



KSA Real Estate Report

H1 2025 Review and H2 2025 Outlook

August 2025

المركز
MARKAZ

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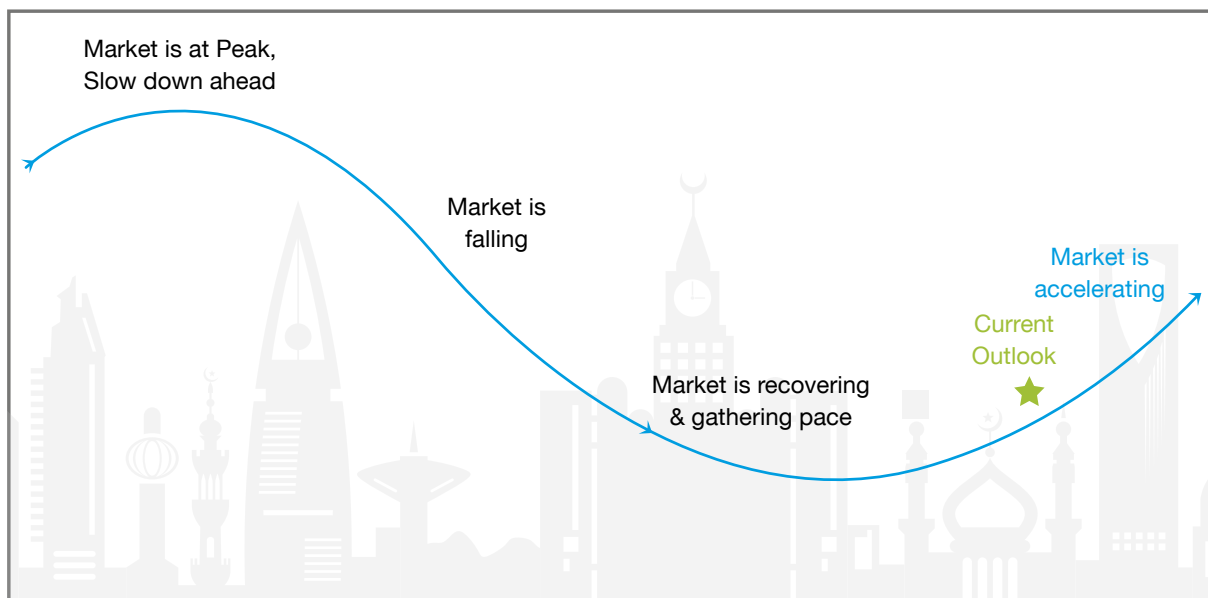
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1. Executive Summary

- Saudi Arabia's real estate market has continued its positive performance in Q1 2025, with 4.3% y/y increase in its overall real estate price index and 37% y/y increase in real estate sales.
- Saudi Arabia's real GDP growth is expected to improve to 3.0% y/y in 2025, up from 1.3% y/y in 2024, supported by positive oil and non-oil GDP. Economic growth is driven by government investments towards achieving Vision 2030. Non-oil GDP growth had been stable over the years and is expected to grow by 3.1% y/y in 2025. Oil GDP growth is estimated to be positive in 2025 on the back of unwinding of OPEC+ production cuts. This positive economic growth would support demand for commercial and industrial real estate.
- Brent crude prices are expected to average at USD 62.0 per barrel in 2025 (EIA estimates), which would be below Saudi Arabia's fiscal breakeven price of USD 92.3 per barrel (IMF estimates). Increase in oil supply due to unwinding of production cuts by OPEC+ and global growth concerns on the back of trade tensions are expected to keep oil prices subdued in the near term.
- Saudi Arabia's average inflation is expected to be at 2.0% in 2025, according to the IMF. Inflation has edged up slightly in early 2025, registering an increase of 2.3% y/y in April 2025, due to uptick in housing and utilities component. However, inflation levels continue to be in line with regional peers.
- Saudi Arabia's fiscal deficit is expected to widen to 4.9% of GDP in 2025, from 2.8% of GDP in 2024. While unwinding of oil production cuts could lend some support, lower oil prices could pressure revenues. Decline in revenues could impact government spending and in turn impact developmental project awards. However, while Saudi Arabia plans to take stock of spending priorities amid decline in oil prices, it plans to continue its current pace of government spending towards economic diversification, if not increase investments.
- The KSA real estate price index rose by 4.3% y/y in Q1 2025, driven by a 5.1% y/y increase in the residential property prices and 2.5% y/y rise in the commercial sector. The uptick in prices of commercial real estate has been on the back of increasing demand for the segment across sectors amid positive non-oil economic growth.

- Total real estate sales in Q1 2025 were at SAR 108.8 billion (USD 29.0 billion), marking a 37% y/y increase.¹ Residential real estate sales totalled at SAR 50.9 billion (USD 13.6 billion), registering an increase of 21% y/y. The country's multi-pronged approach towards economic diversification such as increase in tax on undeveloped land, lowering of VAT for tourists, passage of Real Estate Transaction Tax Law, campaigns to attract global talent and business to its special economic zones are likely to benefit real estate sector in H2 2025 and possibly in the long term.
- Based on our assessment of various macroeconomic factors, we believe that the real estate sector in Saudi Arabia remains in the accelerating phase in H1 2025 and will continue to accelerate in H2 2025.

Saudi Arabia Real Estate Market Outlook







Source: Marmore Research

¹ CBRE, OmaniaCapital

Saudi Arabia Macroeconomic Views

Economic Factors	Our take	Our View
 Oil (Real) GDP Growth	Moderate	Oil GDP growth is expected to be positive at 2.0% y/y in 2025, on the back of unwinding of production cuts by the OPEC+. While OPEC+ has increased the pace of unwinding of production cuts from May 2025, decline in oil prices amid trade tensions pose some risk to future hike in production.
 Non-Oil (Real) GDP Growth	Moderate	Non-oil sector growth continues to remain positive, supported by government investments and initiatives centered on Vision 2030. This in turn aids in positive business and consumer sentiment, supporting real estate demand.
 Fiscal Position	Neutral	Saudi Arabia's fiscal position is expected to decline in 2025 due to lower oil prices even as increase in production would lend some support. Unwinding oil production cuts were also delayed to April 2025, impacting oil revenues in Q1 2025. While Saudi Arabia intends to continue spending on developmental projects, decline in revenues might impact pace of government investments.
 Investments	Moderate	Investments are expected to be stable amid government spending on Vision 2030 initiatives and efforts to attract foreign investments. The country has launched a campaign offering tax exemptions, streamlined visas, and regulatory in-centives to attract businesses to its special economic zones.
 Broad Money Growth	Moderate	Broad money growth is expected to be stable in 2025 amid lower interest rates.

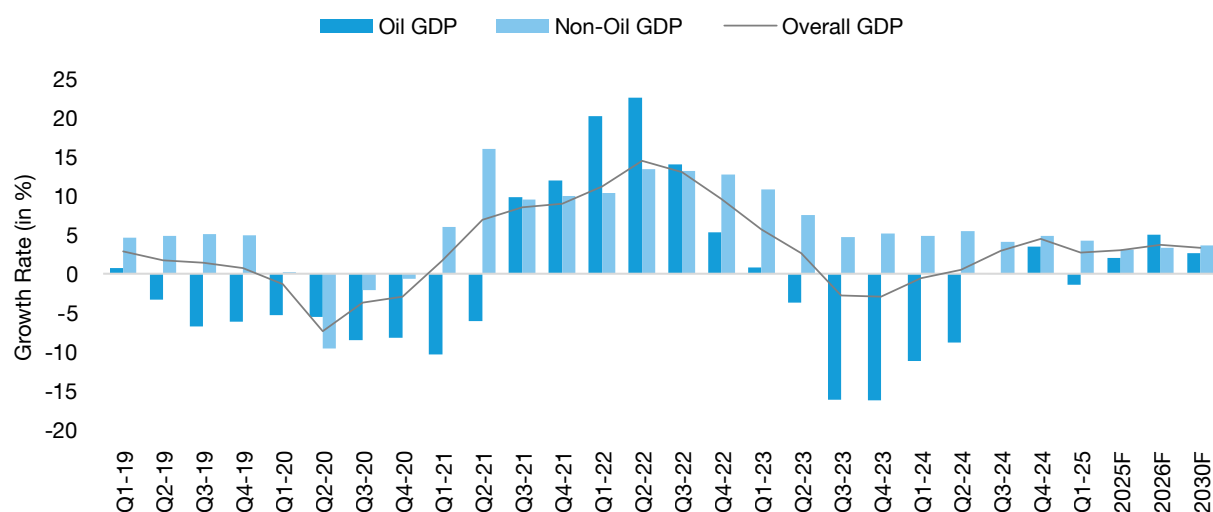
	Inflation	Moderate	Inflation edged up in Q1 2025 to 2.3% y/y in April 2025, driven primarily by rise in prices in housing and utilities segment. It remains in line with inflation levels in the region and is expected to average at 2.0% in 2025.
	Population Growth	Neutral	Population growth is expected to be stable in 2025, amid ongoing initiatives such as Regional HQ program and measures to attract global talent such as Premium Residency Program.
	Job creation	Moderate	Job creation in Saudi Arabia is expected to be stable in H2 2025. Government initiatives such as Saudi Nationalization Scheme and Nitaqat initiative and growth in sectors such as tourism, technology, hospitality are supporting job creation.
	Interest rates	Neutral	U.S Fed is expected to reduce rates by 50 bps during H2 2025, and Saudi Arabia would also lower rates. While any further decline in interest rates would boost demand for real estate and mortgages, these rate cuts would depend on the impact of U.S policy on economic growth and inflation.

2. Saudi Arabia: Macroeconomic Update

a. Saudi Arabia's economic growth expected to improve in 2025

Saudi Arabia's economy grew by 2.7% y/y in Q1 2025. This growth is attributable to an increase in the non-oil activities. The Q1 2025 non-oil GDP growth is 4.2% y/y, which is a slight fall as compared to the previous quarter's growth of 4.8%. The real oil GDP declined by 1.4% y/y in Q1 2025, amid OPEC+ production cuts.

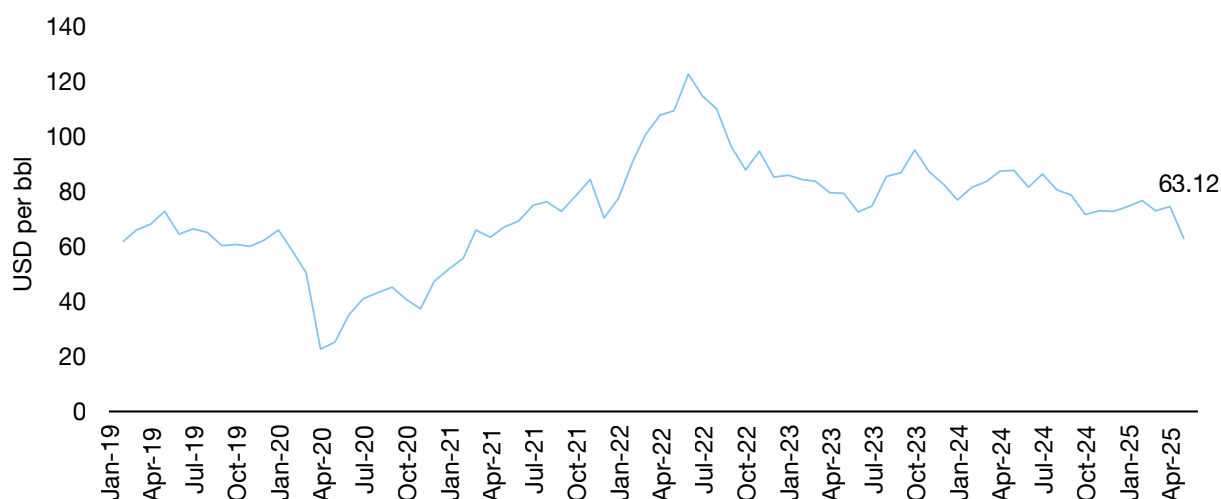
Saudi Arabia Oil, Non-Oil, and Overall Real GDP Growth (y/y %)



Source: General Authority for Statistics; Full year 2025 and 2026 forecasts are from IMF

Saudi Arabia's real GDP is expected to grow by 3.0% y/y in 2025, up from 1.3% in 2024. Oil-GDP is estimated to grow by 2.0% y/y in 2025, up from a contraction of 4.5% y/y in 2024, due to unwinding of production cuts by OPEC+. Non-oil GDP is expected to grow by 3.1% y/y in 2025, compared to 3.9% y/y in 2024. The expansion of the non-oil sector has been largely fueled by strong consumer spending and private sector investment, combined with government-led initiatives to diversify the economy. The estimated non-oil GDP growth rates for 2025 and 2026 are, however, lower than the previously estimated levels. This is due to concerns over volatility in oil prices that may dampen the government's ability to fund its Vision 2030 initiatives. However, according to Saudi Arabia's Minister of Finance, while the country plans to take stock of spending priorities amid decline in oil prices, it plans to continue its current pace of government spending towards economic diversification.

Daily Brent Oil Prices (Jan 2019 – Apr 2025)



Source: LSEG

At the end of April 2025, Brent crude prices declined by 15.4% YTD to USD 63.1 per barrel. Concerns over impact of trade tensions on economic growth and demand for oil and increase in supply amid unwinding of production cuts by OPEC+ has pressured prices during the first four months of 2025.

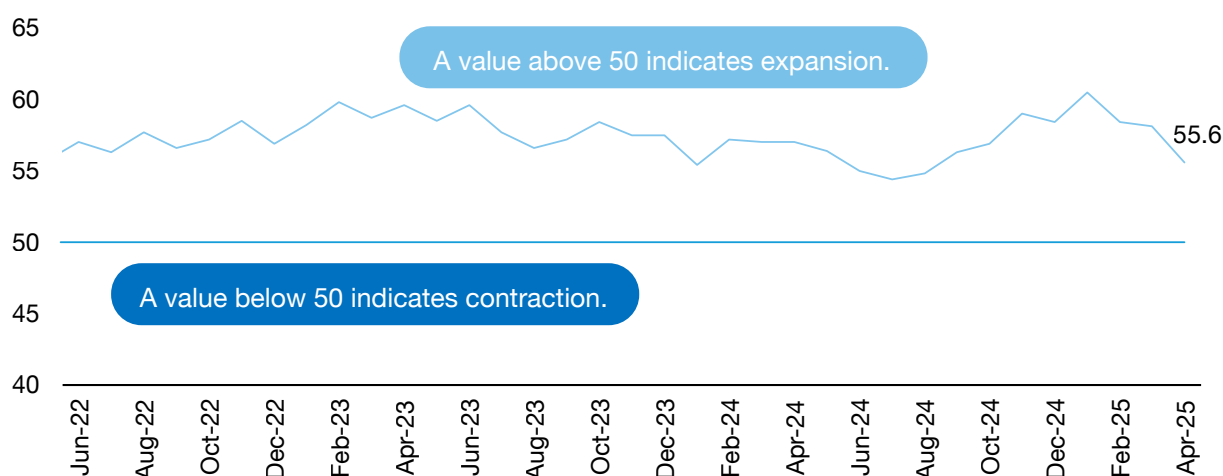
According to IEA, the global oil demand is expected to slow down from 990 kb/d in Q1 2025 to 650 kb/d over the remaining months in 2025. This is due to rising concerns about US tariffs and increasing adoption of EV. Larger-than-expected output hikes by OPEC+ is also expected to add downward pressure on oil prices.

The U.S. Energy Information Administration (EIA) forecasted the Brent crude prices to decline to an average of USD 62 per barrel in H2 2025 owing to concerns on rising oil inventories. The projected fiscal breakeven oil price and projected external breakeven oil price for Saudi Arabia is USD 92.3 per barrel and USD 85.4 per barrel in 2025.² This indicates a considerable gap in required versus actual oil prices for fiscal breakeven in the short to medium-term, eventually resulting in a budgetary deficit. However, on the back of efforts to diversify its economy towards non-oil sectors, Saudi Arabia funding needs in 2025 are estimated to be USD 37 billion (SAR 139 billion), according to its National Debt Management Center. Saudi Arabia plans to meet its funding needs through borrowings in the debt market.³

² IMF Regional Economic Outlook May 2025

³ Saudi Ministry of Finance/Zawya

Saudi Composite PMI (Jun 2022 – Apr 2025)



Source: IHS Markit, LSEG

Saudi non-oil economic activity as indicated by the Composite Purchasing Managers Index (PMI) stood at 55.6 in April 2025, the lowest level since August 2024. A slowdown in new order growth amid global economic tensions led to the fall. However, continued growth in output due to higher sales and the steep rise in employment numbers moderated the decline, indicating an overall increase in business activity. The PMI was above 50, which highlights the continuity of expansion phase of the country's economy.

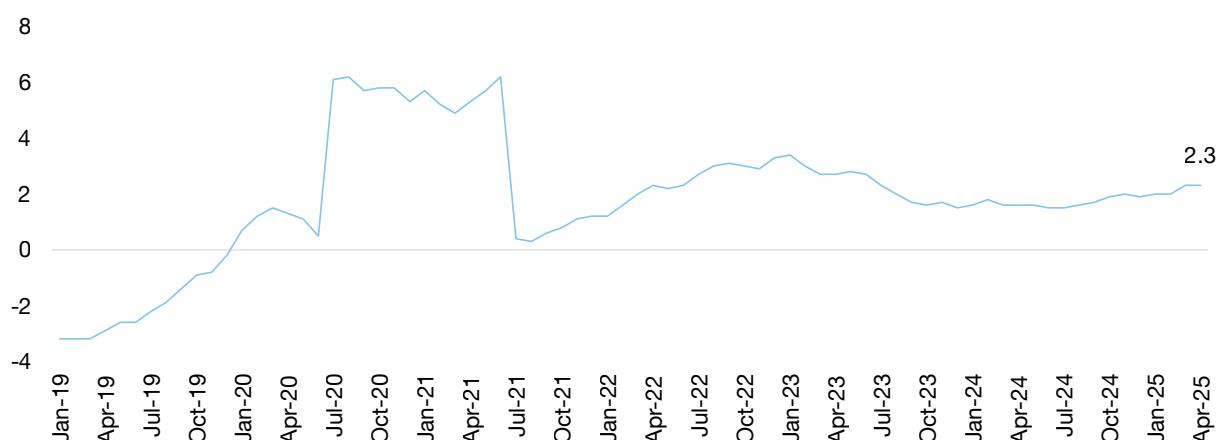
b. Inflation trended upwards in Q1 2025, propelled by Housing & Utilities segment

Inflation has continued to trend up in early 2025, registering an increase of 2.3% y/y in April 2025, its highest level since July 2023. The housing & utilities component recorded a 6.8% y/y increase, primarily driven by an 11.9% rise in apartment rental prices in April 2025. The housing & utilities component form a substantial part of the consumer price index, around 25.5%, thus having a significant impact on the overall inflation rate.

The food and beverages category rose by 2.2% y/y, largely due to a 9.4% increase in vegetable prices. The personal goods and services segment saw a 3.5% y/y increase, with the surge mainly attributed to a 21.9% rise in prices for jewellery, watches, and precious antiques. While the transport segment declined by 1% y/y, the furnishings and household equipment fell by 1.8% y/y in April 2025.

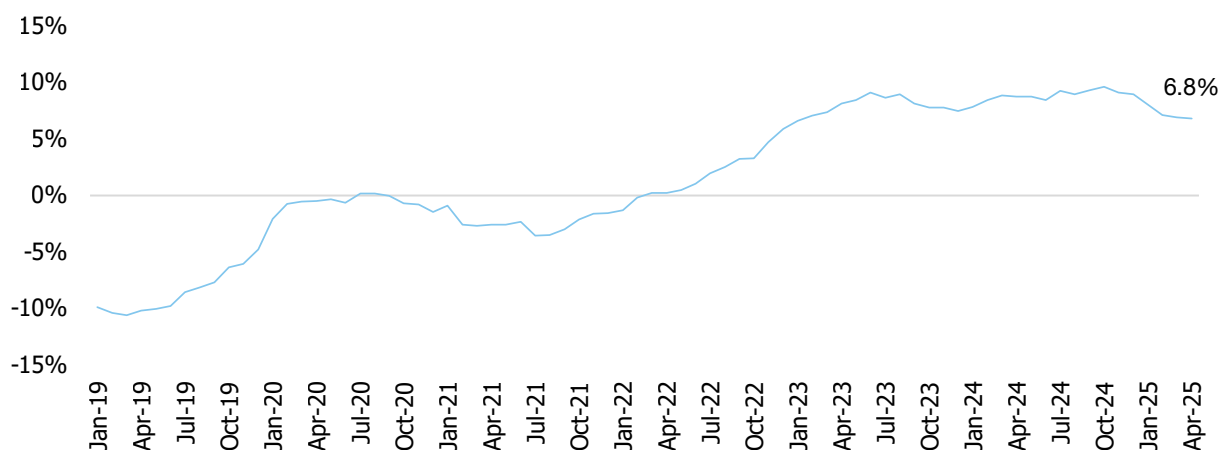
Overall, Saudi Arabia's inflation has inched up slightly in recent months. According to IMF, Saudi's inflation is expected to average at 2.0% in 2025.

Consumer Price Index Inflation (Jan 2019 - Apr 2025)



Source: LSEG

Housing & Utilities Price Change (Jan 2019 - Apr 2025)

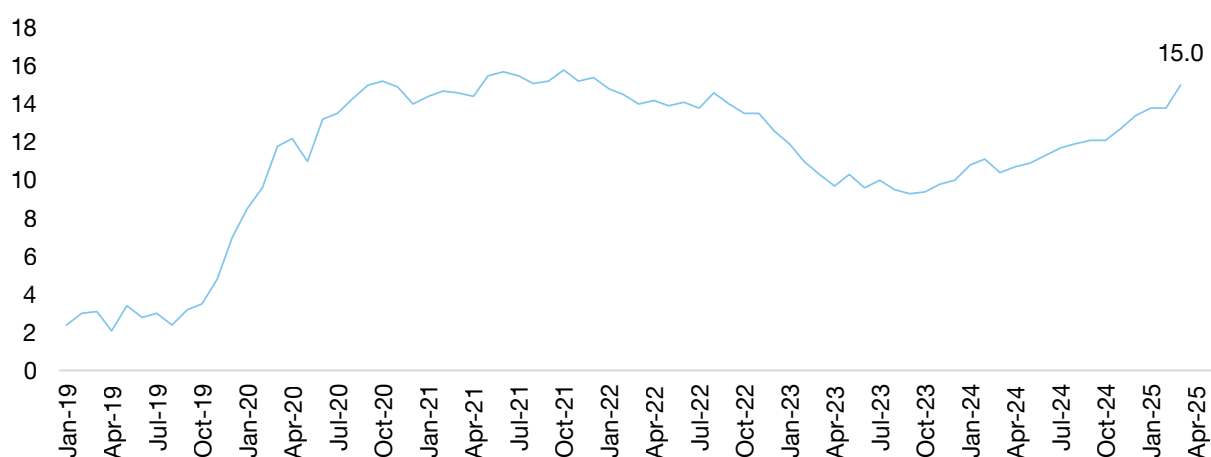


Source: LSEG

c. Credit growth continues at brisk pace supported by lower interest rates

Credit growth, as indicated by total commercial bank claims on the private sector, was 15.0% y/y in March 2025, the highest growth since December 2021. The credit growth rates are expected to continue to be at higher levels in 2025, driven by ongoing investment and financing activities aligned with the Kingdom's Vision 2030 initiatives. The Saudi Central Bank (SAMA) followed the U.S. Federal Reserve in easing monetary policy, thereby reducing its policy rates by 100 basis points in H2 2024 in three successive rate cuts between September and December 2024. The decline in policy rates contributed to economic growth in Q1 2025 and is expected to continue providing support throughout the remainder of the year, making financing attractive for the private sector as the cost of funding declines.

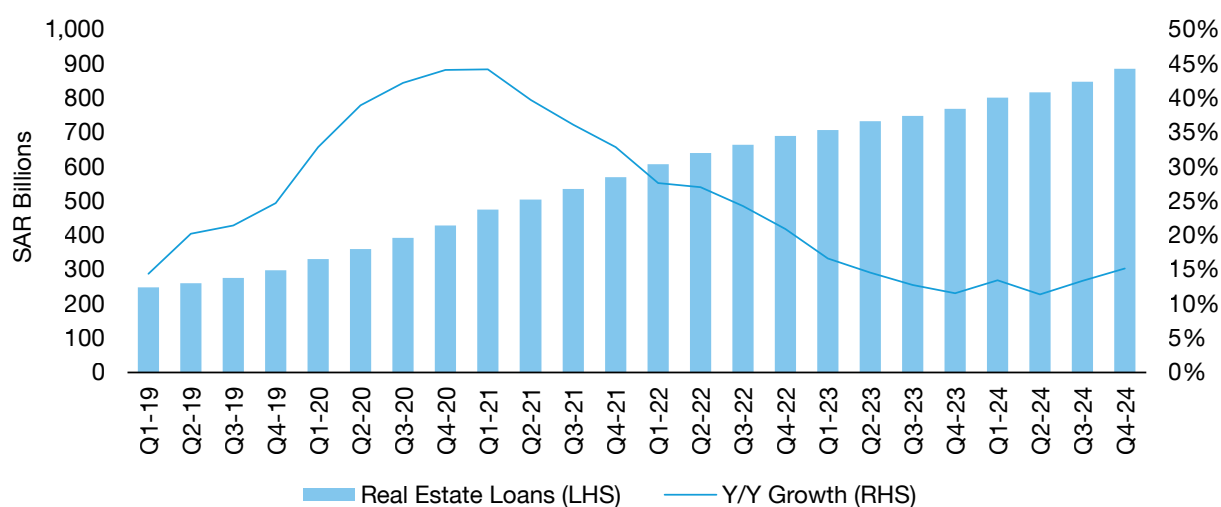
Bank claims on private sector (Jan 2019 – Apr 2025)



Source: SAMA, LSEG

Real estate loans offered by banks was SAR 883.2 billion at the end of Q4 2024, representing a growth of 15.1% y/y. Outstanding loans offered to retail customers was SAR 681.2 billion, a growth of 12.2% y/y and those to corporates stood at SAR 202.0 billion, at a growth of 26.2% y/y. Ongoing efforts to increase homeownership levels continued the momentum in mortgage lending activity. This reflects the continued impact of government initiatives aimed at expanding access to residential financing and promoting housing affordability.

Real Estate loans by banks (SAR billions & y/y change %)

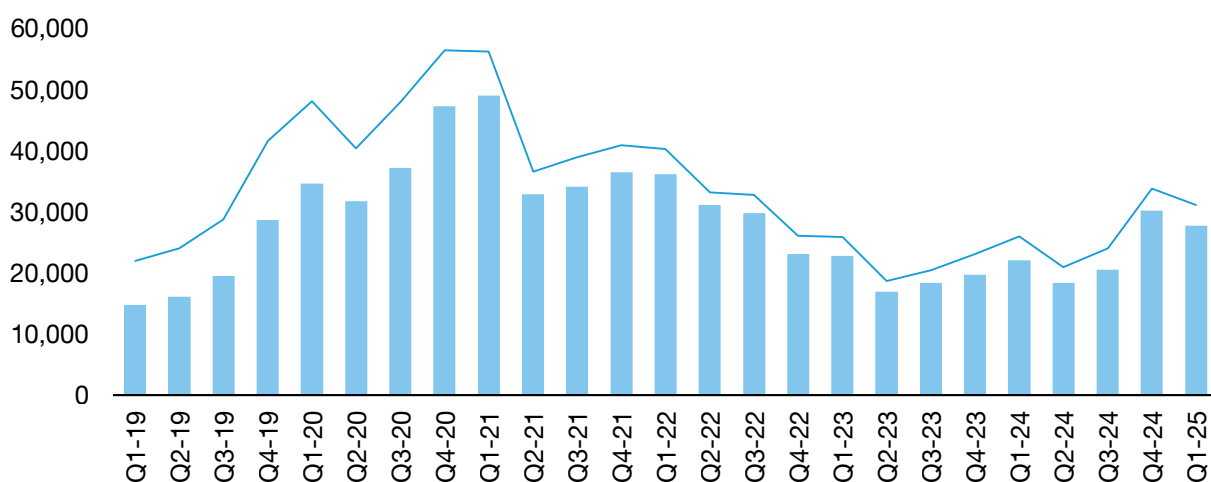


Source: SAMA

The value of new residential mortgages offered to individuals by banks stood at SAR 27.77 billion in Q1 2025, reporting an increase of 25.6% y/y compared to Q1 2024. The total number of mortgage contracts increased by 19.6% y/y in Q1 2025, standing at 36.28 million. The growth in mortgage lending has been primarily driven by supportive

government initiatives aimed at boosting homeownership, in line with national housing objectives. The home ownership rates in Saudi Arabia rose to 63.7% in 2023, up 16.7 percentage points from 2016, when the country has set 70% home ownership target for 2030. Based on current trends and factors like growing population, urban migration, and multiple government initiatives to achieve 70% home ownership levels would require 305,000 new houses within next decade in Riyadh to house Saudi nationals alone.⁴ To this end, The Crown Prince of Saudi Arabia has donated SAR 1 billion to support housing. While there are currently 33,000 units available for investments in Riyadh, between 60,000 and 70,000 new housing units would be introduced in Riyadh to meet demand. Regulatory reforms such as an increase in tax on undeveloped lands to improve land availability and to stabilize prices are also underway.

Number of new residential mortgage contracts and total outstanding mortgage value

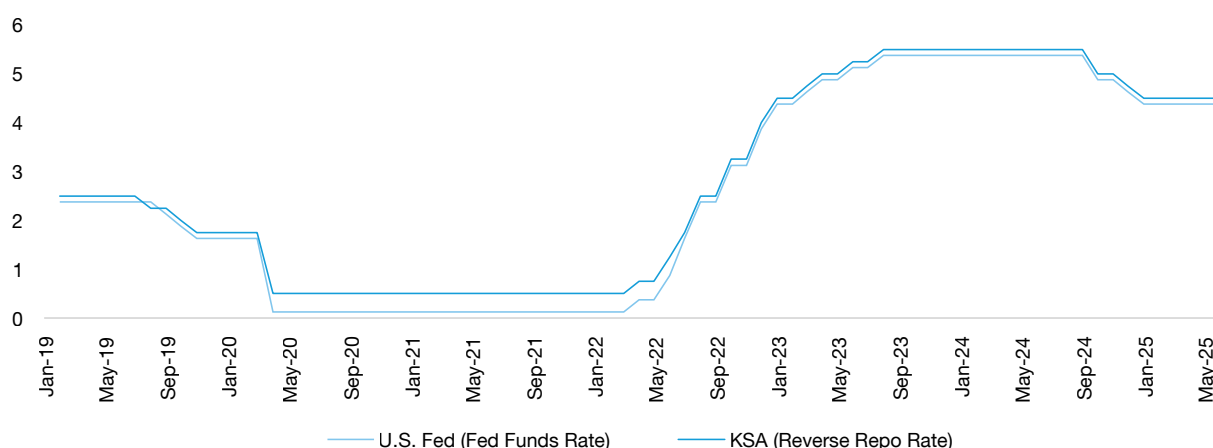


Source: SAMA

d. Interest rates have been steady in line with U.S Fed

The movement in KSA's policy rates have largely been in line with the change in U.S. Fed rate. Following U.S Fed's 100 bps rate cut over September – December 2024, Saudi Arabia's central bank had also lowered its reverse repo rate by 100 bps to 4.5%. The U.S Fed has maintained interest rates through January – May 2025, citing risk of inflation and slower growth amid policy uncertainty. Consequently, the Saudi Central Bank (SAMA) made no changes to its domestic policy rates, with the repo rate remaining at 5.0% and the reverse repo rate at 4.5%. Though the U.S Fed is expected to cut interest rates 50 bps in 2025, it remains susceptible to the impact of ongoing policy developments on economic growth and inflation. Overall, while lower interest rates relative to 2024 is likely to support credit growth, there is some uncertainty around further rate cuts by U.S Fed in 2025 and in turn by the Saudi central bank.

Interest Rates of KSA vs US (Jan 2019 – May 2025)

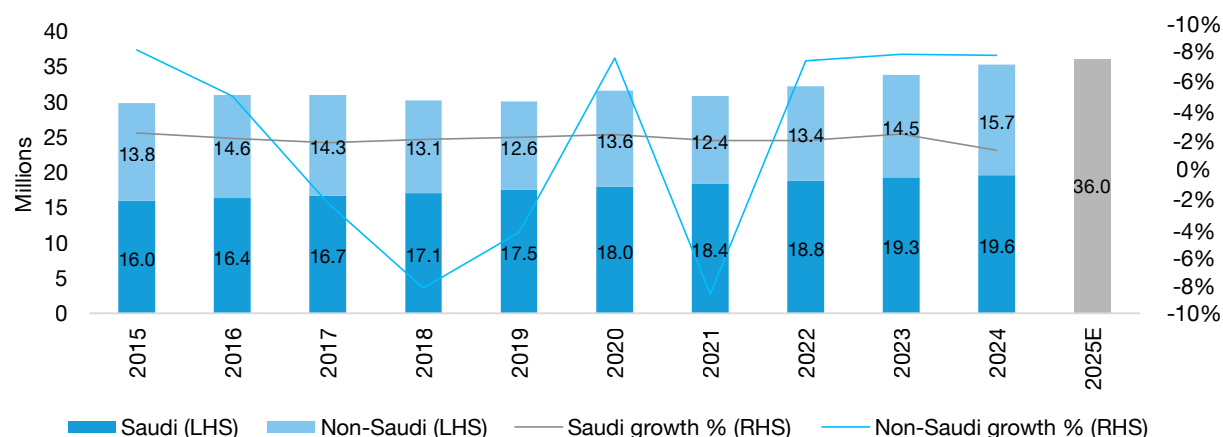


Source: LSEG

e. Population growth expected to be healthy amid favorable policy measures

Saudi Arabia's population grew 4.7% in 2024, reaching 35.3 million. According to the IMF, the population growth is expected to be stable at 2.0% in 2025 and 2026. With falling unemployment rates and a high young age population, where around 45% of Saudi nationals are under 20 years and 63% are under 30 years, the housing demand in the country is on the rise.⁵ Demographic expansion and urbanization are also propelling real estate demand. The country launched a campaign in April 2025 to attract foreign talent to special economic zones by offering tax exemptions, streamlined visas, and regulatory incentives. Premium Residency Program, which was aimed at attracting global talent by offering benefits such as exemption from expatriate fees and property ownership, is also progressing at a healthy pace. The country issued 8,074 residency permits under the program in 2024. Government initiatives under the Housing Vision Realization Program aim to meet this demand by increasing homeownership rates, thereby stimulating further growth in the real estate sector.

Saudi Arabia, Total Population (2015-2025E)



Source: GASTAT and IMF; Note: e – expected; Data for 2025 is sourced from IMF and breakup is not available.

⁵ Knight Frank

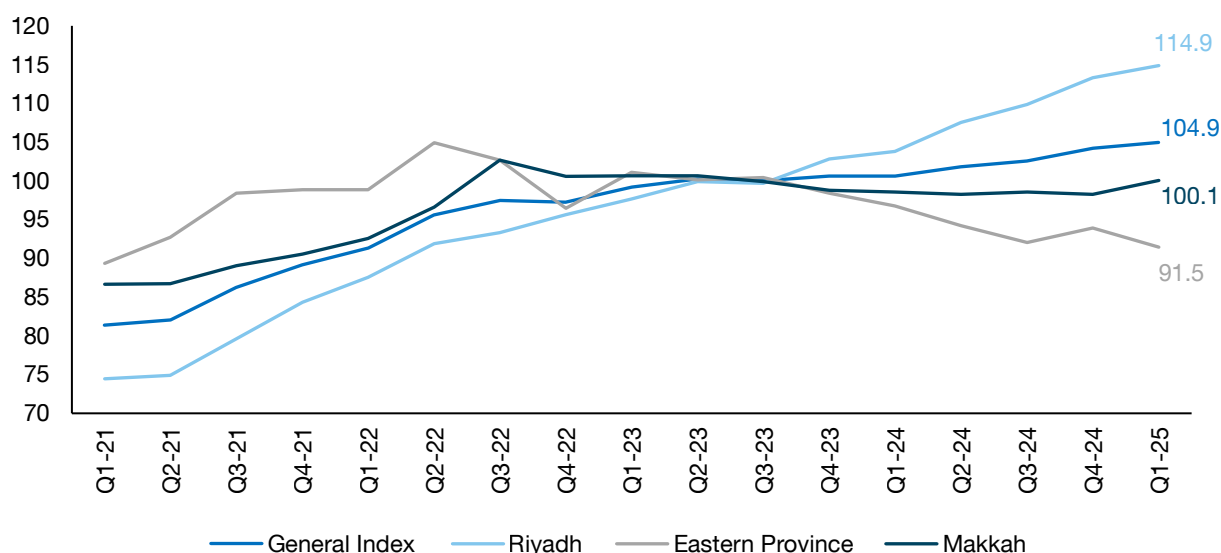
3. Real Estate land prices continue their uptrend

The real estate price index in KSA increased by 4.3% y/y in Q1 2025, driven by a 5.1% y/y increase in residential property prices and 2.5% y/y rise in the commercial sector property prices. The KSA real estate index is a measure of price changes in three major segments of real estate which are the residential, commercial and agricultural land segment, with the residential segment being a majority contributor to the index. Although the residential segment includes plots, buildings, villas, and apartments, 45.85% of the weightage is given to the price of residential land plots.⁶

In Q1 2025, the price of residential plots increased by 5.3% y/y while that of villas and apartments rose by 10.3% and 1.2% respectively on an annual basis. Commercial real estate prices increased by 2.5% y/y in Q1 2025, with prices of commercial land plots and building prices rising by 2.4% and 3.1% respectively.

Real estate prices in Saudi's capital (Riyadh) surged by 10.7% y/y in Q1 2025 amid sustained demand. In the backdrop of many companies establishing headquarters in the city under the country's Regional HQ program, migration of nationals to the city for reasons such as job opportunities and influx of foreign nationals, delays in Giga projects such as NEOM, scheduled hosting of FIFA World Cup in the city, Riyadh is emerging as epicenter of economic activity and infrastructure development in Saudi Arabia. While prices in Jeddah region (Makkah province) increased by 1.5% y/y, prices in the Eastern province continued to trend down, declining by 5.5% y/y during the quarter.

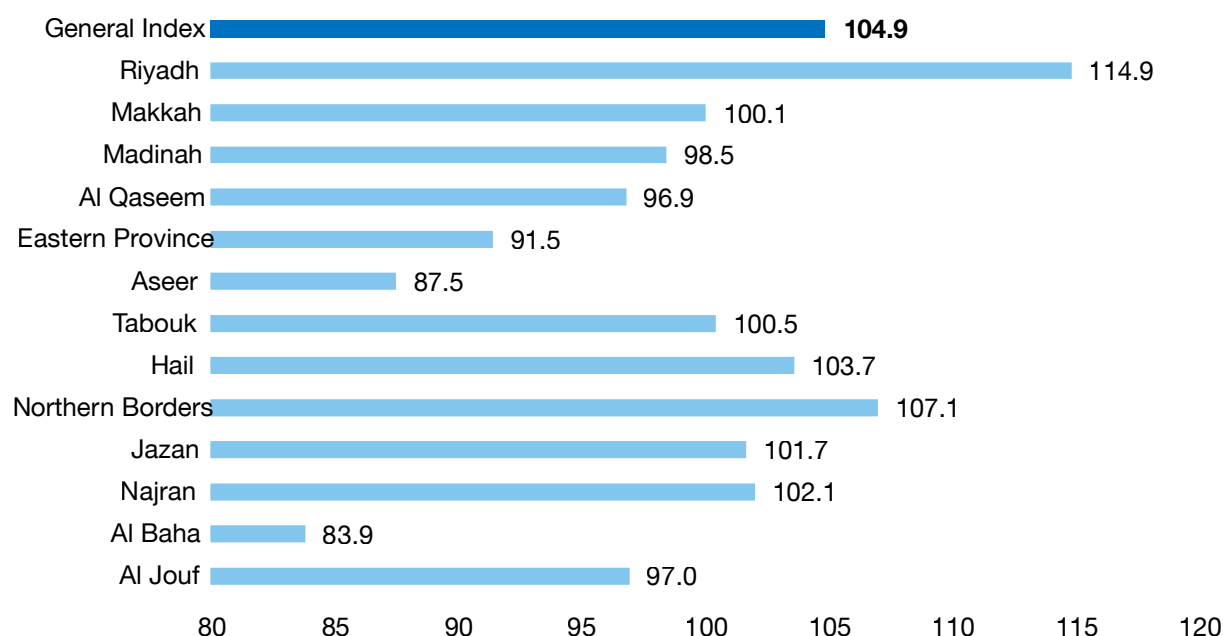
Saudi Real Estate Price Index (Q1 2021 – Q1 2025) (2023=100)



Source: General Authority on Statistics

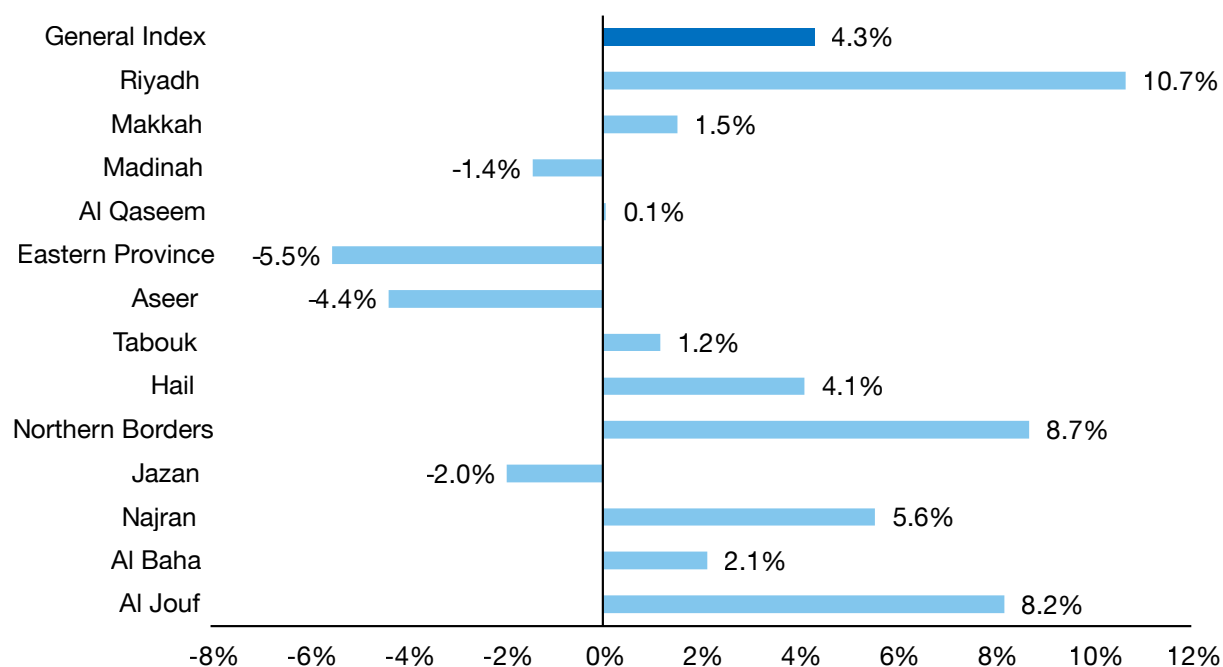
⁶ GASTAT

Real Estate Price Index by Administrative Region, Q1 2025 (2023=100)



Source: General Authority on Statistics

Real Estate Price Index (Y/Y change in %) by region – Q1 2025



Source: General Authority on Statistics

Sector-wise performance of KSA Real Estate

The Saudi Arabian real estate market continues to be favorable supported by sustained demand across sectors. Migration to cities, government measures such as Regional HQ program and thrust to mortgages continue to support the sector.

Performance of the Residential sector⁷

- The residential transaction volume in KSA increased by 19% y/y in Q1 2025, recording 59,287 deals. The residential transaction value stood at SAR 50.9 billion, marking a 21% y/y increase.
- Residential transaction volumes in Riyadh totaled 14,600 units, registering a decline of 15% y/y while transaction values rose by 3% y/y to SAR 21.0 billion mainly due to elevated prices. In Jeddah, transaction volumes grew by 34% y/y to 8,254 units and transaction values grew by 53% to SAR 10.3 billion. In the Dammam Metropolitan Area (DMA) in the Eastern Province, the number of transactions grew by 24% y/y to 3,427 units and the value of transactions rose by 21% y/y to SAR 4.0 billion.
- In Q1 2025, apartment prices continued to increase on an annual basis across most of the major markets – Riyadh (10.9%), Jeddah (1.3%) and Madinah (3.2%). Apartment prices in Makkah, however, declined by 1.8% y/y during the quarter.
- During the quarter, average villa prices rose on an annual basis in Riyadh (9.0%) and Jeddah (2.0%), but declined in Madinah and Makkah, falling by 1.0% y/y and 1.6% y/y respectively.
- The residential supply across Saudi Arabia in Riyadh, Jeddah, DMA, Makkah and Madinah stands at 3.5 million units in Q1 2025. It is expected that the total units shall reach 3.8 million units by the end of 2027.

⁷ Knight Frank

Office Sector Performance⁸

- Rents for Grade A properties rose by 11.0% y/y, reaching USD 609 per square metre per annum in Q4 2024 while rents for Grade B buildings increased by 19.8% y/y to USD 414 per square metre per annum in Q4 2024. Occupancy rates for Grade A offices were above 97% while Grade B occupancy rates were over 95% in Q4 2024. Demand for office space remained strong on the back of the Regional HQ initiative and positive business sentiment. Healthy demand amid limited supply continued pushing up rents during the quarter. Total available stock as of 2024 was at 7.6 million square metres, 888,600 square metres of new office space is expected to be live in 2025.
- In Jeddah, demand for premium spaces remained healthy, with Grade A office leasing rents up by 2.9% y/y in Q4 2024, reaching USD 365 per square meter. However, rents for Grade B office rents declined 6.8% y/y to USD 217 per square meter. Occupancy rates for both Grade A and Grade B spaces were at 95.1%. While total available stock as of 2024 was at 1.5 million square metres, 72,600 square metres of new office space is expected to be added in 2025.
- Companies such as Bank of New York Mellon, Seclore (a U.S based data security company), Apex Group, S&P Global, PepsiCO, Globant continued to establish regional HQ in Riyadh in H1 2025. As of March 2025, about 600 foreign companies have set up their regional headquarters in Saudi Arabia, exceeding the target of 500 under Vision 2030.

Performance of Industrial & Logistics Sector⁹

- Average industrial and logistics rents in Riyadh increased 16% y/y in H2 2024 to reach an average rate of SAR 208 per square metre. Rents for ready warehouses in Al Masani, Al Bariah, Al Faruq and Al Manakh areas grew by as much as 20% y/y in H2 2024. Prime properties in Eastern Riyadh continue to command higher rents, while Central Riyadh remained more affordable.
- Jeddah industrial and logistics average rents increased 1.3% y/y to SAR 235 per square metre in H2 2024. Rents were as high as SAR 387 psm in the Asfan area. Al Khomrah, which makes up 80% of the country's industrial and logistics leasable space, saw rents averaging around SAR 179 psm.

⁸ JLL

⁹ Knight Frank/CBRE

- The annual average industrial and logistics rents in Dammam increased by 14.8% y/y to an average of SAR 202 per square metre.
- Saudi Arabia's industrial and logistics sector has continued to grow in Q1 2024. The number of industrial facilities totaled 12,067 as of March 2025, marking an 8% y/y increase. The country issued 261 industrial licenses amounting to SAR 7.32 billion (USD 1.95 billion) in Q1 2025. The country's delivery sector also continued to remain robust, rising by 22% y/y in Q1 2025 to 79.6 million orders.
- Some key projects/commitments indicating upcoming industrial space include SAL's plan to establish a logistics hub spanning over 1.5 million square metres near Riyadh with investment of SAR 4.0 billion (USD 1.1 billion), USD 11 billion joint petrochemical complex from Aramco -Total in Jubail to produce ethylene, NEOM's Octagon Hub spanning 48 square kilometers etc. Saudi Authority for Industrial Cities and Technology Zones (MODON) also continued to make strides towards the sector's expansion with the launch of daily industrial cluster in the Al-Kharj Industrial City, signing of industrial contract for beverage manufacturing in Al-Ahsa spanning 116,000 sq.m, partnership with Datavolt for development of data center, launch of expression of interest phase for development of a logistics zone in Dammam etc.
- Saudi Arabia has also pursued measures such as launch of first industrial zone for aircraft manufacturing and maintenance in Jeddah, incentives package worth SAR 50 million (USD 13 million) for the industrial sector in H1 2024, aimed at enabling industrial sector's growth. These would in turn sustain demand for industrial real estate in the country.

Performance of Retail Sector¹⁰

- The retail market average rental rates in Riyadh were at SAR 2,360 per sq.m in Q1 2025. The occupancy rate stood at 96% during the quarter. While current supply in the market is at 452,800 sq.m, 232,000 sq.m of new supply expected to be live by 2027 comprising of Al Hamra Mall (89,230 sq.m), Norville in Hittin District (37,520 sq.m.) and O1 Square in Al Malqa District (35,960 sq.m).
- The average rent in Jeddah's retail space was at SAR 2,030 per sq.m. The occupancy rate was at 70%. Existing supply is at 217,700 sq.m with 162,900 sq.m expected to be live by 2027, comprising of Sunset Avenue (6,780 sq.m), Jeddah Cove Waterfront (70,000 sq.m) and Porta Jeddah (86,100 sq.m).

¹⁰ Knight Frank/ JLL/CBRE



- The growth of e-commerce and consumer preferences for experiential retail is shaping up the retail real estate segment with traditional malls seeing a decline in occupancy. The expected growth in supply also presents a key risk to the rents and occupancy rates in the medium term, particularly in slightly less popular locations.

Performance of Hospitality Sector¹¹

- Saudi Arabia's tourism and hospitality sector continued to expand in Q1 2025. International tourist arrivals in Q1 2025 increased by 48% y/y to 8.6 million, supported by the country's hosting of sports and events, corporate travel and broader thrust to leisure, cultural and religious tourism. In Q1 2025, Saudi Arabia recorded an 89% y/y increase in licensed hotels, resorts, and guesthouses.

¹¹ Knight Frank

- The average daily rate (ADR) for hotel rooms in Saudi Arabia was about SAR 800 as of March 2025, while RevPAR was about SAR 560. Occupancy rates stood at 70%. Supply as of March 2025 totaled 167,500 keys with supply of 99,500 keys under construction or in final planning stages.
- ADR for hotel rooms in Riyadh declined by 9.4% to about SAR 890 while its RevPAR decreased by 19.3% to SAR 530 as of March 2025. Occupancy rates were at 60%. While the current supply is less than 30,000 keys, it is expected to grow to over 40,000 by 2030.
- In Jeddah, both the average daily rate (ADR) and Revenue per Available Room (RevPAR) declined by 12.7% y/y and 11.3% y/y respectively to SAR 620 and SAR 400 respectively as of Q1 2025. The occupancy rate was 65% as of March 2025.
- In Makkah, ADR and RevPAR rose by 28.2% y/y and 33.6% y/y to SAR 860 and SAR 680 respectively as of Q1 2025. The occupancy rate was 78% as of March 2025. In Madinah, ADR and RevPAR rose by 10.7% y/y and 13.4% y/y to SAR 890 and SAR 720 respectively as of Q1 2025. Occupancy rate was 81% as of March 2025.
- International players such as Marriott International, IHG Hotels and Resorts, H World International are looking to expand operations in Saudi Arabia to tap the country's growing hospitality segment.
- While about 61% of the existing supply of keys in the hospitality sector caters to luxury and upscale segments, about 78% of the upcoming supply is also targeted towards these segments. Only 5% of the upcoming supply is geared towards the midscale segment.

Amendment to Idle (White) Land Fee Law

Saudi Arabia has amended its regulation on Idle (White) Land Fee Law to The Idle (White) Land & Vacant Properties Fees Law in April 2025. Earlier, idle lands – lands which were undeveloped land located within urban boundaries that is eligible for development – were taxed at 2.5% of land value annually. The country has increased the tax rate to 10% and has imposed the tax on vacant properties – buildings that have unused for an extended period without justification. The move is likely to increase supply and lower prices.

Comparison of New System to Earlier System

	Previous System	New System
Tax Rate	2.5% fixed rate annually on value of land	Up to 10% annually on the value of idle land
Vacant Properties	Excluded	Included; Annual tax levy of up to 5% on the rental value
Type of land	Residential or residential-commercial with urban area	All types of lands and properties within urban area
Tax Applicability	n.a	Applicable if total land area is over 5,000 sq.m

Source: Ministry of Municipality and Housing

The move is likely to increase the supply of land and buildings for sale or rent as owners look to sell or rent out unused land and buildings. While this would lower prices and thereby improve affordability, anticipation of a decline in prices would lower demand too. As it discourages speculative holding of assets, it would impact demand from such investors too.

Since its launch in 2016, the idle land fees law contributed to the development of land area spanning about 162 million sqm. While 75 million sqm of land has been developed, about 48 million sqm are under development and 39 million sqm of land has entered circulation. Fees from the project, which has amounted to over SAR 2.7 billion, have been used to fund the construction of over 134,000 residential and commercial units across 100 projects in different regions in the country.

Impact by Idle (White) Land Fee Law by region

Riyadh

- **Residential (Villas)** - Prices of residential villas have largely been on an uptrend in recent years, indicating positive demand. Hence additional supply is likely to be absorbed with prices likely to remain stable. Some decline in price may dampen demand in the short term on concerns of further drop in prices, such price declines would improve affordability and in turn boost demand in the medium term. While ongoing shift in demographics and lifestyle is currently driving demand for apartments, improvement in affordability of villas could play out in their favor in the eyes of the buyer.

- **Residential (Apartments)** – Amid ongoing healthy rise in price of apartments and apartments comprising of major portion of residential transactions, increase in supply is likely stabilize prices, with increased affordability further boosting demand.
- **Office** - Given the sustained demand for office spaces in the city under the Regional HQ Program, increased supply would likely be absorbed, with prices/rents likely to remain largely stable.
- **Retail** – Riyadh had seen slight decline in vacancy rates on annual basis as of Q1 2025. During the period, while super-regional malls and community malls have seen improvement in rents, regional malls have seen a slight decline. Hence, further increase in supply of retail spaces in thus is likely to pressure rents.

Mekkah/Jeddah

- **Residential (Villas)** - Jeddah's residential real estate prices have seen moderate improvement in Q1 2025, while transaction volumes had seen a steep rise. However, most of the demand was from apartments. Hence an increase in supply due to idle land law could place some pressure on villa prices.
- **Residential (Apartments)** – With prices seeing a moderate improvement on an annual basis in Q1 2025, while broader preference for apartments could lend some support, there could be some pressure on prices and transaction volumes, depending on quantum of increase in supply.
- **Office** – Given rising rents and limited stock in Riyadh, Jeddah's office market is favourably positioned. While occupancy rates do remain healthy, with additional supply, Grade B spaces may see some decline in rents.
- **Retail** – While Jeddah had seen improvement in its vacancy rates on annual basis as of Q1 2025, rents have either remained stable for super-regional malls but have declined for regional malls. Further increase in the supply of retail spaces in thus is likely to increase the pressure on rents.

How are the different sectors in real estate expected to fare in H2 2025 vs H1 2025?

Asset Class	H2 2025 vs H1 2025	Key Driver
Residential	Like H1 2025	In addition to secular trends such as growing population, positive economic growth, recent policies such as increase in tax levy on undeveloped land aimed at improving supply and in turn affordability, plans to pass off-plan real estate law, Premium Residency Program are likely to hold up demand for residential real estate. Any further decline in interest rates would lend additional support to demand. While affordability remains a concern, the country is taking steps such as price controls, unlocking land for development and investing in new housing projects to increase supply, which would in turn improve affordability.
Office	Similar to H1 2025	Demand for office spaces is likely to continue its upward trajectory amid the influx of global companies under the Regional HQ program and the prevailing positive business sentiment. Limited supply, particularly of prime spaces, would continue to hold up rents.
Industrial & Logistics	Similar to H1 2025	Government initiatives to localise manufacturing expand industrial and logistics spaces and sustained e-commerce demand would continue to support the segment.
Retail	Similar to H1 2025	Expansion of global retailers into the country, young population, rising preference for experiential retail and increasing inflow of tourists are likely to continue to lend support. Further decline in oil prices due to trade tensions could impact consumer and business sentiment in turn affecting spending/expansion plans.
Hospitality	Similar to H1 2025	Tourist arrivals are likely to continue to be strong as the country continues to make efforts such as Saudi Summer Program 2025 to attract tourists. Saudi Arabia would also be hosting events such as World Hydrogen Forum in H2 2025. The country expects to host 41 million visitors in 2025, according to its Minister of Tourism.

Source: JLL, Deloitte, Marmore Research

4. Real Estate in Saudi Arabia – Major News/Laws

Saudi Arabia allows foreign investments in Mecca and Medina real estate

- On 27th January 2025, Saudi Arabia announced that it would allow foreign investments in Saudi-listed companies that own real estate in Mecca and Medina. While direct property ownership remains off-limits, foreigners can buy shares or convertible debt, with ownership cap of up to 49%. Strategic foreign investors are also excluded from making investments.

Saudi Arabia to introduce new off-plan real estate law

- Saudi Arabia launched a one-month public poll to gather feedback on a new off-plan real estate law aimed at protecting buyers and preventing malpractice in the industry. The Real Estate General Authority (REGA) conducted the poll on its “Istitlaa” platform from 9 March to 8 April 2025, inviting input from both the public and private sectors. The draft law includes 55 procedural documents to regulate off-plan property sales, enhance governance,



and streamline licensing while also detailing developer registration and project delivery mechanisms.

ZATCA approves new real estate tax rules

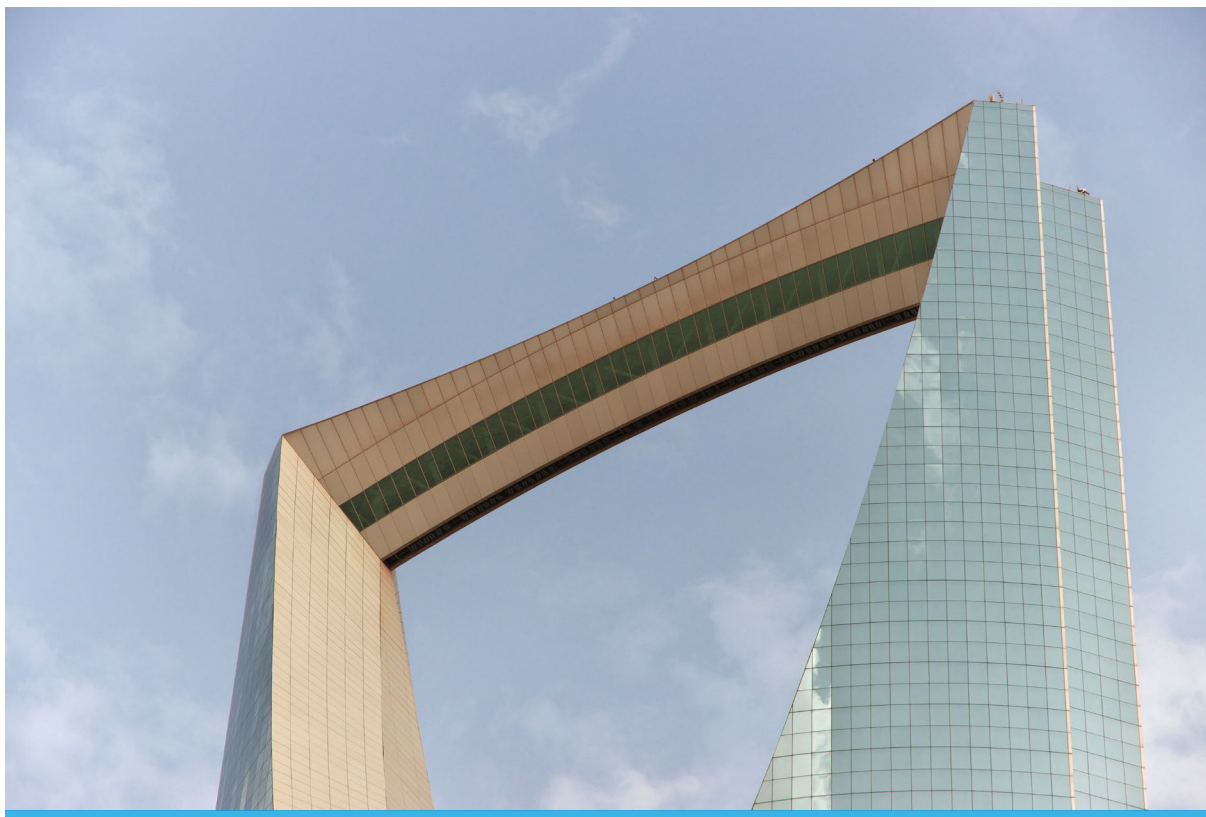
- Saudi Arabia had approved Real Estate Transaction Law in September 2024, and the law is effective from April 9, 2025. Zakat, Tax and Customs Authority has also approved the Real Estate Transaction Tax (RETT) Implementing Regulations which would be effective from April 09, 2025. The law and its implementation regulations aim to provide a clear legal framework for RETT and expand tax exemptions. Under the law, exemptions include inheritance, endowments, and transfers between close relatives. It includes clearer tax rules and fair market value checks while also reducing delayed tax payment fines from 5% to 2%.

Saudi Arabia quadruples White Land Tax to 10%; Introduces new levy on vacant properties

- Saudi Arabia approved a significant reform of its real estate tax policy, increasing the tax on White Lands (vacant undeveloped lands) from 2.5% to 10% annually and introducing a tax on vacant, unused properties for the first time. The revised policy also broadens the tax scope to include all undeveloped land fit for construction, moving beyond the previous focus on just residential and commercial plots. Ready-to-use vacant buildings are to attract 5% of rental value in annual levy. Regulations governing vacant property taxation are expected within one year, according to SPA.

NHC signs SAR 30 billion in real estate and industry agreements at future forum 2025

- Saudi Arabia's National Housing Company (NHC) secured nearly SAR 30 billion in agreements and MoUs with public and private sector partners during the Real Estate Future Forum 2025. The deals aim to boost local content, streamline real estate supply chains, and promote innovation. Key partnerships include collaboration with the Ministry of Industry and Mineral Resources to support the Industrial Links Program, and another with KACST and Al Saif Company to adopt advanced off-site construction technologies, reinforcing the country's push toward sustainable and efficient development.



Tameer Vision Real Estate and Huawei partner to build 5,000 future-ready residential units in Saudi Arabia

- On 18 February 2025, Tameer Vision Real Estate and Huawei announced partnership to equip next-generation residential buildings in Saudi Arabia with Huawei's Fiber-to-the-Room (FTTR) technology, supporting the Kingdom's Vision 2030 and the Ministry of Communications' 10Gbps Society initiative. The partnership aims to deliver over 5,000 FTTR-ready units by 2035, enhancing digital infrastructure and future-proofing homes.

Cenomi Centers and Westfield partner to transform Saudi retail landscape

- Cenomi Centers has signed 10-year exclusive franchising and strategic partnership agreement with Unibail-Rodamco-Westfield (URW) to bring the globally renowned Westfield brand to Saudi Arabia, with an option to extend for another decade. The deal gives Cenomi Centers exclusive rights to the Westfield brand in the country and includes access to URW's expertise in leasing, operations, marketing, and retail media. The first three malls namely Jawharat Riyadh, Jawharat Jeddah, and Nakheel Dammam will be rebranded as Westfield centers, with plans to rebrand up to eight malls in total.

Morocco's TGCC enters Saudi market via strategic pact with Naif Alrajhi Investment

- TGCC, Morocco's leading construction company, has entered the Saudi Arabian market through a strategic alliance with Naif Alrajhi Investment. Under this agreement, TGCC's Middle East branch will participate in the execution of various construction projects led by the Saudi investment firm.

Riyad Capital launches SAR 1 billion Shalalat Abha project in Aseer

- Asset manager Riyadh Capital launched its flagship project, Shalalat Abha, with an investment exceeding SAR 1 billion (USD 266.4 million) in partnership with Mdr Development, covering over one million square meters in Abha city.

Private buyers to inject USD 1.22 billion into Saudi residential market, with NEOM leading demand

- According to Knight Frank, Saudi Arabia's residential real estate sector is set to receive a significant boost, with private buyers projected to invest USD 1.22 billion in 2025. The report highlights NEOM, the Kingdom's flagship mega-city along the Red Sea as the top choice among homebuyers. Despite a decline in popularity from previous years, NEOM remains the most desired location for high-income individuals looking to purchase residential properties.

5. Markaz Real Estate Macro Index

‘Markaz Real Estate Macro Index’ helps investors in identifying the current state of the real estate market using a list of economic indicators such as Oil and non-Oil GDP growth, inflation expectations, money supply growth, jobs generated etc. Historical data along with estimates for 2025 were considered and a qualitative rating (strong, moderate, neutral, subdued & poor) was assigned considering the historical information, current environment and future expectations.

Macro-Economic factors that matter

Economic Factors	Weightage Assigned	Rationale
GDP Growth (Oil & Non-Oil)	25%	Strong economic activity bodes well for real estate. Higher economic growth usually leads to demand for commercial real estate and growing incomes would spur activity on the residential segment.
Inflation	15%	Real estate acts as a natural hedge against inflation, as rents typically increase during times of inflation. Strong, stable inflation is generally positive for real estate.
Money (M2) Supply Growth	10%	Higher growth in money supply is a leading indicator of economic activity.
Jobs created	10%	The number of jobs created serves as a useful indicator for real estate demand.
Population Growth	10%	Increasing population is directly related to real estate growth and residential demand.
Investments	10%	Investment serves as a proxy for project activity and infrastructure development that shall directly stand to influence the real estate markets through job creation and increased economic activity.
Fiscal Position	10%	Expansionary fiscal policy signifies the active role of government to support the economy through increased investments. A positive for real estate and government spending entails improvement to physical & social infrastructure and unlocks the value of nearby lands.
Interest Rates	10%	Changes in interest rates impact real estate investments. Higher interest rates translate to higher mortgage costs thereby reducing demand for home buyers.

Source: Marmore research

For each qualitative score, a quantitative score was assigned with 'Strong' being assigned a top score of '5' and 'Poor' assigned a value of '1'. A weighted average score was computed based on the weights as provided in the table below.

Saudi Arabia Macro-Economic Factor Assessment										
Economic Factors	2019	2020	2021	2022	2023	2024f	2025f	2026f	Qualitative Take	Quantitative Score
Oil (Real) GDP Growth	-3.3%	-6.9%	1.2%	15.0%	-9.0%	-4.5%	2.0%	5.0%	Moderate	4
Non-Oil (Real) GDP Growth	2.8%	-2.3%	5.6%	5.3%	3.8%	3.9%	3.1%	3.3%	Moderate	4
Fiscal Position, % of GDP	-4.2%	-10.7%	-2.2%	2.5%	-2.0%	-2.8%	-4.9%	-4.9%	Neutral	3
Investments (as % of GDP)	28.3%	27.7%	25.4%	26.4%	29.3%	30.3%	31.7%	32.2%	Moderate	4
Money Supply, M2 y/y	7.1%	8.3%	7.4%	8.1%	7.6%	8.8%	9.7%	7.7%	Moderate	4
Inflation	-2.1%	3.4%	3.1%	2.5%	2.3%	1.7%	2.0%	2.0%	Moderate	4
Interest Rates (%) *	2.2	0.7	0.5	2.1	5.2	5.3	4.4	3.7	Neutral	3
Yearly Population Growth	-0.4%	5.0%	-2.4%	4.5%	4.7%	4.7%	2.0%	2.0%	Neutral	3
Jobs created (in '000s)	534	919	235	968	3,001	1,032	(524)	437	Moderate	4
									Overall Score	3.70
Source: IMF, GaStat, ILO, Marmore research; Note: *Average monthly Interest Rate for the respective year is considered. So, despite three rate cuts factored for 2024, the average interest rate for 2024 is higher than 2023										

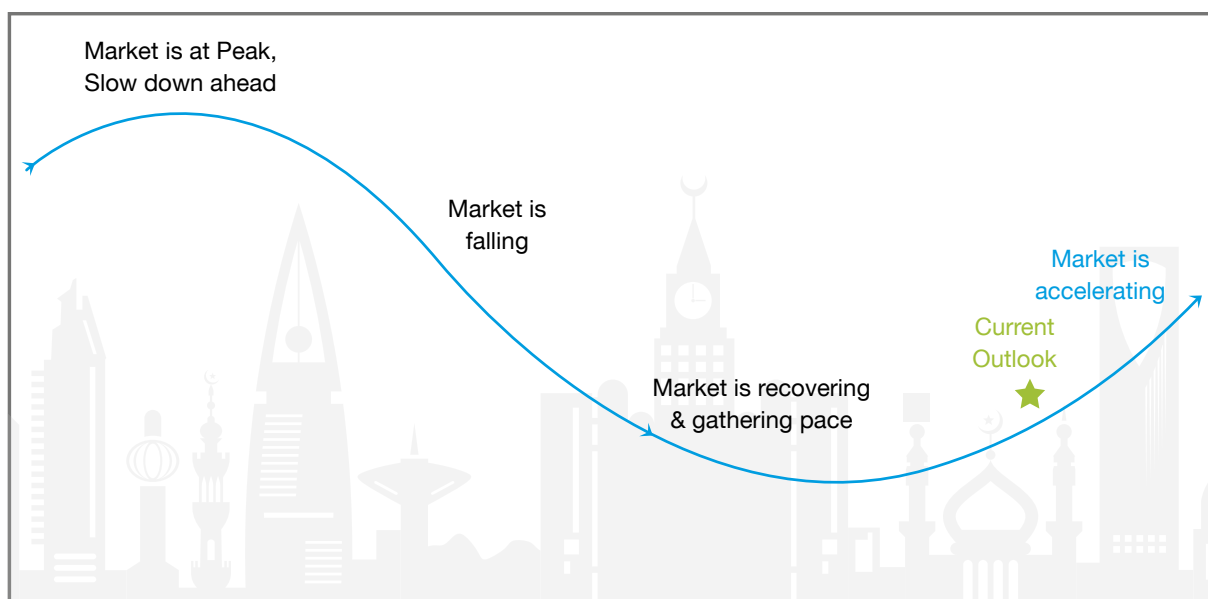
The state of the real estate market was categorized into four distinct phases as shown below.

Market Phases

From	To	Market Phase
4.3	5.0	Market is at peak, slowdown ahead
3.5	4.3	Market is accelerating
2.8	3.5	Market is recovering & gathering pace
Less than 2.8		Market is Falling

Source: Marmore research

Markaz Real Estate Outlook based on Macro Economic Indicators



Source: Marmore Research

Saudi Arabia Markaz Real Estate Macro Index Scores (2023-2024)

Macro indicators	H2 2024	H1 2025	H2 2025
Oil Real GDP Growth	3	4	4
Non-Oil Real GDP Growth	4	4	4
Fiscal Balance	3	3	3
Investments	4	4	4
Money Supply, M2 (YoY)	4	4	4
Inflation	4	4	4
Interest Rate	3	3	3
Population growth	3	3	3
Jobs created	4	4	4
Overall Score	3.55	3.70	3.70

Source: Marmore research

Conclusion

Saudi Arabia's economic performance is expected to be positive in 2025, amid uptick in oil GDP and stable non-oil economic growth. Oil GDP growth is expected to rise by 2.0% y/y supported by the unwinding of production cuts by OPEC+. Inflation in Saudi Arabia has witnessed some uptick in Q1 2025 and is expected to average at 2.0% y/y in 2025. Credit growth in the private sector has increased at a healthy pace in early 2025 amid lower interest rates compared to H1 2024. While the U.S Fed has projected two rate cuts for 2025, interest rate trajectory would depend on the impact of ongoing policy decisions on economic growth and inflation. A positive economic outlook would support demand for commercial real estate spaces, while a rise in income would keep up demand in the residential segment. A further decline in interest rates, if any, would improve demand for mortgages and real estate loans.

Saudi real estate sector performance continued to be largely positive on the back of sustained demand across residential and commercial spaces. Lower interest rates supported mortgage lending, in turn holding up demand for residential real estate. While transaction values rose across key markets in Q1 2025, the number of transactions had declined in Riyadh, likely due to elevated prices. The commercial and industrial sector continued to benefit from government initiatives and positive business sentiment.

Real estate segments are largely likely to hold up their performance in H2 2025 supported ongoing government initiatives. While the impact of trade tensions on oil prices and business and consumer sentiments presents some risk, any further decline in interest rates would support real estate demand. Demand for retail spaces is likely to remain stable amid consumer preference for experiential retail. Increasing attractiveness of Saudi as a tourism hub is also expected to support hospitality segment. With new projects in the pipeline in retail and hospitality segment, there might be some pressure on rents in the medium term.

Based on our assessment of various macroeconomic factors, we believe that the real estate sector in Saudi Arabia is accelerating and is expected to grow further in H2 2025. While economic growth supported by unwinding of production cuts, sustained positive performance of non-oil sector, government initiative towards the sector's improvement, favourable view of foreign companies are positive indicators for the sector, uncertainty over U.S policy, trade tensions and their impact on global growth and oil prices pose some challenges.

Summary – KSA Markaz Real Estate Macro Index

Macro indicators	Outlook (H2 2025 & beyond)	Quantitative Score
 Oil Real GDP Growth	Moderate	4
 Non-Oil Real GDP Growth	Moderate	4
 Fiscal Balance	Neutral	3
 Investments	Moderate	4
 Money Supply, M2 y/y	Moderate	4
 Inflation	Moderate	4
 Interest Rates	Neutral	3
 Population growth	Neutral	3
 Jobs created	Moderate	4
Overall Score		3.70

Source: Marmore Research

Our Other Real Estate Reports



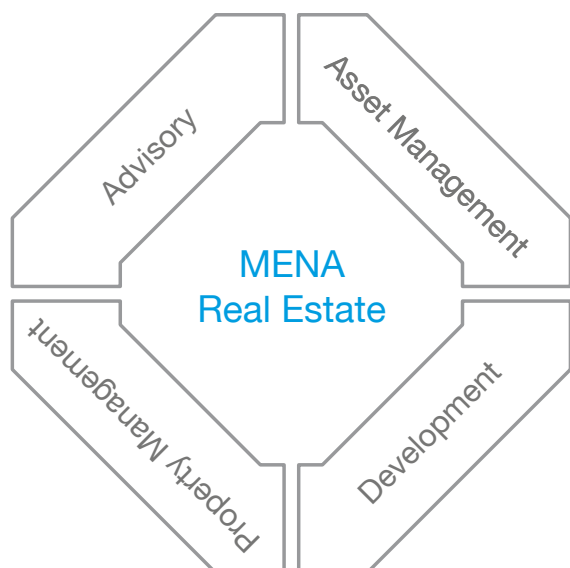
**UAE Real Estate Report H1 2025
Review and H2 2025 Outlook**



**Kuwait Real Estate Report H1 2025
Review and H2 2025 Outlook**

Markaz Real Estate Capabilities: Management Team

With a team of 27 professionals, Markaz MENA Real Estate provides a fully integrated insights and services to managing real estate funds



Team of 27

- Investment
- Project Management
- Financial Management
- Administration

Kuwait HQ

- Riyadh KSA - 2006
- Khobar KSA - 2006
- Abu Dhabi - 2010
- Dubai - 2014

Markaz provides great value through:

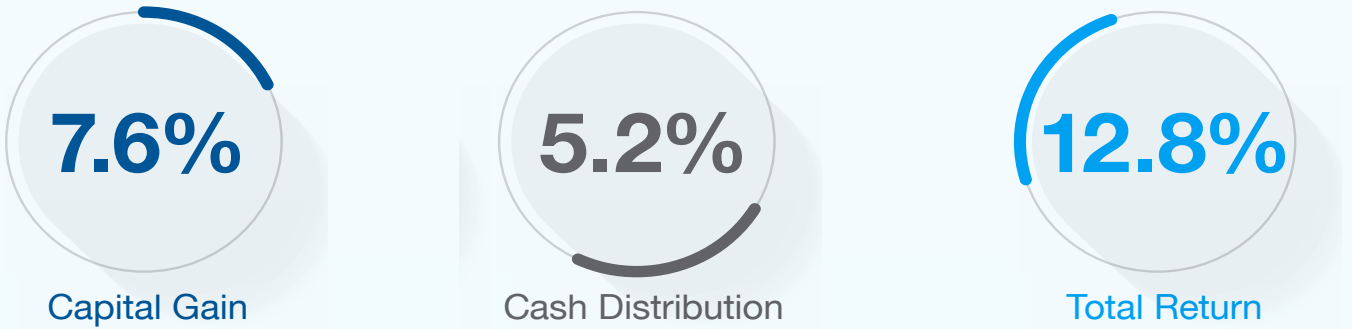
- Governance
- Experience
- On the ground presence
- Hands-On approach
- Developed Systems covering
 - Operations,
 - Maintenance,
 - Financial management, &
 - Administration
- Software Support

Markaz Real Estate Fund (MREF)

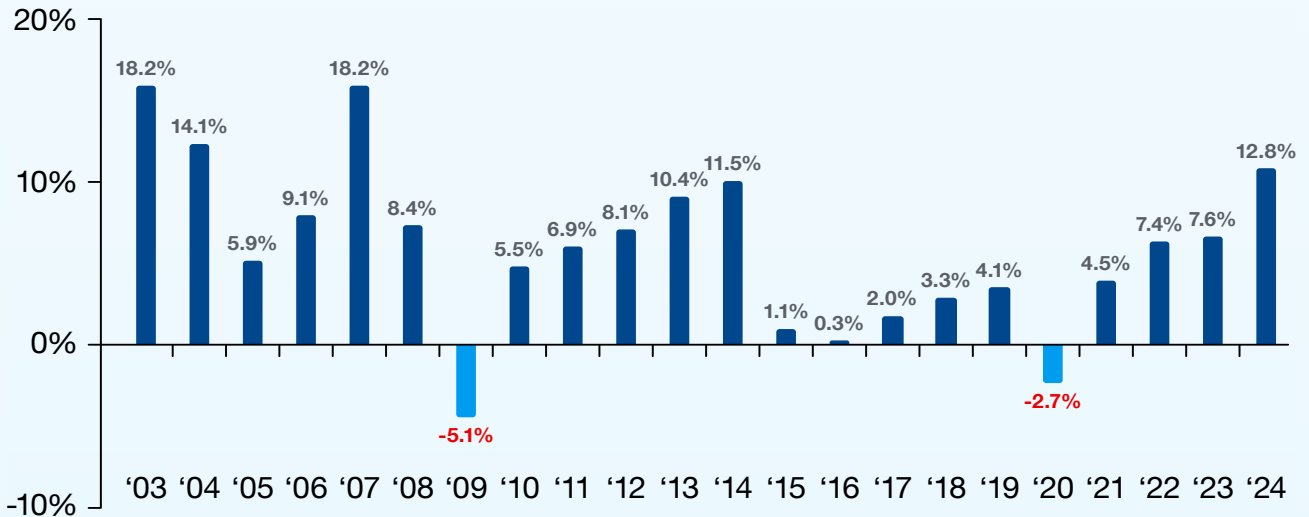
Shariah compliant fund, owns income-generating properties in Kuwait

12.8% Total Return in 2024

7.7% IRR per annum over 22 years



Annual Total Return (%)



Disclaimer: Investments are subject to risk; investment returns and performance are difficult to predict and are not guaranteed. Prospective investors are required to review the offering documents and consult their Advisors to evaluate suitability of any proposed investment opportunity. Please review the disclaimer and important information and Fund's performance on the Fund's website page at: markaz.com/MREF

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