

Overview of the K-12 Education Sector in KSA with a Focus on Riyadh – Unlimited Growth Opportunities

Knowledge Series Report (16) 2023/2024

Colliers' Education, PPP and Mergers & Acquisitions (M&A) Advisory & Valuation Services

Colliers' Education, PPP and Mergers & Acquisitions (M&A) Advisory & Valuation Services team is focused on both business (OpCo) and real estate (PropCo).

Our professional team is attuned to the ever-evolving developments in the education industry and dedicated to resolving the increasingly complex business and operational needs of our investors, operators and stakeholders.

Our understanding of the relationship of the PropCo/OpCo models underpins our approach to our Education Advisory & Valuation Services. We provide strategic advice and valuations on new education concepts, expansion strategies, market and financial feasibility studies, master planning, academic planning, operational performance benchmarking, introduction of debt, equity and experienced operators.

Services provided by Colliers' Education, PPP and Mergers & Acquisitions (M&A) Advisory & Valuation Services

- Strategic & business planning
- Economic impact studies
- Need assessment studies
- Market & competitive studies
- Catchment area analysis
- Market & financial feasibility studies
- Financial and business modelling
- Market & commercial due diligence
- Land and property valuation
- Brand and business valuation
- Mergers & acquisitions assistance
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- Investor search and fund raising
- Public Private Partnership (PPP)
- Privatisation
- Operator search & selection and contract negotiation
- Site selection & land/property acquisition
- Asset management
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- Education/academic planning & programming
- Operational commissioning
- Performance management
- Industry benchmarking surveys
- Business re-structuring and performance improvement

Introduction



Saudi Arabia continues to provide abundant opportunities for education developers / investors / operators seeking growth in the Kingdom. The Saudi government continues to focus on strengthening its education base for citizens, in line with its Human Capability Development Program under Vision 2030.

The Kingdom has the largest school-age population in the GCC region, with almost 7.5 million school age children and a total of almost 6 million enrolled students - 85% in the public sector and just 15% enrolled in the private sector. Of a total 35,400 schools, 79% are public sector and just 21% in the private sector, offering ample growth opportunities in the private sector.

In 2022, the government spent USD 53.7 billion on the education sector which is the highest allocation in the GCC region. Following the implementation of the Vision 2030 initiative, the K-12 education landscape is undergoing a transformation to ensure quality education for all and encouraging lifelong learning prospects.

Some of the key factors driving demand for private K-12 education in KSA, include increasing incomes, changing demographic profiles, steady population growth, favourable regulatory environment and government focuses to strengthen the education base for citizens and expatriates.

In addition, there are a large number of residential communities being developed across the Kingdom, and especially in Riyadh, where a school is being developed as part of the community. These target residing families, offering 'right curriculum with the right tuition fee' offering a 'destination' rather than a 'development'. Key public developers include Roshn, Qiddiya, Diriyah Gate and the National Housing Company as well as many private developers.

Communities which have a school either within or in close proximity, are more desirable to residents, resulting in higher absorption/occupancy rates and longer retention of end-users/tenants - usually throughout a child's schooling years. This helps such communities to achieve a price premium of 10 - 15%.

Colliers' report on "K-12 Education in KSA with a Focus on Riyadh – Unlimited Growth Opportunities", highlights the current and projected scenario of the K-12 education market in KSA by 2030 and an estimate of the additional seats and schools that will be required by then.

The report also highlights market opportunities from the perspective of investors, developers and school operators. The Colliers' Education team is actively assisting several local, regional and international investors and school operators across the region to facilitate the development of not only greenfield / brownfield projects and redevelopment / restructuring of existing school facilities but also to assist investors and school operators in exploring various investment options to develop the K-12 education market in KSA.

If you are looking to enter or expand your operators / investments in the K-12's lucrative private sector in the Kingdom, we invite you to get in touch with our experts.



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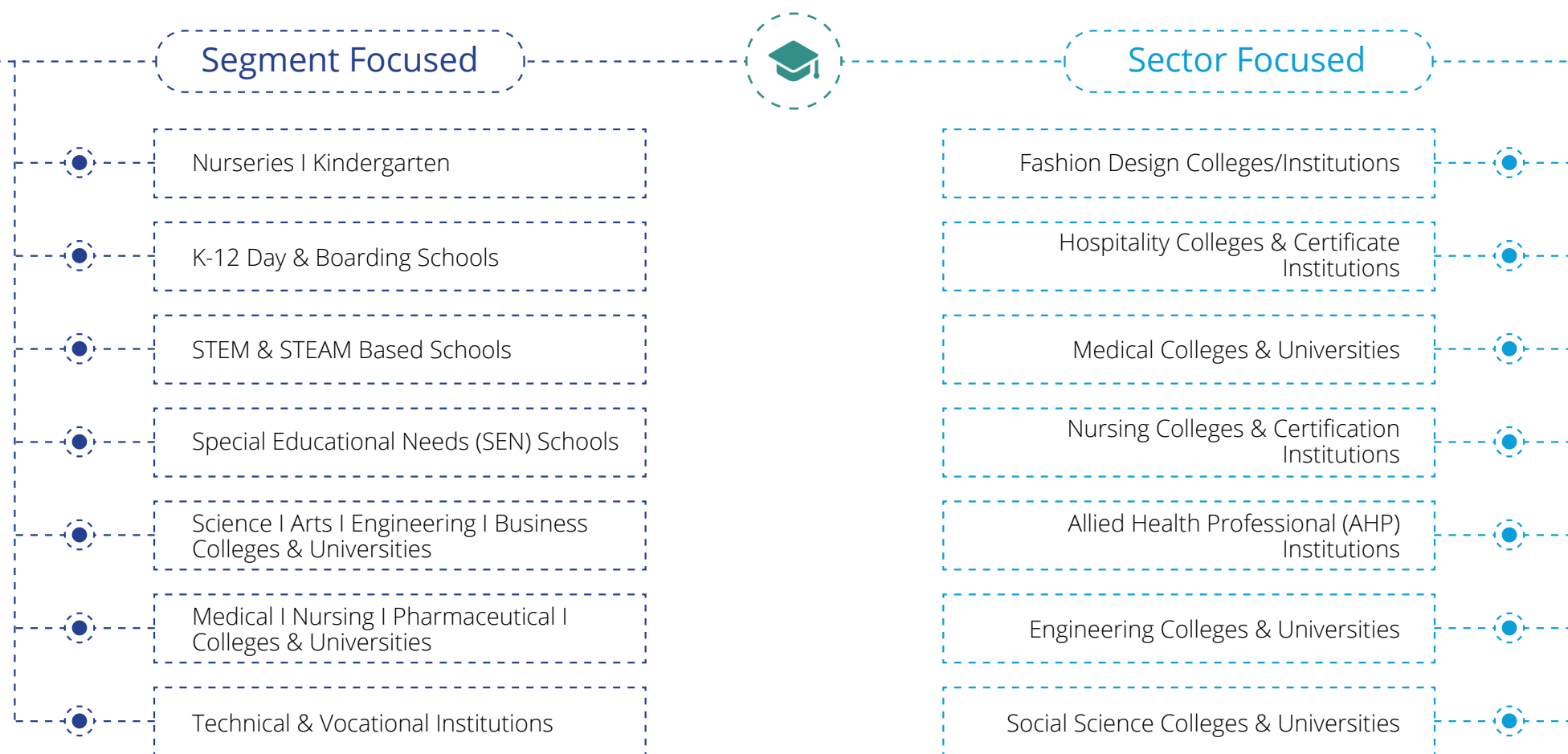
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Key Outcome

- **The Kingdom of Saudi Arabia** is expected to see an increase in investments to accommodate new students and enhance the quality of education for those existing
- Gradual shift from **Public Schools** to **Private Schools** and from **Local Private Branded Schools** to **International Branded Schools**
- The biggest growth is expected in the **Riyadh Private Sector (60K – 200K)**
- “**Affordability**” is seen as a major factor influencing the choice of schools for students across the region and in KSA
- However, there is a **sizeable population who can afford a US\$ 15 - 20k+ tuition fee in main cities in KSA, especially in Riyadh**
- Additionally, adapting new curricula would aid private sector growth; presently the American curriculum is followed, however demand for the IB and British curriculum is expected to grow, especially in Riyadh, due to the expansion of the economy resulting in attracting additional and a wider variety of expatriate families
- **French schools** will also be expected to be in demand in the **main cities in KSA**
- **AlUla, Red Sea and Neom** could potentially be an **ideal location for boarding schools**
- There is **large demand for SEN schools** across the Kingdom
- **Higher Education** demand to shift from **traditional fields** to **Artificial Intelligence (AI), Robotic Sciences, Nuclear Energy, Sustainable Energy, Renewable Energy, etc.** which requires K-12 education to offer **STEAM and STEM based schools**



Segments & Sectors



Why International Education Institutions?



- The establishment of the Kingdom of Saudi Arabia (KSA) as a global economic, social, cultural, tourism and sporting hub
- The initiation of the Regional Headquarters (RHQ), which encourages multinational companies operating in the MENA region to relocate their regional headquarters to Saudi Arabia. The RHQ program was established as a joint initiative between the Ministry of Investment (MISA) and the Royal Commission for Riyadh City (RCRC)
- Attracting global talent to the Kingdom
- Promoting the Kingdom as a permanent home for expatriates by attracting “families NOT individuals” with initiatives such as 100% ownership of businesses, golden visas and the anticipated freehold property ownership law
- Developing the native population to international standards by establishing international schools / universities in the Kingdom
- To reduce outbound education tourism for both locals and expatriate populations from the Kingdom
- To develop the education sector for both the local and expatriate population to establish the Kingdom as an education hub promoting education tourism regionally and internationally
- To support the importance of private education in achieving the Vision 2030 goals

A photograph of a family walking in a park, overlaid with a blue semi-transparent filter. The family consists of a man in a white thobe and ghutra, a woman in a black abaya, and a young child in a white thobe. They are all smiling and holding hands, walking towards the right. The background shows green trees and a park bench.

Vision 2030 & the Importance of the Education Sector

KSA Vision 2030 and Education



Strategic Objectives - Education

- Improving recruitment, training and development of teachers
- Improving the learning environment to stimulate creativity and innovation
- Improving curricula and teaching methods
- Improving students' values and core skills
- Development of financing methods and improvements in financial efficiency
- Educating students to address national development requirements and labour market demands
- Increasing private sector participation in the education sector

Key Result Outcomes from Strategic Program – K-12 Education

- A comprehensive framework for the professional development of teachers and educational leaders
- Developing a national strategy to upgrade the teaching profession by raising the professional level of teachers, improving the profession's ecosystem and raising the quality of services provided to teachers
- Development KPIs at Ministry level
- Establishment of a Transformation Office and an office of strategy management at Ministry level to implement the relevant sections of the NTP
- Shifting to digital education to support teacher and student progress
- Encouraging the private sector to invest in public education including at kindergarten level
- Attracting private investments to finance construction
- Develop the Independent Schools model to reach 2000 public schools run by small establishments

Key Result Outcomes from Strategic Program –SEN Education

- According to the NTP, the baseline amount of the number of students with disabilities benefitting from the students' disability support program (6-18 years) is 77,575 and the target is to increase this number to 200,000 students, over 2.5x, by raising the percentage of students benefitting from support programs to expand outreach and education provision.

Key Result Outcomes from Strategic Program –Higher Education

- Establishment of the King Salman University for technical and vocational education
- Establish a practical framework to align university graduates with labour market needs
- Education that contributes to economic growth – bridge the gap between outputs of higher education and the requirements of the employment market
- Life-long learning (sustainability).
- Aim to have at least 5 Saudi universities feature as part of the 200 top universities in international rankings



Education Sector



With enormous room for private sector growth, the largest education market in the GCC opened to 100% foreign ownership in 2017. With a vision to turn today's students into tomorrow's leaders, private sector investment in education is at the heart of the Vision.

The Saudi government is committed to developing an educational infrastructure characterised by rigorous standards in literacy, numeracy skills and character development. Saudi Arabia is therefore welcoming investors across all education sectors from nurseries to pre-schools, K-12 to universities, technical and vocational education and training (TVET), executive education and education support services.

Value Proposition

- Largest education market in the GCC expected to grow further
- With more than 8 million students, Saudi Arabia has the largest education market in the GCC region
- Saudi Arabia's education sector is home to 6 million K-12 students, 1.8 million university students and 200,000 TVET students
- The Saudi government dedicates large amounts of spending on education year-on-year and is in fact currently the largest spender on education among the GCC countries

Large untapped potential in Saudi's private education market

- Saudi Arabia has the lowest share of students enrolled in private education institutions relative to the GCC region
- Yet, there is a big market demand for private education institutions as the demand for higher quality education is growing, creating strong opportunities for investors
- Publicly listed education providers in Saudi Arabia are largely profitable
- Government commitment to support the growing education market
- The government is placing a strong emphasis on human capital by launching a dedicated Human Capital Development Program (HCDP) as part of the Vision 2030 realisation programs
- The HCDP includes many ambitious commitments by 2025, including raising the percentage of children enrolled in kindergartens to 40% and increasing the number of Saudi universities ranked among the world's top 200 to six
- The government has invested heavily in e-learning, with 9 million students benefiting from distance learning platforms and 300,000 children benefiting from the virtual kindergarten platform
- Various incentives are offered for the private sector to play a key role in the Kingdom's education reforms

Human Capability Development Program (HCDP)



- The Human Capability Development Program is an ambitious journey to empower citizens and elevate their global competitiveness. By implementing a dynamic strategy that encompasses every stage of learning, from early childhood education to lifelong learning, the Program is creating a pathway for individuals to reach their full potential. This strategy is designed to be inclusive, involving collaboration between government entities, the private sector and non-profit organisations to ensure the success of our citizens
- Launched in 2021, the Human Capability Development Program is empowering Saudi citizens and setting them up for success at every stage of life. With a focus on matching educational outcomes to the needs of the labour market, fostering innovation and developing and upgrading skills, the Program creates a pathway for individuals to reach their full potential. Additionally, the Program supports instilling core values and promoting and preserving the Arabic language, fostering a sense of national pride, and working towards a strong economy supported by a highly capable workforce
- The Kingdom has made great strides to empower its citizens and ensure they have the skills they need to thrive at every stage of life and keep pace with the changes of the future. In the past, opportunities for learning and developing skills were limited, but now with the launch of the Program, things have improved for the best. Today, more kids are enrolled in early childhood programs than ever before, and talented students are representing Saudi Arabia on the international stage, bringing home academic awards and medals. The Kingdom also opened up new paths for scholarships through the Custodian of the Two Holy Mosques Scholarship Program and introduced an educational visa for short and long-term study. With Saudi Arabia leading the world in digital skills, the Kingdom is becoming a place where everyone can find new chances to grow and succeed every day

A map of the Middle East and North Africa region, with a focus on Saudi Arabia. The map is overlaid with a semi-transparent blue rectangle. The text "KSA Education Sector – The Biggest K-12 Market in the GCC" is centered within this rectangle. The map shows the Red Sea, the Persian Gulf, and the surrounding countries: Libya, Egypt, Saudi Arabia, Bahrain, Qatar, United Arab Emirates, Oman, Yemen, Sudan, Chad, Ethiopia, and Somalia. The capital of Saudi Arabia, Riyadh, is marked. The text "KSA Education Sector – The Biggest K-12 Market in the GCC" is centered within the blue rectangle.

KSA Education Sector – The Biggest K-12 Market in the GCC

KSA, the Largest Population Base in the GCC

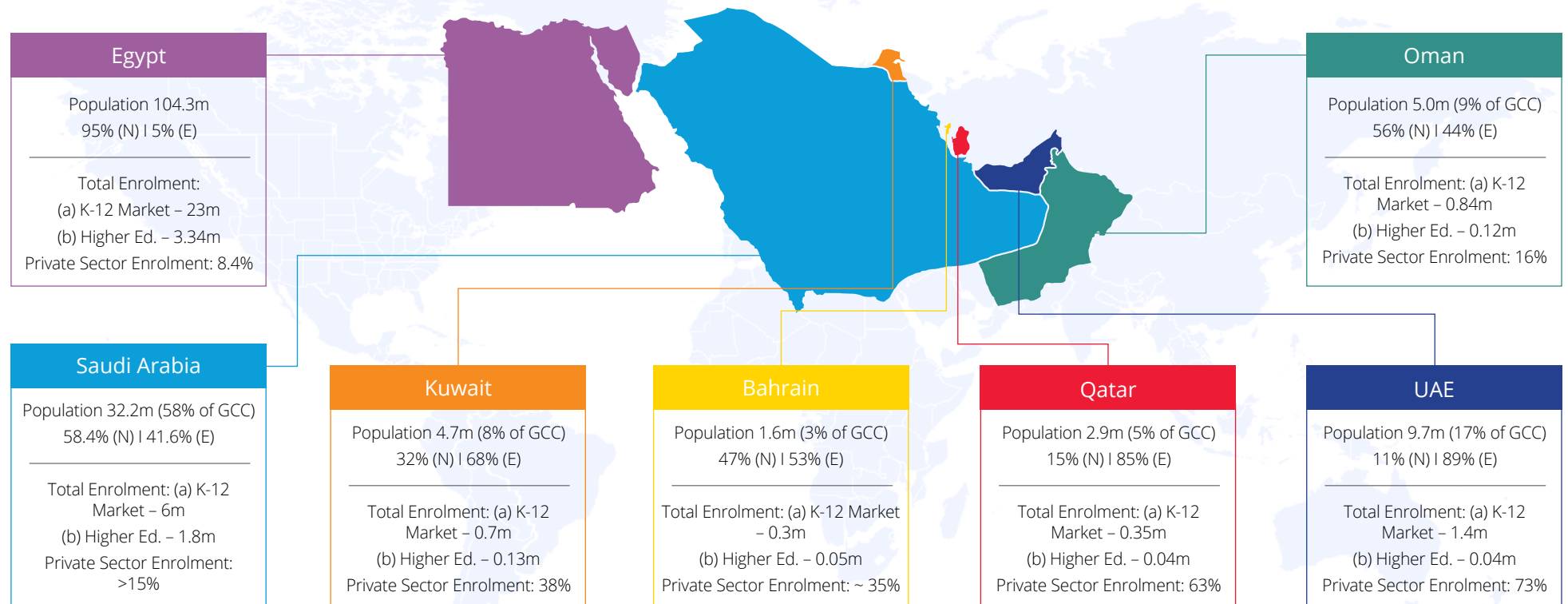
The Kingdom of Saudi Arabia is the largest nation in the Arabian Peninsula, representing approximately 58% of the total regional population. Based on the KSA Census 2022 issued in May 2023, the country's population reached – 32.2 million in 2022, rising from 23.9 million in 2010 a CAGR of 2.5%.

The Kingdom is the only country in the GCC besides Oman, where the proportion of Nationals are higher than expatriates. In 2022, the proportion of Saudi nationals to expatriates was 58.4% to 41.6% respectively, **implying that K-12 education operators shall mainly focus on Saudi nationals, not just expats in order to attract sustainable demand.**

Total GCC Population (2022)

≈ 56m

KSA Population is 58% of the GCC Market



KSA, the Largest K-12 Market in the GCC

The Kingdom of Saudi Arabia, with ~6 million students out of a total of 9.6 million students across the GCC, is by far the largest K-12 market with almost a 62% share of the total

Implications for the K-12 Education Sector

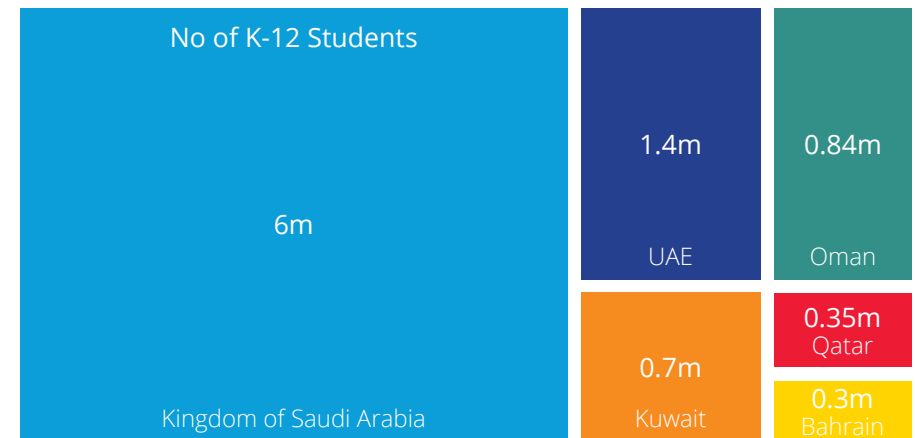
At around 15%, KSA has the lowest total student penetration rates in the region for private sector K-12 education. Furthermore, only 13% of Saudi students attend private schools.

Aside from quality and availability, participation in private education is also linked to income levels and affordability. KSA has a per capita income of US\$ 20,000 which sits in the middle of Oman and Kuwait which have per capita income of US\$ 16,000 and US\$ 26,000 respectively.

In Oman, 22% and in Kuwait, 41% of the entire student population attend private schools, while the share of Omani and Kuwaiti student population in private schools is 14% and 21% respectively.

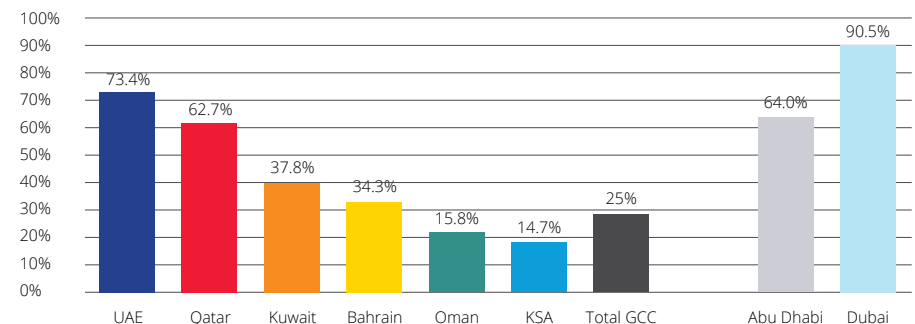
In the UAE, with a GDP per capita of US\$ 37,500, both Dubai and Abu Dhabi students boast private school penetration levels of 90% and 64% respectively, with a share of Emirati students in private schools at 37% and 57% respectively.

This indicates potential for the future growth of the private education sector in KSA with a focus on inducting Saudi nationals for sustainable demand, particularly in the premium end of the market.



Source: Ministry of Education of GCC Countries, Colliers Analysis 2023

Lowest Enrolment Rate in the Private Sector



Source: Ministry of Education of GCC Countries, Colliers Analysis 2023

The background of the slide features a dark blue gradient. In the upper center, there is a large, faint, light blue Arabic calligraphic emblem. Below this, the title text is centered. The lower half of the slide is filled with a pattern of stylized, light blue fireworks or starburst shapes. At the very bottom, there are silhouettes of a crowd of people with their arms raised in celebration.

Favourable Demographics with Stable National Population Base

Favourable Demographics for Growth of the K-12 Sector

The population of the Kingdom of Saudi Arabia is estimated at 32.2 million in 2022, rising from 28.3 million in 2014, growing at a CAGR of over 1.6%. In 2022, the proportion between Saudi nationals and expatriates was observed at 58.6 to 41.4% respectively.

Similar to other GCC countries, KSA also has a young population profile fueling sustainable demand for higher education in the long-term. As at the end of 2022, from the 32.2 million population, 3.3 million (~10%) is aged between 4-18 years, which is expected to increase to 6 million (~15%) by 2030 with a total population size of 40 million.

Total Population
(KSA Census 2022 - issued in May 2023)

32.2m

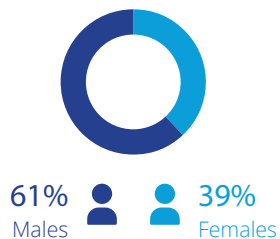


Population Density of KSA (P/km2)

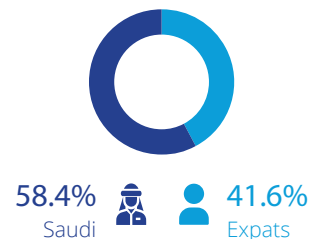
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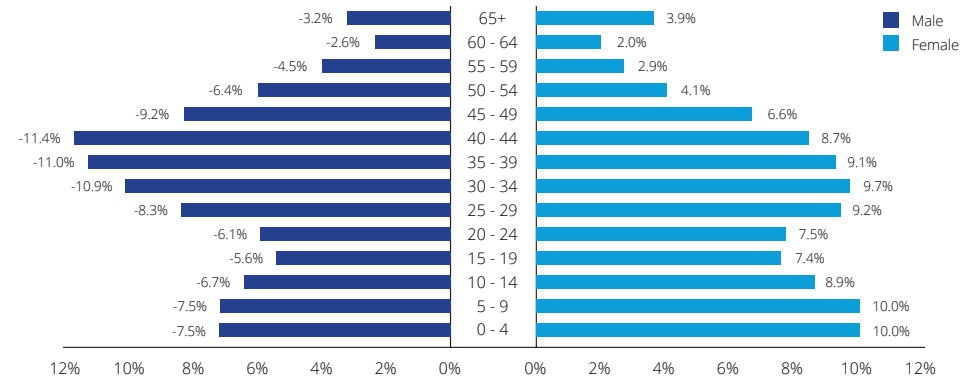
Population by Gender



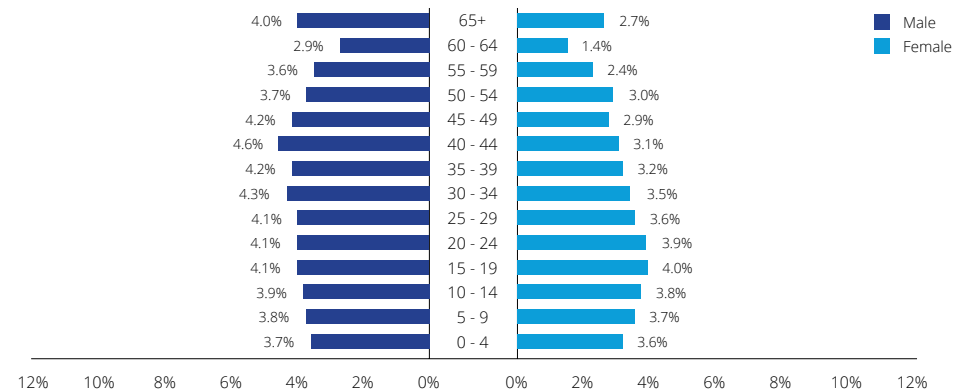
Population by Nationality



2022(e)



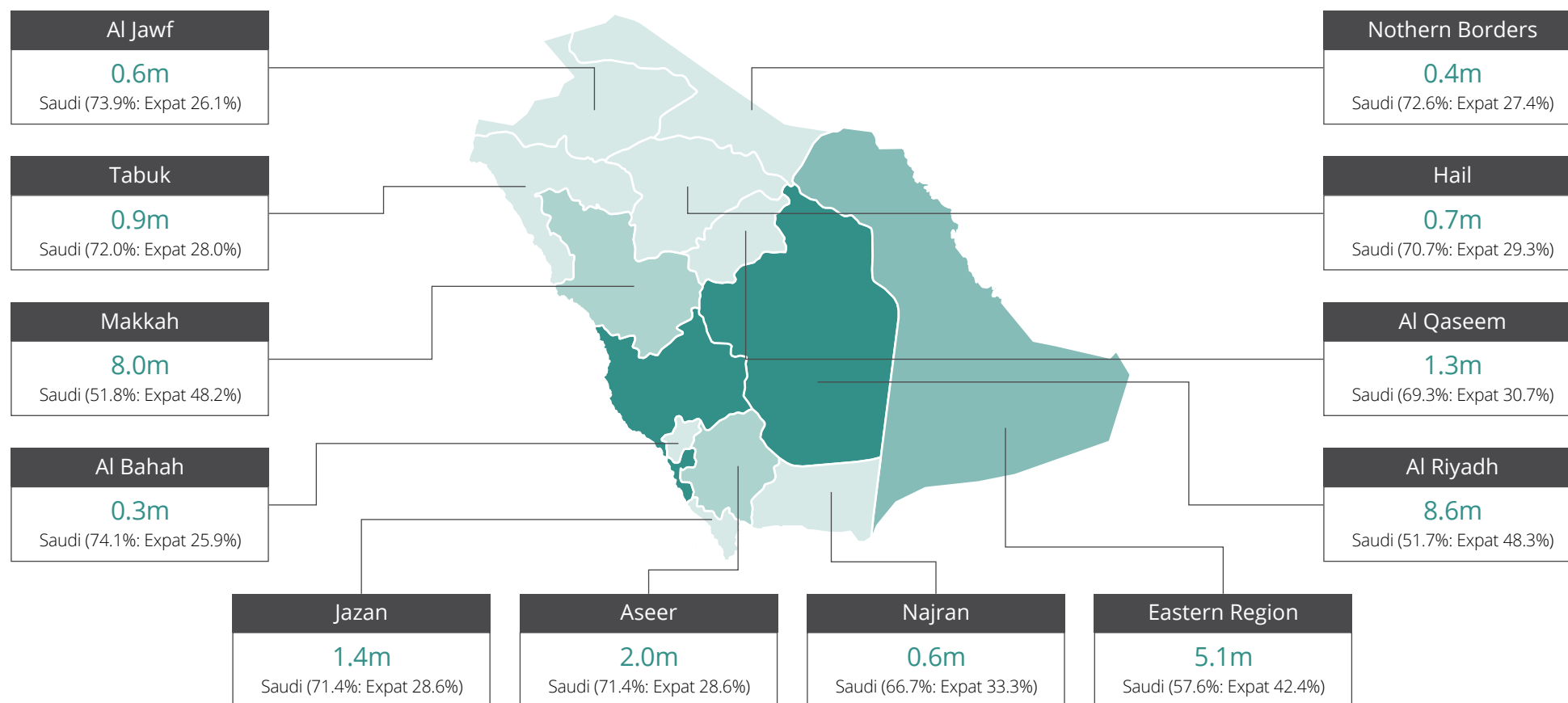
2030



KSA Population Distribution by Province (2022)

The Kingdom is divided into 12 administrative regions of which Riyadh (27%), Makkah (25%) and Eastern Province (16%) are the most populated with 21.7 million or 68% of the total population concentrated within these regions.

Riyadh and Jeddah have the highest concentration of expatriates (non-Saudi Nationals) with ~48% in each city.





School Price Premium for Communities

Communities which have a school within or in close proximity are more desirable, resulting in higher absorption / occupancy rates, longer retention of end-users / tenants – normally throughout a kid's schooling age, in turn help such communities to achieve a price premium of 10% - 15%.

Across the Kingdom and especially in Riyadh, there are a large number of residential communities being developed, some by key public developers including Roshn, Qiddiya, Diriyah Gate and National Housing Company and others by private developers. By developing a school as part of the community, targeting families living in the area and offering the 'right curriculum' with the 'right tuition fee' transforms the community from a 'development' to a 'destination'.

One prime example in this regard is the British International School Riyadh which is located in the Al Hamra Oasis Compound alongside other facilities. One of the key reasons for this compound's popularity, high occupancy and higher rents is the presence of the school.



The “Social Infrastructure” Price Premiums

School Premium:

In an international context, the value-maximising distance between a residential unit and a school is between 300 and 500 metres, that is, roughly, a 9–15 minute walk from home.

In the MENA context, in markets such as Riyadh, Dubai and Cairo where the climate does not encourage walking, residents generally prefer a 20 - 30 minute drive to the school.

According to Colliers’ research, a school within a master planned community can add a price premium of 10% - 15% on house prices. However, there is little / no desirability of living just adjacent or opposite to the school premises, given traffic congestion and noise – so there is a need to recognise the difference between proximity and accessibility.

However, wrongly placed or inappropriate quality schools can have a negative impact on prices; traffic congestion restricting access to the development or a mismatch between the economic profile of the catchment area and the school need to be considered.

In the MENA region, the dominance of the Generation X demographic in the local market (with children within the ages of 5 – 14) drives up demand for residential communities in proximity to primary schools. Schools ranked ‘outstanding’ and ‘good’ are the most sought after schools in the main cities in the MENA region and the need to live in close proximity to these institutions is prioritised by households who can afford the rent / mortgage payments.

International

Research Sources

According to Centre for Economic Performance (CEP) at the London School of Economics, a primary school one standard deviation above the average in terms of the performance of its pupils attracts a house price premium of around 3%.

This means that a school right at the top of the league table attracts a premium of 12% relative to one at the bottom.



Price Premium

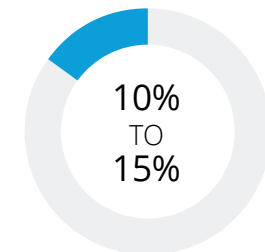
Residential land prices increase by about 13% on average and by approx. 26% in districts which have better schools.
The value-maximising distance is between 300 and 500 metres from the nearest school, that is, roughly, a 9-15 minute walk from home.



Colliers MENA Research / Local Price Premium

Communities which have a school within or in close proximity are more desirable, resulting in higher absorption/occupancy rates, longer retention of end-users/tenants - usually throughout a child's schooling years, in turn helping such communities to achieve a price premium of 10% - 15%

Across the Kingdom and especially in Riyadh, there are a large number of residential communities being developed, some by key public developers including Roshn, Qiddiya, Diriyah Gate and National Housing Company and others by private developers. By developing a school as part of the community, targeting families living in the area and offering the 'right curriculum' with the 'right tuition fee' transforms the community from a 'development' to a 'destination'.





British Curriculum; not just for the British



British Curriculum; not just for the British

As part of Vision 2030, KSA embarked on an unprecedented growth plan, presenting the Kingdom as a global economic, social, cultural, tourism and sporting hub. This is especially apparent in Riyadh which is also focusing on a number of initiatives including the Regional Headquarters Program (RHQ), a joint initiative by the Royal Commission for Riyadh City (RCRC) and the Ministry of Investment (MISA), to position the Kingdom as the leading regional hub for multi-national companies.

As a result of these initiatives, KSA in general and Riyadh in particular is attracting a large expatriate population from across the globe and the focus is not to attract “individuals”, but to attract “families” who can make KSA their long term or permanent home, potentially even after retirement, similar to the UAE and in particular, Dubai.

In this regard, the Kingdom has embarked on number of initiatives, from opening up historical social fabric, besides initiating a number of projects relating to tourism, entertainment, sports and leisure and the expected award of EXPO 2030 to Riyadh and FIFA World Cup 2034, will further establish KSA a sought-after location for expatriate to move for jobs or establishing their businesses to make KSA a long-term or permanent home.

Based on Colliers’ research, promoting KSA and especially Riyadh as permanent homes for expatriates by attracting “families NOT individuals”, beside creating job business opportunities offering international “Social Infrastructure”, with a focus on education and healthcare is one of the most important pillars in this regard.

Currently, based on the Saudi Census 2022 organised by the Kingdom’s General Authority for Statistics, which was issued in May 2023, more than 40% of Saudi Arabia’s population is made up of foreign nationals. The Saudi Arabian population stands at 32.2 million (58.4%) with 18.8 million Saudi nationals and 13.4 million (41.6%) foreigners.

Historically in Saudi, the American curriculum remains the most popular, however, with more and more white-collar expatriates moving to KSA and especially Riyadh, Colliers expect the demand for the British Curriculum to increase. In fact, the four international schools which have moved to Riyadh are Kings College Riyadh, Downe House Riyadh, Aldenham Riyadh and Reigate Grammar School - all offering the traditional British curriculum, while the One World International School offers the IB PYP /American curriculum.

British Curriculum; not just for the British – Dubai Case Study

The popularity of British curriculum schools' not only rests on the presence of British Nationals in the UAE, since it remains a popular choice amongst a number of other nationalities including, Pakistanis, Indians and nationals from different Arab and Commonwealth countries.

Although British nationals make up only 2% to 3% of the total population of the UAE, British curriculum schools command a share of 33% and 22% of the total private school students in Dubai and Abu Dhabi respectively, evidencing the wider acceptance of the curriculum.

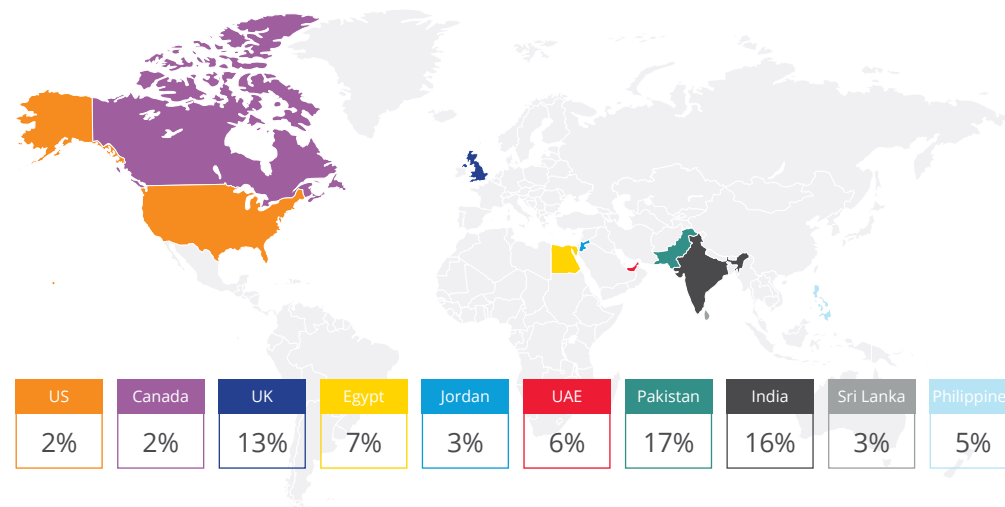
Statistics revealed the Pakistani students constitute the highest proportion of students enrolled at British curriculum schools in Dubai, followed by Indians and British nationals (most of which are of Pakistani, Indian or Arab origin).

The proportion of Emirati students enrolled in private schools in the UAE continues to grow amid an increasing preference of Emirati parents to enroll their children at private schools owing to considerations of quality. It is expected that a considerable amount of such students will enroll at schools offering the British curriculum.

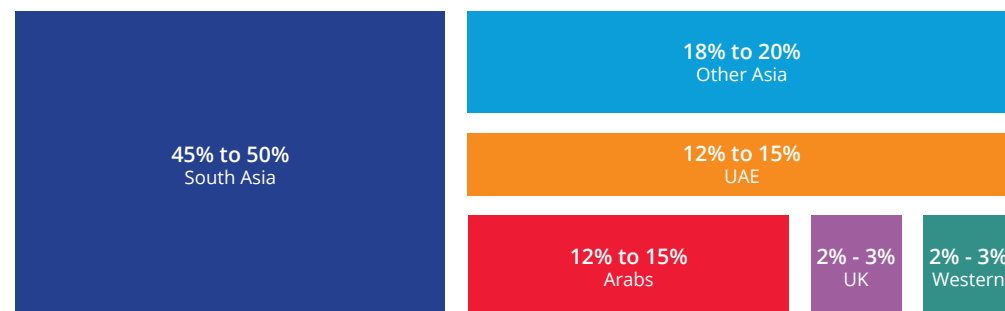
Similar to Dubai, Colliers expects that with the passage of time and as the nationality mix becomes more diversified in KSA, especially in Riyadh, the majority of the white-collar families which move to the country, are expected to be from commonwealth countries, similar to Dubai, driving the increase in the demand for the British curriculum.

Moreover, even if other nationalities move to KSA and Riyadh, such as Chinese and Russians, their first preference is the British curriculum due to wider acceptability worldwide, the proximity to the UK and various other geopolitical factors.

Breakdown of Student Population in British Curriculum Schools in Dubai - 2014/15



Estimated Breakdown of Population in the UAE

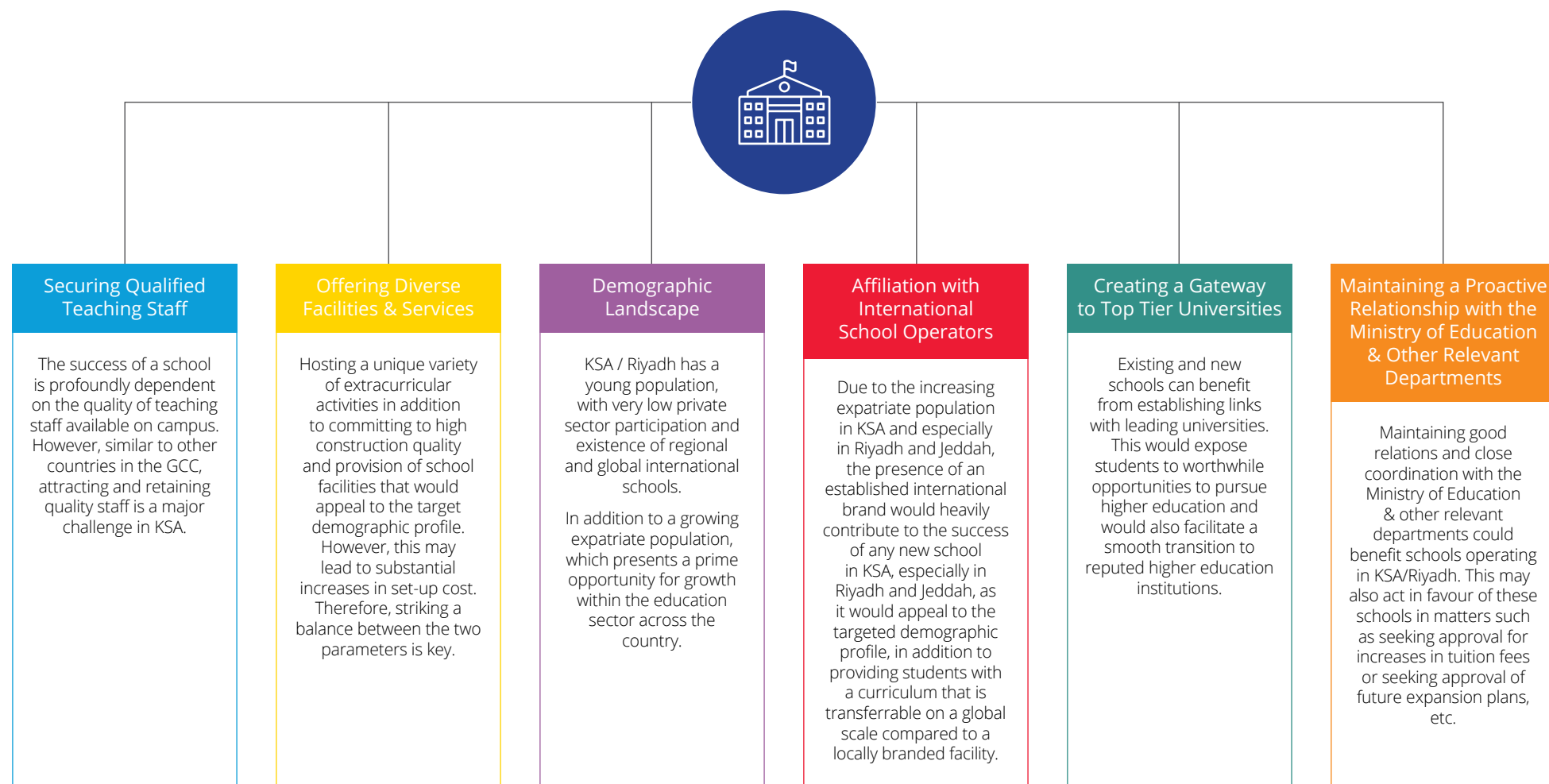


A blurred image of chess pieces, including a king, queen, and various pawns, set against a solid blue background. The pieces are out of focus, creating a sense of depth and strategy.

Opportunities & Challenges

Critical Success Factors for the K-12 Education Sector:

Challenges & Opportunities in the Kingdom of Saudi Arabia/Riyadh



Development Cost for a School

Estimated Development Cost for a Typical International Curriculum School in Riyadh		
SAR	< Min	> Max
Land 30,000 sqm	60 million	120 million
Building BUA 25,000 sqm	125 million	150 million
Fit Outs & Other Costs	30 million	40 million
Pre-Operating Costs	20 million	30 million
Total Cost	235 million	340 million

One of the key challenges faced while establishing quality schools in Saudi, especially in a city like Riyadh where land prices are expensive, is the high funding requirement. The typical cost of developing a school with a capacity of 1,800 - 2,000 students could range between SAR 235 million to SAR 340 million, providing that the land is purchased upfront.

One way of controlling such high costs is leasing the land, however in a city like Riyadh, even lease rates are high with landlords looking to charge 8% - 10% of the land cost as annual rent.

Hence the availability of land remains one of the key challenges for the success of a project. School operators / investors may have access to land through the local education regulators in KSA who may be able to assist with locating land, and landowners or developers may be keen to have a school as part of their development.

As highlighted previously, communities with a school within or in close proximity are more desirable to live in, resulting in higher absorption / occupancy rates, longer retention of end-users / tenants – normally throughout a kid's schooling age, in turn helping such communities to achieve a price premium of 10% - 15%..

Across the Kingdom and especially in Riyadh, there are a large number of residential communities being developed, some by key public developers including Roshn, Qiddiya, Diriyah Gate and National Housing Company and others by private developers. By developing a school as part of the community, targeting families living in the area and offering the 'right curriculum' with the 'right tuition fee' transforms the community from a 'development' to a 'destination'.

The cost of land, plot size, location (and the catchment area it is located in), transport access and infrastructure will all affect the viability of the new campus and whether the education regulator will grant permission for your school to use the land.



Land Options

Key legal interests considered for land in KSA are as follows:

- **Ownership:** This is the highest interest recognised at law.
- **Usufruct:** A usufruct right gives the holder the entitlement to use the property for a defined period. Depending upon the terms of conditions for a usufruct right, the usufruct owner is entitled to assign the benefit of the right without the permission of the owner, which includes the right to mortgage the usufruct. This right is similar to a long leasehold.
- **Musataha:** A musataha is a right to occupy and develop land. A musataha is limited to a certain period, which may be renewable by agreement of the parties. A musataha, with a duration of more than a certain period, may be assigned (and mortgaged) without the permission of the owner of the land. Musataha agreements are more common in the KSA and social infrastructure plots, including schools plots can be offered on the basis of a Musataha.

Laws and practices relating to land in Saudi may change with the time and an investor / operator should engage a lawyer to understand the legal implications of any arrangements relating to land.



Funding Options

Despite the fact that banks and other financial institutions actively seek investments within KSA's education sector, they are looking to limit their exposure by lending only to players with proven track records.

International operators contemplating entry into KSA's market often struggle to secure project finance unless there is recourse to alternative cash flows. Further difficulties arise with the terms offered. Education investments are typically long term investments contradicting a bank's risk appetite which typically extends to a tenure that lasts between 5 – 7 years.

For first time entrants to KSA's market, especially international schools who don't have enough financial resources, or are unable to make significant financial commitments due to a variety of reasons, ultimately end up searching for private investors to enter into a licensing and operating agreement with the investor under which they are entitled a management fee. However, some of the other options include, operators forming and owning the operating company (OpCo) and the investor investing in the land and property (PropCo), or creating a Joint Venture (JV) with an investor. The various options available to international schools based on availability of funds are

- Outright purchase of the land
- Long-term lease of the land
- Land as equity investment by landlord
- Long-term lease of the land and shell-n-core structure from landlord / investor
- Creating a JV with a landlord / investor in equity partnership
- Signing a management agreement with a landlord / developer / investor
- Public Private Partnership (PPP)

However, each of these options have financial, operational and legal advantages and disadvantages and operators should seek professional advice before entering into any such agreement.

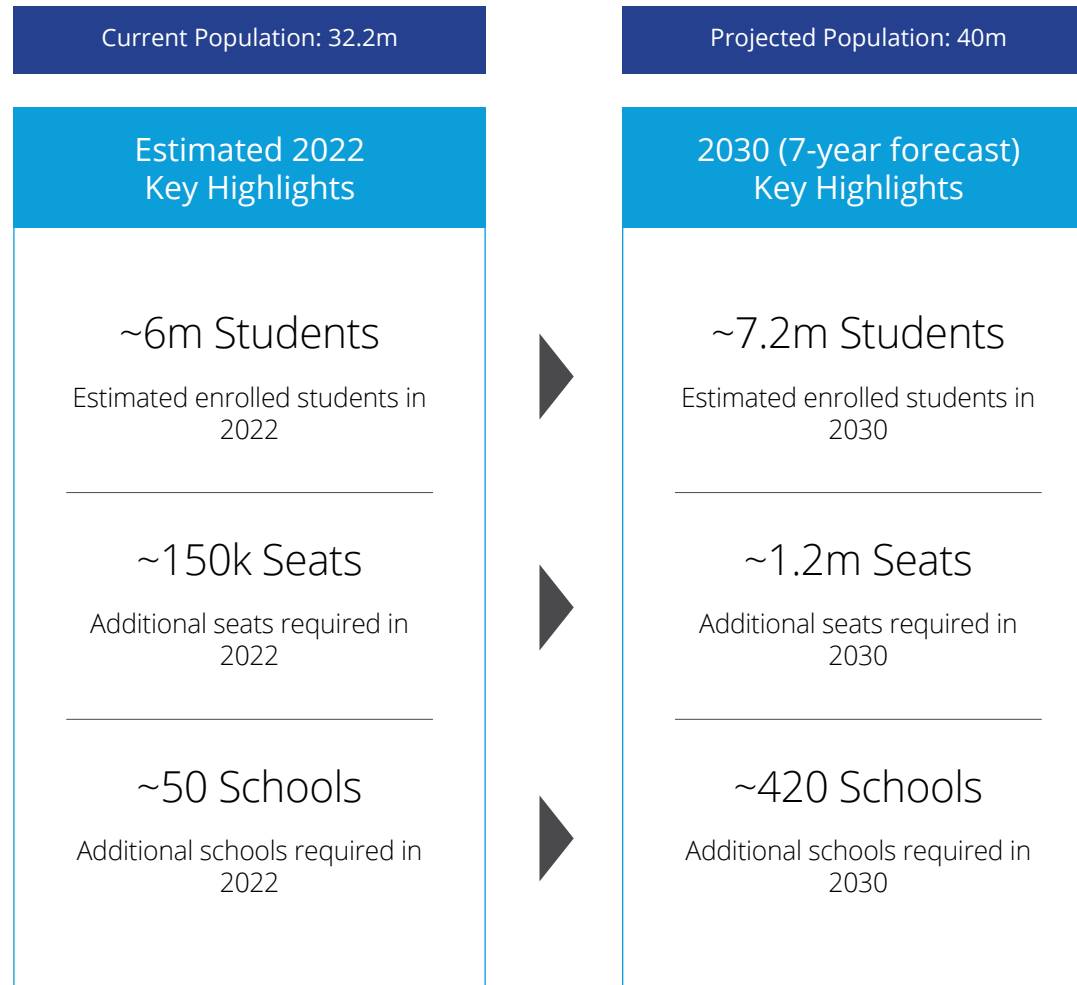


KSA Demand/Supply Gap

Based on the population growth rate of 2.5% per annum, the total demand for K-12 enrollment will reach to 7.2 million in 2030, compared to ~6 million in 2022, an additional demand for 1.2 million new seats in the Kingdom by 2030.

Out of which, 400,000 seats will be for the private sector translating into around 200 new schools of around 2,000 students per school.

KSA K-12 Market - Overall



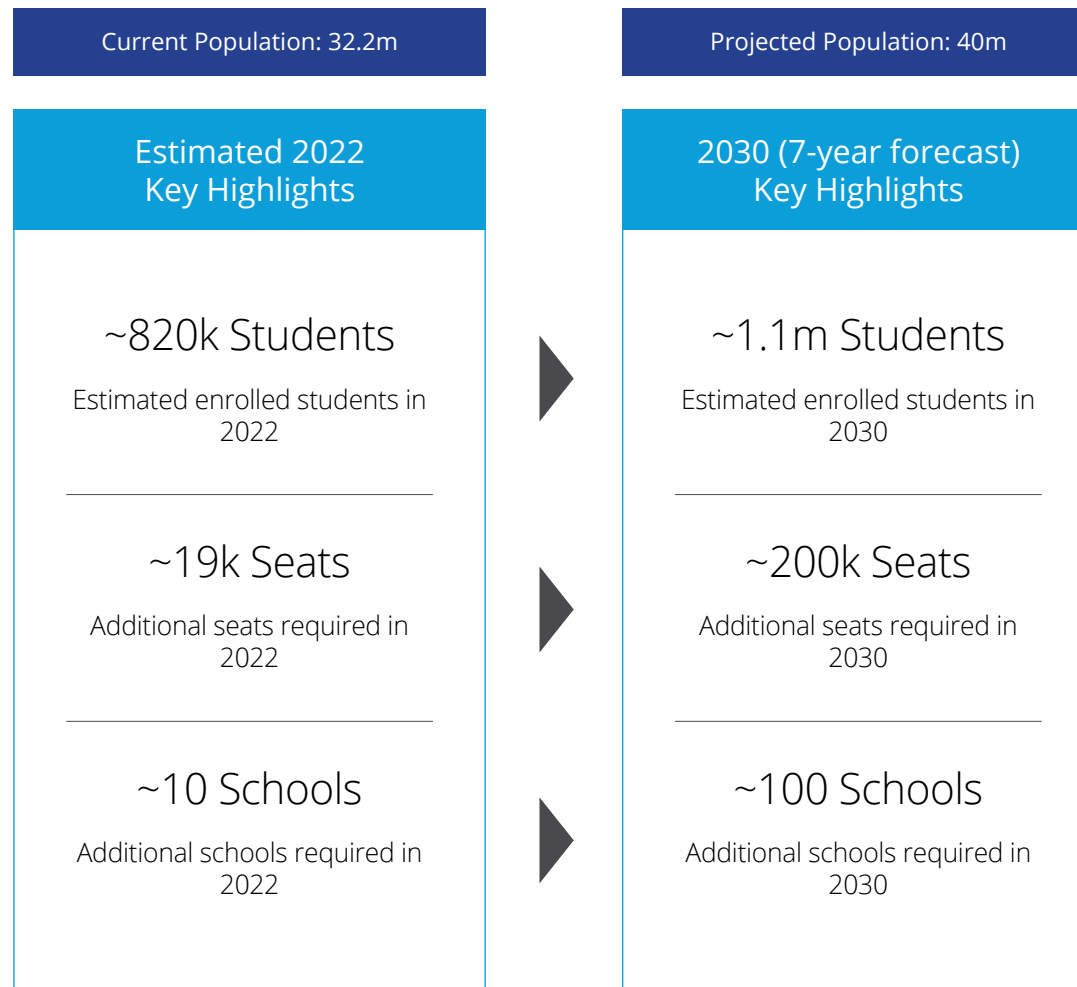
From Public Schools to Private Schools

- Although the market is price sensitive, there is a demand for quality private schools charging an average fee of SAR 20k – 40k
- High demand for American, British curricula, as well as the Ministry of Education curriculum

Reputed Local Private Schools



KSA K-12 Market – Private



The market is shifting from local private schools to International branded schools and / or local well established brands

- Although the market is price sensitive, there is a demand for quality international schools charging an average fee of SAR 20k-30k – 40k-50k
- High demand for American, British curricula, as well as the Ministry of Education curriculum

International Branded Schools





Riyadh Demand/Supply Gap

Based on population growth rate of 2.5% per annum, the total demand for K-12 enrollment will reach to 1.7 million in 2030 in Riyadh, compared to 1.4 million in 2022, an additional demand for 0.3 million new seats in the city by 2030.

Out of which, 100,000 seats will be for the private sector translating into around 50 new schools of around 2,000 students per school.

Riyadh K-12 Market - Private

Current Population: 8.6m	Projected Population: 10.9m	Projected Population: 15.0m
Estimated 2022 Key Highlights	2030 (7-year forecast) Key Highlights	2030 (7-year forecast) Key Highlights
<p>~350k Students</p> <p>Estimated enrolled students in 2022</p>	<p>~450k Students</p> <p>Estimated enrolled students in 2030</p>	<p>~600k Students</p> <p>Estimated enrolled students in 2030</p>
<p>~7.5k Seats</p> <p>Additional seats required in 2022</p>	<p>~100k Seats</p> <p>Additional seats required in 2030</p>	<p>~200k Seats</p> <p>Additional seats required in 2030</p>
<p>~4 Schools</p> <p>Additional schools required in 2022</p>	<p>~50 Schools</p> <p>Additional schools required in 2030</p>	<p>~100 Schools</p> <p>Additional schools required in 2030</p>

From Local Schools to “International Branded Schools”

- Although market is price sensitive, there is demand for quality international schools charging an average fee of SAR 50k – 60K.
- High demand for American, British curricula, as well as the Ministry of Education curriculum

International Branch Campuses



Affordability in Riyadh

- Estimated **Children per Saudi HH = 1.9;**
Children per Expat HH = 1.6
- **~400,000 - 450,000** households can afford to pay between **USD 10,000 – USD 15,000** per annum as tuition fees.
- **~80,000 – 90,000** households can afford to pay between **USD 15,000 – USD 20,000** per annum as tuition fees.
- **~25,000 – 30,000** households can afford to pay over **USD 25,000** as tuition fees.
- The HH income profile in the Riyadh province is expected to shift towards the higher income brackets leading up to 2030 with segment A households estimated to grow by over 50% implying a greater propensity to spend.



Conclusions



The private education sector market in KSA and Riyadh offers an attractive opportunity to investors and operators, especially those intending to offer the American, British and International Baccalaureate (IB) curriculum.

However, it is imperative to commit adequate time and resources to understand and gauge key financial, operational and legal risks associated with the sector prior to venturing in the market.

Under the Kingdom's Vision 2030 Plan, the education sector is listed as one of the main pillars for the Kingdom's economic and social growth. Additionally, with the recent lifting of foreign ownership restrictions, the education sector has become one of Saudi Arabia's leading investment sectors with many regional and international investors and operators actively planning or entering the K-12 market.

The salient features of Riyadh's K-12 education sector can be summarised as follows:

- **Growing Population & Young Demographics:** The Kingdom's population of 32.2 million in 2022 is expected to reach 40.5 million by 2030. Consequently, the current school-going population of 7.5 million is expected to grow to almost 9.4 million by 2030, creating an additional demand for almost 420 new schools.
- **Low Private Sector Participation:** At present, only 14% of the total students attend private schools in KSA, which is expected to increase significantly by 2030, thus creating demand for additional private schools. The share of international schools is even lower, with ~255,000 students (out of ~6m students), are in international schools.
- **Immense Opportunities in the Second-Tier Cities:** Presently, the focus of the majority of operators / investors / developers is Riyadh, followed by Jeddah and Dammam / Al Khobar, and that too on premium international schools. However, based on Colliers' research, second-tier cities, such as

Makkah, Madinah, Al Ahsa, Ahba, Taif and many other cities offer opportunities to establish private schools. Most of these cities presently lack good quality private schools, but are also going through major expansion plans, to develop these cities into tourism, industrial, or other economic hubs as part of Vision 2030, resulting in increased per capita income and higher population growth, which ultimately create higher demand for K-12 education.

- **Affordability:** With a per capita income of over USD 25,000 per annum, affordability is expected to play a major role in the growth of K-12 private education in the Kingdom. Based on the household income affordability analysis, the average tuition fees for private schools (mainly local brands) across the Kingdom, especially in the second-tier cities, remains less than US\$ 10,000. However, in the main cities, such as Riyadh, high-quality local and international schools' tuition fees range between USD 10,000 to USD 30,000 per annum, and with an increase in white-collar expatriate population and opening of international branded schools in cities like Riyadh, there will be more demand for premium schools. However, based on Colliers' Education local knowledge, the sweet spot for international private schools would range between USD 15,000 to USD 20,000 per annum.

In summary, the K-12 education sector in Riyadh, especially the private education sector, offers several lucrative opportunities for education operators, developers and investors. However, it also poses a number of challenges, including high capital expenditure requirements, attracting & retaining qualified staff.

Colliers' education team is working with a number of local, regional and international operators, investors and developers to assist them in establishing or expanding their operations into the lucrative Saudi K-12 education sector. If you are looking to enter into the Saudi market, please contact one of our experts.

480

offices in

66

countries on

6

continents



\$4.5B

in revenue



2B

square feet under management



18,000+

professionals

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