

Saudi Arabia needs 1.65m new homes by 2015 - study

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The capital city of Saudi Arabia, Riyadh. (Getty Images)

Saudi Arabia needs 1.65 million new homes by 2015 to meet growing demand in the world's largest oil exporter, Banque Saudi Fransi said in a report on Sunday.

Saudi Arabia, the biggest Arab economy, is facing a massive housing problem due to rapid population growth and an inflow of expatriate workers coming to the kingdom which is rolling out a \$400bn infrastructure spending plan.

"We estimate private and public developers will need to build about 275,000 units a year through 2015 for a total of 1.65 million homes over six years," the report said.

This figure would "cater to demands of a population that has doubled in size since 1988 and grows more than 2 percent annually" it added.

Last Friday, Saudi King Abdullah offered \$93bn in handouts which included SR250bn to (\$66.7bn) be spent on 500,000 new homes.

"Considering the housing supply-demand gap and the impending boom in youth demand for homes, we are bullish on the housing sector and confident the mortgage law will widen the scope of home ownership in the long term.

"Still, reforms to address the market's structural deficiencies will need to compliment the law. Developers must focus on building supply of affordable housing since prevailing salaries are largely not high enough to support a mortgage finance boom," the report said.

Saudi Arabia's long-awaited mortgage law has been in the planning stages for almost a decade.

The kingdom's annual inflation slowed to a 10-month low of 4.9 percent in February, with growth in housing and transport costs subsiding, data showed on Sunday.

Saudi Arabia's population is expected to reach 30 million in 2017, double the figure just 30 years ago, new research by Euromonitor International has revealed.

Its analysis of the kingdom's population growth to 2030 also shows the number will hit 36.5 million by the end of the period under review, representing a near-40 percent rise compared to 2010.