

Máster Universitario en Gestión y Valoración Urbana

THESIS PROPOSAL

Challenges and Opportunities of home ownership for middle and low income households in Saudi Arabia:

the Case study of Jeddah city

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Introduction



Housing has an important role to play now and in the future for people, both in the private and public sector of housing markets.

The Saudis have lost 33% of their income in five years .. And housing increased by up to 70%, www.alriyadh.com,2011

Rising of land prices in Saudi Arabia about 29% in 2010.
www.arabfinance.com

76% are suffering from the problem of housing in Saudi Arabia

Saudi needs 150,000 housing units a year,
www.arabianbusiness.com ,2010



Introduction to Saudi Arabia



Saudi Arabia has an area of approximately 2,149,690 km²

The largest oil exporter in the world

Total of population :
27,136,977

The population aged under of 25 years currently accounts more than 60%.



The proportion of citizens living in rent from 65 to 70%.

Saudi Arabia is divided into 13 *provinces*.
4 *provinces* which accounted for 65.6% of the total population.

Only 4 cities in 3 *provinces* which accounted for 11,259,751 of population, equivalent to 41.5% of the total population.

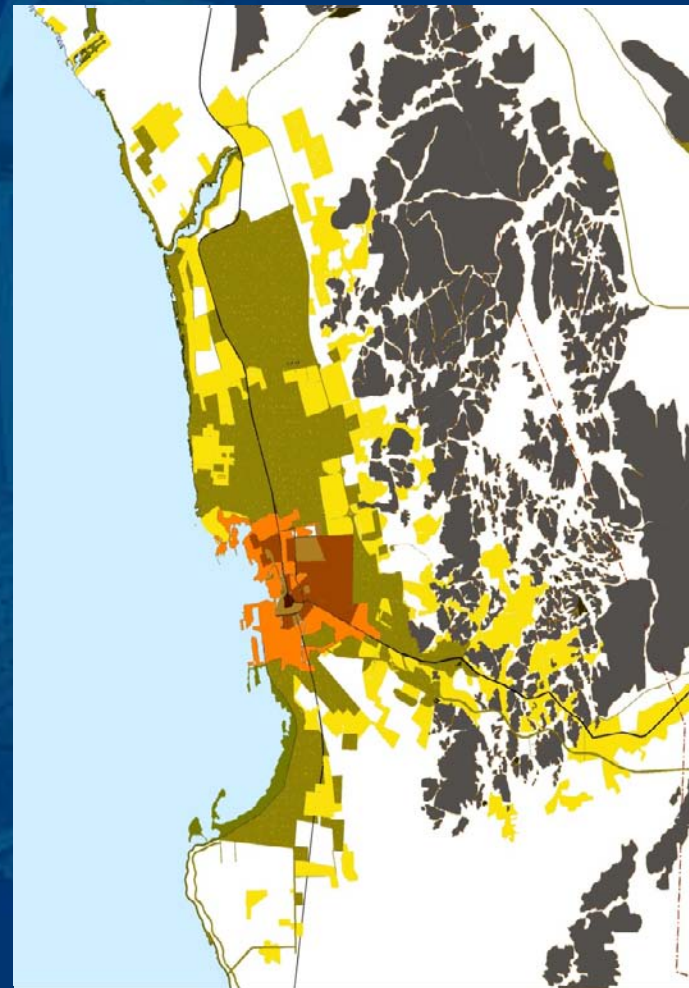


Urban Sprawl



As a result of sustained national economic development over several decades, most of the towns and cities in Saudi Arabia have grown at rates which had never before been experienced in the Arabian Peninsula. Not surprisingly, the scale and rates of growth which have been experienced, particularly since the early 1970s, created major problems for the agencies responsible for planning and managing urban growth in Saudi Arabia.

For example : The built up area of Jeddah city in (1951) was 3.15sq.km and 1,350 sq.km in (2005).



Years	Size by K/m ²
1910	0,54
1948	2,8
1958	32,5
1968	56
1986	367
2001	1378



Saudi Arabia has a shortage of owner-occupied residential housing, particularly at the low and middle income. On the other side the demand for affordable housing has largely increased in the past decades in Saudi Arabia due to the increase of population, inflation and variation in income levels. That means there is a gap between supply and demand and understanding the needs of the current market.



House prices in many areas of the country have risen considerably faster than household incomes. This rapid appreciation has raised concerns that housing is heading for a crisis because of the expansion of the population. Since the majority of households are unable to purchase houses with these high prices.



The hypothesis & General Objective



The hypothesis

The current legislative framework of housing in Saudi Arabia excludes a large proportion of the population to access private housing.

General Objective

Demonstrate the imbalance between income and housing prices and the lack of a housing policy that responding the reality of the country.



Specific objectives



- Analysis the difficulty for low and middle income to ownership and rental housing (through the evidence provided by the official statistics, and comparison between countries of the world in terms of the percentage of size, ownership and general revenues).
- Analysis of advantages and disadvantages of ownership housing and Rental housing.
- Analysis of international and internal solutions that help low and middle income to home ownership.
- Analysis and explain the impact of low and middle income to home ownership or rental housing. (in the case study)
- Identify the reasons for the difficulty in obtaining housing for low and middle income. (in the case study)
- Reach to some suggestions that will help to help low and middle income to home ownership or rental housing at affordable prices. (in the case study)



STATE OF THE ART



In contrast, Kemeny (1981) draws a distinction between home owning societies and cost rental societies. In the former, which includes the United Kingdom, the United States, Australia, and New Zealand, there is an extensive private housing market and homeownership is encouraged by the government. In contrast, the rental market has a dualistic nature: social housing is in limited supply relative to demand and is strictly regulated.

An affordable dwelling is important for the supply of and adjustments to housing to meet the needs of low-income segments of the population. For such households to have a decent habitat, the adequacy cost between spending and income that includes the issues of rental sector pricing and financial incentives towards the development of social home ownership plays an important role in this area. If capital costs in terms of finance and household income are achievable, the propensity to buy housing or the willingness to invest in a dwelling will follow automatically (Lee, 1990).

Lee, M. h. (1990). Chinese Housing Policy. Dissertation, University of Illinois.



In Saudi Arabia, one of the objectives of government housing policy is to encourage private home ownership. The real estate developer contributes to the private sector and therefore has a positive effect on the individual and on society as a whole. Saunders (1990) offered a full account of his theories in his book *A Nation of Homeowners*. Essential to this work is the theory that individuals have an expected preference for home ownership rather than renting accommodation as tenants. Saunders (1990) considered that this preference should be a primary factor in housing policy.

Households' accessibility to and ability to pay for housing are also affected by state intervention. In fact, the financing of housing, especially social housing, remains a major issue in both developing and developed countries, since housing finance can be used as a tool to regulate the housing market. As distinct from viewing affordability as an income problem, it can also be seen as a housing market problem. Initially, government intervention tends to be geared towards adjusting the denominator of the rent-to-income ratio. If housing affordability is considered a market problem, it refers to a government role concerning the physical provision of housing (**Linneman and Megbolugbe, 1992**).

Linneman, P. and I. Megbolugbe (1992). "Housing Affordability: myth or reality?" Urban Studies

Case study: Jeddah city



Located on the coast of the Red Sea and is the major urban center of western Saudi Arabia. It is the largest city in Makkah Province, the largest sea port on the Red Sea, and the second largest city in Saudi Arabia after the capital city, Riyadh. It is an important commercial hub in Saudi Arabia.

“Jeddah like other cities has experienced a shortage of affordable housing. The government has provided financial help but, despite these efforts, housing prices have continued to increase. The expected growth of population and household units in the next 20 years added to the present shortage will generate a major gap between demand and supply”.

(Al-Otaibi, 2004)



General Information

Jeddah city is divided to 13 Sub Municipalities.

Population in Jeddah (3.430.697 million) 50% out of Makkah Region and 13% of Saudi Arabia.2010

41.7% increase from 2000-2010. 3.55% annual increase from 2000-2010.

Ownership

The rate of ownership has dramatically changed. For instance from 1977 to 2002 the share of home ownership increased from 19% to 35%. According to Al-beeah consultant the highest percentage increase was in 1970 when with an average of 31%. On the other hand, the proportion of tenants decreased from, 77% to 58%, between 1977 and 2002. Whilst there has been a decline in the percentage of tenants the number of the tenants has increased 6 times over in the same period from 133,413 to 289,473.

Al-beeah Consultant, Municipality of Jeddah ,2002

Ownership	Robert Matthew 1970		Sert Jakson 1977		Beeah consultancy 2002	
	No.	%	No.	%	No.	%
Owner	23192	30.8	32269	18.6	173981	35.1
Tenant	48569	64.5	133413	76.9	289473	58.4
Other	3539	4.7	7807	4.5	32219	6.5
Total	75300	100	173489	100	495673	100

Source: Albeeah Consultant, Municipality of Jeddah (2002)

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(Comparison between countries of the world in terms of the percentage of size, ownership and general revenues)
3. – The housing sector in the Kingdom of Saudi Arabia (A focus on Home ownership and Rental housing).
(Study these two types of housing through the evidence provided by the official statistics)
4. – The importance of home ownership and Rental housing.
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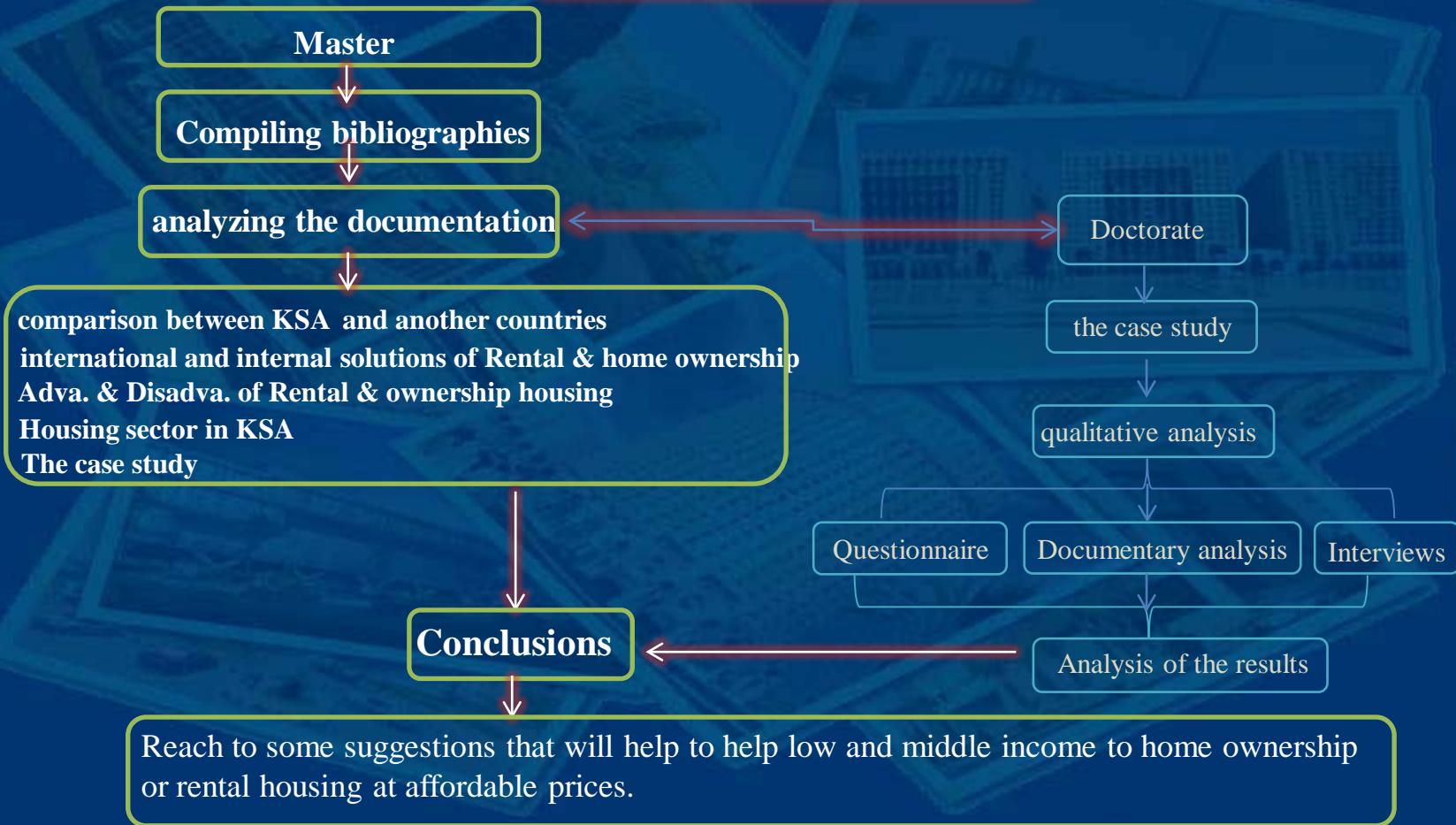
Methodology

This thesis will be divided into two phases:

- The first phase will be the basis for the doctoral.
- The second phase will be with more profundity.



Qualitative methodology



Calendar (Timetable)



PHASES	FEB		MAR				ABR					MAY				JUNE			JULY		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Collection and Analysis of the documentation																					
Preparation of the thesis proposal																					
presentation of thesis proposal																					
comparison between KSA and another countries																					
International and internal solutions of Rental & home ownership																					
Adva. & Disadva. of Rental & ownership housing																					
Housing sector in KSA																					
The case study																					
Conclusions analysis																					
Writing paper																					
Preparing presentation																					



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..Gracias..