HOUSING
WHY INVEST IN HOUSING SECTOR

THREE REASONS TO INVEST IN HOUSING SECTOR IN KSA

1. GROWING & ATTRACTIVE HOUSING MARKET

2. NEW ERA IN HOUSING CONSTRUCTION

3. GOVERNMENT COMMITMENT TO DEVELOP THE INDUSTRY
GROWING & ATTRACTIVE HOUSING MARKET FOR PRIVATE DEVELOPERS
GROWING & ATTRACTIVE HOUSING MARKET FOR PRIVATE DEVELOPERS

SAUDI ARABIA BOASTS A GROWING AND ATTRACTIVE HOUSING MARKET

LARGE DEMAND FOR NEW HOUSING UNITS

HIGH PROFIT MARGINS AND COMPETITIVE COST ADVANTAGE
OVER THE NEXT COUPLE OF YEARS, KSA IS EXPECTED TO WITNESS A SHARP INCREASE IN THE DEMAND FOR NEW HOUSING UNITS
1.5 MILLION NEW UNITS REQUIRED BY BENEFICIARIES OF MINISTRY OF HOUSING BY 2030

CUMULATIVE HOUSING UNITS NEEDED
Thousands, 2017-2030

Source: Ministry of Housing
GROWING & ATTRACTION HOUSING MARKET FOR PRIVATE DEVELOPERS

THIS DEMAND IS DRIVEN BY A LARGE, YOUNG AND GROWING POPULATION...

~214% LARGER NATIONAL POPULATION THAN OTHER GCC

Million national people, 2018

COMPOSED 67% OF YOUTH

Million national people, 2018

1. For year 2017 2. For year 2016 1. Under 35 years
1.5% PROJECTED GROWTH COMPARED TO 0.9% GLOBAL
Million national people, 2013-2030

Source: General Authority for Statistics (KSA), National Center for Statistics and Information (Oman), the Public Authority for Civil Information (Kuwait), Ministry of Development Planning and Statistics (Qatar), Information and eGovernment authority (Bahrain), worldometers
GROWING & ATTRACTIVE HOUSING MARKET FOR PRIVATE DEVELOPERS

...FACILITATED BY THE PRESENCE OF A LARGE MIDDLE-INCOME CLASS OF KSA NATIONALS

NATIONAL KSA POPULATION BREAKDOWN BY INCOME CLASS
Number of KSA nationals as percentage of total national population

Source: Gulf Research Center (2013)
DEMAND FOR NEW HOUSING UNITS IS DISTRIBUTED THROUGHOUT KSA...

DISTRIBUTION OF HOUSING UNITS NEEDED
Thousands, 2030

<table>
<thead>
<tr>
<th>Region</th>
<th>Units Needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEDINA</td>
<td>70</td>
</tr>
<tr>
<td>QASSIM</td>
<td>25</td>
</tr>
<tr>
<td>MAKKAH</td>
<td>245</td>
</tr>
<tr>
<td>RIYADH</td>
<td>198</td>
</tr>
<tr>
<td>ASIR</td>
<td>67</td>
</tr>
<tr>
<td>EASTERN REGION</td>
<td>188</td>
</tr>
<tr>
<td>JAZAN</td>
<td>53</td>
</tr>
<tr>
<td>REMAINING REGIONS</td>
<td>354</td>
</tr>
</tbody>
</table>

In addition, 300k developmental housing units are required

Source: Ministry of Housing (as per the registered beneficiaries at the housing portal)
## GROWING & ATTRACTIVE HOUSING MARKET FOR PRIVATE DEVELOPERS

...ACROSS 4 CATEGORY GROUPS IN PRIME LOCATIONS...

### SELECTED EXAMPLES
Data on additional regions to be provided upon request

<table>
<thead>
<tr>
<th>Category</th>
<th>Riyadh City</th>
<th>Jeddah City</th>
<th>Dammam City</th>
</tr>
</thead>
<tbody>
<tr>
<td>Villa</td>
<td>12% 67% 21%</td>
<td>10% 69% 21%</td>
<td>11% 68% 21%</td>
</tr>
<tr>
<td>Number of people, thousands</td>
<td>113</td>
<td>72</td>
<td>36</td>
</tr>
<tr>
<td>Apartment</td>
<td>16% 57% 57%</td>
<td>17% 61% 22%</td>
<td>15% 60% 25%</td>
</tr>
<tr>
<td>Number of people, thousands</td>
<td>32</td>
<td>34</td>
<td>8</td>
</tr>
<tr>
<td>Duplex</td>
<td>15% 66% 19%</td>
<td>14% 71% 15%</td>
<td>15% 68% 18%</td>
</tr>
<tr>
<td>Number of people, thousands</td>
<td>13</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>Townhouse</td>
<td>16% 64% 21%</td>
<td>15% 68% 17%</td>
<td>13% 67% 20%</td>
</tr>
<tr>
<td>Number of people, thousands</td>
<td>10</td>
<td>9</td>
<td>3</td>
</tr>
</tbody>
</table>

- **Household Size <2**
- **Household Size Between 2-5**
- **Household Size >5**

Source: Ministry of Housing
... TENDERED AT PRICES ACCESSIBLE FOR A WIDE RANGE OF THE POPULATION

<table>
<thead>
<tr>
<th>Type</th>
<th>Riyadh City</th>
<th>Jeddah City</th>
<th>Dammam City</th>
</tr>
</thead>
<tbody>
<tr>
<td>Villa</td>
<td>813</td>
<td>873</td>
<td>783</td>
</tr>
<tr>
<td>Apartment</td>
<td>350</td>
<td>350</td>
<td>350</td>
</tr>
<tr>
<td>Duplex</td>
<td>678</td>
<td>728</td>
<td>653</td>
</tr>
<tr>
<td>Townhouse</td>
<td>587</td>
<td>627</td>
<td>567</td>
</tr>
</tbody>
</table>

Selected examples
Data on additional regions to be provided upon request.
GROWING & ATTRACTIVE HOUSING MARKET FOR PRIVATE DEVELOPERS

PRIME LAND LOCATIONS IN RIYADH

Source: Ministry of Housing, google earth
PRIME LAND LOCATIONS IN JEDDAH

PRIME LAND LOCATIONS IN DAMMAM
GROWING & ATTRACTIVE HOUSING MARKET FOR PRIVATE DEVELOPERS

HIGH PROFIT MARGINS AND COMPETITIVE COST ADVANTAGE

LARGE DEMAND FOR NEW HOUSING UNITS

HIGH PROFIT MARGINS AND COMPETITIVE COST ADVANTAGE
DEVELOPERS IN KSA CAN TAKE ADVANTAGE OF COMPETITIVE CONSTRUCTION COSTS COMPARED TO OTHER CITIES WORLDWIDE

INTERNATIONAL CONSTRUCTION COST COMPARISON
Location factor index (index base: London=100), 2018

Source: Arcadis
GROWING & ATTRACTIVE HOUSING MARKET FOR PRIVATE DEVELOPERS

CONSTRUCTION COSTS OF TARGETED RESIDENTIAL UNITS IN KSA RANGE FROM 1.9K TO 3.7K SAR PER SQM

KSA AVERAGE RESIDENTIAL CONSTRUCTION COSTS

Thousand SAR per sqm, 2018

Targeted by KSA government to achieve demand targets

<table>
<thead>
<tr>
<th>Class</th>
<th>Villa and Townhouse</th>
<th>Apartment and Duplex</th>
<th>Compound</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low asset</td>
<td>1.9</td>
<td>2.1</td>
<td></td>
</tr>
<tr>
<td>Medium asset</td>
<td>2.4</td>
<td>2.8</td>
<td></td>
</tr>
<tr>
<td>High asset</td>
<td>3.7</td>
<td>4.0</td>
<td>5.7</td>
</tr>
<tr>
<td>Low rise &amp; asset class</td>
<td>2.1</td>
<td>3.9</td>
<td></td>
</tr>
<tr>
<td>Medium rise &amp; asset class</td>
<td>2.8</td>
<td>4.8</td>
<td></td>
</tr>
</tbody>
</table>

1. Excludes funding cost, land procurement costs, professional fees related to project management and VAT
Source: Century 21 construction cost 2018 benchmarks report
GROWING & ATTRACTIVE HOUSING MARKET FOR PRIVATE DEVELOPERS

KSA’S COST COMPETITIVENESS HAS HISTORICALLY RESULTED IN HIGH PROFIT MARGINS FOR DEVELOPERS COMPARED TO OTHER COUNTRIES

AVG EBITDA PER COUNTRY

Source: Capital IQ
CASE STUDIES: SUCCESSFUL KSA DEVELOPERS

AVERAGE EBITDA PER COMPANY

EBITDA, %

Source: Capital IQ
NEW ERA IN HOUSING CONSTRUCTION
NEW ERA IN HOUSING CONSTRUCTION

THE HOUSING CONSTRUCTION INDUSTRY IN KSA IS MOVING FROM TRADITIONAL TO TECHNOLOGY BASED DELIVERY METHODS

TODAY
Traditional delivery methods are used in housing construction

GOING FORWARD
Saudi Arabia aims to rely more heavily on modern construction technologies (e.g., 2D, 2.5D and 3D building systems)
NEW ERA IN HOUSING CONSTRUCTION

THE SHIFT TOWARDS NEW CONSTRUCTION TECHNIQUES IS DRIVEN BY THE GOVERNMENT’S COMMITMENT TO ADDRESS CURRENT GAPS

DECREASE THE COST OF CONSTRUCTING A SINGLE HOUSING UNIT TO ENSURE AFFORDABILITY

DECREASE THE CONSTRUCTION TIME OF RESIDENTIAL UNITS TO RAMP-UP HOUSING PRODUCTION

INCREASE QUALITY OF RESIDENTIAL HOUSING STRUCTURE AND FINISHING
INCREASE CONSTRUCTION’S CONTRIBUTION TO VALUE ADDED EMPLOYMENT OF SAUDI NATIONALS

UTILIZE KSA LOCAL CONTENT TO ENSURE SCALE AND CATALYZE HOUSING PRODUCTION
NEW ERA IN HOUSING CONSTRUCTION

BY 2020, 340K UNITS WILL BE BUILT THROUGH MODERN CONSTRUCTION TECHNOLOGIES...

BREAKDOWN OF HOUSING UNITS BY DELIVERY TYPE
Thousands, cumulative units needed 2017 to 2020

Source: Ministry of housing BTI team
... OUT OF WHICH 68% RELY ON 2D/2.5D BUILDING SYSTEMS AND 32% ON 3D BUILDING SYSTEMS

BREAKDOWN OF INDUSTRIALIZED TECHNOLOGY BASED DELIVERY
Thousands, cumulative units needed 2017 to 2020

Industrialized technology based delivery 2D/2.5D building systems 3D building systems

340 230 110
NEW ERA IN HOUSING CONSTRUCTION

DETAILS OF 2D, 2.5D AND 3D BUILDING SYSTEMS

2D BUILDING SYSTEMS

AUTOCLAVED AERATED CONCRETE

A Lightweight pre-casted concrete with air bubbles to generate low-density lightweight material

POLYSTYRENE

The polystyrene blocks are stacked and then the forms are filled with concrete

PANEL WALL

A concrete wall production system utilizing off-site pre-fabricated molds

COMPOSITE-FIBERGLASS

Type of fiber-reinforced plastic where the reinforcement fiber is glass fiber

2.5D BUILDING SYSTEMS

TUNNEL FORMWORK

A formwork system where walls and slabs can be cast in one operation in a daily cycle. It combines the speed and accuracy of factory production with the flexibility of in-situ construction

PRECAST/MODULES

A combination of 2D precast concrete elements with bathroom and kitchen pods assembled in a factory and then transported to site
3D BUILDING SYSTEMS

3D VOLUMETRIC
A factory produced pre-engineered building units/modules that could be assembled directly on site

LIGHT GAUGE STEEL
A modular technique with a “skeleton frame” of vertical steel columns and horizontal I-beams, constructed in a rectangular grid to support the floors, roof and walls of a building
CURRENT SUPPLIERS ARE UNABLE TO MEET THIS DEMAND, PAVING THE WAY FOR NEW PRIVATE SECTOR INVESTORS

GAP IN INDUSTRIALIZED TECHNOLOGY BASED DELIVERY

Thousands, cumulative units needed 2017 to 2020

Source: Ministry of housing BTI team
NEW ERA IN HOUSING CONSTRUCTION

BUILDING TECHNOLOGIES FACTORIES ARE PLANNED MAINLY IN 3 REGIONS

BTI FACTORIES ALLOCATION

Note: Tunnel formwork technology does not require the establishment of a factory
Source: Ministry of housing BTI Team
<table>
<thead>
<tr>
<th>TYPE</th>
<th>NUMBER OF FACTORIES</th>
<th>TARGET CAPACITY (BY 2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2D</td>
<td>~8</td>
<td>29,000</td>
</tr>
<tr>
<td>2.5D tunnel framework</td>
<td>~8</td>
<td>40,000</td>
</tr>
<tr>
<td>2.5D precast</td>
<td>~6</td>
<td>30,000</td>
</tr>
<tr>
<td>3D</td>
<td>~30</td>
<td>30,000</td>
</tr>
</tbody>
</table>
GOVERNMENT COMMITMENT TO DEVELOP THE INDUSTRY
GOVERNMENT COMMITMENT TO DEVELOP THE INDUSTRY

GOVERNMENT COMMITMENT EXPRESSED THROUGH INCENTIVES TO DEVELOPERS AND ENABLERS TO BENEFICIARIES

INCENTIVES TO ATTRACT PRIVATE DEVELOPERS

ENABLERS TO BENEFICIARIES

WELL DEVELOPED ECOSYSTEM IN PLACE
FOR DEVELOPERS: INCENTIVES ARE PROVIDED FOR CONSTRUCTIONS ON MINISTRY & PRIVATE LANDS

FINANCIAL SUPPORT

<table>
<thead>
<tr>
<th></th>
<th>MINISTRY’S LAND</th>
<th>PRIVATE LAND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide higher floor area ratios (FAR)</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Interest-free loans</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Infrastructure financing support</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Conditional purchase back guarantees</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>VAT coverage</td>
<td>✔️</td>
<td>✔️</td>
</tr>
</tbody>
</table>

Source: Ministry of Housing
GOVERNMENT COMMITMENT TO DEVELOP THE INDUSTRY

NON-FINANCIAL SUPPORT

<table>
<thead>
<tr>
<th>MINISTRY’S LAND</th>
<th>PRIVATE LAND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Set-up facilitation (e.g., fast track licensing)</td>
<td>✔️</td>
</tr>
<tr>
<td>Operational support (e.g., marketing and sales)</td>
<td>✔️</td>
</tr>
<tr>
<td>Business development / expansion support (e.g., linking technology providers to demand / developers)</td>
<td>✔️</td>
</tr>
</tbody>
</table>
## DEEP-DIVE: Financial Incentives

<table>
<thead>
<tr>
<th>INCENTIVES</th>
<th>MINISTRY’S LAND</th>
<th>PRIVATE LAND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide higher floor area ratios (FAR)</td>
<td>N/A</td>
<td>Exemptions provided to developers (e.g., FAR) satisfying the conditions below:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Project area &gt;10,000 sqm</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Residential percentage of the project &gt;50%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Plans and designs that comply with government agencies conditions for environment, infrastructure, etc.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Prices that are aligned with construction factors</td>
</tr>
<tr>
<td>Interest-free loans</td>
<td>N/A</td>
<td>Government to cover up to 20% interest-free loans:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- 10% if the average selling price per square meter is between 2601 and 3000 riyals</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- 15% if the average selling price per square meter is between 2201 to 2600 riyals</td>
</tr>
<tr>
<td>Infrastructure financing support</td>
<td>N/A</td>
<td>- 20% if the average selling price per square meter is less than 2200 riyals</td>
</tr>
<tr>
<td>Conditional purchase back guarantees</td>
<td></td>
<td>Government to cover 50% of the infrastructure cost or 25% of the value of the project land (whichever is less)</td>
</tr>
</tbody>
</table>

1. Purchase back price less than the marketing prices presented to the beneficiaries; amount depending on unit cost

Source: Ministry of Housing
GOVERNMENT COMMITMENT TO DEVELOP THE INDUSTRY

FOR BENEFICIARIES: REDF & SRC WERE CREATED TO DEVELOP THE NASCENT MORTGAGE MARKET IN KSA...

READ ESTATE DEVELOPMENT FUND

<table>
<thead>
<tr>
<th>GUARANTEES</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage Guarantee Scheme</td>
<td>• Cover defaulting borrowers thus incentivizing banks to lend more and decrease interest rates</td>
</tr>
<tr>
<td>Construction Guarantee Scheme</td>
<td>• Cover defaulting developers thus incentivizing banks to lend more and decrease interest rates</td>
</tr>
<tr>
<td>Down payment guarantees</td>
<td>• Pay portion of down payment thus incentivizing borrowers to accept more mortgages</td>
</tr>
</tbody>
</table>
SAUDI REAL ESTATE REFINANCE COMPANY

ROLE

Provide solutions to originators

Ensure a balanced & sustainable market thrive

Channel liquidity

DESCRIPTION

• Buy exiting or newly originated loans
• Provide facilities allowing origination & ramp-up of portfolio (warehousing) before disposal
• Develop non-cash & derivative solutions

• Provide competitive long term fixed rates & variable / resettable products
• Ensure proper typology of structures / contracts

• Raise capital through capital market public issuances or private placements

- Shapes & forms include corporate Sukuk, bonds, asset based issuances & “MBS”
- Different profiles, tenor and currency denomination are taken into consideration
- Domestic & international investors are targeted
GOVERNMENT COMMITMENT TO DEVELOP THE INDUSTRY

... WITH THE AIM TO INCREASE HOME OWNERSHIP TO 60% BY 2020 AND 70% BY 2030

HOME OWNERSHIP

% ownership of Saudi nationals

Baseline

2020 Target

2030 Target

50%

60%

70%

0.48 mn

1.2 mn

Source: housing delivery plan
TO REALIZE ITS AMBITIOUS TARGETS, THE KSA GOVERNMENT ESTABLISHED A CLEAR GOVERNANCE BACKED BY INCENTIVES
GOVERNMENT COMMITMENT TO DEVELOP THE INDUSTRY

UP TO DATE, 126 SAR BILLION KSA REAL ESTATE RETAIL LOANS HAVE BEEN PROVIDED BY BANKS

REAL ESTATE RETAIL LOANS BY BANKS
SAR billion

Source: SAMA monthly statistical bulletin
KSA ESTABLISHED A CLEAR GOVERNANCE FOR THE HOUSING SECTOR

SECTOR ROLE ALLOCATION

SECTOR OWNER / PROMOTER

DEVELOPERS

FUNDERS

LICENSES ISSUER

Ministry of Housing

National Housing Company

Originators (e.g., banks, financing companies)

Enabled by

Real Estate Development Fund

Saudi Real Estate Refinance Company

Source: team analysis
6 KEY ENTITIES WITH LEADING ROLE IN HOUSING

SECTOR OWNER / PROMOTER

Ministry of Housing
Owns and manages the housing program, and defines the strategy and incentives

National Housing Company
Operates and implements Ministry of Housing initiatives

FUNDERS

Real Estate Development Fund
Facilitates access to mortgage by providing specific support and incentives (e.g., partial & full guarantees, subsidies, etc...)

Saudi Real Estate Refinance Company
Offers funding to originators (banks and finance companies) to enable them to offer accessible home loans for homebuyers

LICENSES ISSUERS

Ministry of Commerce and Industry
Issues commercial and industrial licenses, and monitors products localization

Saudi Arabian General Investment Authority
Manages investor outreach, and supports foreign investors in business set-up and establishment

Source: Responsible entities
## GOVERNMENT COMMITMENT TO DEVELOP THE INDUSTRY

**INVESTORS CAN TAP INTO THE SAUDI MARKET THROUGH 3 ENGAGEMENT MODELS**

<table>
<thead>
<tr>
<th>NUMBER OF UNITS BY 2020</th>
<th>PURE CONTRACTING</th>
<th>PRIVATE PUBLIC PARTNERSHIP</th>
<th>INVESTMENT FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total: 200K</td>
<td>Total: 460K</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Already awarded: 9K</td>
<td>Already awarded: 119K</td>
<td></td>
</tr>
<tr>
<td>PROCESS</td>
<td>NHC issues RfP</td>
<td>Developer obtains CR and license from SAGIA</td>
<td>Investors can partner with already existing funds</td>
</tr>
<tr>
<td></td>
<td>Developer obtains CR and license from SAGIA</td>
<td>Developer registers to WAFI program at Ministry of Housing</td>
<td>Investors can provide financing solutions in partnership with SRC</td>
</tr>
<tr>
<td></td>
<td>Developer submits technical and financial proposals</td>
<td>Ministry of Housing informs registered developer of upcoming RFPs</td>
<td>Investors can establish new funds in KSA</td>
</tr>
<tr>
<td></td>
<td>NHC assesses proposals and selects winner</td>
<td>Developer submits technical and financial proposals</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Developer should obtain 30% commitment from beneficiaries to start construction</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ministry of Housing provides interest free funding &amp; off-take agreement</td>
<td></td>
</tr>
</tbody>
</table>

Source: Responsible entities
Saudi General Investment Authority is the Kingdom’s investment promotion agency. Our priorities are to attract and develop foreign investment, enhance the nation’s investment climate, increase the ease of doing business, and eliminate obstacles from investors’ journey.

To discover the countless opportunities, across major economic sectors, that Saudi Arabia has to offer:

CONTACT US NOW

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