The Aspiration for Housing in Jeddah – Saudi Arabia
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Abstract
Challenges confront individual household’s choice and ability to afford the chosen housing type in Saudi Arabia Jeddah, to overcome the issue of housing markets, housing demand, housing mobility and housing choice. To better comprehend these challenges and the fundamental forces underlying the socio-economic trends and housing market characteristics in Jeddah; the article propose a conceptual framework wherein housing market outcomes of interest are affected by neighbourhood preferences and aspirations of housing are interacting with urban population growth.

Introduction
The urban population in Jeddah has grown rapidly from 1970 to 2002 to an estimated population of 2,560,000 at average annual growth rates of 12.43% in 1970 and 11.05% in 2000 (Frisbie, 1995). Jeddah plays an important role in the Saudi Arabian economy as the second largest city in the Kingdom. 80% of the imports enter the country through the city, (Abdulgani, 1993). These have provided more jobs and thus improved the opportunities for a better quality of life. Jeddah also plays a very important function as the gateway to the two holy cities, Makkah and Medina, where visitors arrive by both sea and air.

To cater for this population and economic growth, the Real Estate Development Fund (REDF) was established in the 1970s has contributed to private housing and office building and thus to the construction sector in the city. The presence of national as well as international companies has also contributed to economic development, and housing market demand has increased land values.

The development in housing in Saudi Arabia, and in Jeddah in particular has changed over the last 50 years. Flats or apartments and villas began to be constructed in the mid 1950s. Changes in housing design and the employment of foreign architects have both lead to the introduction of new types of housing units. The villa type housing was first introduced into the market by oil companies in the Eastern province of Saudi Arabia.

This paper deals with different types of houses that are available in Jeddah, especially in the north of the city which is characterised by new modern housing. The property market in Jeddah needs to be aware and respond to the types of housing preferred by the population. It also needs to take into consideration the main issue - the individual household’s choice and ability to afford the chosen housing type

Theoretical background
Housing is among the most powerful determinants of community character, significant factors are the styles, age, quality and appearance of a neighbourhood. Cities show physical evidence of growth, change, and reveal a great deal about the people who built a town from its earliest days to the present. Land use and architecture provide a snapshot of local history, the condition and value of housing sheds light on the socio-economic status of a community's current population.

According to Rossi (1955), at a macro level, the distribution of households across housing units results from a match between individuals’ housing needs and their ability to satisfy these needs. Housing preferences are driven in part by demographic factors, such as movement through the life cycle (Speare, Goldstein, and Frey 1975). For example, when individuals marry they typically look for housing with sufficient space to accommodate the growth of their families. Likewise, because housing is tied to specific locations, neighbourhood characteristics such as school quality may also be important factors in housing selection. Earning capacity is also one of the main determining factors for achieving standards, because the ability to satisfy housing needs depends on resources. People with high incomes are likely to enjoy the most freedom in choosing where to live, and those with high levels of education may be better able to obtain information about housing opportunities. In contrast individuals on public assistance are likely to be more constrained in their options.
Household formation and composition is the dimension that overlaps substantially with a subfield of demography known as household demography and embraces other aspects of social demography, where as most housing research begins with the behaviour of households. Myers (1990) states that housing demography can be usefully classified with respect to four foci: household formation and composition, housing choices, housing construction and inventory change, and spatial patterns and consequences.

Housing Programme Developments

The main goal of the Saudi Arabian Government’s housing policy is to provide its citizens with decent and safe accommodation. This goal has been stated in all Five-Year National Development Plans, in which the housing programmes have been grouped into two: The Public Housing Sector and the Private Housing Sector.

The housing market is an important influence on house prices and in local housing markets, since the early 1970’s; the provision of decent housing to Saudi citizens has been a national objective. To achieve objective, a specialised financial institution The Real Estate Development Fund was set up to extend interest free credit to individuals. The private sector has also participated in developing private housing (Al- Rahman, 1994).

The loan criteria followed by the REDF do not target any particular social group or region. The only criteria are that the loan beneficiary should be a Saudi citizen and be at least 21 years old. The loan beneficiary must show that he/she have not had a previous REDF loan. In short, the REDF at present practices a “first come first served policy”.

The only spatial differentiation implied in the policy is that the amount of loan per application is adjusted according to the size of the settlement in which the home is to be built. In larger cities the maximum loan value granted is about 300,000 SR (US$ 80,000), 250,000 SR (US$ 67,000) in towns; and about SR 200,000 (US$ 53,000) for persons in smaller settlements.

Public housing

The Public Housing Sector in Saudi Arabia consists of two types of housing programme; these are commonly referred to as the Low Income Housing Programme and the other as the Government Employees Housing Programme. In the case of the Low Income Housing Programme, it should be noted that the government builds the housing units and distributes them among the cities (Muairfi and Benna, 1995). In addition it should be pointed out that in 1991 each public housing flat in Jeddah attracted were a subside of 250,000 Saudi riyals (about 66,667 U.S. Dollars).

Private housing

The Real Estate Development Fund (REDF) makes available two kinds of loan for privately financed housing. One is a long term (25 years duration) interest free loan of between 100,000 and 300,000 Saudi Riyals (SR 1.00 =US 0.27) granted to Saudi citizens to construct their own houses. Successful applicants had to re-pay that sum in twenty-five annual instalments to the REDF. A rebate of 20% of the whole instalment was given if it was repaid on time, and a 39% rebate was granted when all remaining instalments were repaid in one lump sum. No interest on the payments was charged. To avoid disagreements, the applicants had to accept the flats allocated to them as long as they were of the same size and same interior design as other flats (Al-Ghamdi 1996).

The other type of loan is a medium term loan of 10 years duration also interest-free, which is a commercial loan programme available to develop investment residential housing for rental (Muairfi and Benna 1995).

Five year plans and housing supply

It is useful to consider the implementation performance of the housing programme through the Saudi Five Year Plan. During the earlier plans there were remarkable achievements in housing allocation. The market rigidities experienced during the First Plan (1970-1975) were removed with the setting up of appropriate institutions such as the REDF and the Ministry of Public Works and Housing. A total of 889,000 housing units were constructed during the last four plan periods, against the target of 880,000.

This success generated a housing surplus, particularly in the urban areas, by the latter part of the 1980s (REDF, 1989). The units, newly built during the last two decades, constituted a basic housing stock that could accommodate as much as 47% of the national population and 64% of the total urban population (Al-Hathloul and Edadan, 1992).

The phenomenon of surplus in the housing market has been the result of an evolutionary process of the housing development strategy followed by the government. Housing has primarily been considered the domain of the private sector. The role of government in housing was
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flexibly formulated to meet various housing challenges during the last two decades. Housing development strategy, therefore, has gone through phases of laissez-faire policy in the 1960s, the active and direct strategy in public sector housing for low income groups and public sector employees in the 1970s and the indirect and coordinating housing development strategy in the 1980s (Fedaak, 1989).

On the other hand, the growth of real estate sector, like the construction sector, was mainly determined by the growth in oil revenue. The contribution of the real estate sector grew from 2.9% of the GDP during 1975-80 to 3.7% during 1980-85. (Al-Hatloul and Edadan, 1992). In Saudi Arabia the private sector depends largely on government financial assistance, which has funded a considerable proportion of private housing at a zero interest rate. (Al-Rahman, 1994). [E.g. if the government provides a loan of 100 SR for 20 years, the individual repays 100 SR at the end of 20 years].

The fifth development plan (1990-95) recognised the phenomenon of housing vacancy when it stated that: “The excessive overall housing supply, with a large number of vacant housing units, both public and private, particularly in urban areas has significantly decreased the real estate and rental values in the Kingdom”(Ministry of Planning, 1990).

Population trends and housing forecast

A household’s aspiration for property is highly related to housing choices taking into account changes in social, economic and demographic factors. Households are also constrained in their housing choices by the supply of housing available in the market.

Customers demand for houses and housing styles varies in relation to income. Alonso (1964) focused on the fact that households probably value residential land for other reasons, not simply as an input to the production of housing. In his view, consumers’ demand for residential land was like that for any other durable good. In addition the distribution of households across housing units results from a match between individuals’ housing needs and their ability to satisfy these needs. Housing preferences are also driven in part by demographic factors.

The trends in population growth, household characteristics and income that affect Saudi Arabian and Jeddah’s housing must be taken into account in any analysis of the housing market in Jeddah. The housing sector needs to identify these key trends and assess their implications for the housing market.

The difference between the expected growth in population and the required supply of the housing stock over the next 20 years, as shown in Figure 1, indicate a gap in demand for households. It is estimated that 78 thousand housing units need to be provided in the next 20 years. In addition the study also considers the quality and distribution of household units, in relation to the demand features stated above.

![Figure 1. Expected household units growth and household growth required forecast from 2002 – 2022](Source: Albeeah Consultancy, Municipality of Jeddah 2002)

The REDF, supported by the government, provided funding without interest rate charges but, as shown in Figure 2, in the mid 80s this funding dropped from more than 600 million to 200 million SR, due to a drop in oil prices. The second drop was in the beginning of 1990s due to the Gulf war resulting in further shortage of funding.

![Figure 2. REDF changes from 1983-2001](Source: Real Estate Development Fund 2001)

The performance of REDF in financing the private sector housing market has been exemplary. However, a review of REDF loan criteria suggests that the REDF’s impact on the regional housing needs in the Kingdom could have been more equitable if the loan allocation had been done based on the real housing needs of the regions. This view takes account of the fact that one of the main objectives of REDF is to increase the private housing stock in the country, so that housing needs of all sections of the society across all regions should be met efficiently.

Another important future concern will be the regional inequality in the provision of housing finance. Since a significant amount of the new housing units constructed are REDF financed, any regional inequality in the provision of REDF loans could lead to significant regional
imbalance in the housing adequacy in the country. The strategy to meet the housing needs of the future should, therefore, be governed by a balanced trade-off between the economic efficiency approach and the social justice (equity) approach in the allocation of housing finance in the Kingdom. Banks and firms have great potential in exclusively funding private housing: this is likely to result in redirection of financial resources to other forms of investment such as historic area preservation and urban renewal (Al-Rahman 1994).

The following implications could be deduced from the present REDF loan policy:

- A large share of loan applications originate from the highly urbanised and developed regions, i.e. the level of regional housing needs and the housing loan allocations are not related.
- Since a larger share of the approved loans has gone to the high cost developed regions this will have reduced the share available for the total housing needs of the country, as compared to an economic efficiency or a regional equity based housing fund allocation strategy.

Population and housing demands in Jeddah

The population of Saudi Arabia has grown very rapidly since 1970. Prior to 1970, the largest segment of the population was rural. After 1970, however, population distribution experienced a new trend that is the shift of population from rural to urban areas. In fact, it can be argued that the rapid growth of the size of the Saudi Arabian population witnessed during the 1950-90 period occurred mostly in urban areas. Urban population increased from 5.9% to 48.7% between 1970 and 1980. The growth of urban population continued at a high rate throughout the seventies, and eighties. In 1992 77.2% of the total population and 68% of the Saudi population lived in urban areas (Al-Hathloul 1992).

The remarkable growth in population of Jeddah as can be seen from Figure 3 started at the beginning of the seventies. Jeddah has been attracting firms, and also foreign labour. Employment opportunities have caused large scale internal migration from rural areas, villages, and small towns.

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. There are 495,000 household units of different types with a majority (67%) being flats. The average size of Saudi households is 4.8 persons.

The ability to satisfy housing needs depends on resources. People with high incomes are likely to enjoy the most freedom in choosing where to live, as are those with high levels of education. Family size, age, income, dependence on public transportation, and quality of neighbourhood all has a bearing on location decisions. In addition, individual choice might affect location decisions for homeownership.

Housing characteristics in Jeddah Types

The demands for housing based on income, family size, remodelled housing, extended housing, changes in area

(Source: Jenaideb 1993 and the author)

This transitional stage resulted in a rapid expansion of the city, during which the national and regional role of Jeddah was established. Decisions and ideas were implemented during this stage that governed and shaped the urban growth of modern Jeddah.

Changes in income, taste and population size have, over the years, resulted in different needs and demands that are highly dependent on individual circumstances. Together housing needs are related to population, either directly, on a per capita basis, or indirectly, on a per household basis. Consequently housing needs are based on population projections, along with assumptions about the relationship between population size and the number of housing units that it will occupy.

Figure 3. Population increase in Jeddah from 1807-2001

Figure 4. Population trends and forecast from 2002-2022 (Source: Albeeah Consultancy, Municipality of Jeddah 2002)
and lifestyle are also crucial. Even though household residential locations within Jeddah are very important, we should take into consideration that it is unlikely that housing market in metropolitan Jeddah could satisfy the needs of all individual households. More important however, is to mention that economic, social and physical factors in housing demand such as living space and a better living environment also contribute to changes in lifestyle. For instance, choices of residential location are affected by income and proximity to the workplace.

Housing types should meet the need for housing within a growing urban market at particular price ranges and rent levels, and provide the necessary housing types for households at all income levels. The changes in the types of houses in Jeddah, according to different surveys that took place at different points in time since 1970 (Robert Matthew) and 1977 (Sert Jackson), reveal differences in household type and family size.

The number of villas has grown 17 fold, a growth from 3,250 to 57,647 units that shows an increase from 4% to 12% in the market share of villas. The number of flats has grown 16 fold, from 21,300 to 335,670 units with an increase from 28% to 68% of all housing stock. Traditional housing has grown 2.5 times; however, this traditional housing has decreased as a percentage from 52% to 20%, as shown in Table 1. Traditional housing means those characterised with a courtyard and built on a single floor with existing materials or new materials.

<table>
<thead>
<tr>
<th>Year</th>
<th>No.</th>
<th>%</th>
<th>No.</th>
<th>%</th>
<th>No.</th>
<th>%</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robert Matthew 1970</td>
<td>1,230</td>
<td>4.3</td>
<td>21,300</td>
<td>28.3</td>
<td>38,300</td>
<td>51.6</td>
<td>11,300</td>
<td>15.5</td>
</tr>
<tr>
<td>Sert Jackson 1977</td>
<td>14,239</td>
<td>11.8</td>
<td>335,670</td>
<td>67.7</td>
<td>43,434</td>
<td>8.3</td>
<td>27,988</td>
<td>5.3</td>
</tr>
<tr>
<td>Breath Consultancy 2002</td>
<td>57,647</td>
<td>11.8</td>
<td>335,670</td>
<td>67.7</td>
<td>100,275</td>
<td>20.2</td>
<td>2,003</td>
<td>0.4</td>
</tr>
</tbody>
</table>

Table 1. Housing type changes from 1970 - 2001 (Source: Albeeah Consultancy, Municipality of Jeddah 2002)

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 Albeeah consultant the highest percentage increase was in 1979 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, see Table 2.

Table 2. Housing Ownership since 1970 - 2001 (Source: Albeeah Consultancy, Municipality of Jeddah 2002)

<table>
<thead>
<tr>
<th></th>
<th>Owners</th>
<th>Tenants</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robert Matthew</td>
<td>21,002</td>
<td>30.8</td>
<td>84.5</td>
</tr>
<tr>
<td>Sert Jackson</td>
<td>32,000</td>
<td>18.6</td>
<td>76.2</td>
</tr>
<tr>
<td>Breath Consultancy</td>
<td>17,391</td>
<td>35.1</td>
<td>80.4</td>
</tr>
</tbody>
</table>

Housing prices are determined by a variety of complex factors, such as the price of land, the types of existing housing, the demand for housing, the variety of residential choices in a region and housing mobility. In fact many of these factors are crucial in the Jeddah housing market.

Trends in the housing market should be reviewed as new dynamics may be affecting housing cost. In addition to better understand these dynamics a number of surveys have been carried out at different times in Jeddah.

Income

Based on data from the Central Department of Statistics, (1987) the average household expenditure on housing increased from 23% in 1979 to 28% in 1983, due to rent increases. For instance a previous survey of household expenditure on rent pointed out that an urban household spends approximately 14% of total expenditure on rent (Saudi Industrial Development Fund, 1987). On the other hand, we should also consider what effects the income level of the residents within the urban areas, has on neighbourhood and housing characteristics and to location choices.

The relationship of annual income and rent per house among the different types of housing in Jeddah are as, follow: for a villa the average annual income per household is 150,000 SR and the annual rent is 28,000 SR giving a rent to income ratio of 0.19. In contrast for a flat where the income per household is 96,000SR and the average annual rent is 16,000, the rent to income ratio is 0.167 as shown in table 3.

Table 3. Annual incomes, and rent for housing types in Jeddah in Saudi (1$=3.75 SR) (Source: Albeeah Consultancy, Municipality of Jeddah 2002)

<table>
<thead>
<tr>
<th>Housing type</th>
<th>Average annual income per household (SR)</th>
<th>Average annual rent (SR)</th>
<th>Rent to income ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Villa</td>
<td>150,000</td>
<td>28,000</td>
<td>0.180</td>
</tr>
<tr>
<td>Flat</td>
<td>96,000</td>
<td>16,000</td>
<td>0.167</td>
</tr>
<tr>
<td>Traditional house</td>
<td>80,000</td>
<td>9,000</td>
<td>0.113</td>
</tr>
<tr>
<td>Other</td>
<td>36,000</td>
<td>5,000</td>
<td>0.167</td>
</tr>
<tr>
<td>Average</td>
<td>133,000</td>
<td>14,000</td>
<td>0.144</td>
</tr>
</tbody>
</table>
Size
An analysis of historical development trends provides insights into how the local housing market in Jeddah. A series of different surveys have estimated the average number of rooms per house. For instance in 1970 there were 2.6 rooms per house with 2.5 persons per room. In 1977 Sert Jakson found the average number of rooms per house had risen to 5.7 and the number of persons per room had fallen to 1.4. In 2001 (Beeah, 2001) found 4.6 rooms per house and 1.16 persons per room.

![Figure 4. Changes in number of rooms in household units](Source: Albeeah Consultancy, Municipality of Jeddah 2002)

Cities are the physical demonstration of the socio-economic aspirations of citizens. Housing demand as a result of these aspirations may be considered as one of the major determinants of the structure of urban residential neighbourhoods. In addition housing has been changing in both quality and quantity. Additionally it should be noted that the stagnation experienced in the housing construction industry in the 1980s reduced the housing supply, reduced housing vacancies in the 1990’s and thus lead to an increase in housing prices. As a result the country in the 1990’s created a strategy of housing stock management through rationalising public and private sector participation in the housing market. (Al-Hatloul and Edadan, 1992).

Conclusions
The research the author is undertaking seeks to investigate and analyse that fundamental forces underlying the socio-economic trends and housing market characteristics in Jeddah. The housing market needs to ensure that, with the growth in population and the increasing requirements for housing units, the characteristics of housing accord with people’s preferences and aspirations. Housing characteristics, neighbourhood quality, and location in relation to services are important in housing markets. Future research will explore (1) how housing characteristics (space and quality of housing), neighbourhood characteristics, environmental quality, and location, affect choice and house prices; and (2) how income, family size, and changes in life-style affect the demand for this housing.

References
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