Real Estate
Detailed Value Proposition
1. Saudi Arabia at a Glance
Saudi Arabia at a Glance

- **32.6M**
  - Total population
  - 60% of GCC Nov 2018

- **5.7M**
  - Saudi labor force

- **$231B**
  - FDI inward stock
  - 2000-2017

- **$687B**
  - Nominal GDP
  - 2017

- **$19,858**
  - GDP per capita
  - 2017

- **2.5%**
  - Population growth rate

- **67%**
  - Percentage of youth (Under age of 34)
2. Vision 2030
Was introduced in April 2016 by Crown Prince Mohammed bin Salman Al Saud to achieve King Salman Ibn Abdulaziz Al Saud’s Directions with the aim of diversifying and expanding the economy’s competitiveness.

“My first objective is for our country to be successful global model of excellence, on all fronts, and I will work with you to achieve that.”

Custodian of the Two Holy Mosques
King Salman Bin Abdulaziz Al-Saud
Three main pillars for the 2030 vision

- Investment Powerhouse

- A hub Connecting Three Continents

- The heart of the Arab and Muslim World
The three themes of the 2030 vision

- A thriving economy
- A vibrant society
- An ambitious nation
Vision realization programs designed to achieve Vision 2030

- Enriching the Hajj and Umrah experience
- National transformation program
- PIF Program
- National industrial development and logistics program
- Financial sector development program
- Lifestyle improvement program
- National companies promotion program
- Strategic partnership program
- The housing program
- Privatization program
- Saudi character enrichment program
- Fiscal balance program
Creating opportunities in all sectors

Healthcare
Transport, logistics and infrastructure
Industrial parts and equipment
Tourism, sports and entertainment
Agriculture
Downstream and chemicals
Oil and gas
Mining
Housing and real estates

Automotive manufacturing
Power and utilities
Renewable energy
Engineering services
Education
Military spare parts
ICT
Financial services
Special projects
### SAGIA’s contribution to the achievement of Vision 2030

**Economy**
- **FDI’s contribution to GDP**
  - 3.8% → 5.7%
- **Private sector contribution to GDP**
  - 40% → 65%
- **SME contribution to GDP**
  - 20% → 35%
- **Non-Oil GDP**
  - 16% → 50%
- **Global competitiveness Index**
  - 25% → 10%
- **Public Investment Fund’s assets**
  - 600B → 7T

**Nation**
- **Improving our E-Government Index ranking**
  - 40% → 20
- **Household savings**
  - 6% → 10%
- **Number of volunteers/year**
  - 11K → 1M

**Society**
- **Disposable Income on Entertainment and Leisure**
  - 3% → 6%
- **Capacity of Umrah/Hajj Visitors/Yearly**
  - 8M → 30M
- **Life expectancy**
  - 74 → 80 years
3. Developments in Regulatory Body
Established in 23.01.2017 by the Council of Ministers Resolution No. (239) and is concerned with organizing, supervising and developing the non-governmental real estate activity to raise its efficiency and encourage investment.
Real Estate General Authority

- Objectives

- Proposing *Legislation* & *Policies* regulating Real Estate activities
- Spread *Awareness* of Real estate system & activities
- *Licensing* & *Supervision* of Real Estate activities
- *Building* & *Monitoring* of *Real Estate indicators*
- *Qualification* & *Development* of the capabilities of workers in the Real Estate sector
- *Encouraging investment* and providing an environment conducive to fair competition in this field.
- Establish an *electronic information portal* for *Real Estate databases*
- *Conduct research, studies* and *statistics* in this field.
- *Follow up* the implementation of the agreements related to real estate activities between the Kingdom and other countries.
An integrated electronic network designed to regulate interaction in the real estate sector, to safeguard the rights of the parties to the leasing process (Tenant, Landlord, Real Estate Broker)

A program designed to organize the relationship between owners of real estate units that offer shared ownership by developing and implementing rules and Regulations (Home Ownership Association), in addition to assistance in providing supporting services to assist in the management of Shared Services such as entrances, elevators and hallways as well as the educational and awareness roles to guarantee rights of parties and improve the shared living culture

The off-plan sales or rent program (Wafi) aims to market and sell the real estate unit before or during the development or construction stage, by drawing up the description of the final plan or final form of the building after the completion of the development or construction and the commitment of the real estate developer to implement according to the model and agreed specifications.
The real estate unit sorting service is a set of procedures and requirements through which a building or real estate complex can be divided into several real estate units and through it the determination of all the information about the real estate unit and its quorum from the land area, the common parts of the property and the usage rights.

The Quality Assurance and Sustainability Assessment System is an initiative of the Ministry of Housing to develop a range of mechanisms and solutions to contribute to raising the quality and sustainability of residential construction, raising its positive impact on the environment and society, and improving the efficiency of energy and water consumption.
Ministry of Housing
- Initiatives

Developers Services Center (ETMAM) act as nexus through which the real estate developer can follow up his transactions during the various phases of project development.

Center Services include but not limited to the following:

- Accreditation of land subdivision scheme
- Accreditation of comprehensive development schemes
- Issuance of building permits
- Issuance of building completion certificate
- Issuance of off-plan unit sales license
- Issuance of off-plan land development license
- Issuance of marketing license within Saudi Arabia of existing off-plan projects outside Saudi Arabia
- Issuance of display license within Saudi Arabia of existing off-plan projects outside Saudi Arabia
- Issuance of Mullak registration certificate
4. Glance on Real Estate Market
Country Overview

Saudi Arabia is now going through an unprecedented transitional phase. Drop in oil prices urged the leadership to develop a differently oriented roadmap – Vision 2030.

Reducing the dependence on oil, diversifying the economy and empowering the private sector. The objective of this vision is to enable the government to provide a better and more sustainable standard of living to its citizens who 75% are under the age of 35. Allowing women to drive is one of the reforms which will not only increase the demand on automobiles but almost on all everyday sectors.

Cost of living has slightly increased with the introduction of Sin and Value Added taxes in June 2017 and January 2018 respectively.

Government enhanced focus on Tourism and entertainment sectors (multiple giga master plans development initiative from e.g. NEOM Project, Qiddiya Project, Red Sea Master Plan, Al Ula Heritage Development, Amaala wellness Project etc.)
Residential Market Overview

Residential Supply

- The Ministry of Housing announced three housing projects, offering 12,000 units and targeting low to mid-income consumers.
- Expected total added supply in the next two years would be approximately 80,000 units, totaling 1.33 million units.

Residential Performance

- An increase in the number of apartments sold in Riyadh by 15% in the first quarter of 2018.
- Sale price decreased by 1.5% Q-to-Q and decreased by 3.2% Y-to-Y.
- The number of houses sold have increased by 3% in the first quarter of 2018.
- Sale price decreased by 2.2% Q-to-Q and decreased by 6% Y-to-Y.

Office Market Overview

Office Supply

- Awaiting KAFD completion.
- 9,500 sqm of offices were added in the first quarter of 2018.
- 3.9 million sqm is the current office space in Riyadh, and its expected to reach 4 million at the end of the year.

Office Performance

- Vacancy has decreased by 6% from last year (15%). Primary reason for drop in vacancy rate was due to Ministry of Health occupying two buildings in ITCC.
- The rental price (weighted average) remained the same from 2017 to 2018, 346 USD per sqm.

Sources: JLL, Knight Frank
Glance on Real Estate Market

Riyadh

Retail Market Overview

Retail Supply
- The total current stock of retail in Riyadh is 2.11 million sqm. With 19,800 sqm is expected to be introduced this year.
- In 2020 the total stock is expected to reach 2.41 million sqm.

Retail Performance
- Vacancy have increased from 8% (2017) to 10% (2018).

Lease Rates:
- Super regional malls (90,000 sqm of GLA) decreased by 4% from 2017.
- Regional malls (30,000 + sqm of GLA) decreased by 1% from 2017.
- Community malls decreased by 8% from 2017.

Hospitality Market Overview

Hospitality Supply
- Crown plaza (ITCC) was completed in the first quarter of 2018, with 326 keys.
- 12,300 keys is the current room stock in Riyadh.
- 5,000 keys are expected to be added by 2020 which will make Riyadh a quite competitive market.

Hospitality Performance
- Occupancy have increased from 2017 by 6% reaching 63% in 2018.
- ADRs have increased by 3% from 192 USD in 2017 to 198 USD in 2018.

Sources: JLL, Knight Frank
Residential Market Overview

Residential Supply

- Q3 2018 continued to witness delays in the handover of residential projects.
- No new residential projects were handed over in the quarter leaving total supply unchanged at approximately 817,00 units.
- An additional 1,000 units are expected to be delivered by year-end, mostly in the mid and high-rise segments of the market.

Residential Performance

- Average rents continued to drop in Q3 2018 with apartment and villa rents declining 4% and 3% respectively Q-o-Q.
- On an annual basis, rents registered a sharper decline of 11% for apartments and 9% for villas.
- Residential sale prices remained relatively stable Q-o-Q, registering only marginal declines.
- On an annual basis, apartment and villa prices both dropped around 7%.

Office Market Overview

Office Supply

- Jeddah’s office market added around 19,600 sqm of office space respectively.
- This brings the total stock of quality office space to 1.05 million sqm as of Q3 2018.
- The market is expected to witness the delivery of an additional 57,000 sqm of office GLA by year-end.

Office Performance

- Office rents continued to soften registering annual declines of 12%.
- Meanwhile vacancy rates increased to 20% in Q3 2018.

Sources: JLL, Knight Frank
Glance on Real Estate Market

Jeddah

Retail Market Overview

Retail Supply

• Q3 2018 saw no retail mall completions, leaving the total supply in the market unchanged at 1.4 million sqm.
• Scheduled completions over the next two years amount to 334,000 sqm and 140,000 sqm in 2019 and 2020 respectively, with super regional and regional shopping centers dominating upcoming supply.

Retail Performance

• Performance of the retail market remained relatively stable in Q3 2018, with no notable changes in rental rates recorded.
• Similarly, vacancy rates only increased marginally to 11% in Q3 2018.
• Data released by the Saudi Arabia Monetary Authority (SAMA) shows that the number of point of sales transactions in Jeddah increased by around 36% Y-o-Y in August 2018, while the value of transactions rose by 6% over the same period.

Hospitality Market Overview

Hospitality Supply

• Q3 2018 witnessed the opening of two internationally branded hotels: Centro Salama on Madinah Road and TIME Beach Villas Resort located close to the new corniche.
• This brings the total supply of quality hotel keys in Jeddah to 11,500. A further 700 keys are expected to be handed over during the last quarter of the year.

Hospitality Performance

• The hotel performance in the YT August 2018 remained relatively stable.
• Despite performance picking up during the Hajj Season, occupancy rates declined by 4 basis points to 62% in the YT August 2018 (compared to 66% in the YT August 2017).
• ADRs increased marginally to register USD 296 in the YT August 2018; a 0.1% increase compared to the same period last year.

Sources: JLL, Knight Frank
Real Estate Opportunities

Commercial
- Retail
- Offices
- Hospitality

Residential
- Affordable
- Mid-income
- High-end
4. Housing sector in Saudi Arabia
Investors can tap into the KSA market through 4 engagement models

<table>
<thead>
<tr>
<th>Pure contracting</th>
<th>Public private partnership</th>
<th>100% foreign ownership</th>
<th>Private to private partnerships</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of units by 2020</strong></td>
<td><strong>Total: 200K</strong></td>
<td><strong>Total: 460K</strong></td>
<td><strong>N/A</strong></td>
</tr>
<tr>
<td><strong>Process</strong></td>
<td><strong>Already awarded: 9K</strong></td>
<td><strong>Already awarded: 119K</strong></td>
<td><strong>N/A</strong></td>
</tr>
<tr>
<td>• NHC issues RFP</td>
<td>• Developer obtains CR &amp; license from SAGIA</td>
<td>• Foreign investor can start a project in Saudi Arabia with 100% ownership if they met two requirements:</td>
<td>• Investors can partner with private owners of land to construct houses on these lands</td>
</tr>
<tr>
<td>• Developer obtains CR and license from SAGIA</td>
<td>• Developer registers to WAFI program</td>
<td>o The total cost of the project shall not be less than $8 million.</td>
<td></td>
</tr>
<tr>
<td>• Developers register to WAFI program</td>
<td>• Ministry of Housing informs registered developer of RFPs</td>
<td>o The investment of the real estate should start within five years of owning it</td>
<td></td>
</tr>
<tr>
<td>• Developer submits technical and financial proposals</td>
<td>• Developer submits proposal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• NHC assesses proposals and selects winner</td>
<td>• Developer to obtain 30% commitment from beneficiaries to start construction</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Ministry of housing provides incentives</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Responsible entities
Government commitment expressed through incentives, enablers and a well-developed ecosystem in place

The previous eco-system

- Interest-Free Loans for ~$80K (fully paid by Ministry of Housing)
  - Waiting list up to 20 years
- Free lands
  - Undeveloped lands (no infrastructure, nor services) out of urban growth boarders
- Developed units (cost fully paid by Ministry of Housing)
  - Limited number of units annually built

The current eco-system

- Loans up to $130K
  - Free interest loans from banks upon approval from the Real Estate Development Fund
  - Budget re-allocation by paying interest on behalf of beneficiaries
- Financing to buy under construction units
  - Reduced premium during construction period
- Provide financing to build housing unit
  - Budget re-allocation provides incentives to developers
- Offer free lands
  - Developed land (with infrastructure and services), within urban growth boarders

(1) all of the current options goal is to maximize the number of people who can benefit
Reasons to invest in housing sector in KSA

Growing & attractive housing market
New era in housing construction
Government commitment to develop the industry
3

Reasons to invest in housing sector in KSA

Growing & attractive housing market

New era in housing construction

Government commitment to develop the industry
Saudi Arabia boasts a growing and attractive housing market

- Large demand for new housing units
- High profit margins and competitive cost advantage
Large demand for new housing units

High profit margins and competitive cost advantage
The aim is to increase home ownership to 60% by 2020 and 70% by 2030.
KSA Housing Demand
1.5 million new units required by beneficiaries of Ministry of Housing by 2030

Cumulative housing units needed
Thousands, 2017-2030

- 212K housing units been delivered to clients as of Q3, 2018

Source: Ministry of Housing
This demand is driven by a large, young and growing national population.

~214% larger national population than other GCC

Composed 67% of youth
Million national people, 2018

KSA total 21M 14M
34 years and below 100% 67%
Above 34 years 7M 33%

Other GCC countries UAE 2M +214% Oman 2M Bahrain 1M Qatar 1M Kuwait 1M

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

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)
Large percentage of Saudi nationals are from the middle-income class

National KSA population breakdown by income class
Number of KSA nationals as percentage of total national population

- **Total**: 100%
- **Low income**: 29%
- **Middle income**: 68%
- **High income**: 3%

The Average\(^1\) monthly wages for Saudis = $2,690

Note: Source: Gulf Research Center (2013), Ministry of labor
(1) Saudi Gazette
Private sector is taking the lead in housing project

102 Housing Project

PPP Public-private partnership

67 projects

126,435 Housing units

35 projects

11,597 Housing units

Source: Ministry of housing
Demand for new housing units distributed throughout KSA regions

Distribution of housing units needed by 2030

- **Medina**: 70K
- **Makkah**: 245K
- **Jazan**: 53K
- **ASIR**: 67K
- **Qassim**: 25K
- **Riyadh**: 198K
- **Eastern region**: 188K
- **Remaining regions**: 654K

Source: Ministry of Housing (as per the registered beneficiaries at the housing portal)
Demand of 345K units in the three major cities

- Minimum size per unit is 125 m²
- Maximum selling price per unit is $200K

Selected examples

Data on additional regions to be provided upon request

Source: Ministry of Housing
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

KSA regions rank between high cost & low cost regions

Source: Arcadis
Construction costs of targeted residential units in KSA range from $500 to $1,000 per sqm

KSA average residential construction costs
USD per sqm, 2018

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Median 2018 Construction Cost USD per sqm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low asset class</td>
<td>493</td>
</tr>
<tr>
<td>Medium asset class</td>
<td>627</td>
</tr>
<tr>
<td>High asset class</td>
<td>987</td>
</tr>
<tr>
<td>Low rise &amp; asset class</td>
<td>560</td>
</tr>
<tr>
<td>Medium rise &amp; asset class</td>
<td>733</td>
</tr>
<tr>
<td>High rise &amp; asset class</td>
<td>1,067</td>
</tr>
<tr>
<td>B class</td>
<td>1,027</td>
</tr>
<tr>
<td>B+ class</td>
<td>1,267</td>
</tr>
<tr>
<td>A class</td>
<td>1,520</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
Case studies: Successful KSA developers

Average EBITDA per company

EBITDA, %

Alandalus Property Company

- 78 (2014)
- 71 (2015)
- 70 (2016)
- 66 (2017)
- Average (2014-2017): 71

Emaar The Economic City

- 46 (2014)
- 33 (2015)
- 36 (2016)
- 40 (2017)

Dar Al Arkan Real Estate Development Company

- 35 (2014)
- 37 (2015)
- 38 (2016)
- 22 (2017)
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
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 aims to rely more heavily on modern construction technologies (e.g., 2D, 2.5D and 3D building systems)

(1) Traditional construction is a process of Cast-in-situ concrete for column & slabs and brick walls.
# Details of 2D, 2.5D and 3D building systems

<table>
<thead>
<tr>
<th>Traditional method</th>
<th>2D building systems</th>
<th>2.5D building systems</th>
<th>3D building systems</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cast-in-situ</strong></td>
<td><strong>Autoclaved aerated concrete</strong></td>
<td><strong>Panel Wall</strong></td>
<td><strong>Tunnel formwork</strong></td>
</tr>
<tr>
<td>Traditional construction is a process of Cast-in-situ concrete for columns &amp; slabs and brick walls</td>
<td>A Lightweight pre-casted concrete with air bubbles to generate low-density lightweight material</td>
<td>A concrete wall production system utilizing off-site pre-fabricated molds</td>
<td>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</td>
</tr>
<tr>
<td><strong>Polystyrene</strong></td>
<td><strong>Composite-Fiberglass</strong></td>
<td><strong>Precast/Modules</strong></td>
<td><strong>3D Volumetric</strong></td>
</tr>
<tr>
<td>The polystyrene blocks are stacked and then the forms are filled with concrete</td>
<td>Type of fiber-reinforced plastic where the reinforcement fiber is glass fiber</td>
<td>A combination of 2D precast concrete elements with bathroom and kitchen pods assembled in a factory and then transported to site</td>
<td>A factory produced pre-engineered building units/modules that could be assembled directly on site</td>
</tr>
<tr>
<td>Light gauge steel</td>
<td>3D Volumetric</td>
<td><strong>Light gauge steel</strong></td>
<td></td>
</tr>
<tr>
<td>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</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Ministry of housing BTI team
The shift towards new construction techniques is driven by the government's appetite 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 of **employment of Saudi Nationals**.
- **Utilize KSA local content** to ensure scale and catalyze housing production.

Source: Ministry of housing BTI team
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

<table>
<thead>
<tr>
<th>Cumulative housing units needed by 2020</th>
<th>Industrialized technology based delivery</th>
<th>Traditional delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>680K</td>
<td>340K</td>
<td>340K</td>
</tr>
<tr>
<td></td>
<td>50%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Source: Ministry of housing BTI team
68% will be built using 2D/2.5D systems and 32% with 3D systems

Breakdown of industrialized technology based delivery
Thousands, cumulative units needed 2017 to 2020

- Industrialized technology based delivery: 340K
- 2D/2.5D building systems: 230K (68%)
- 3D building systems: 110K (32%)

Source: Ministry of housing BTI team
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
Significant incentives are provided for building technology providers

**Non-financial incentives**

**Matchmaking**
- Support to access demand/projects under the Government housing programs

**Business support**
- Support with licensing, incorporation, access to lands, buildings, local supply chain, etc. ...

**Financial incentives**

**Loans with preferred terms and conditions**
- Covers up to 6 months of working capital
- Covers up to 75% of CAPEX
- Repayment in 5 years
- 2 years debt repayment waiver
- Preferred competitive interest rate with up to 20% advanced payment
In comparison with others, KSA has low land rates and labor costs...

### Industrial land rates pricing per year

<table>
<thead>
<tr>
<th>Country</th>
<th>Rate per m²</th>
<th>Average price across cities</th>
</tr>
</thead>
<tbody>
<tr>
<td>KSA</td>
<td>0.9 $/m²</td>
<td></td>
</tr>
<tr>
<td>UAE</td>
<td>15.0 $/m²</td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>64.0 $/m²</td>
<td></td>
</tr>
<tr>
<td>EU</td>
<td>70.0 $/m²</td>
<td></td>
</tr>
</tbody>
</table>

### Average labor cost

**$/hour**

<table>
<thead>
<tr>
<th>Country</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>3.4</td>
</tr>
<tr>
<td>UAE</td>
<td>3.4</td>
</tr>
<tr>
<td>KSA</td>
<td>4.1</td>
</tr>
<tr>
<td>China</td>
<td>4.4</td>
</tr>
<tr>
<td>USA</td>
<td>21.1</td>
</tr>
<tr>
<td>EU</td>
<td>42.6</td>
</tr>
</tbody>
</table>

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1. Average hourly compensation costs for all employees in manufacturing - includes direct pay, bonuses, healthcare, and other social benefits. As well as labor-related taxes and subsidies. Source: Modon, JAFZA, C&W, Colliers, Yanbu industrial City
As well as low electricity and water prices

Electricity prices
US cent/kWh

- KSA: 4.9
- USA: 7.2
- UAE: 8.0
- India: 11.2
- China: 12.0
- EU: 14.0

Water prices
$/cubic meter

- China: 0.5
- KSA: 0.6
- USA: 1.1
- India: 1.9
- UAE: 2.1
- EU: 2.1

Source: Modon, ADDC, EIA, Houston TX, EC Europa, Wessex Water, SZ Invest, Mahadis
Reasons to invest in housing sector in KSA

- Growing & attractive housing market
- New era in housing construction
- Government commitment to develop the industry
Government commitment expressed through incentives, enablers and a well-developed ecosystem in place

- Incentives to attract private developers
- Enablers to beneficiaries
- Well developed ecosystem in place
Financial incentives

If developer reaches ↑30% off-plan sales

Provide higher floor area ratios (FAR)
- For private lands:
  - Exemptions provided to developers (e.g., FAR) satisfying the conditions
- For Ministry’s lands:
  - Depends on feasibility and negotiations

Off-plan sales
- Registration to WAFI program
- 30% of total units to be sold in order start construction activities
- 20% advance payment of total sold units for off plan sales
- Payments from WAFI on milestone basis (based on achievement and/or completion)

Interest-free loans
- Up to 20% loans, out of off-plan sales:
  - 10% if average price per m² is from $693 to $800
  - 15% if average price per m² is from $586 to $693
  - 20% if average price per m² is less than $586
  - Additional 5% if developer is using modern construction technologies
- If investor can’t pay back in cash, it will be paid in units

Infrastructure financing support
- Private lands:
  - Government to cover 50%, of the infrastructure cost or 25% of the value of the subject land (whichever is less)
  - Cost ranges between $27 - $40 per m² of raw land
- Ministry’s lands:
  - Covers up to 50% of land infrastructure with the land boundaries and full cost for out-of-land borders

Incentive
Regulations

(1) infrastructure: Streets, Lighting, Paving, Freshwater, Sewage, Electricity, Public landscape and irrigation
(2) Public infrastructure lands to be provided by developers
Public private partnership: the government and developer share all risks jointly

<table>
<thead>
<tr>
<th>Type of risk</th>
<th>KSA government</th>
<th>Private developer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Demand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residual</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Design</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
6 Key Entities with Leading Roles in Housing

- **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.

- **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.

- **Ministry of Commerce and Investment**
  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.
For beneficiaries: REDF & SRC were created to develop the nascent mortgage market in KSA...

### For citizens

<table>
<thead>
<tr>
<th>Real Estate Development Fund (REDF)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Guarantees</strong></td>
<td><strong>Description</strong></td>
</tr>
<tr>
<td><strong>Mortgage Guarantee Scheme</strong></td>
<td>• Cover defaulting borrowers thus incentivizing banks to lend more and to decrease interest rates</td>
</tr>
<tr>
<td><strong>Construction Guarantee Scheme</strong></td>
<td>• Cover defaulting developers thus incentivizing banks to lend more and to decrease interest rates</td>
</tr>
<tr>
<td><strong>Down payment guarantees</strong></td>
<td>• Pay portion of down payment thus incentivizing borrowers to accept more mortgages</td>
</tr>
</tbody>
</table>

### For financing companies

<table>
<thead>
<tr>
<th>Saudi Real Estate Refinance Company (SRC)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Role</strong></td>
<td><strong>Description</strong></td>
</tr>
<tr>
<td><strong>Provide solutions to originators</strong></td>
<td>• Buy exiting or newly originated loans</td>
</tr>
<tr>
<td></td>
<td>• Provide facilities allowing origination &amp; ramp-up of portfolio (warehousing) before disposal</td>
</tr>
<tr>
<td><strong>Ensure a balanced &amp; sustainable market thrive</strong></td>
<td>• Develop non-cash &amp; derivative solutions</td>
</tr>
<tr>
<td><strong>Chanel liquidity</strong></td>
<td>• Provide competitive long term fixed rates &amp; variable / resettable products</td>
</tr>
<tr>
<td></td>
<td>• Ensure proper typology of structures / contracts</td>
</tr>
<tr>
<td><strong>Raise capital through capital market public issuances or private placements</strong></td>
<td>• Raise capital through capital market public issuances or private placements</td>
</tr>
<tr>
<td></td>
<td>- Shapes &amp; forms include corporate Sukuk, bonds, asset based issuances &amp; &quot;MBS&quot;</td>
</tr>
<tr>
<td></td>
<td>- Different profiles, tenor and currency denomination are taken into consideration</td>
</tr>
<tr>
<td></td>
<td>- Domestic &amp; int’l investors are targeted</td>
</tr>
</tbody>
</table>

Source: REDF, SRC, Reuters
Up to date, $35 billion KSA real estate retail loans have been provided by banks to REDF beneficiaries

Real estate retail loans by banks

USD billion

Source: SAMA monthly statistical bulletin
Several investors have already partnered successfully with the ministry of housing on several projects (1/2)

<table>
<thead>
<tr>
<th>Project name</th>
<th>Developer / contractor</th>
<th>City</th>
<th>Types of units</th>
<th>Marketing period (sales percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Al-Shorouq Project</td>
<td>EMAAR</td>
<td>Rabigh</td>
<td>Apartments</td>
<td>43 days (100%)</td>
</tr>
<tr>
<td>Diyar Saad Project</td>
<td>Al-Hakmiah</td>
<td>Riyadh</td>
<td>Town House</td>
<td>21 days (100%)</td>
</tr>
<tr>
<td>Al-Wajha Project</td>
<td>INVVEST</td>
<td>Dammam</td>
<td>Villas</td>
<td>35 days (100%)</td>
</tr>
<tr>
<td>Al-Bairaq Al-Mobriz Project</td>
<td></td>
<td>Al-Ahsaa</td>
<td>Villas</td>
<td>3 days (100%)</td>
</tr>
</tbody>
</table>

Source: Sharakat
Several investors have already partnered successfully with the ministry of housing on several projects (2/2)

<table>
<thead>
<tr>
<th>Project name</th>
<th>Developer / contractor</th>
<th>City</th>
<th>Types of units</th>
<th>Marketing period (sales percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tahlia Gate Project</td>
<td>-</td>
<td>Jeddah</td>
<td>Apartments</td>
<td>31 days (98%)</td>
</tr>
<tr>
<td>Tilal Al-Khamees Project</td>
<td>-</td>
<td>Khamis Mshait</td>
<td>Apartments</td>
<td>31 days (99%)</td>
</tr>
<tr>
<td>Diyar Al-Hasa 1 Project</td>
<td>-</td>
<td>Al-Ahsaa</td>
<td>Town house</td>
<td>30 days (97%)</td>
</tr>
<tr>
<td>Madd Project</td>
<td>-</td>
<td>Dammam</td>
<td>Town house</td>
<td>47 days (82%)</td>
</tr>
</tbody>
</table>

Source: Sharakat
Al-Shorouq Project

City: Riyadh
Units type: Apartments
Sales percentage: 100%
Marketing period: 43 Days
Type of sale: Off-plan
Number of units: 1440
Targeted customers: Mid-income
Units build-up: 145 m²
Diyar Saad Project

- City: Riyadh
- Units type: Town houses
- Sales percentage: 100%
- Marketing period: 21 Days
- Type of sale: Off-plan
- Number of units: 601
- Targeted customers: Mid-income
- Units build-up: 272 m²
### Al-Wajha Project

<table>
<thead>
<tr>
<th>City</th>
<th>Dammam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units type</td>
<td>Villas</td>
</tr>
<tr>
<td>Sales percentage</td>
<td>100%</td>
</tr>
<tr>
<td>Marketing period</td>
<td>35 Days</td>
</tr>
<tr>
<td>Type of sale</td>
<td>Off-plan</td>
</tr>
<tr>
<td>Number of units</td>
<td>574</td>
</tr>
<tr>
<td>Targeted customers</td>
<td>Affordable</td>
</tr>
<tr>
<td>Units build-up</td>
<td>251-326 m²</td>
</tr>
<tr>
<td><strong>City</strong></td>
<td>Al-Ahsaa</td>
</tr>
<tr>
<td>-----------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td><strong>Units type</strong></td>
<td>Villas</td>
</tr>
<tr>
<td><strong>sales</strong></td>
<td>100%</td>
</tr>
<tr>
<td><strong>Marketing period</strong></td>
<td>3 Days</td>
</tr>
<tr>
<td><strong>Type of sale</strong></td>
<td>Off-plan</td>
</tr>
<tr>
<td><strong>Number of units</strong></td>
<td>192</td>
</tr>
<tr>
<td><strong>Targeted customers</strong></td>
<td>Mid-income</td>
</tr>
<tr>
<td><strong>Units build-up</strong></td>
<td>361-375 m²</td>
</tr>
<tr>
<td>City</td>
<td>Jeddah</td>
</tr>
<tr>
<td>-----------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>Units type</td>
<td>Apartment</td>
</tr>
<tr>
<td>Marketing period</td>
<td>31 Days</td>
</tr>
<tr>
<td>Type of sale</td>
<td>Off-plan</td>
</tr>
<tr>
<td>Number of units</td>
<td>1,952</td>
</tr>
<tr>
<td>Targeted customers</td>
<td>Affordable</td>
</tr>
<tr>
<td>Units build-up</td>
<td>135 m²</td>
</tr>
</tbody>
</table>

Tahlia Gate Project

City: Jeddah

Units type: Apartment

Marketing period: 31 Days

Type of sale: Off-plan

Number of units: 1,952

Targeted customers: Affordable

Units build-up: 135 m²
Tilal Al-Khamees Project

City: Khamis Mshait

Units type: Apartment

Sales percentage: 98%

Marketing period: 31 Days

Type of sale: Off-plan

Number of units: 804

Targeted customers: Affordable

Units build-up: 170 m²
Diyar Al-Hasa 1 Project

- **City**: Al-Ahsaa
- **Units type**: Town house
- **Sales percentage**: 97%
- **Marketing period**: 30 Days
- **Type of sale**: Off-plan
- **Number of units**: 1,435
- **Units build-up**: 254-270 m²
- **Targeted customers**: Affordable

INVEST SAUDI
Madd Project

City: Dammam

Units type: Town house

Sales percentage: 82%

Type of sale: Off-plan

Marketing period: 47 Days

Targeted customers: Affordable

Number of units: 728

Units build-up: 249 - 275 m²
Thank You

Mashail Aldeghaim
Real Estate Sector
maldeghaim@sagia.gov.sa
+966-55-202-5544

Investment Attraction & Development - SAGIA