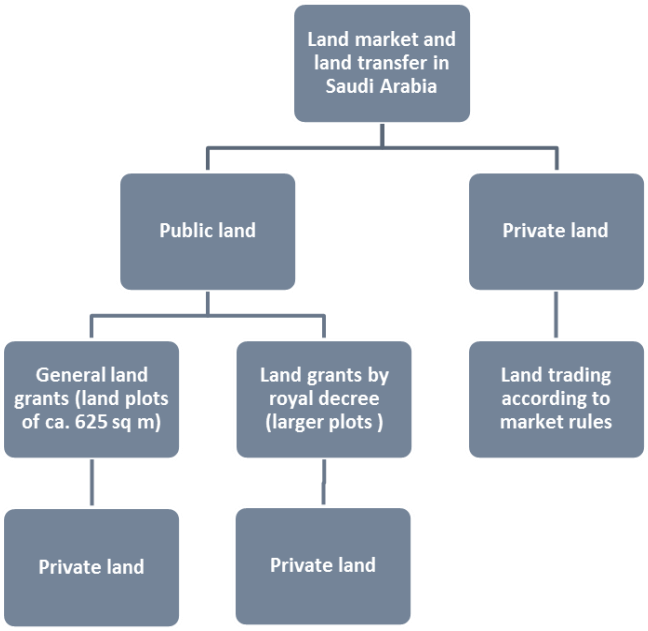


(Source: Ministry of Labor, Banque Saudi Fransi estimates)

3.7.7 Land market

In Saudi Arabia, the land market can be segmented into public land and private land. The government can distribute public land through land grants and, under very special conditions, through direct sale to the private sector. If public land is sold to the private sector, private land market rules, such those governing buying, selling, and inheritance, apply. The basic structure of the land market and land transfer is shown in Figure 21.

Figure 23: Land Market and Land Transfer in Saudi Arabia

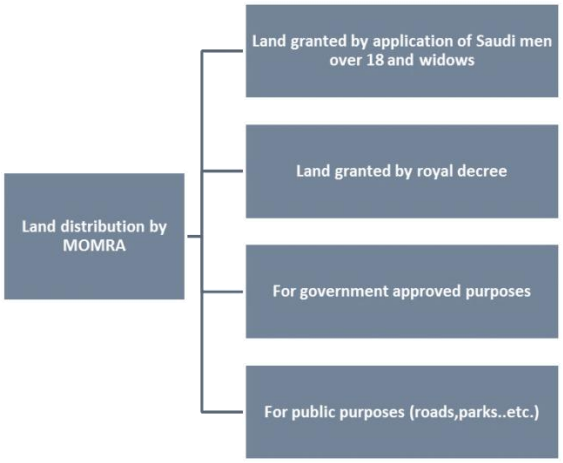


3.7.7.1 Basic features of the land grant program

In the Kingdom, all land not privately owned, belongs to the Government. In general, public land is distributed through land grants following the land development procedure. In the late 1960s, the Government began to give land to eligible Saudi citizens for free. The Ministry of Interior granted municipalities development rights for undeveloped land within their jurisdictions, authorizing municipalities to subdivide and sell lots to citizens for established nominal prices. Municipalities were instructed to allocate land plots of 400m2 to limited income citizens without charge. However, the government was able to distribute most public urban land free of charge due to higher oil revenues. The minimum lot size for all new land grants was increased to 625m2 under the authority of resolution No. 153, passed by the Council of Ministers in 1987. This increased the number of potential recipients and contributed to the already low residential density, which was less than 50 persons per hectare.

For a limited period of time, from 2007 to 2008, the MOMRA generated 107,774 public lots for distribution in 545 approved land subdivisions (Ministry of Municipal and Rural Affairs, 2009). The government distributes public land for four main purposes. Figure 25 illustrates the land distribution mechanism.

Figure 24*:* Land distribution mechanism in the Kingdom of Saudi Arabia



3.7.7.1.1 Land granted by application

Citizen over 18 years old who have not previously received a grant can apply for land grant. The lots are usually around 625m^2. Eligible Saudi Nationals must apply at a municipality and applications are processed on a first-come-first-served basis. In some cities, the waiting period for the application to be processed can be as long as 30 years. This type of land grants, sometimes called the direct land grant process (Abdulaal, 1995), constitutes 68% of all grants[21]. The lots are typically located on lower-priced land at the edges of the city. Currently, as most cities have expanded, governmental land available for distribution is often far away from city centers. This type of land grant no longer exists; it was discontinued by the Council of Ministers in January 2010.

3.7.7.1.2 Land granted by Royal Decree

Land grants by Royal Decree are mostly larger plots, around 900m^2 and above, amounting to approximately 32% of all granted land. The granting of big parcels has almost completely stopped; MOMRA no longer has land suitable for this purpose. For example in Jeddah, both land grant processes, that is Royal Decree or by application, have been frozen since 2005. At that time, there were 200,000 outstanding applications. The same situation prevails in Riyadh, Eastern Province and Makah Province.

21 *Information given by Mr. Mohamad Al Hammad, MOMRA, director of MINHA Department, during a real estate conference in 2010 in Riyadh*

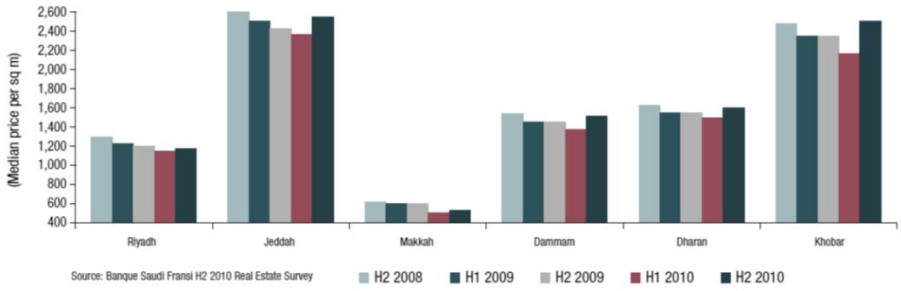
3.7.7.2 Current land grant programs challenges

Since it began in the 1970s, the land grant program contributed to the success of housing provision in the Kingdom. However, presently the land grant program faces acute challenges, such as a huge backlog of unprocessed land grants, which results in waiting periods of up to 30 years, and a goodly number of potentially fraudulent applications. New land grants are mostly in remote locations far away from city centers; many people who are not financially able to build a home receive land; and finally, there is some land speculation associated with the grants. In 2010, the GHA housing sample survey revealed that less than 5% of the land grants had been used directly by their beneficiaries to build their own homes. In view of the problems, the Council of Ministers established a moratorium on land grants on January 4, 2010, and took steps to begin to reform land grant programs.

3.7.7.3 Residential Land prices

With the exception of a modest reprieve in 2009 during the economic downturn, land prices have risen exponentially over the past 10 years. The median price per square meter of land in Jeddah rose by 9.8% in the second half of 2010 compared to 2009. In the Eastern Province, prices rose by almost 6% and by 3% in Riyadh (Banque Saudi Fransi, Housing Survey 2010).

Figure 25: Residential lot prices, 2008-2010



(Source: Banque Saudi Fransi H2 2010 Real Estate Survey)

CHAPTER FOUR

DATA COLLECTION AND ANALYSIS

CHAPTER FOUR: DATA COLLECTION AND ANALYSIS

4.1 Data collection overview

Data was collected via interviews with employees from a set of selected Saudi companies and through an analysis of television programs that discussed the housing problem in Saudi Arabia. Additionally, data was collected from individuals using an electronic questionnaire and interviews with regular citizens.

4.2 Interviews and television programs

4.2.1 Interviews

Two interviews were conducted. The first was with an engineer working in the marketing and strategy department at Ewaan Global Residential Company, an international housing company. Ewaan, which was established in Jeddah, is one of the largest housing development companies in Saudi Arabia. The interview took place on 29/04/2012.

Ewaan is a Saudi closed joint stock company; it was established through an initiative of the Islamic Corporation for Private Sector Development of the Islamic Development Bank and Growth Real estate company and Public Pension Agency and the International Bank of Investment, in addition to a group of companies and discerning businessmen. The company aims to develop residential neighborhoods with complete services for average middle-income households and is keen to provide high quality services at competitive prices.

During the interview, the employee indicated that the multiplicity of official bodies in the housing sector and the lack of clarity of responsibilities assigned to them led to poor organization, which is worsening the housing crisis. He explained that the housing projects provided by the company targeted income households from SR12000 per month and above[22]. He said that cooperation is needed between real estate developers and the Ministry of Housing to help solve the housing crisis. He pointed out that the adoption of the mortgage law is a long awaited solution. The interviewee's opinions regarding the problems facing developers can be summarized as:

- Difficulty obtaining statements for projects, permits and licenses.

221 Saudi Riyal = 0.27 American Dollar

- Scarcity of land at reasonable prices.
- Rising building material prices and lack of support from the government to regulate prices.
- Complicated municipal requirements, such as determining elevations, among others.

The second interview was with one of SEDCO Holding Company's planners and was conducted on 06/05/2012. SEDCO, the Saudi Economic and Development Company, is based in Jeddah and is a leading private wealth management organization that conducts its business according to Islamic guidelines widely known as Shari'ah[23]. It manages a wide and diversified spectrum of real estate investments, investments in equities, and other businesses in Saudi Arabia and around the world.

When we asked about Saudi real estate developers' relationship to the housing market, the planner explained that they are involved in no more than 15% of the housing projects. He added that the entry of real estate developers into the affordable housing market requires the government to deal with unjustified high prices of land; at current prices, housing projects for middle and low-income are not profitable. He suggested that the government should provision land at nominal prices and facilitate the issuance of permits and licenses given that this category accounts for more than 70% of Saudi families.

At the end of the interview the planner stressed that one of the main causes of the crisis is the desired location of houses and the demand for qualities that Saudi culture mandates. The following summarizes the interviewee's understanding of the causes of the housing crisis:

- Rising land prices.
- Delay in obtaining permits and licenses.
- High interest rates.
- Rising prices of building materials.

4.2.2 Television programs

Saudi media is rich with content about the housing crisis because it is a serious issue that affects large numbers of people. Many talk shows and special workshops examine this issue by hosting academics, experts, writers and economists. The following subsections summarize some information and suggestions from these shows and workshops.

23 It is the body of Islamic law in islamic states is identified as Muslim law or Islamic law

4.2.2.1 An interview[24] with Essam Al-Zamil

Essam Al-Zamil is a writer, specializing in economics, who is interested in housing. He has written many articles about the housing crisis. At the beginning of the interview, Mr. Al-Zamil said that there are studies that suggesting that the minimum monthly income needed to own a house in Saudi is SR13,000. Fewer than 20% of families meet this criterion. He stated that the average government sector employee earns SR7,300 per month and the average monthly income for an employee in the private sector is SR3,500.

His comments focused on residential land as its high price is considered to be the main reason for the housing crisis. Currently, the cost of residential land is about 60% of the final value of a house. He also said that the most important reason for high residential land prices is land dealers refusal to sell land, which causes both lack of supply and increase in demand. In summary, Mr. Al-Zamil suggested that the following issues can be attributed to high land prices:

- Low standards of living.
- The economic slowdown.
- The limited expansion of project services.

Mr. Al-Zamil said that finding a solution for high land and house prices should be a top priority for the government and official bodies, particularly because young people are the largest vulnerable group and the largest segment of the Saudi society. He suggested legislation to limit the monopoly of land be passed and enforced and that an annual fee be imposed on residential land (land zakat). He explained that the Islamic law of Zakat has three categories: Zakat on livestock, production, and wealth, each with different requirements. Zakat on wealth is applicable to all assets that are not in daily use provided their combined value is more than the minimum threshold of Nisaab,(which depends on the price of gold and currently is approximately SR16,000). For example, if they possessed agricultural land, Zakat was paid on what was grown on the land. If they possessed other land, it was not valued with a determinable price the way it is now. Today land in excess of one's need is very much a part people's total wealth and its precise value is known. Calculating a land Zakat would be simple and paying a land Zakat is only logical. It does not make religious sense that wealth in the form of gold and silver should be subject to Zakat but comparable wealth in the form of land is exempted. God Almighty is neither against gold or silver nor is He in favor of

24 http://www.youtube.com/watch?v=xLeDCIup5Ak

land. He ordered us to pay 2.5% Zakat every year on all wealth. (http://www.khalidzaheer.com/qa/709)[25].

4.2.2.2 An interview with Mr. Fadl Bo Enien, Mr. Majid Hugail and Dr. Raed AL-Dakheel

In 2001, the Al-Arabiya TV News Channel aired a program centered around the housing crisis[26]. The three guests were the economic writer Mr. Fadl Bo Enien, the executive manager of Rafal Real Estate Development, Mr. Majid Hugail, and the executive manager for Mawten Real estate company, Dr. Raed AL-Dakheel. A summary of the guests' points of view follows.

Mr. Majid Hugail said that citizens are not confident of getting a house. He blamed the distribution of land in the past as the main reason for the housing crisis and rising prices. The following are the main points discussed by Mr. Hugail:

- Usually government's control and plan urban expansion to control inflation and provide needed services. In Saudi Arabia, a few big landlords are in control, not the municipalities. The absence of incentives for developers led to the crisis.
- The purchasing power of citizens is an important cause of the crisis. Relevant agencies need to work together come up with realistic solutions to the problem.
- Several large land blocks within urban boundaries are reserved.
- A culture of horizontal expansion contributed to the crisis.
- The absence of regulations for real estate developers and also support both in funding or facilities made the market unattractive.
- Elements of cost: land, building materials and manpower.

Dr. Raed Al-Dakheel described how the government of Qatar implemented a system that contributed to reducing land prices. They prohibited the sale of land that had been owned for less than a year. He argued that we should encourage developers adopt innovative ideas and build housing for all income categories. If the private sector does not participate in solving the housing crisis, Dr. Al-Dakheel believes the Housing Ministry cannot build 500,000 units even in 15 years. The following are the main points discussed by Dr. Al-Dakheel:

- International experience has shown that government agencies are not best suited to implement housing projects because of lack of cost control and unequal distribution.

25 Zakat: is one of the Five Pillars of Islam, is the giving of a fixed portion of one's wealth to charity, and they calculated the proportion of Zakat wealth cash at 2.5% annually in accordance with the Islamic New Year. Remember also that the rate of 2.5% is only a minimum, in times of emergency, or when the need arises, there is no limit, the more you give, and greater benefit it is for all concerned. The distribution of Zakat serves all the purposes for which they are launched numerous fundraising campaigns. The background of Zakat substitutes for all other. (http://www .islamenlinea.com / guide-islam / zakat.html)

26 http://www.youtube.com/watch?v=tK2NmVe37OU

- In the past three decades the citizens' vision of land changed from a revival and reconstruction tool to an instrument of monopolistic investment because it is not expensive to retain and there has been a continuous increase in price.
- The government's system of land allocation is problematic.
- Obstacles for developers: procedural requirements, specifically delays in obtaining permits and licenses, and lack of funding.
- Developers can provide services to middle and low- income households if the Ministry of Housing provides land at reasonable prices.
- Encouraging new participants in the housing sector is problematic because new entrants may not conform to quality standards and have no administrative expenses.
- The low income of the targeted categories.

For Mr. Bo Enien, the most prominent points were the following:

- The Ministry of Housing should develop, plan, and supervise strategies, not implementing projects.
- Distribution of land grants should be in serviced areas.
- The Canadian government has provided loans suitable for citizens who cannot finance their homes through banks under certain conditions and at low cost.
- Land grants were transformed into investments and did not result in the construction of new houses.
- We must explore new ideas and take advantage of international experience.

4.2.2.3 An interview with Mr. Omar Alkadi

In mid-2011, at the Riyadh Real Estate Exhibition, Restatex 14th, CNBC interviewed Mr. Omar Alkadi, the CEO of ENJAZ, a real estate development company[27]. He said that stopping government contributions to real estate in 2005 led to a large number of real estate developers exiting the real estate market. This contributed to reducing the supply of residential land and buildings. He discussed the recent royal decrees mandating the construction of half a million housing units worth 250 billion Saudi riyals and pumping 80 billion Saudi riyals into the REDF to allow the maximum mortgage loan to be raised to half a million Saudi Riyals. Mr. Alkadi believes that these decisions will reduce the effects of the housing crisis but not solve it. He believes there is a problem with the implementation of such decrees and the associated legislation.

Dr. Alkadi talked about the existence of a large gap between housing supply and demand. He said the gap was caused by the last five five-year plans failing to achieve their housing goals and the disproportionate selling prices compared to income rates. He said that the important things to do at this stage are:

27 http://www.youtube.com/watch?v=4QM7HCWvYJs

- ❖ Encourage companies and real estate developers and support them.
- ❖ Facilitate permits, licenses and credits.
- ❖ Allow specialized international companies to enter the Saudi housing sector.
- ❖ Pass the mortgage law.
- ❖ Support studies in the housing sector and take advantage of other countries' experience.

4.2.2.4 An interview with Mr. AbdulAziz Alkasim, Mr. Fawaz Alfawaz and Mr. Khalid Almbiad

In March 2012, MBC TV channel presented a program that focused on the Saudi housing crisis[28]. The guests were Mr. AbdulAziz Alkasim, Mr. Fawaz Alfawaz and Mr. Khalid Almbiad. Mr. Alkasim is a lawyer and a former judge. Mr. Fawaz Al-Fawaz is an economic writer. Mr. Khalid Almbiad is the General Manager of BASMAH Company for Real Estate Marketing, which received the Best Real Estate Marketer award in 2010.

At the beginning of the interview, a report was presented that emphasized the clear disparity in the prices of real estate, whether residential land or residential units, in various regions of the Kingdom. The report highlighted the fact that more than 33% of a citizen's income goes to housing, residential land prices have risen 80-100% during the last three years, and rents are 50-70% higher than five years ago. The report also shows that 77% of land within the range of urban land in Riyadh is white land (vacant land)[29]. The report presented the views of some citizens and some specialists with regard to the housing crisis. These points of view are summarized below:

- ❖ Lack of structured real estate market in the Kingdom.
- ❖ Lack of affordable loans for middle and low-income.
- ❖ Municipalities' lack of a clear mechanism for residential land division.
- ❖ Some believe that real estate developers and land dealers are the two main causes of the housing crisis and rising prices.
- ❖ Poor planning and lack of future vision by those responsible for the housing sector.
- ❖ Stock market crash in 2006 led to liquidated investments being redirected to real estate.

Mr. Alkasim mentioned that one of the causes of the housing crisis is increasing population growth. He added that a monopoly in land ownership, especially in areas around the main cities, by individuals or government agencies is a main factor in the crisis. There is an effective demand problem; 80% of the 130,000 housing units

28 http://www.youtube.com/watch?v=PKOhxIX7pBs

29 Owned land but is not used

constructed yearly exceed 1.5 million Saudi Riyals. Studies show that only 10% of citizens have the ability to buy at these prices. This is the reason why real estate developers are not undertaking projects for middle and low-income people. The REDF loans are going to the wrong people; middle- and low-income households are not given priority. Mr. Alkasim talked about the large consumption of residential land. For example, in Europe the average residential lot is $100m^2$, in America it is $254m^2$ in America; but in Riyadh it is $504m^2$. He stated that the government should not be constructing buildings but only organizing and supervising the market. In contrast, to other Gulf States, the Kingdom is large in area and population.

From Mr. Alkasim's point of view, the solutions need to be shared between the private and public sectors. The public sector needs to facilitate the work of the private sector through the provision of residential land at reasonable prices under well-defined regulations and policies. He suggested instituting policies that would encourage reverse migration from large cities to small towns. Mr. Alkasim believes that the REDF needs to modify its policies.

Mr. Al-Fawaz emphasized that the main problem was low purchasing power; incomes are low compared to the rising prices of houses. For example, in many countries the value of a house is approximately equivalent to 20 times the average annual income, but in the Kingdom it is 60 times that amount. Similarly, land constitutes 15-20% of the value of a house in other countries while in the Kingdom it is 50-60%. One of the problems he discussed is the lack of clear and integrated vision for this sector. As a solution, he suggested the imposition of fees for unused land (Land Zakat of 2.5%), which would add 200 billion riyals per year to the government treasury. Such large amounts of money could be used to develop and support housing for the low-income class.

Finally, Mr. Almbiad pointed out that the number of real estate developers in Saudi is low compared to the size of the market. Potential developers are concerned and are not entering the market. He said it was possible to construct high quality housing for low income people if the government organized the projects and provided residential land at nominal prices. He suggested reviewing the distribution mechanism for REDF loans. He was in favor of developing residential suburbs on the outskirts of cities to relieve the pressure on the major cities.

4.2.2.5 Interview with Mr. Essam Al-Zamil, Mr. Salman bin Saidan and Dr. Ibrahim Algfeli

In May 2012, one of Line Sports channel's social programs presented a special episode on housing in the Kingdom[30]. The guests were Mr. Essam Al-Zamil, an economics writer; Mr. Salman bin Saidan, president of Saidan real estate group; and Mr. Ibrahim Algfeli, head of the Readah Center for Economic Consultancy. The participants discussed a report that showed that some housing projects did not complete 10% of the construction in their first year. The report gave the views of some citizens and some specialists about the housing crisis as follows:

- The government should set up a company to buy houses and then lease them to citizens.
- Stimulate investment in housing and reduce the barriers.
- Reduce areas of residential land.
- Increase investment in small towns.

Mr. Saidan said that when buying raw land from municipalities, in the past 33% was deducted for services and this percentage then rose to 40%; with the introduction of the concept of comprehensive development the ratio reached 50%. This contributed to the rise of prices in the real estate market. The price of these services is added to the final price of the housing unit, which significantly increases the cost. Mr. Saidan believes that developers should pay the municipality the full cost of the land at the time of purchase. In Dubai, for example, developers pay for the land within 5 years. Mr. Saidan added that developers suffer because the Ministry of Housing refuses to deal with them[31]. He said that Ministry projects are ineffective and unimpressive, having completed only 13,000 units since 2009. To solve the housing crisis, Mr. Saidan asked for a united effort from the public and private sectors.

Mr. Al-Zamil said the goal was not to own a house, but to have a home in a suitable place at a reasonable price. There are countries in Europe where the proportion of ownership is low but income rates are high and rent increases do not exceed annual inflation rates. He explained that the tenants in the Kingdom, especially low-income citizens, do not have psychological stability because rents can rise suddenly. He blames the low supply of housing on the absence of regulations, which makes the market unattractive to developers. Mr. Al-Zamil argued that most of the problems come from land dealers and infrastructure developers. He suggested that the

30 http://www.youtube.com/watch?v=peWr5MCr6bQ

31 Housing General Authority now is Ministry of Housing

Ministry of Commerce should control sales and prices to prevent land dealers from speculation that inevitably results in higher prices.

Dr. Algfeli joined the discussed by phone. He pointed out that there are 21 billion square meters of land within the Urban Growth Boundaries in Saudi Arabia that could be used to build 20 million housing units. However, we currently only have 4.63 million units. He said based on studies conducted by his company 70% of citizens can not own a home because of their low incomes. He suggested that releasing the vacant lands to the public would go as long way to solving the housing crisis effectively. Dr. Algfeli also appeared on another program[32] in the same year where he stressed that there had been a housing crisis in the Kingdom for over 40 years. He said that, at 35%, the Kingdom has the lowest ownership percentage in the Gulf, compared to 86% in Kuwait and 90% in the United Arab Emirates. He believes that the large land grants were a primary cause of residential land scarcity. He asked the Ministry of Commerce to interfere to prevent large land grants that did not lead to housing development.

4.3 Electronic questionnaire survey

We used Google Docs to generate the electronic questionnaire and Microsoft Excel to analyze the responses. The estimated time for completing the questionnaire was 10 minutes. There were a total of 1,900 responses; however, after discarding incomplete questionnaires and those from non-Saudis, the final number of valid questionnaires was 1,227.

32the name of the program " Writer said" On one of the satellite channels *http://www.youtube.com/watch?v=14AW7XnqiXg

4.3.1 Section A: General information analysis

4.3.1.1 Age

Table 3: Age of e-questionnaire respondents

Age		
	Frequency	**Percent**
Less than 20 years	**3**	**0.2 %**
From 21 to 25	**170**	**13.9 %**
From 26 to 30	**472**	**38.5 %**
From 31 to 40	**435**	**35.5 %**
From 41 to 50	**116**	**9.5 %**
From 51 to 60	**27**	**2.2 %**
More than 61 years	**4**	**0.3 %**
Total	**1227**	**100 %**

The majority of respondents were between 20 and 40 years of age. Table 3 shows that the highest percentage (38.5%) of respondents was between 26 and 30. The second highest percentage was 35.5% for the age group from 31 to 40 and the third highest was 13.9% for respondents between 21 and 25 years old. This means that 87.9% of the respondents were in the target age category for the study.

This target age category took the following into consideration. The average age to enter university is 18, and if we assume that the average number of years of study at university is 4 then the age of graduation will be 21 years. These graduates will begins to search for a job and then start thinking about stability, marriage, and searching for housing. From marriage contracts statistics, we found that most people who marry are between the ages of 20 to 40. The average marriage age for men is between 23 and 28. Some studies suggest that the average marriage age is increasing; 20.4% of Saudi men get married after the age of 30. The main reason for this is the difficulty accessing housing. In addition, this category has the highest demand for housing.

4.3.1.2 Gender

The gender breakdown of our respondents was 84.4% male and 15.6% female, as shown in Table 4. The preponderance of male respondents might be due a cultural bias. In Saudi Arabia males are usually responsible for housing the family.

Table 4: Gender of e-questionnaire respondents

Gender		
	Frequency	**Percent**
Male	**1036**	**84.4 %**
Female	**191**	**15.6 %**
Total	**1227**	**100 %**

4.3.1.3 Level of education

The level of education was one of the indicators to differentiate the background of our respondents. As shown in Table 5, 12.1% of respondents had completed secondary school; 14.1% held diplomas in different fields; and 1.5% had only some primary school education. More than 50% held bachelor degrees and 19.2% had post-graduate degrees, which means that 73% of the respondents had at least a bachelor degree. Therefore, most of the questionnaires were completed by qualified respondents.

Table 5: Level of education of e-questionnaire respondents

Level of education		
	Frequency	**Percent**
Primary School	**18**	**1.5 %**
Secondary School	**149**	**12.1 %**
Diploma	**173**	**14.1 %**
Bachelor	**651**	**53.1 %**
High Education (Master & PHD)	**236**	**19.2 %**
Total	**1227**	**100,0 %**

4.3.1.4 Marital Status

As shown in Table 6, the highest percentage (74.1%) of respondents were married; 23.7% were single and 2.2% were divorced. In the Kingdom, young divorced people, especially women, usually return to their parent's house

Table 6: Marital Status of e-questionnaire respondents

Marital Status		
	Frequency	**Percent**
Single	**291**	**23.7 %**
Married	**909**	**74.1 %**
Divorced	**27**	**2.2 %**
Total	**1227**	**100,0 %**

4.3.1.5 Household size

We queried four different household sizes ranging from two or less to more than 10. As shown in Table 7, more than 47% of respondents were members of households with 3 to 5 members; the second highest group, at 29.5%, came from household with between 6 and10 members. At 4.1%, the smallest group were those who lived with more than 10 people. A significant number, 18.6%, lived in households of 2 or fewer. These results indicate that the next generation will need more houses as the average number of family members is high.

Table 7: Household size of e-questionnaire respondents

Household size		
	Frequency	**Percent**
2 Or less	**228**	**18.6 %**
From 3 to 5	**587**	**47.8 %**
From 6 to 10	**362**	**29.5 %**
More than 10	**50**	**4.1 %**
Total	**1227**	**100,0 %**

4.3.1.6 Monthly income

Table 8: Monthly income of e-questionnaire respondents

Monthly income		
	Frequency	**Percent**
Less than 2000 SR	**136**	**11.1 %**
From 2001 SR to 6000 SR	**180**	**14.7 %**
From 6001 SR to 10000 SR	**346**	**28.2 %**
From 10001 SR to 15000 SR	**325**	**26.5 %**
From 15001 SR to 20000 SR	**138**	**11.2 %**
More than 20001 SR	**102**	**8.3 %**
Total	**1227**	**100,0 %**

The data for monthly income shown in Table 8 is based on occupation, level of education, and home ownership. The highest percentage was 28.8% for people whose money income between SR6,001 and SR10,000. Only 10.7% of this group own their houses. Those with a bachelor degree or a post graduate degree comprise more than 66.2% of this group. Of these, 69% work for the government and 11.8% own their houses. For the 33.7% of lower education respondents at this income category, 64.1% work for the government and 8.5% are home owners.

The second highest percentage (26.5%) was for the monthly income between SR10,001 and SR15,000 where 12% own their houses. Holders of a bachelor or post graduate degree make up 81.8% of this group. Of these, 71.1% work for the government and 12.4% own their houses. For the 18.2% of lower education respondents at this income category, 57.6% work for the government and 10.2% are home owners.

The third highest percentage was 14.7% for respondents whose monthly income is between SR2,001 and SR6,000. Surprisingly, 14.4% of them own their houses and 47.8% have some education beyond secondary school. Government workers form 45.3% of this group, with 15.1% being home owners. 41.5% of the less educated (52.2%) work for the government and of those 13.8% own their houses.

The fourth highest percentage, 11.2%, was made up of those whose monthly income ranges between SR15,001 and SR20,000. Not surprisingly, 26.1% own their houses and 89.8% are well educated. In this category, 61.3% work for the government and of those, 24.2% are home owners. Respondents who do not hold a bachelor degree made up 10.2% of respondents in this category, and of these, 57.1% work for the government and 42.9% of them own their houses.

The fifth highest percentage was 11.1% for monthly incomes less than SR2,000. A high home ownership of 28.7% was reported for this category. This was not expected and further analysis revealed that 71.3% of respondents in this group were females who lived with their families and considered themselves homeowners. Here, 64.7% have at least a bachelor degree and only 1.1% work for the government; 88.6% were unemployed and 82% were female. Those with no bachelor degree form 35.3% of this group and 10.8% work for the government; 79.2% were unemployed and 52% were female.

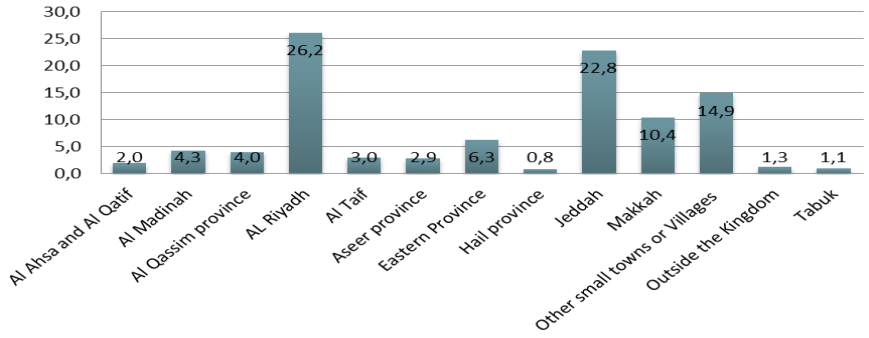
The lowest percentage was 8.3%, respondents who made more than SR20,000 a month. Of those 46.1% owned their houses; 84.3% were well-educated and 45.7% worked for the government. Of this group, 46.8% owned their houses and only 2% were female. The 15.7% who were making this amount of money but did not hold a bachelor degree were all male; 25% work for the government and 37.5% own their houses.

4.3.1.7 Place of birth (Hometown)

As expected, about 70% of all respondents were from the major and most important cities. The highest percentage was from Riyadh (26.2%), followed by Jeddah

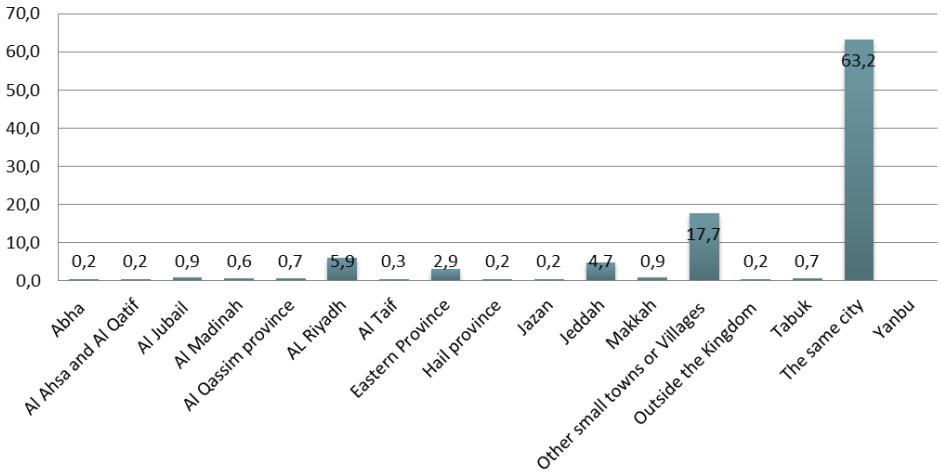
(22.8%), and then Makkah (10.4%). The next two highest were the Eastern Province (6.3%) and Madinah (4.3%). (Table 9)

Table 9: Place of birth of e-questionnaire respondents



4.3.1.8 Current city of residence

Table 10: Current city of residence of e-questionnaire respondents



From the data presented in Table 10, we can see that 63.3% continue to live in their city of birth, which means that 36.7% migrated moved to other cities. From responses to the questionnaire, we determined that Riyadh (5.9%), Jeddah (4.7%) and Eastern Province (2.9%) experience the highest rates of migration, undoubtedly because the majority of jobs are concentrated in these cities.

4.3.1.9 Where do you live in the city?

As shown in Table 11, 66% of respondents lived in the city center. This can be attributed to the fact that there are more services available in the city center than in the suburbs districts.

Table 11: Housing location in the city of e-questionnaire respondents

Where do you live in the city		
	Frequency	**Percent**
In the city center	**798**	**65 %**
Far from city center	**429**	**35 %**
Total	**1227**	**100,0 %**

4.3.1.10 Do you work in the same city where you live?

From the data in Table 12, we can see that most respondents (85.5%) live and work in the same city.

Table 12: Do you live and work in the same city?

Do you work in the same city where you live?		
	Frequency	**Percent**
Yes	**1053**	**85.8 %**
No	**174**	**14.2 %**
Total	**1227**	**100,0 %**

4.3.1.11 Employment Sector

Table 13 shows the breakdown of respondents by employment sector. Respondents working for the government and the private sector take the two highest percentages, 54.5% and 31.3%, respectively. Fifteen percent of government workers own their houses compared to 17% of private sector employees who are home owners. The unemployed have the third highest percentage at 10.6%. Respondents who own their own business formed 3.6%, the lowest percentage. Generally, in Saudi Arabia there is a preference to work for the government for job security. (Table 13)

Table 13: Occupation of e-questionnaire respondents

Employment Sector		
	Frequency	**Percent**
Government sector	**669**	**54.5 %**
Private sector	**384**	**31.3 %**
Own business	**44**	**3.6 %**
Unemployed	**130**	**10.6 %**
Total	**1227**	**100,0 %**

4.3.2 Section B: Current house information analysis

4.3.2.1 Do you own your current house?

This was one of the most important questions in the survey. The majority of respondents (around 82%) did not own their houses, as shown in Table 14. Table 15 shows that the vast majority (81.7%) were renters and that most of the rented homes rented were apartments (62%) since they are cheaper than other types of housing. Respondents who lived with their parental or extended family constituted 21% of total respondents, follows by those who occupied a floor in a villa, a villa or a duplex villa.

Table 14 : Ownership status of e-questionnaire respondents

Do you own your current house?		
	Frequency	**Percent**
Yes	**224**	**18.3 %**
No	**1003**	**81.7 %**
Total	**1227**	**100,0 %**

4.3.2.2 House types

From the previous questionnaire analysis we can see that most of our respondents were workers in the government and private sectors with middle to low monthly incomes. Of those, as shown in Table 15, 55% live in apartments (92% rented); 21.9% live with their families; 52.8% were singles and 42% made less than SR6,000 a month. Duplex or semi attached villas, which have just started to become popular in Jeddah, form 3.5%, which is the lowest percentage; however, 42% were owned. Villas come in third place at 11.8% with an ownership percentage of 58%.

Table 15: Type of house of e-questionnaire respondents

Type of house		
	Frequency	**Percent**
Apartment	**674**	**54.9 %**
Villas	**145**	**11.8 %**
Duplex villas	**43**	**3.5 %**
Floor in a villa	**96**	**7.8 %**
With the family	**269**	**21.9 %**
Total	**1227**	**100,0 %**

4.3.2.3 Are you satisfied with your current house (Does it satisfy your needs)?

In the responses to this question, presented in Table 16, we can see that most respondents (66%) are not satisfied with their current houses. Most of (96%) did not own those houses. Around 86% of home owners were satisfied with their houses.

Table 16 : Satisfaction with current house of respondents the e-questionnaire

Are you satisfied with Your current house (Does it provide your needs)?		
	Frequency	**Percent**
Yes	**417**	**34 %**
No	**810**	**66 %**
Total	**1227**	**100,0 %**

4.3.3 Section C: Future house information analysis

4.3.3.1 Do you prefer to own or rent housing?

As clearly indicated in Table 17, most respondents (95.7%) prefer to own their houses. Most of those who prefer to rent gave easy of mobility as the reason their choice. (Table 17)

Table 17: Preference of ownership housing of e-questionnaire respondents

Do you prefer to own or rent housing		
	Frequency	**Percent**
Owen house	**1174**	**95.7 %**
Rent	**53**	**4.3 %**
Total	**1227**	**100 %**

4.3.3.2 What type of house are you looking for?

As shown in Table 18, most respondents (72.9%) wanted to live in villas. The second highest percentage (17.2%) was for duplex villas or semi attached units. This shows that there is a cultural preference in Saudi Arabia for large and separate houses. Apartments take the third highest percentage (5.1%) while the lowest percentage was for a floor in a villa at 4.9%.

Table 18: Preference of type of house of e-questionnaire respondents

Type of house		
	Frequency	Percent
Apartment	62	5.1 %
Villas	894	72.9 %
Duplex villas	211	17.2 %
Floor in a villa	60	4.9 %
Total	1227	100,0 %

4.3.3.3 Would you buy an affordable house outside the city?

Table 19: Willingness to buy house outside the city of e-questionnaire respondents

Is it possible for you buy house outside the city if provide affordable housing?		
	Frequency	Percent
Yes	607	49.5 %
No	620	50.5 %
Total	1227	100 %

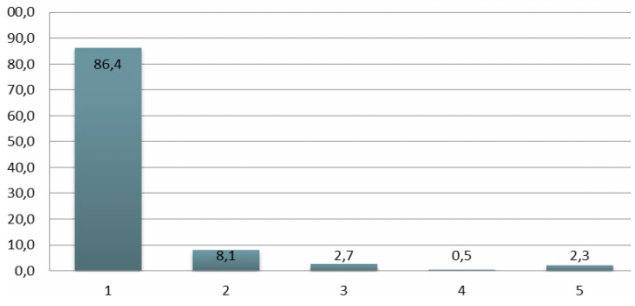
Here the respondents were split almost completely evenly between those who would live outside the city and those who would not. (Table 19)

4.3.4 Section D: Choice of the house information analysis

This section of the questionnaire was designed to collect opinions regarding the factors considered when choosing a house. These opinions will help us in the development of recommendation. The scale was 1= very important, 2= important, 3= Medium of importance, 4= doesn't matter, 5= doesn't matter at all.

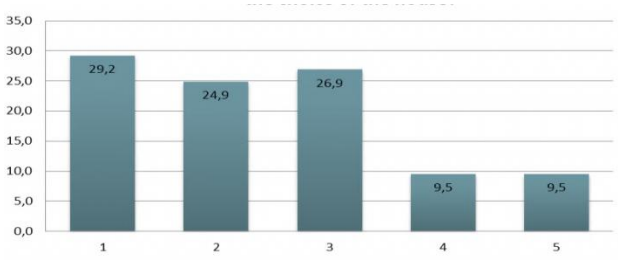
4.3.4.1 House price

Price of house		
	Frequency	Percent
1	1060	86.4 %
2	100	8.1 %
3	33	2.7 %
4	6	0.5 %
5	28	2.3 %
Total	1227	100,0 %



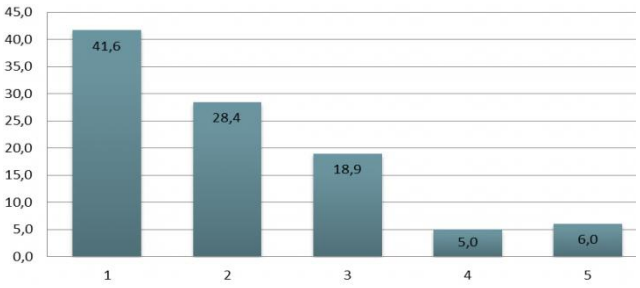
4.3.4.2 Living near family

Living near the family		
	Frequency	Percent
1	358	29.2 %
2	305	24.9 %
3	330	26.9 %
4	117	9.5 %
5	117	9.5 %
Total	1227	100,0 %



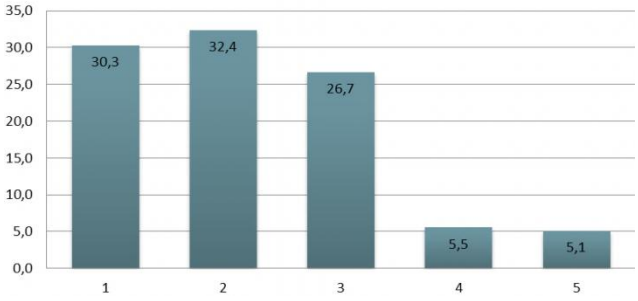
4.3.4.3 Living near a mosque

Living near the mosque		
	Frequency	Percent
1	511	41.6 %
2	349	28.4 %
3	232	18.9 %
4	61	5 %
5	74	6 %
Total	1227	100,0 %



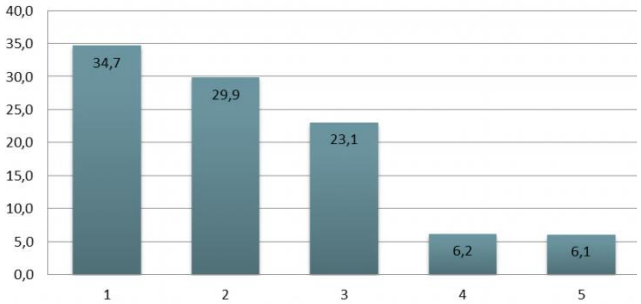
4.3.4.4 Living near your workplace

Living near the work		
	Frequency	Percent
1	372	30.3 %
2	397	32.4 %
3	327	26.7 %
4	68	5.5 %
5	63	5.1 %
Total	1227	100,0 %



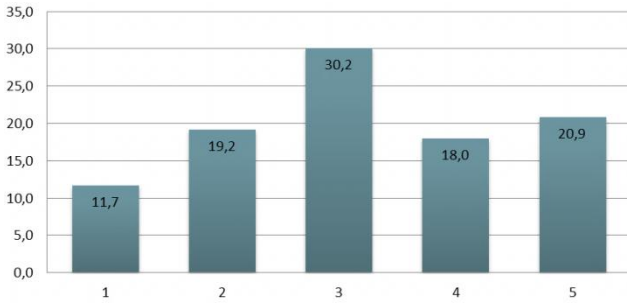
4.3.4.5 Living near schools

Living near the schools		
	Frequency	Percent
1	426	34.7 %
2	367	29.9 %
3	283	23.1 %
4	76	6.2 %
5	75	6.1 %
Total	1227	100,0 %



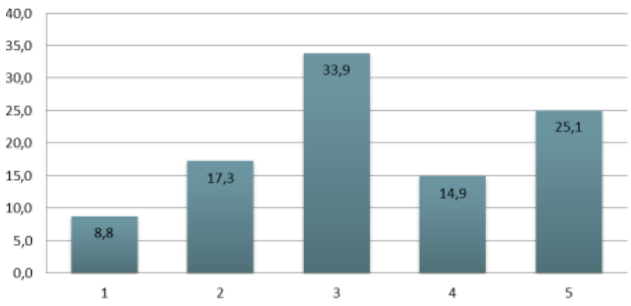
4.3.4.6 Living in the city center

Living in the city center		
	Frequency	Percent
1	144	11.7 %
2	236	19.2 %
3	370	30.2 %
4	221	18 %
5	256	20.9 %
Total	1227	100,0 %



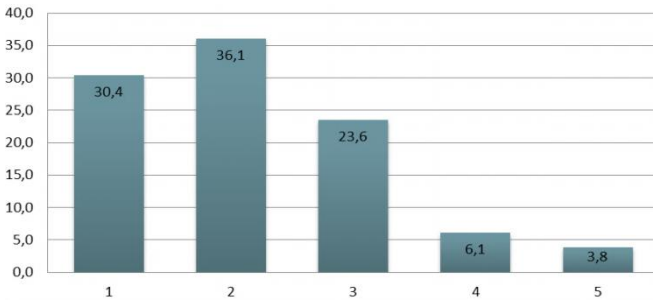
4.3.4.7 Living far from the city center

Living in the city center		
	Frequency	Percent
1	108	8.8 %
2	212	17.3 %
3	416	33.9 %
4	183	14.9 %
5	308	25.1 %
Total	1227	100,0 %



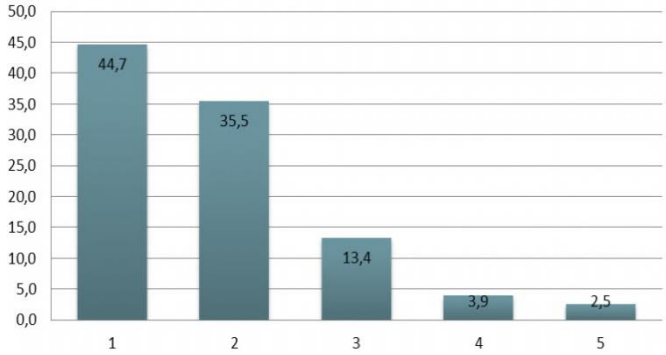
4.3.4.8 Luxury of housing

Luxury of housing		
	Frequency	Percent
1	373	30.4 %
2	443	36.1 %
3	289	23.6 %
4	75	6.1 %
5	47	3.8 %
Total	1227	100,0 %



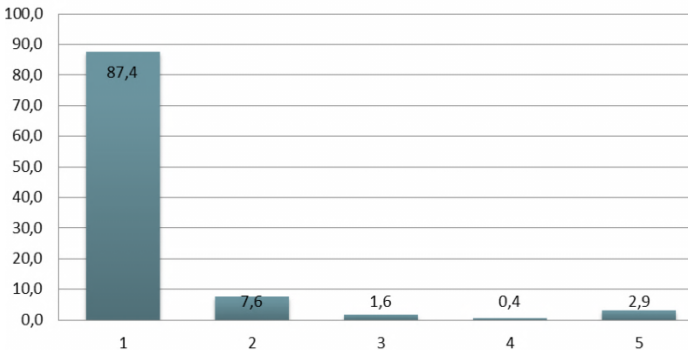
4.3.4.9 Availability of commercial services

Availability of commercial services		
	Frequency	Percent
1	548	44.7 %
2	436	35.5 %
3	164	13.4 %
4	48	3.9 %
5	31	2.5 %
Total	1227	100,0 %



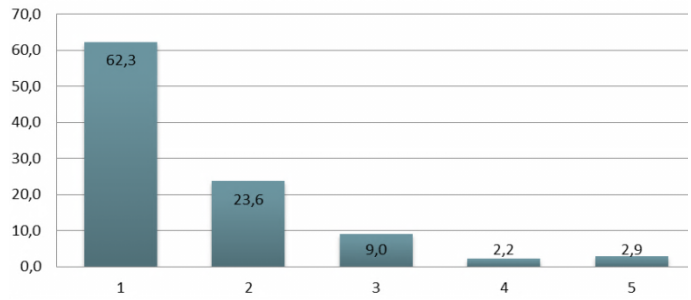
4.3.4.10 Neighborhood security

The level of security in the neighborhood		
	Frequency	Percent
1	1073	87.4 %
2	93	7.6 %
3	20	1.6 %
4	5	0.4%
5	36	2.9 %
Total	1227	100,0 %



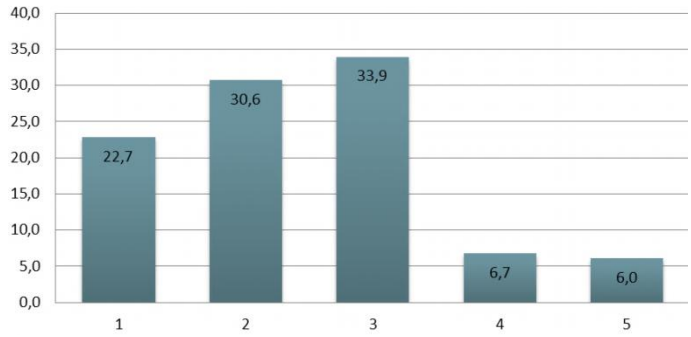
4.3.4.11 Architectural details (new or old, number of rooms, Availability of parking …etc.)

The architectural details		
	Frequency	Percent
1	764	62.3 %
2	290	23.6 %
3	111	9 %
4	27	2.2%
5	35	2.9 %
Total	1227	100,0 %



4.3.4.12 Density of population around

Density of population in the neighborhood		
	Frequency	Percent
1	279	22.7 %
2	376	30.6 %
3	416	33.9 %
4	82	6.7%
5	74	6 %
Total	1227	100,0 %



We can see from the previous questions and results that the following are the most important in choosing a house:

- Neighborhood security (87.4%)
- Price (86.4%)
- Architectural details (62.3%)
- Availability of commercial services (44.7%)
- Living near a mosque (41.6%)
- Living near schools (34.7%)

4.3.5 Section E: Respondents opinions information analysis

4.3.5.1 Do you think that housing has become a problem in the Kingdom?

As clearly shown in Table 20, most respondents believe that housing has become a problem.

Table 20: Opinions of e-questionnaire respondents regarding the state of housing sector in the Kingdom

Do you see that housing has become a problem in the Kingdom		
	Frequency	**Percent**
Yes	**1211**	**98.7 %**
No	**16**	**1.3 %**
Total	**1227**	**100 %**

4.3.5.2 Do you see rental prices in the Kingdom as affordable to all?

As shown in Table 21, most respondents believe that rental prices are high and not reasonable.

Table 21: opinions of respondents the e-questionnaire of rental prices

Do you see that the rental prices in the Kingdom suitable for all classes?		
	Frequency	**Percent**
Yes	**24**	**2 %**
No	**1203**	**98 %**
Total	**1227**	**100 %**

4.3.5.3 Do you think that land prices are high?

The data presented in Table 22 clearly shows that most respondents believe that land prices are high.

Table 22: opinions of respondents the e-questionnaire of land prices

Do you think that land prices are high?		
	Frequency	**Percent**
Yes	**1154**	**94.1 %**
No	**73**	**5.9 %**
Total	**1227**	**100 %**

4.3.5.4 Do you think that housing prices are affordable?

Table 23 reveals that up to 84% of respondents think that housing prices are unaffordable. (Table 23)

Table 23: Opinions of e-questionnaire respondents about housing prices

Do you think that housing prices are reasonable?		
	Frequency	**Percent**
Yes	**192**	**15.6 %**
No	**1035**	**84.4 %**
Total	**1227**	**100 %**

4.3.5.5 Do you think that it is difficult to get a housing loan?

As shown in Table 24, only 25% of respondents believe a loan for housing is accessible.

Table 24: Opinions of e-questionnaire respondents about housing loans

Do you think that it is difficult to get a housing loan?		
	Frequency	**Percent**
Yes	**920**	**75 %**
No	**307**	**25 %**
Total	**1227**	**100 %**

4.3.6 Section F: Analysis of middle and low income group (less than SR15,000)

A total of 1,227 usable questionnaires were collected. Of these, 987 (80.4 %) met the middle and low-income classification criterion. This sample was further screened to remove unemployed respondents (mostly students), resulting in a final sample of 857 for the analysis and results reported in this section.

4.3.6.1 Demographic characteristics

Table 25 shows socio-demographic profiles of the 857 respondents used in this analysis. Males constitute the majority (around 90%) of the sample, because of the culture of Saudi Arabia as we have explained previously. The married respondents were around 73%. Around 50% of those respondents have households of 3 to 5 members and almost 70% of respondents have household of less than 6 members.

Considering the other socio-demographic variables, the following sub-categories contain majority of respondents in their respective socio-demographic groups: ages between 26 and 40 constitute around 80% and is the group with the

highest demand for housing. The majority of respondents (around 84%) had completed education beyond high school. Finally, around 59% of respondents made SR10,000 or less a month.

Table 25: Demographic characteristics of Middle and Low income group (less than SR 15000)

		Number	%
Gender	Male	775	90,4
	Female	82	9,6
Marital Status	Single	210	24,5
	Married	631	73,6
	Divorced	16	1,9
Household size	2 Or less	174	20,3
	From 3 to 5	429	50,1
	From 6 to 10	210	24,5
	More than 10	44	5,1
Age	Less than 20 years	1	0,1
	From 21 to 26	108	12,6
	From 26 to 31	381	44,5
	From 31 to 41	307	35,8
	From 41 to 51	50	5,8
	From 51 to 61	9	1,1
	More than 61 years	1	0,1
Level of education	Primary School	16	1,9
	Secondary School	116	13,5
	Diploma	141	16,5
	Bachelor	443	51,7
	High Education (Master & PHD)	141	16,5
Average of monthly income	Less than 2000 SR	20	2,3
	From 2001 SR to 6000 SR	166	19,4
	From 6001 SR to 10000 SR	346	40,4
	From 10001 SR to 15000 SR	325	37,9

4.3.6.2 Homeownership and type of Housing

Figure 26 shows that around 90% of respondents did not own their current house.

Figure 26 : Ownership state of (Middle and Low income group (less than SR 15000)

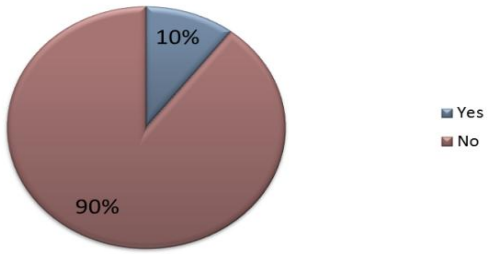


Figure 27 shows that the majority of respondents live in apartments, about 93% rented (see Table 26). Those living with their family made up 22%; 8% lived in villas; 6% on a floor of a villa and 2% lived in duplex villas. On another hand, Table 22 also shows that the villa had the highest percentage of ownership at around 34%, followed by duplex villas at around 26%.

Figure 27: Type of Housing (for Middle and Low income group (less than SR 15000).

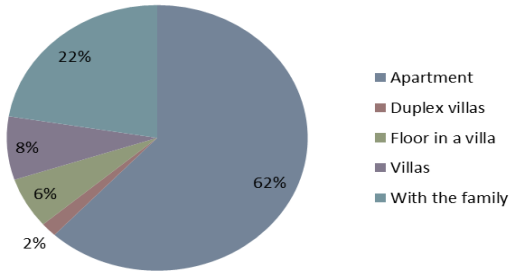


Table 26 Type of Housing and tenure type
(for Middle and Low income group - less than SR 15000)

%	Type of house					
Tenure type	Apartment	Duplex villas	Floor in a villa	Villas	With the family	Total
No	93,4	73,3	86,8	65,2	89,6	89,6
Yes	6,6	26,7	13,2	34,8	10,4	10,4
Total	100,0	100,0	100,0	100,0	100,0	100,0

Table 27 shows the correlation between monthly income and type of house. Notice the increase in the proportion of ownership as income increases. People who make more money have a better opportunity to buy a house.

Table 27: The correlation between monthly income and type of housing (for Middle and Low income group - less than SR 15000)

%	Do you own your current house		
monthly income	No	Yes	Total
Less than 2000 SR	2,3	2,2	2,3
From 2001 SR to 6000 SR	18,8	24,7	19,4
From 6001 SR to 10000 SR	41,0	34,8	40,4
From 10001 SR to 15000 SR	37,9	38,2	37,9
Total	100,0	100,0	100,0

4.3.6.3 Favorite Type of Housing

Tables 28 and 29 show that there is a correlation between household size and income, and favorite house type. Table 28 shows that, as the household size increases, there is an increased demand for villas. On another hand, the duplex and floor in a villa are preferred by those with a small household size. With regard to apartments, the variation in preference is because ownership of apartments is new to the Saudi market.

Table 28: The correlation between household size and favorite type of housing (for Middle and Low income group - less than SR 15000)

%	What is your favorite type of housing				
Household size	Apartment	Duplex villas	Floor in a villa	Villas	Total
2 Or less	5,2	23,0	5,7	66,1	100,0
From 3 to 5	6,3	20,0	4,7	69,0	100,0
From 6 to 10	3,8	15,2	4,8	76,2	100,0
More than 10	4,5	11,4	2,3	81,8	100,0
Total	5,4	19,0	4,8	70,8	100,0

Table 29 shows that as the income increases, there is an increased demand for villas and duplex villas. And concomitantly, the demand for apartments and floors in a villa decreases.

Table 29: The correlation between income and favorite type of housing (for Middle and Low income group - less than SR 15000)

%	Favorite type of housing				
monthly income	Apartment	Duplex villas	Floor in a villa	Villas	Total
Less than 2000 SR	5,0	15,0	25,0	55,0	100,0
From 2001 SR to 6000 SR	9,6	18,1	6,6	65,7	100,0
From 6001 SR to 10000 SR	5,2	19,4	4,3	71,1	100,0
From 10001 SR to 15000 SR	3,4	19,4	3,1	74,2	100,0
Total	5,4	19,0	4,8	70,8	100,0

Finally, Table 30 shows two groups, age 26-30 and 31-40. Notice that the as age increases the demand for villas also increases and the demand for apartments and duplex villas decreases. Younger people seem to prefer apartments and duplex villas.

Table 30: The correlation between age and favorite type of housing (for Middle and Low income group - less than SR 15000)

	Favorite type of housing				
Age	Apartment	Duplex villas	Floor in a villa	Villas	Total
From 26 to 30	65,8	59,1	62,5	53,0	55,4
From 31 to 40	34,2	40,9	37,5	47,0	44,6
Total	100,0	100,0	100,0	100,0	100,0
	Favorite type of housing				
Age	Apartment	Duplex villas	Floor in a villa	Villas	Total
From 26 to 30	6,6	21,3	5,2	66,9	100,0
From 31 to 40	4,2	18,2	3,9	73,6	100,0
Total	5,5	19,9	4,7	69,9	100,0

4.4 Face interviews

4.4.1 The interviews

The interviews were conducted with Saudi citizens in April and May, 2012. All were in the middle and low income class (making less than SR12,000 a month). This definition of this class was based on the Banque Saudi Fransi, 2011 study. We conducted these interviews with help from some students at King Abdullaziz University, Jeddah, Saudi Arabia. Every interview took between 5 and 7 minutes. The total number of usable interviews was 263. This sample was further screened to remove unemployed respondents (mostly students and housewives) resulting in a final sample of 237 for the analysis and results reported in this section.

4.4.2 Demographic characteristics

Table 31 shows the socio-demographic profiles of the 237 respondents used in this analysis. Males constitute the majority (92%) of the sample, a phenomenon that is not new in studies conducted in Saudi Arabia. Because of the strict gender separation in Saudi public life, females are usually difficult to reach for data collection (Al-Ashban

& Burney, 2001). Around 81% of the respondents were married. Around 14% lived in households of less than 3 members. The two household size groups (from 3 to 5) and (from 6 to 10) are approximately evenly split and totaled almost 86% of respondents. This shows that the next generation will need more houses.

Table 31**: Demographic characteristics of low-income group (less than SR 12000).**

		Number	%
Gender	Male	218	92,0
	Female	19	8,0
Marital Status	Married	193	81,4
	Single	38	16,0
	Divorced	6	2,5
Household size	2 or less	33	13,9
	From 3 to 5	105	44,3
	From 6 to 10	99	41,8
Level of education	Secondary School	75	31,6
	Diploma	21	8,9
	Bachelor	106	44,7
	high education (master & PHD)	35	14,8
City of respondents	AL Riyadh	71	30,0
	Jeddah	98	41,4
	Makah	21	8,9
	Eastern Province	23	9,7
	Al Madinah	24	10,1
Age	From 21 to 30 years	85	35,9
	From 31 to 40 years	90	38,0
	From 41 to 50 years	37	15,6
	More than 51 years	25	10,5

With regard to the other socio-demographic variables, the majority of respondents (around 68 %) had completed their education beyond secondary school. All interviewees were from the major cities; around 41% from Jeddah, 30% from Riyadh, with the remainder from the Eastern Province, Makah, and Madinah. This diversity of cities resulted from conducting the interviews during a holiday season in Saudi Arabia. Finally, the majority of respondents in their respective socio-demographic group were between 21 and 40 years old (around 74%). This age group has the highest demand for housing.

4.4.3 Occupation and Years of Experience

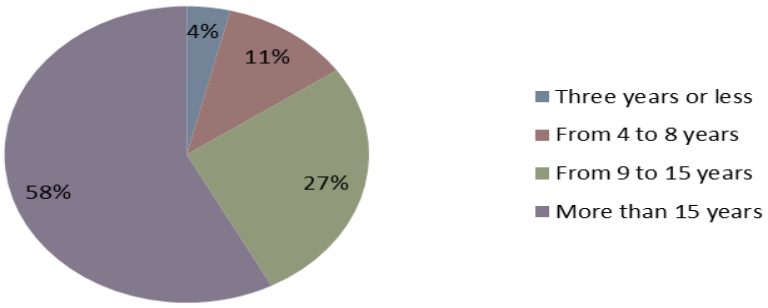
Government and private sectors workers made up around 88% of interviewees. Eight percent were business owners and four percent were retired. It is not surprising that the highest percentages, as shown in Table 32, were for workers in the government and private sectors as, typically people value the security of a fixed and stable monthly income. Generally, in Saudi Arabia working for the government is preferred for job security.

Table 32: Occupation and Years of Experience for low-income group (less than SR 12000).

		Number	%
Occupation	Government sector	137	57,8
	Private sector	72	30,4
	Own business	19	8,0
	Retired	9	3,8
Years of Experience	Three years or less	29	12,2
	From 4 to 8 years	60	25,3
	From 9 to 15 years	60	25,3
	More than 15 years	88	37,1

Slightly more than thirty-seven percent of those interviewed had worked for more than 15 years. Groups with work experience between 4-8 and 9-15 years each comprise about 25% of the total. The last and lowest percentage (12.2%) was for interviewees with 3 year of less experience, as shown in Table 23. Figure 29 shows the correlation between Years of Experience and Homeownership; notice that homeownership increases as work experience increases.

Figure 28 : The correlation between Years of Experience and Homeownership for low-income group (less than SR 12000).



4.4.4 Housing information

Table 33 shows the current housing information for those earning less than SR12,000 per month. Here we can see clearly that the majority (around 65%) live in rented units, and of those 85% are apartments (see Table 34). The second highest percentage, which is around 22%, goes to those who live with their families. The third highest percentage was 11% for home owners where around 39% of owned units were villas. Finally the houses provided by government and private sectors employers were only around 2%.

Table 33: Housing information for low-income group (less than SR 12000).

		Number	%
Tenure type	Owned by the family	53	22,4
	Owned the house	26	11,0
	Provided by the work	5	2,1
	Rented house	153	64,6
Type of house	Apartment	171	72,2
	Duplex villa	12	5,1
	Other	4	1,7
	Traditional house	15	6,3
	Villa	35	14,8
Satisfaction with current house	No	178	75,1
	Yes	59	24,9

Since all interviewees were from the middle and low income class, most rented apartments (around 72%). Duplex or semi attached villas, which just started to be built in last few years, took 5.1%. Since detached villas were built earlier, they are the second highest at around 15% and around 70% were owned. Traditional houses covered 6.1% of the sample. The lowest percentage (around 2 %) is assigned to

respondents who selected another type of housing, such as a floor in a villa or with the family; these categories were combined.

The bottom two rows of Table 33 show that the highest percentage, around 75%, see their current houses as not adequate for their needs; of these about 74% were renters. Also about 80% of those who live in apartments were not satisfied.

Table 34: the correlation between Type of house and Tenure type for low-income group (less than SR 12000).

%	Type of house					
Tenure type	Apartment	Duplex villa	Villa	Traditional house	Other	Total
Owned by the family	56,6	0,0	28,3	15,1	0,0	100,0
Owned the house	30,8	23,1	38,5	7,7	0,0	100,0
Provided by employer	60,0	0,0	40,0	0,0	0,0	100,0
Rented house	85,0	3,9	5,2	3,3	2,6	100,0
Total	72,2	5,1	14,8	6,3	1,7	100,0

The study also showed that there is a correlation between household size and type of housing. Table 35 shows that as household size increases there is an increase in demand for villas and duplex villas.

Table 35: Correlation between Household sizes and type of housing for low-income group (less than SR 12000).

%	Type of house					
Household size	Apartment	Duplex villa	Other	Traditional house	Villa	Total
2 or less	18,1	0,0	0,0	6,7	2,9	13,9
From 3 to 5	48,5	33,3	25,0	53,3	25,7	44,3
From 6 to 10	33,3	66,7	75,0	40,0	71,4	41,8
Total	100,0	100,0	100,0	100,0	100,0	100,0

4.4.5 Future house information

We as the respondents four questions, as shown in Table 36. Most of the respondents (99.6%) are looking forward to owning their houses as a top priority. Only one person preferred to rent and when asked why, his answer was to be able to change housing at any time. Also the majority (around 86%) prefer to buy a villa or a duplex villa. Around 44% preferred to buy land and build their house because many Saudis prefer to have unique houses designed for their needs. Some Saudis also do not trust the quality of ready-built houses. The analysis also showed that those who prefer buying land and building their houses generally have higher education. In

contrast, the lowest percentage was for people who did not get a bachelor degree (see Table 37). The majority (around 77%) are waiting for a loan to help them buy a house. The rest prefer not to get a bank loan; they prefer to save money to buy a house or to get assistance from family or friends.

Table 36: Future house information for low-income group (less than SR 12000).

		Number	%
Are you looking to own a house or to rent?	Own house	236	99,6
	Rent	1	0,4
What type of house you are looking for?	Apartment	20	8,4
	Duplex villa	47	19,8
	Other	14	5,9
	Villa	156	65,8
Are you looking for a ready built house or to buy land and build a house?	Own land and built it	105	44,3
	Ready built house	132	55,7
Will you apply to get a loan to own a house?	No	56	23,6
	Yes	181	76,4

Table 37: Level of education and Preference for ready built house or buy land and build house for low-income group (less than SR 12000).

%	Preference for ready built house or buy land and build house		
Level of education	Own land and built it	Ready built house	Total
Bachelor	44,3	55,7	100,0
Diploma	42,9	57,1	100,0
high education (master & PHD)	60,0	40,0	100,0
Secondary School	37,3	62,7	100,0
Total	44,3	55,7	100,0

Table 38 lists the final questions asked in the interviews, which are about the reasons for changing residences in the future. The most important reason for changing was “Expansion in the house” with about 70% of all respondents choosing that response. It is notable that living near work or family does not have as great importance as the expansion in the house.

Table 38: The reasons for change the house in the future for low-income group (less than SR 12000).

reasons for change the house in the future	Number of choice from all respondents	% of all respondents choice this indicator
Expansion in the house	165	69,6
live near the family	72	30,4
live near the work	63	26,6
Other	78	32,9

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion:

There is no doubt that housing is a basic human requirement and the government of Saudi Arabia seeks to make it accessible to all classes of society; however, the study showed there is a consensus that the Kingdom has a severe shortage of affordable housing.

In the past, the Government of Saudi Arabia raised the proportion of homeownership through a range of programs including: the Real Estate Development Fund and land grant programs, but eventually, given rising population and concentration of the population in cities, these programs could not satisfy the increasing demand.

Central of government departments and large companies in major cities have contributed to the concentration of population and internal migration to cities, into these cities, which led to significantly increased demand for housing. In addition, there are identified implementation weaknesses in housing development projects undertaken by the Ministry of Housing.

The speculative housing market has driven land prices to unaffordable levels. The increase of housing and land prices, offset by the high proportion of middle and low-income households, has contributed to the creation of a significant gap between supply and demand.

There is a problem with effective demand. Of the 130,000 housing units constructed annually, 80% cost 1.5 million Saudi Riyals or more. As we have seen that only 10% of citizens have the ability to buy at these prices

It is very important to understand that the crisis cannot be solved simply by building more houses; the needs and the aspirations of the target group must be studied and taken into consideration.

More than a third of all citizens' income goes to housing and over the last three years, land prices have more than doubled. Rents have houses has seen similar increases, causing significant impediments to access adequate housing, whether through ownership or as tenants.

As derived from the analysis, the main socio-demographic characteristics that have an effect on the housing crisis are: population increase, high proportion of young people, low household income, household size and the social pressures to expansion in the house.

A culture of horizontal expansion in the Kingdom, the division of land and the granting of land in undeveloped areas contributed to the housing crisis. In addition, land grants did not guarantee the construction of houses; land grants were often transformed into investments.

Developers and housing sector:

The majority of housing projects that provided by the private sector were targeted at those that have an income of more than 12000 SR per month. Not more than 20% of households meet this threshold.

The obstacles for developers include: onerous government regulatory requirements, lack of funding, delay in obtaining permits and licenses and the scarcity of land at reasonable prices. In addition, there is an absence of regulations for real estate developers and an absence of incentives for developers.

Electronic questionnaire survey

The e-questionnaire showed that around 18% of the participants owned homes. Of those who rented, most lived in apartments.

For the majority of Saudis owning a home is a top priority and villas and duplex villas are preferred, which is consistent with the evident prevalence in Saudi Arabian culture for large and separate houses.

Housing satisfaction was directly and positively correlated with homeownership; tenants reported a corresponding lack of satisfaction.

Around 75 % of respondents agreed that there is a limited access to housing finance and indicated that this resulted in considerable difficulties.

Neighborhood security and the price were the most important determinants in choosing a house.

Analysis information of Middle and Low income group (less than SR15,000)

Around 90% of respondents indicated that they did not own their current house; the majority of the respondents live in apartments, of which about 93% were rental units.

Also the analysis shows the correlation between monthly income and type of house. There was a noticeable increase in the proportion of ownership as income increased. People who make more money have a better opportunity to buy a house.

The analysis also shows that there is a correlation between household size and income and favorite house type; as the household size and income increases, there is an increased demand for villas. On another hand, the duplex and a floor in a villa are preferred by those who live in a small household.

Face interviews

Most of those interviewed lived in rental units (around 65%) and the majority of those units were apartments (85%)

The analysis showed that people with higher education are more included to indicate a preference for buying land and building a house. In contrast, people who had not graduated from university were less inclined to aspire to home ownership.

The majority (around 77%) are waiting for a loan to help them buy a house and the most important reason for wanting a new residence was “Expansion in the house”

Main problems facing the middle and low income groups are:

- A lack of affordable housing.
- Rise in housing prices due to high land prices, where the residential land price constitutes about 60% of the final value of a house. The main causes of that is monopoly and speculation of land. Some interviewees proposed the imposition of legislation to limit the monopoly of land and yearly fees on residential land as solutions to alleviate the housing shortage.
- Funding difficulties: the waiting period to obtain loan from the REDF is excessive. The banks charge high interest rates and obtaining loans to finance a house purchase is difficult.

Factors affecting of provide housing:

The study revealed some important factors that affect the provision of housing including the provision of land, and social, cultural and economic factors. Figure 29 illustrates the relationships among these factors.

Figure 29: Factors affecting the provision of housing

Overall, we can say that this study proved that the legislative framework Contributed directly on housing crisis.

5.2 Recommendations

One of the objectives of this study was to formulate recommendations that would help the housing sector provide affordable housing to low and middle income families. Based on our analysis and data, we recommend the following:

- Support studies in the housing sector and take advantage of other countries' experience.
- Reconsider the distribution mechanism for real estate development fund loans; and reevaluate its programs.
- Reconsider the land grant system.
- Reconsider municipal laws and regulations relating to land; reduce the size of lots in order to reduce the cost of building houses and thereby make them accessible to more of the population.
- Develop appropriate legislation that limits the increase of prices for land and housing.

- Use of modern methods and construction materials will contribute to providing high quality housing in a short time.
- Development of residential suburbs around the major cities will reduce pressure on cities and increase investment in small towns.
- Unity and connectivity of all housing issues under one main legislative authority will foster appropriate decision-making and eliminate regulatory discrepancies and conflict with other distinct governmental sectors.
- Encourage companies and real estate developers and support them through facilitating permits, licenses, and credits.
- Provide lands at reasonable prices.

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