



Urban Expansion in Saudi Arabia

An Urban Vision for the Housing Sector

- Industry
- Culture
- Housing**

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Urban Expansion and Its Impact on the Housing Sector

Over the past decades, Saudi Arabia has experienced major urban and economic transformations that have impacted the lifestyle of its residents and the nature of its cities. Urban expansion has become a prominent phenomenon, with a large portion of the population moving to urban areas, leading to a rapid increase in the size of cities. The housing sector is at the core of these transformations, as providing citizens with suitable and affordable houses remains one of the key development priorities.

With the sharp increase in the world's population, lifestyles have undergone a fundamental transformation, as societies shifted from small rural communities to stable urban cities. This rapid transformation is known as "Urban Expansion." Today, urban expansion is one of the most significant global demographic and economic phenomena, particularly in developing countries, which have become the focal point of this shift. Estimates indicate that the global urban population has surpassed 3.3 billion people and is expected to reach around 5 billion by the year 2030, according to World Bank data.

How does urban expansion affect the housing sector?



Increasing demand for housing:

As the population in cities continues to grow due to natural increase or internal migration, the demand for housing increases significantly. If this demand is not matched by a corresponding expansion in housing supply, gaps arise that lead to rising prices and rents. This makes it difficult for families—especially those with low or middle income—to afford to own or even rent a house within the urban area.



Strain on infrastructure and services:

Unplanned urban expansion leads to the growth of new neighborhoods on suburbs, often without proper access to basic services and infrastructure. This can negatively affect the quality of life for new residents, making it difficult to reach essential needs such as transportation, healthcare, education, and utilities.



Impact on land and property prices:

Urban expansion often brings a rise in land prices within cities due to growing demand. This can lead to what's known as "property hoarding," where landowners choose not to develop their land, holding onto it hoping that its value will increase over time. As a result, the actual supply of usable property becomes limited. To address this, governments have introduced regulatory policies—such as imposing fees on undeveloped land—to encourage landowners to invest in development. These policies aim to support balanced urban growth and boost opportunities for launching new housing projects.



Changing housing patterns:

Urban expansion is often accompanied by a shift in housing patterns, requiring flexible housing models accommodating the diverse needs of different population groups.

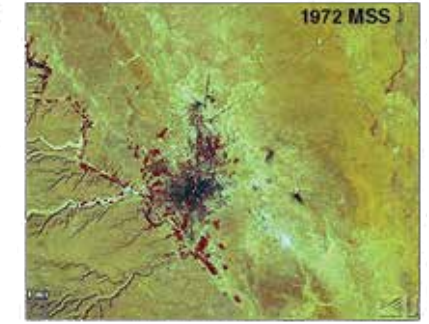
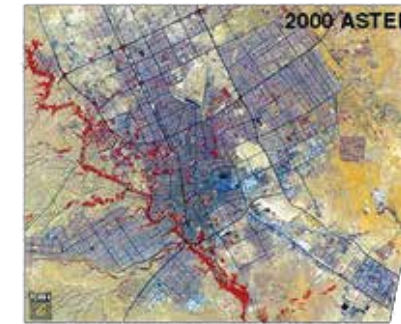
From a theoretical perspective in urban planning, there are two broad methodologies on how to address urban expansion and its impact on housing:

The dispersal methodology embraces horizontal expansion and supports the creation of new cities and suburbs around major urban centers as a way to ease pressure on city cores. On the other hand, **the compact development methodology**—often referred to as smart urbanism—advocates for inward-focused growth by developing and increasing the density of existing urban areas in a thoughtful manner, including building multi-story housing complexes to limit the need for constant outward urban sprawl.

A Historical Overview of Urban Expansion in the Kingdom

Over the past five decades, Saudi Arabia has transformed from a predominantly rural society into a largely urban one. The 1970s witnessed a major wave of migration from villages and nomadic areas to cities, driven by the oil boom and the rapid economic development that was concentrated in urban centers.

In early 1970s, the population in Saudi Arabia was predominantly rural; the ratio of urban to rural residents was around 1:3, meaning only about 25% of the population lived in urban areas. However, by the end of the 1980s, a dramatic shift in settlement patterns had occurred: the ratio had reversed to 3:1 in favor of urban residents by 1990. This was due to the massive migration of people to major cities, a declining mortality rate, and continued high birth rates in urban communities. This transformation represents one of the fastest urbanization rates in the world, with the Kingdom shifting from a largely rural population to a predominantly urban one in just two decades.



Satellite images show the urban expansion of Riyadh between 1972, 1990, and 2000. The growth of the built-up area (indicated in red) is clearly visible, with a steady spread of residential developments over time.

Riyadh's population grew from **about half a million in the early 1970s to over 2 million by the year 2000**, along with a massive expansion in its built-up area. This sharp increase was driven by large waves of migration from all regions of the Kingdom to the capital, as well as natural population growth. **By 2023, Riyadh was home to an estimated 8.6 million people**, making it the largest city in Saudi Arabia.





The phenomenon wasn't limited to Riyadh—other major cities experienced similar growth. Jeddah's population rose to around 3.7 million, while Makkah reached about 2.4 million, Madinah 1.4 million, and Dammam 1.4 million as well. These recent figures highlight how the majority of the Kingdom's population is now concentrated in just a few major urban centers.

Saudi Arabia's 2022 census shows that around 67.5% of the population lives in the Riyadh, Makkah, and Eastern Province —areas that include the country's largest cities and key regional capitals. The total population reached 32.17 million in 2022, with 18.8 million Saudi nationals and 13.4 million foreign residents. These numbers reflect how both internal and international migration have played a major role in driving the growth of the Kingdom's cities.



From a broader historical perspective, Saudi Arabia's population has grown several times over since the mid-20th century, accompanied by a rapid shift toward an urban way of life. Between 1974—when the population stood at around 7 million—and 2019, it rose to nearly 35 million. As a result, the urbanization rate (the share of people living in cities) increased steadily, exceeding 85% of the total population by 2023. This means that today, more than four out of every five people in the Kingdom live in urban settings—whether cities or large towns—compared to less than one-third just fifty years ago.



The United Nations has estimated the urban growth rate in Saudi Arabia at approximately



1.7% annually

during the period
2020-2025.

This is a significant rate, matching or even exceeding the overall population growth rate.

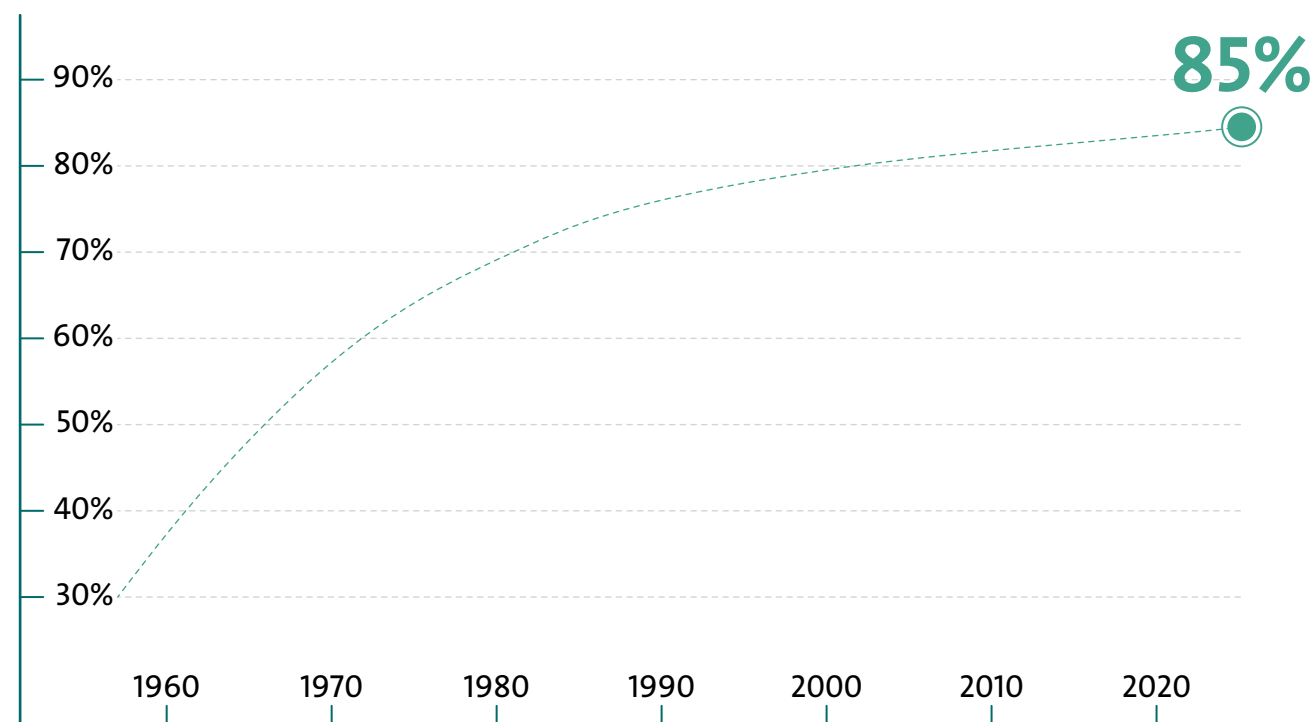


Urban expansion in Saudi Arabia has been accompanied by significant horizontal sprawl, especially in major cities whose urban boundaries have extended far beyond their old centers.

For example, a recent study using satellite imagery showed that the total built-up area in the capitals of the Kingdom's 13 regions grew from about 1,305 square kilometers in 1985 to around 2,705 square kilometers by 2019—more than doubling in just 35 years. Most growth took the form of new developments on the outskirts of cities, where waves of expansion led to the construction of modern residential neighborhoods, industrial zones, and commercial districts on previously undeveloped land.

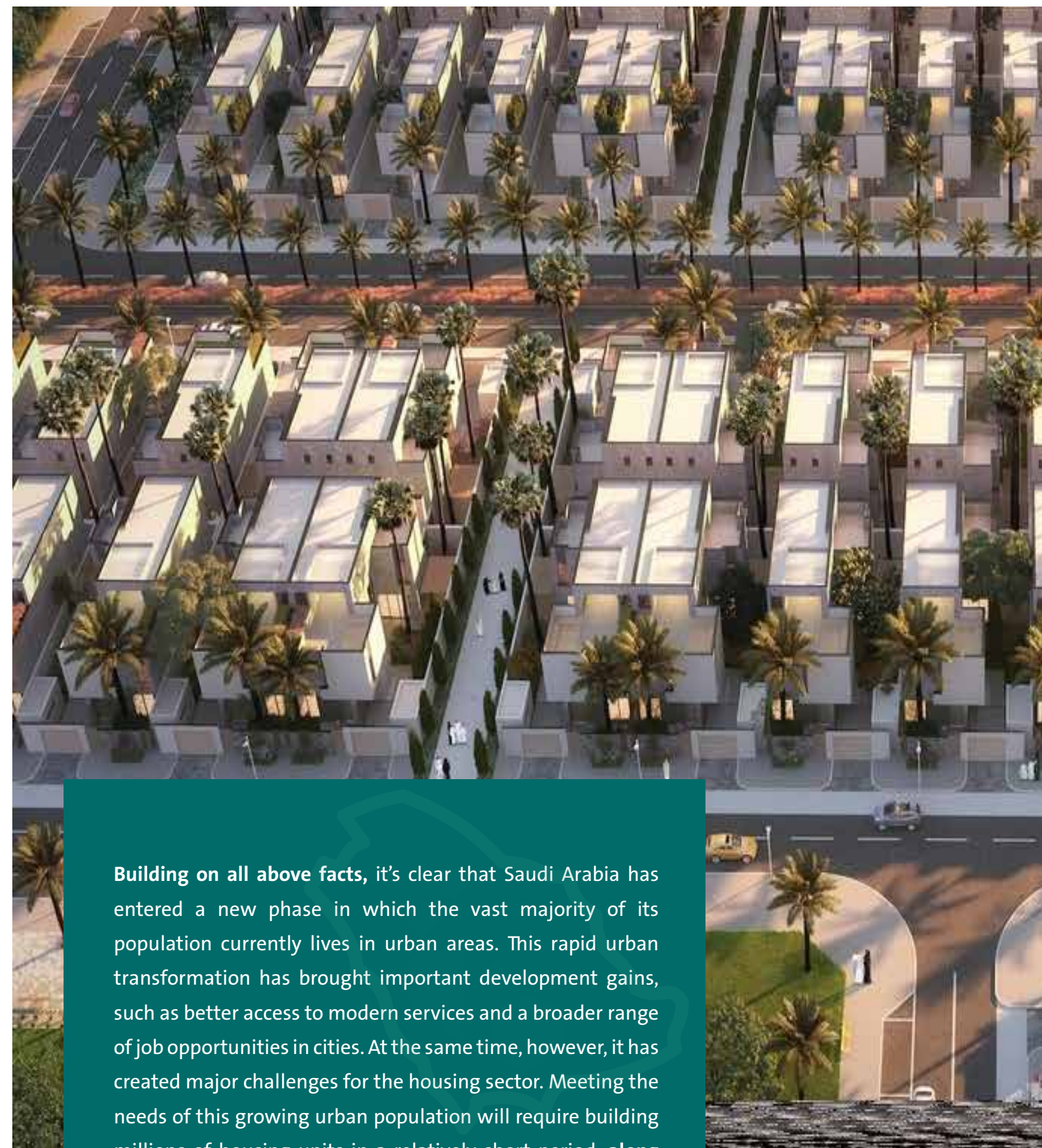
The development of modern infrastructure—such as ring roads and highways—also played a key role in encouraging the growth of suburbs around cities. This pattern of expansion has led to lower average population densities in some cities relative to their vast land areas.

Growth of Urban Population as a Share of Total Population in Saudi Arabia (1960-2023):



Over the past few decades, Saudi Arabia has pursued a number of strategies aimed at achieving more balanced urban development across its different regions. One key approach was the launch of several new city projects, including the economic cities initiative introduced in 2005. Among the most notable examples are King Abdullah Economic City in Rabigh and Prince Abdulaziz bin Musaed Economic City in Hail—both envisioned as modern urban centers built away from the congestion of existing cities.

The Ministry of Municipal, Rural Affairs, and Housing also adopted the National Spatial Strategy in early 2000s, which was later updated to the National Urban Strategy 2030. This strategy aims to manage urban growth and guide development at the regional level. While some of these projects and policies have achieved limited success, Saudi major cities continue to act as the main magnets for population and economic activity—leading to a noticeable concentration of urban expansion within their boundaries.



Building on all above facts, it's clear that Saudi Arabia has entered a new phase in which the vast majority of its population currently lives in urban areas. This rapid urban transformation has brought important development gains, such as better access to modern services and a broader range of job opportunities in cities. At the same time, however, it has created major challenges for the housing sector. Meeting the needs of this growing urban population will require building millions of housing units in a relatively short period, **along with the development of adequate and sustainable infrastructure to support them.**

Current State of the Housing Sector in Light of Urban Expansion

Today, Saudi Arabia’s housing sector reflects a mix of achievements and ongoing challenges shaped by years of rapid urban growth. On one hand, the Kingdom has significantly increased homeownership rates among citizens in recent years, thanks to government support programs and a strategic housing vision. On the other hand, there are still gaps that need to be addressed to ensure a balanced real estate market and expand access to affordable housing for a broader segment of the population.



key statistics for the Saudi housing sector



2022
**Total occupied housing
units in Saudi Arabia**

8.17
Million units

According to data from the 2022 Saudi Census, the total number of occupied housing units by households in the Kingdom reached approximately 8.17 million. This figure includes various types of dwellings such as apartments, villas, traditional houses, and others, and covers both Saudi and non-Saudi households.

Data reveals a notable concentration of houses in major urban regions. Riyadh region alone accounts for around 28% of the total (about 2.27 million units), followed by Makkah region with 26% (around 2.13 million units).

This distribution reflects the high population density in these two regions, which include major cities like Riyadh, Jeddah, and Makkah. The Eastern Province also holds a significant share, representing about 16% of total housing units, while the remaining percentage is spread across the other administrative regions.

This concentration indicates that the Kingdom's housing sector is centered around the more urbanized cities, where demand is higher due to rapid population and economic growth in those areas.

Types of Housing and Change of Living Patterns



Apartments in buildings

Data from the 2022 Saudi Census indicates a clear shift in housing patterns across the Kingdom, reflecting the impact of urban expansion and evolving population needs. Apartments in residential buildings now make up the largest share of all housing types, accounting for over 50.6% of total occupied units. This is followed by standalone ground-level houses, which represent around 28%. The remaining percentage is distributed across other housing types, such as single-floor units within a house and different residential forms.



Standalone Ground-Level Houses

This shift toward apartment living is a clear sign of increasing population density in cities, and the fact that many families—especially newly formed households or those with limited income—are turning to smaller housing units than traditional standalone homes. This is largely due to affordability and the wider availability of apartments in urban locations. For example, regional data shows that apartments make up the majority of housing in the cities of Jeddah and Makkah, due to their high urban density. In contrast, standalone ground-level houses remain relatively more prevalent in Riyadh and other cities that have expanded horizontally over the past decades.

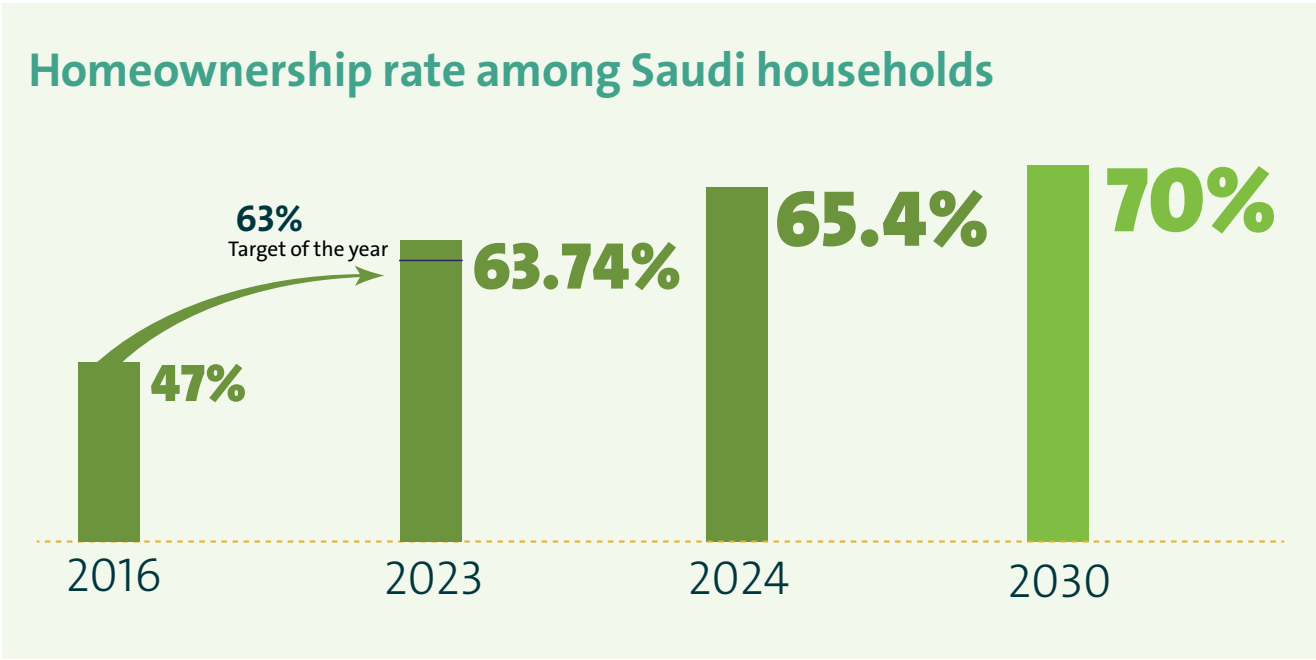
Nevertheless, the overall trend in the Saudi real estate market points to a continuous increase in the share of apartments, as they offer a practical solution for providing affordable housing in locations closer to workplaces and services compared to peripheral areas.

Homeownership Rate and Recent Developments

Over the past few years, the Kingdom has made a remarkable leap in increasing the rate of homeownership among its citizens, driven by supportive policies and national initiatives under the umbrella of Saudi Vision 2030.

While the homeownership rate among Saudi households was approximately 47% in 2016, it began rising rapidly with the launch of the Housing Program (Sakani) and other empowerment initiatives.

According to the 2023 annual report of the Housing Program, the homeownership rate among Saudi families reached 63.74% by the end of 2023, surpassing the target for that year (63%) and marking an increase of approximately 16.7 percentage points over seven years.



This growth continued in 2024, with the homeownership rate reaching approximately 65.4% by the end of the year—surpassing the interim target for 2025, which was set between 62% and 63%, and steadily approaching the final goal of 70% by 2030.

Homeownership Rate and Recent Developments



In terms of absolute figures, recent housing initiatives have helped more than 850,000 Saudi families to own housing units by the end of 2024.

This achievement was accompanied by a notable expansion in the residential mortgage market, with the total value of individual residential mortgage portfolios rising to approximately SAR 835.7 billion by the end of 2024—up from a modest level just a few years ago.



Since 2018, over 850,000 housing finance contracts have been signed, covering subsidized loans and a range of housing products—an indication of the growing liquidity and institutional backing aimed at supporting homeownership.



According to the 2022 Saudi Census, the average size of a Saudi household was 4.8 individuals—a decline from previous years, driven by changing lifestyles and the growing prevalence of smaller nuclear families. Based on this figure, every 100,000 new housing units can accommodate around 480,000 people, making it a key metric for estimating future housing demand in light of continued population growth.

Housing Quality and Service Distribution

Major cities are facing a challenge in ensuring an equitable distribution of housing quality and access to urban services. Despite the increase in the overall housing supply, disparities still exist between neighborhoods in terms of infrastructure development. Some of the newly developed urban expansion areas on the outskirts of cities may initially suffer from a lack of schools, healthcare centers, or public transportation. However, recent initiatives of the Ministry of Municipal and Rural Affairs and Housing have focused on developing residential plans with integrated services. Likewise, Quality of Life Program—one of Vision 2030 initiatives—has worked to incorporate key features into new neighborhoods, such as parks, sports tracks, and other elements that enhance the quality of housing. In major cities with older informal settlements—such as Jeddah and Makkah—projects have been launched to clear unplanned areas and redevelop them with modern housing and advanced infrastructure, as seen in the Jeddah Central Development Project.






Overall, the Saudi housing sector has shown clear growth and a proactive response to the demands of urban expansion, both in terms of quantity and progress toward targets. Nonetheless, improving the quality of housing and ensuring its affordability for various segments of society remains a core challenge requiring ongoing attention and dedicated effort.

With the population in urban cities continuing to grow at an estimated annual rate of around 2%, housing demand is expected to remain high. To meet the needs of newly forming households and prevent potential supply shortages that could affect pricing and market stability, it is essential to sustain a production rate of no less than 200,000 to 300,000 housing units annually.

Saudi Arabia has launched a package of programs and initiatives in the housing and urban planning sector within the objectives of Vision 2030, contributing to improving ownership indicators and expanding the range of housing options. However, the current phase requires continued structural reforms to address existing challenges and to anticipate future opportunities, with the aim of achieving balanced urban development and ensuring the availability of affordable and sustainable housing that keeps pace with the Kingdom’s urban transformation.


Key Challenges Facing the Housing Sector due to Urban Expansion

01.



The continued rise in land and real estate prices.

02.



The need to expand access to suitable housing for middle- and low-income groups.

03.



Horizontal urban expansion, which brings challenges such as difficulties in delivering services, increased reliance on cars, and greater land consumption.

04.



Informal settlements and unregulated housing areas, posing both social and planning challenges.

05.




Uneven development across regions, with opportunities and investments concentrated in major cities.

06.



The need to ensure sustainability of urban development in terms of resource efficiency, availability of green spaces, and application of green building standards.

07.



The need for urban design that can adapt to climate challenges—such as extreme heat and water scarcity—to help reduce future living costs.

Key Government Initiatives Addressing Housing Issues Within the Urban Expansion Framework

01. The Housing Program (one of Vision 2030 Realization Programs)



The Housing Program serves as a strategic umbrella for all efforts within the housing sector. Launched in 2018, it aims to strengthen the housing and urban planning landscape in Saudi Arabia. The program focuses on offering a range of housing and financing solutions to empower Saudi families to own homes meeting their needs and aligning with their financial capabilities. At the same time, it boosts the housing supply that is affordable, high in quality, and delivered in a timely manner. The program also plays a key role in achieving one of the core objectives of Vision 2030: increasing homeownership rates and improving the quality of life for citizens by providing a well-integrated and sustainable residential environment.

The program has successfully helped more than one million families access housing options through "Sakani" program—the executive arm of the Ministry of Municipal and Rural Affairs and Housing responsible for providing housing and financing products to citizens. These efforts have had a tangible impact on performance indicators, with the homeownership rate among Saudi families rising from 47% in 2016 to 65.4% by the end of 2024—surpassing the interim target of 64% set for 2025, ahead of schedule.

Program Targets

| | | | |
|------|---|------------------|--|
| 70% | Raise the homeownership rate among Saudi families to 70% by 2030. | 80% | Increase beneficiary satisfaction rate with housing services to 80% by 2025. |
| 355K | Finalize 355,000 new subsidized mortgage contracts by 2025. | SAR +157 billion | Contribute with SAR +157 billion to GDP by 2025. |
| 40K | Deliver 40,000 housing units through the Developmental Housing initiative by the end of 2025. | +38K | Create +38,000 direct job opportunities through the program. |

02. Real Estate Regulations and Legislation Development Initiative

Saudi Arabia’s real estate sector has witnessed a series of regulatory and legislative reforms aimed at enhancing transparency, improving the investment climate, and organizing the relationship between the various parties involved in the real estate market. The following are some of the most notable initiatives:

01 Registered Real Estate Mortgage Law



The Registered Mortgage Law is a legal instrument that allows financing entities—such as banks and financing companies—to obtain real estate collateral as security for mortgage loans. This law helps build trust between lenders and borrowers, reduces the risks associated with real estate financing, and encourages greater investment in the sector.

02 Condominium Ownership, Subdivision, and Management Law (Mullak Program)



This law aims to regulate the relationship between owners and occupants of jointly owned real estate units by empowering them to form homeowners’ associations to manage the common areas of the property. It contributes to improving the quality of facility and service management and fosters a culture of shared living among residents.

03 Ejar" Digital Platform



"Ejar" is an integrated digital platform designed to regulate the rental housing market in the Kingdom by electronically documenting lease contracts and offering services such as online payment and rights protection for all parties involved in the leasing process—landlords, tenants, and real estate brokers. The platform helps enhance transparency and reduce disputes within the rental market.

04 The National Real Estate Registration Services Company (Real Estate Registry)



The National Real Estate Registration Services Company is responsible for creating a reliable digital real estate registry involving detailed descriptions, locations, and statuses of property ownership. This facilitates the transfer of ownership, reduces disputes, and enhances transparency in the real estate market. Additionally, the company supports digital transformation and data unification to improve the efficiency of the real estate sector.

The Role of Mega Urban Projects in Shaping the Housing Landscape in Saudi Arabia

In recent years, Saudi Arabia has launched several major urban projects aimed at reimagining the architectural landscape and managing urban growth through modern and sustainable approaches. These projects go beyond just real estate development; they represent innovative planning experiments that could transform the future growth of Saudi cities.



Jeddah Central Project: A Global Destination in the Center of Jeddah

The project is one of the initiatives aimed at developing the waterfront and central areas of Jeddah. Its goal is to revitalize the city's historic center in a modern way. The master plan for the project was launched in 2021 under the patronage of HRH Crown Prince Mohammed bin Salman, with a total investment of SAR 75 billion. The plan is to turn central Jeddah into a global destination for living, entertainment, and business. The project covers an area of 5.7 million square meters and is strategically located on the Red Sea coast, near the historic Al-Balad district. It includes the development of a new Corniche and the addition of distinctive urban landmarks to the city.

One of the key components of the Jeddah Central plan is building four major global landmarks by 2027 as part of the first phase: the opera house, museums, a sports stadium, and aquatic pools. The plan also includes building ten unique entertainment and tourism projects, such as a marina, beach resorts, restaurants, cafes, and diverse shopping options.

On the residential side, the project will include modern residential areas with approximately 17,000 newly designed housing units, along with a range of hotels offering more than 2,700 hotel rooms to serve visitors. These figures make the project a significant contributor to increasing the housing supply in Jeddah, especially since its location within the city means that the new units will be in an area already served by infrastructure, rather than in far-off new suburbs.

The Jeddah Central project is notable for allocating 40% of its space to parks, green areas, open spaces, and public services. This demonstrates a commitment to improving the quality of life in the crowded heart of the city. It will reshape the current waterfront, making it more appealing to both residents and tourists. The architectural design carefully blends traditional Hijazi architecture with modern touches, preserving Jeddah's cultural identity within a contemporary setting. This is essential to ensure that the new project remains in harmony with the city's historical character.

From an urban planning perspective, the Jeddah Central project addresses one of the city's major challenges: the informal settlements and old warehouses that once occupied a prime location along the coastline. By redeveloping this area, the project will provide a modern urban environment in the city center, instead of allowing urban sprawl to only expand to the north and east. In this way, the project brings a sense of spatial balance to Jeddah by revitalizing its downtown.

In addition to the project's economic impact, it is expected to contribute SAR 47 billion to the Saudi economy by 2030 and create thousands of jobs in tourism and entertainment sectors. Upon completion, Jeddah Central will stand as a successful example of downtown revitalization.

New Murabba Project - An urban landmark that will reshape the identity of Riyadh

The project represents a new phase in the development of Riyadh, creating a smart, integrated urban area that redefines the concepts of living, working, and entertainment, while serving as a gateway to an exceptional future of innovation and awe.

The project was launched in 2023 under the patronage of HRH Crown Prince Mohammed bin Salman bin Abdulaziz, Prime Minister. It spans an area of 19 square kilometers in the capital center. The project offers a comprehensive urban experience that blends modernity with tradition, in line with the goals of Vision 2030. It represents one of the strategic pillars of the Public Investment Fund, aimed at reshaping urban development.

The New Murabba Company will develop over 25 million square meters of land, which will include residential units, hotels, commercial and office spaces, as well as advanced recreational centers and community facilities. The project will feature more than 25 million square meters of built-up space, providing amenities that can accommodate “hundreds of thousands of residents”. Among its key components are approximately 104,000 new residential units and more than 9,000 hotel rooms. These massive numbers mean that this will be a "city within a city," adding population and commercial capacity equivalent to a medium-sized city in Riyadh. The project's iconic feature is the Mukaab Tower, which stands as a landmark at the heart of the development. It is a groundbreaking architectural structure, globally unprecedented in both size and design, inspired by traditional Najdi architecture.

The project is significant for the housing sector because it will add a massive number of residential units in a central location within the capital. Instead of Riyadh expanding only toward the outskirts, a large new district will be developed in the city center, designed with modern quality-of-life standards, including walking paths and green spaces. This will enable residents to live, work, and enjoy leisure activities all within walking distance.

Economically, the project is expected to contribute with around SAR 180 billion to the non-oil GDP upon completion, and create 334,000 direct and indirect job opportunities. This will significantly boost the city's economic diversification and transform it into an exceptional global hub.

The Line City Project A revolution in urban living

NEOM project in Tabuk region is one of the world’s most ambitious projects to develop a new urban and economic zone, located entirely along the Red Sea coast in the northwest of the Kingdom. Among NEOM’s groundbreaking ventures is "The Line" city project, which has been introduced as a visionary concept for the cities of tomorrow.

"The Line" is a 170-km-long linear city that stretches from the NEOM coastline through mountains and desert. What sets it apart is that it will be a car-free city with no surface roads, with transportation provided via high-speed trains and underground service tunnels. The city will have an urban structure just 200 meters wide and rise 500 meters above sea level. Though built on a relatively small area, it is designed to accommodate around 9 million people upon completion — an unprecedented scale for a city with such a limited geographical footprint, spanning approximately 34 km.

From a housing perspective, The Line project will offer a variety of residential options in a highly advanced technological environment. Residents will have access to all essential facilities and services within a 5-minute walk, with smart systems in place to manage daily life, including 100% renewable energy and AI-powered operations for utilities. The city's design aims to provide the highest quality of life possible; with no cars and zero emissions, the city will enjoy clean air. Additionally, the local climate will be moderated through the design of building facades and the open central corridor, ensuring mild temperatures throughout most of the year. As for housing in The Line, it will take a new form, differing from traditional neighborhoods — residential units will be integrated into the city's structure rather than spreading horizontally.

This means providing extremely high population densities (millions of people) within a narrow space, without congestion — an engineering challenge that will make NEOM a global leader if successfully realized. Strategically, The Line represents a solution to avoid the traditional pitfalls of urban sprawl, such as the encroachment on nature. The city will be concentrated within a narrow strip, preserving the surrounding natural environment.

In this sense, The Line is an ambitious urban experiment aimed at making a groundbreaking leap in the concept of smart and sustainable cities on a global scale. It will serve as a model for other urban projects, both within the Kingdom and internationally.

References



شركة الإتمام
الاستشارية



Waiver

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