



KSA Real Estate Report

H1 2026 Review and H2 2026 Outlook

August 2026

المركز
MARKAZ

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1. Executive Summary

KSA REAL ESTATE SNAPSHOT

H1 2026 Review | H2 2026 Outlook | Stable market, selective growth

 MACRO INDEX 3.3 / 5.0 H2 2026 score	 MOMENTUM 3.7 → 3.3 Softened from H1 2026	 MARKET PHASE STABLE 2.8 to 3.5 range
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KEY TAKEAWAY

Saudi Arabia's real estate market remains stable, but growth is driven by policy-support and structurally resilient segments.

Sector Heatmap

Sector	Status	Driver	Impact
 Residential	Cooling	Affordability reset	Sales weaker than rentals as buyers pause and rental absorption stays resilient.
 Office	Resilient	RHQ + technology demand	Riyadh Grade A occupancy remains around 98%, supporting prime rents.
 Industrial & Logistics	Outperforming	Trade-route reconfiguration	Red Sea rerouting and port-linked demand support logistics rents.
 Hospitality	Mixed	Domestic travel + pilgrimage	Domestic demand and the 150m visitor target support long-term growth.

Policy & Capital Catalysts

 Foreign Ownership Ownership opened across 170 designated zones, creating a channel for global private capital once conditions stabilize.	 Rent Freeze + Vacant Fee Measures reduce scarcity-driven pressure, push idle stock into use, and accelerate the residential affordability reset.	 Vision 2030 Policy alignment supports RHQ offices, logistics, tourism-linked assets, and affordable housing.
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H2 2026 Outlook

Likely Outperformers	Grade A offices, logistics, affordable housing, and tourism-linked assets.
Watchpoints	Residual conflict effects, financing conditions, construction costs, and selective capital deployment.

2. Saudi Arabia Macroeconomic Views

H2 2026 signal dashboard for real estate market outlook

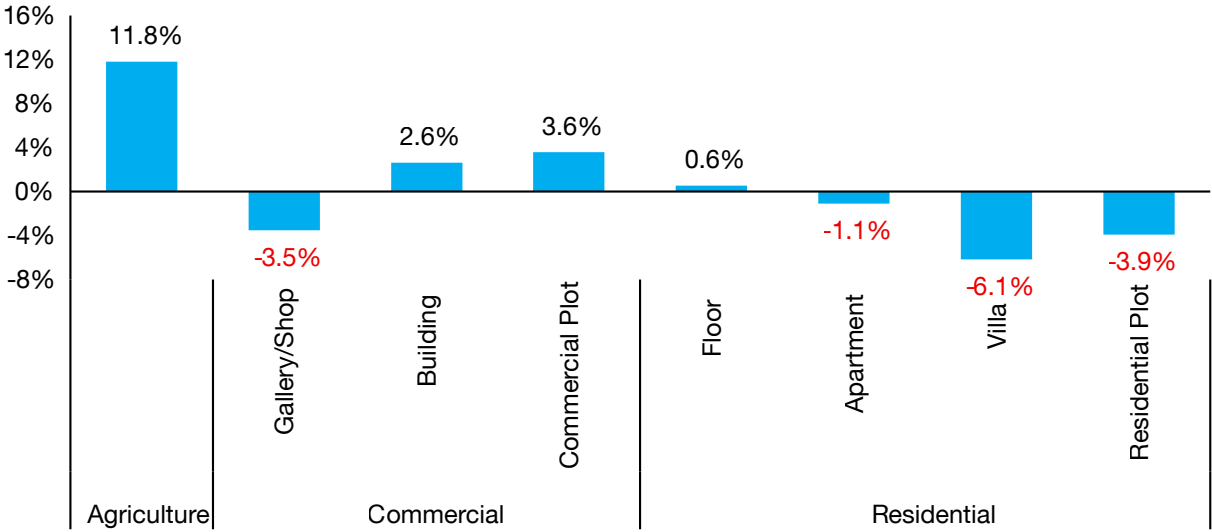
 Overall Tone Moderate to Neutral Growth supported, but policy and cost pressures remain watchpoints	 Supportive Factors GDP recovery, investment, jobs, reforms	 Watch Factors Fiscal deficit, rates, inflation, population stability
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Indicator	Status	Driver
 Real GDP Growth	Moderate	Oil output and trade disruptions weighed on growth, but recovery is expected as tensions ease.
 Fiscal Position	Neutral	Higher oil prices may narrow the deficit, with debt markets likely used for funding support.
 Investments	Moderate	Government-led diversification investments expected to continue offering support for capital formation.
 Inflation	Moderate	Inflation expected to rise only moderately as suppliers absorb higher import and supply-chain costs.
 Interest Rates	Neutral	SAMA is expected to hold rates in line with the U.S. Fed amid inflation concerns.
 Population Growth	Neutral	Population growth expected to remain stable, supported by RHQ activity and talent attraction measures.
 Job Creation	Moderate	Job creation expected to stay moderate, supported by Vision 2030 and privatization initiatives.
 Government Reforms	Neutral	Recent reforms should improve transparency, foreign ownership access, and sector investment.

3. Saudi Real Estate Market Overview

Saudi Arabia’s Real Estate Price Index declined by **1.6% y/y** in Q1 2026.¹ The underlying data shows a clear divergence by asset type. Prices of agricultural land, commercial plots, and commercial buildings rose during Q1 2026. Residential villas and residential plots were the key drivers of the overall index decline.²

Saudi Arabia Real Estate Price Index – by Asset Type (Q1 2026)



Source: General Authority for Statistics

At the regional level, only the Eastern Province (+6.9% y/y) and a few smaller markets recorded price gains in Q1 2026. Riyadh (-4.4%), Madinah (-5.0%), and Al Qaseem (-5.1%) recorded the steepest declines among major markets.³ Price declines were strongest in markets where property prices had increased the most between 2019 and 2025.

Key Policy Shifts

- In January 2026, KSA opened real estate ownership to foreign individuals and companies across 170 designated zones (Muslim buyers only in Makkah and Madinah). Knight Frank estimates this could unlock USD 6.3 billion of private global capital once regional conditions stabilize.⁴
- A new vacant-property fee (approved in May 2026 and capped at 5% of a property’s value annually) aims to push idle stock into use across both the residential and commercial segments discussed below.⁵

^{1 2 3} GASTAT

⁴ Knight Frank

⁵ Saudi Ministry of Municipalities and Housing

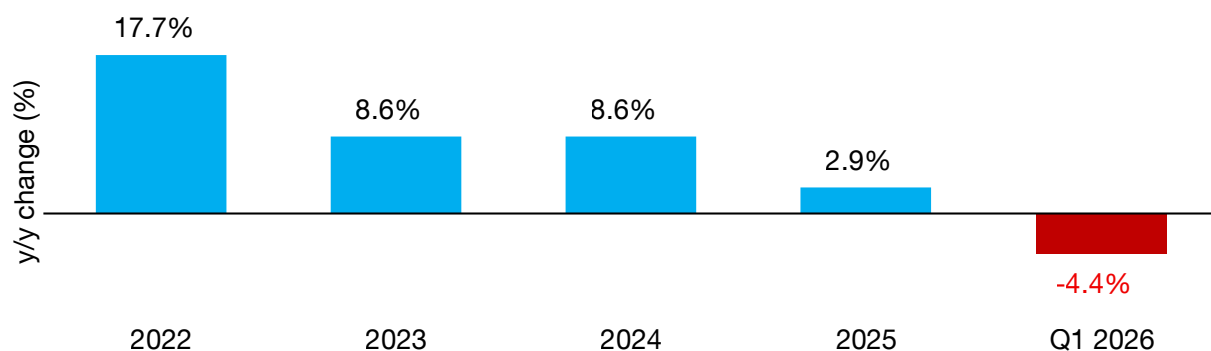
4. Residential

Residential Market: Price Growth and Q1 2026 Correction

Riyadh's residential real estate growth was supported by policy-led demand. Since 2017, Sakani, the flagship Vision 2030 housing programme run jointly by the Ministry of Municipalities and Housing and the **Real Estate Development Fund**, has increased the national homeownership rate from 47% in 2016 to 65.4% in 2026. This places the market within reach of the 70% target.⁶ The programme was supported mainly by subsidized mortgages that cover 35%-100% of financing profit on amounts up to SAR 500,000.⁷

Riyadh also benefited from strong demographic and corporate relocation trends. The city's population is projected to rise from approximately 7 million in 2022 to 9.6 million by 2030, representing a compound annual growth rate of 4.0%.⁸ The Regional Headquarters programme has attracted thousands of relocating professionals since 2021. **Giga-projects such as New Murabba**, a USD 50 billion modern downtown project in Riyadh, added further confidence to the long-term market outlook.⁹ As a result, residential prices increased faster than incomes, making homes less affordable.

Riyadh Residential Price Index (y/y changes, %)



Source: GASTAT

In Q1 2026, demand remained supported by population growth and RHQ-linked migration. However, affordability and government policy became the main factors affecting prices. Wages did not keep pace with the near doubling of property prices since 2016-17. By late 2025, the government introduced measures to cool the market. These included a **five-year rent freeze in Riyadh from September 2025**

⁶⁷ Saudi Vision 2030

⁸ Knight Frank

⁹ Saudi Vision 2030

and a **vacant-property fee approved in May 2026**, capped at 5% of property value annually.¹⁰ These measures were designed to bring idle stock into the market and reduce upward pressure from supply constraints. The weaker Q1 2026 data reflects government measures to cool the market, together with uncertainty caused by regional tensions.

Mortgage and Transaction Activity: Q1 2026 Slowdown

Residential mortgage lending fell sharply in Q1 2026 as elevated prices, tighter affordability, and still-high borrowing costs outweighed SAMA's 2025 rate cuts.

KSA Residential Mortgages and Transaction Value (Q1 2026)

New Residential Mortgages (Q1 2026)	Residential Transaction Value (Q1 2026)
SAR 16 billion	SAR 82 billion
-43.3% y/y	-4.5% y/y

Source: SAMA

Demand from people buying homes to reside has remained resilient. The demand slowdown is primarily coming from investors and developers. **Land transactions** (which face higher demand from investors and developers) were the main driver of the sales decline in the residential segment in Q1 2026, with volume of transactions declining by 50% y/y and values declining by 62% y/y.¹¹

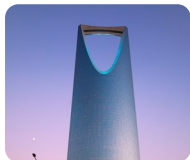
The vacant-property fee and the Riyadh rent freeze have also encouraged buyers and investors to delay new capital commitments.

¹⁰ Reuters, Saudi Ministry of Municipalities and Housing

¹¹ SAMA

Regional Market Performance: City-Level Differences

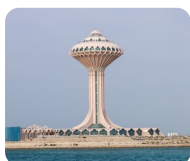
The four major markets, Riyadh, Jeddah, Dammam, and Al Khobar, are supported by different local economic drivers. Therefore, national data does not always reflect what is happening in individual cities.



Riyadh recorded the steepest correction in Q1 2026 after the strongest price appreciation among major markets historically.



Jeddah's market is supported mainly by tourism and coastal development linked to mega-projects such as Red Sea Global.



Dammam and Al Khobar are supported by the Eastern Province's industrial and petrochemical economy. Their transaction mix is more end-user oriented, with villas purchased by families for occupancy forming the majority.

KSA Residential Transactions by Region

City	Number of Transactions*	% change y/y	Highest Share of Transactions
Riyadh	8,600	-54.4%	Villas*
Jeddah	3,800	-51.8%	Apartments (79.7%)
Dammam	1,400	-18.6%	Villas (67.1%)
Al Khobar	702	-22.5%	Villas (76.5%)

Source: JLL; Note: The number of transactions are approximate values based on JLL disclosures. The highest share of transactions is calculated based on the split of number of transactions as reported by JLL. The value is estimated for Riyadh considering the data is only visually represented.

While **apartment prices in Riyadh** declined, villa prices, which are more closely linked to owner-tenant demand, increased by 2.6% y/y.

Jeddah recorded gains across both segments. This is consistent with a market supported by tourism-linked development, where some investors purchase residential properties for short-term holiday rental use.

While the industrial economy remained stable, residential property prices in **Dammam and Al Khobar** softened as the broader national repricing affected the segment.

Prices of Villas and Apartments in KSA by Region (SAR/sqm)

City	Prices of Villas	% change y/y	Prices of Apartments	% change y/y
Riyadh	4,300	+2.6%	5,400	-10.8%
Jeddah	4,700	+3.8%	3,900	+4.0%
Dammam	4,917	-8.4%	3,000	-6.7%
Al Khobar	2,900	-11.7%	3,700	-11.7%

Source: JLL

Key Policy Key Development: The Vacant Property Fee¹²

The vacant-property fee approved in May 2026 applies only to buildings in geographic zones designated by ministerial decision, and only if a unit has been left unused for six consecutive or non-consecutive months during the reference year. Fees are charged according to ownership share, valued using approved rental-value criteria, and capped at 5% of the property's value annually.

Owners can appeal invoices and have up to six months to pay, and exemptions apply where non-occupancy is beyond the owner's control. Revenue collected is earmarked for housing projects and broader urban development, effectively recycling the fee back into the same NHC and Sakani supply pipeline.

Together with the rent freeze, the fee reduces the ability of owners to benefit from scarcity by raising rents freely or keeping units vacant while prices appreciate. The policy encourages owners to move units into occupancy or consider a sale.

Rental Market: Demand Absorption

Prospective buyers of KSA residential properties in 2026 face a market where ownership is difficult because prices remain elevated and mortgage access is tighter. This is despite SAMA reducing central bank interest rates by 75 basis points during 2025.¹³

Lending standards remain tighter than the 2022-2024 period. Rate cuts alone have not restored buying activity. As a result, rental markets are absorbing incremental housing demand with rents for Riyadh apartments and villas rising by 5.1% and 4.3% y/y, respectively in Q1 2026.¹⁴

¹² Saudi Ministry of Municipalities and Housing

¹³ SAMA

¹⁴ JLL

Supply Response: NHC and Sakani Remain Key Drivers

Supply remains dominated by government-led delivery through **NHC** (the National Housing Company, the government controlled largest real estate developer in KSA) in Riyadh, which accounted for 92% of Q1 handovers, or approximately 12,800 units nationally.¹⁵

When taking into account Knight Frank's estimate that **Saudi Arabia needs more than 115,000 new units annually through 2030** to meet demand from Saudi nationals, this highlights a persistent supply gap in the market. The NHC and Sakani programs are designed to serve this segment.

Supply Dynamics by Region – KSA Residential Properties

City	Existing Supply Q1 2026 (million units)	Completions (Q1 2026)	Upcoming Supply (2026)	Est. Supply Gap (2026)*
Riyadh	2.19	6,927	20,700	61,773
Jeddah	1.24	-	15,100	
Dammam Metropolitan Area	0.74	2,600	7,900	

Source: JLL; Note: *The supply gap is calculated by reducing the 2026 completions and upcoming supply from the estimated annual additions from Knight Frank (115,000)

Jeddah reported no Q1 completions despite a large upcoming pipeline. The supply is being timed through fewer and larger releases linked to planned schemes (such as Jeddah Central) instead of regular but smaller units.

This broader trend is indicated by capital allocation decisions from developers in different regions. For example, a USD 26 bn, 15,800-plot masterplan in **Dammam** and the USD 2.1 bn Jawharat Al-Arous project in north **Jeddah** (comprising 18 neighborhoods and more than 80,000 residential and commercial plots) follow the same pattern.¹⁶ These are large, phased, infrastructure-anchored projects aligned with national housing targets.

¹⁵ CBRE

¹⁶ Gulf Construction

5. Office

RHQ Programme: Policy-Led Office Demand

Riyadh's office market continues to grow because a specific policy decision created immediate corporate real estate demand. The **Regional Headquarters programme** was launched in February 2021 and became a binding requirement by January 2024.¹⁷

Companies without a Saudi-based Middle East and North Africa headquarters could not enter into contracts with Saudi government entities. The deadline required hundreds of multinational companies to establish regional headquarters in Saudi Arabia. It resulted in a measurable increase in office demand. RHQ-driven cumulative relocations exceeded 700 companies as of 2026, surpassing the original 2030 target of 500 companies.¹⁸

Tenant Demand: Technology and Cloud Infrastructure

Riyadh's office tenant mix in Q1 2026 was strongly influenced by cloud-infrastructure expansion. These commitments have been building since 2024. **Amazon Web Services (AWS)** has committed more than USD 5.3 billion to Saudi infrastructure and opened three Riyadh availability zones in 2024.¹⁹

Microsoft's Saudi Arabia East data-center region is scheduled to go live in Q4 2026.²⁰ Oracle announced an additional USD 14 billion commitment to cloud and AI infrastructure in May 2025.²¹

Demand from hyperscalers is also fueled by support for national data-residency, which favours government and citizen data to be processed locally while imposing strict regulatory controls on the cross-border transfer of personal data.²² This investment helps explain why technology companies generated the largest share of Riyadh's office tenant demand in Q1 2026, ahead of financial services and consulting.

¹⁷ Ministry of Investment of Saudi Arabia (MISA)

¹⁸ Saudi Vision 2030

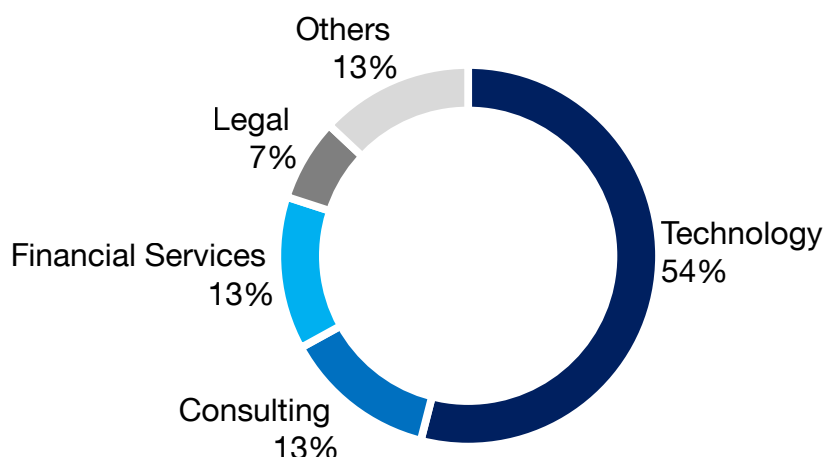
¹⁹ Amazon

²⁰ Microsoft

²¹ Oracle

²² Saudi Authority for Data and Artificial Intelligence

KSA Commercial Real Estate – Tenant Demand by Sector (Q1 2026)



Source: CBRE

Market Conditions: Persistent Supply Constraints

Strong demand from the RHQ program and technology companies exists in a market with limited Grade A supply. As a result, occupancy and rents have remained firm despite softer regional sentiment.

KSA Commercial Real Estate – Rental Rates by Region and Property Grade

Segment	Rent (SAR/sqm/yr)	% change y/y
Riyadh (Prime)	3,630	+5.5%
Riyadh (Grade A)	2,370	+2.1%
Riyadh (Grade B)	1,680	+5.1%
Jeddah (Grade A)	1,320	-3.8%
Jeddah (Grade B)	960	+2.5%
Dammam (Grade A)	994	+9.2%
Dammam (Grade B)	840	+8.7%

Source: JLL

Riyadh Office Market: Demand and Employment Drivers

- Office rents have climbed roughly 70% cumulatively since 2016, with the bulk of that increase concentrated since the RHQ programme's 2021 launch and its 2024 contracting mandate.
- Riyadh has accounted for 63% of all new jobs created nationwide since 2019, drawing migration from other cities and supporting demand across residential, retail and hospitality segments.
- The scaling-down of giga-projects such as NEOM has further solidified Riyadh's position as the primary focal point of development.

Source: Knight Frank

Jeddah and Dammam Office Markets: Local Economic Drivers

The office markets of Jeddah and Dammam are shaped by different economic drivers. This is reflected in their market performance indicators. Jeddah's economy depends on trade, logistics, and tourism. Its **Grade A performance** has been softer, with vacancy at 6.0% and rents down 3.8% y/y in Q1 2026.²³

Grade B rents increased by 2.5%, with companies choosing lower-cost offices instead of moving into more expensive buildings.²⁴

Dammam's office market is linked to the industrial and petrochemical base. Grade A vacancy eased to 21.4%, while Grade B vacancy remained at 17.3%.²⁵ Rents were positive across both grades, supported by the resilience of the underlying economy.

Office Supply Pipeline: Grade A Additions and SEZ Incentives

Supply Dynamics by Region – KSA Office Real Estate

City	Existing Supply Q1 2026 (million sqm)	Completions (Q1 2026)	Upcoming Supply (2026)
Riyadh	9.2	179,400 sqm	1.2m sqm
Jeddah	2.8	-	21,000 sqm
Dammam Metropolitan Area	2.0	28,400 sqm	129,000 sqm

Source: JLL

Approximately 2.1 million sqm of **Grade A office space is expected to be completed in Riyadh** between 2026 and 2028. This includes Misk City, Westfield Riyadh Offices, Diriyah Square, and the 25 Osus building.

RHQ-driven demand has already exceeded the 2030 target.²⁶ The pipeline will therefore serve existing demand, rather than create a significant oversupply risk. This is consistent with Grade A rents remaining resilient despite new supply announcements.

^{23 24 25 26} JLL

Key Demand Driver

- Four Special Economic Zone frameworks approved in January 2026 (covering Jazan, Ras Al-Khair, King Abdullah Economic City, and a dedicated cloud-computing/IT zone) add a further layer of location-specific incentives for tenants from April 2026.
- The frameworks offer streamlined licensing, flexible ownership structures, tax and customs incentives, multilingual commercial registrations, exemptions from parts of the traditional Companies Law, and tailored Saudization requirements.
- This is an incentive package built to appeal to exactly the kind of multinational tenants the RHQ programme has already proven it can attract, extending that playbook beyond Riyadh into Jazan, Ras Al-Khair and King Abdullah Economic City.

Source: Saudi Council of Ministers, KPMG

6. Retail

Consumer Demand: Retail Spending and Format Preferences

Retail real estate in Saudi Arabia is being reshaped by changing consumer preferences. The main change is not the amount of spending, but how consumers prefer to spend. Demand conditions remain robust. However, the market is moving toward experience-driven and lifestyle-oriented retail formats. Landlords are adjusting rental strategies in response to this shift.

Traditional vs Lifestyle Retail Malls

Traditional Retail Mall	Lifestyle Retail Malls
Primarily shopping-oriented	Experience-oriented
Department stores as anchors	Restaurants, entertainment, fitness, and leisure as anchors
Indoor, enclosed	Often open-air or integrated into mixed-use developments
Transaction-focused	Social destination where visitors spend several hours
Success measured mainly by retail sales	Success also depends on dwell time, visitor frequency, and F&B performance

Source: Knight Frank, Various

Rental Rates and Vacancy for KSA Retail Properties (Q1 2026)

Format	City	Rents (SAR/sqm/yr)	% change y/y	Vacancy
Super-Regional Malls	Riyadh	3,175	0.0%	2.1%
Super-Regional Malls	Jeddah	2,760	+13.0%	n.a.
Regional Malls	Riyadh	2,630	+3.5%	9.7%
Regional Malls	Jeddah	~1,970	+3.0%	15.0%
Community Centres	Riyadh	2,190	0.0%	10.4%
Community Centres	Jeddah	~1,850	+1.2%	13.0%

Source: JLL; Note: Super Regional Malls have a GLA of above 90,000 sq m, Regional Malls have a GLA of 30,000 - 90,000 sq m, Community Malls have a GLA of 10,000 - 30,000 sq m

Rental growth and vacancy patterns support the shift toward experience-led destinations. **Riyadh's super-regional malls** are the closest format to lifestyle-anchored destinations. Rents remained unchanged for Riyadh's super-regional malls in Q1 2026, with vacancies near 2%, the lowest level in the segment.

Regional and community assets recorded materially higher vacancy rates as tenants and shoppers continued to prefer prime locations. Rents of super-regional malls in **Jeddah** increased by 13% y/y while the secondary assets recorded vacancy rates of 13%-15%.

Flagship Projects: Experience-Led Retail Formats

Flagship Experience-Led Retail Projects in Riyadh

Project	Scale / status	Why it matters
Westfield Riyadh	220,000 sqm GLA; around 90% pre-leased; opening planned for September 2026.	The project shows the shift from traditional malls to premium retail destinations. Its large skylight, high ceilings and wide corridors are designed to improve the visitor experience, not just increase rentable space.
Westfield Damman	Former Nakheel Damman Mall; rebranded on 1 December 2025; 292 stores and over 58,000 sqm GLA.	This shows that the Westfield format is not limited to Riyadh. It also supports the Eastern Province by adding new retail, F&B and entertainment brands and improving the customer experience.
The Avenues – Riyadh	Mall component around 89% complete in Q1 2026; mall opening now planned for Q1 2027; five towers expected in 2028.	The project combines retail, hotels, offices, homes and entertainment. This supports the view that major retail projects in Riyadh are becoming lifestyle destinations where visitors spend more time.

Source: Cenomi Centers, Mabanee, Unibail-Rodamco-Westfield

Retail Supply Pipeline: Lifestyle Retail Expansion

Supply Dynamics by Region – KSA Retail Real Estate

City	Existing Supply Q1 2026 (million sqm)	Completions (Q1 2026)	Upcoming Supply (2026)	Upcoming Lifestyle Retail Supply (2026-2027)
Riyadh	4.7	31,300 sqm	896,700 sqm	386,300 sqm
Jeddah	2.7	42,500 sqm	235,400 sqm	205,600 sqm

Source: JLL, Knight Frank

Developers are responding directly to this shift in consumer preference. Riyadh and Jeddah's combined lifestyle retail stock is expected to increase by approximately 600,000 sqm and reach 1.31 million sqm by 2027. Riyadh's lifestyle retail format is projected to almost double from 500,000 sqm to 900,000 sqm of gross leasable area.²⁷

The Bellevue, which is expected to become Riyadh's largest master-planned mixed-use project, will add 90,000 sqm of shopping, dining, civic, and cultural space when it opens in 2027. Food and beverages will serve as the connective element, instead of a traditional department store anchor.²⁸ Riyadh has close to 900,000 sqm of additional retail space in the 2026 pipeline.²⁹ Landlords with better locations, stronger tenants, and more entertainment offerings will benefit the most from this shift in consumer preference.

²⁷ Knight Frank

²⁸ Unified Real Estate Development Company

²⁹ JLL

7. Hospitality

Hospitality Sector: Visitor Targets and Visa Expansion

Saudi Arabia’s hospitality sector continues to expand. Vision 2030’s original target of 100 million annual visits was achieved in 2023, six years ahead of schedule.³⁰ The government subsequently raised its 2030 target to 150 million visits, comprising 70 million international and 80 million domestic visits.³¹

E-visa eligibility has expanded to more than 60 nationalities.³² This includes travelers who already hold a valid U.S., U.K., or Schengen visa, which broadens the inbound travel base. On the other hand, business visas eligibility for 14 developing and frontier economies across Africa, the Middle East, and Asia have been tightened to single entry visas from multiple entry visas. However, holders of existing 1-year multiple-entry visas, diplomatic, residence, Hajj, and Umrah visas remain unaffected.³³

Q1 2026 Performance: Continued Domestic Demand Support

Domestic demand is a key demand driver for Saudi hospitality and supported the segment in Q1 2026 as regional tensions weighed on inbound travel. **Domestic trips accounted for approximately 78%** of total travel activity nationally in Q1 2026.³⁴ Domestic tourism continues to remain the key driver with Saudi recording 123 million inbound and domestic tourists in 2025, with a 76.1% contribution from domestic travel.³⁵

Entertainment programs such as Riyadh Season and Jeddah Season have strengthened domestic demand. The Kingdom recorded more than 89 million visits in 2025 for entertainment events/activities within the region.³⁶ Domestic tourism is less affected by regional tensions than international tourism.

Key KSA Tourism Related Statistics

Total Tourism Revenue (Q1 2026) SAR 82.7 billion	Domestic Tourism Growth (Q1 2026) +16% y/y
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Source: CBRE

^{30 31} Saudi Vision 2030

³² Saudia

³³ Deloitte

^{34 35} Saudi Press Agency (calculations from Markaz based on underlying data)

³⁶ Saudi Arabia’s General Entertainment Authority

KSA Hospitality – Room Rates and Occupancy (Q1 2026)

Region	Avg. Daily Rate (SAR)	Occupancy	Revenue per Available Room (SAR)	% Revenue change y/y
KSA (national)	805.5	66.3%	533.7	-1.3%
Riyadh	884.3	52.2%	461.8	-9.5%
Jeddah	635.7	66.1%	420.4	+4.4%
Makkah	836.0	78.6%	657.2	+0.5%
Madinah	864.8	81.3%	703.3	+2.0%

Source: JLL

National Revenue per Available Room (RevPAR) declined in Q1 2026 as occupancy softened. Riyadh recorded the steepest decline. This is consistent with its corporate demand base, which is more exposed to regional business-travel caution than pilgrimage-anchored markets.

Ramadan-related demand supported Makkah and Madinah markets, where occupancy remained near 79%-81%.³⁷ This shows that the demand in the Holy Cities is driven mainly by religious events rather than the normal tourism cycle.

Hajj and Umrah: Structural Demand Base

Hajj and Umrah pilgrimage remains one of the sector's most reliable sources of demand. This demand is among the least discretionary forms of travel in the Kingdom. International pilgrims accounted for more than half of total Umrah arrivals and close to 90% of Hajj pilgrims in 2025.

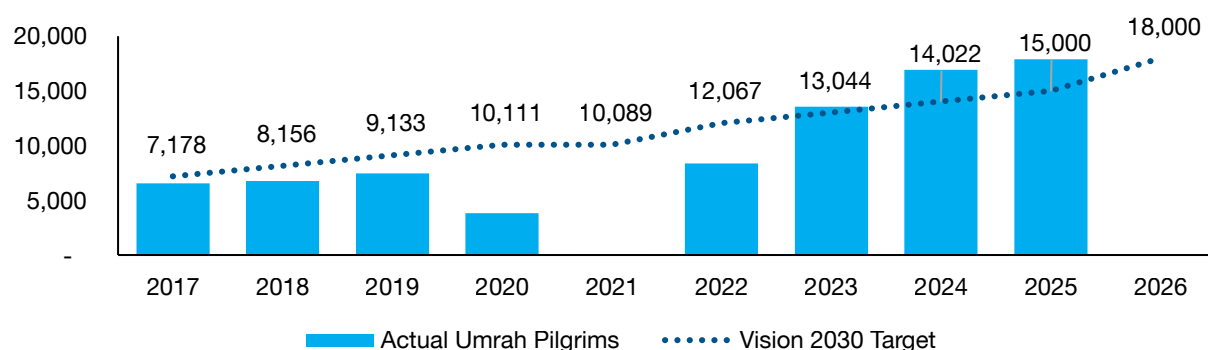
International Umrah arrivals were already ahead of Vision 2030's target trajectory in both 2024 and 2025.³⁸ Despite the geopolitical tensions in the Middle East, Hajj pilgrim numbers from foreign nationals in 2026 already surpassed the 2025 level (1,546,655 vs 1,506,576).³⁹ This helps Makkah and Madinah maintain strong demand even when travel activity slows elsewhere. It also explains why hospitality investment continues to flow into the Holy Cities across cycles.

³⁷ JLL

³⁸ SAMA, EIU

³⁹ GASTAT

International Umrah Pilgrims vs Vision 2030 Objectives** (Pilgrims in Thousands)



Source: EIU, GASTAT; Note: Vision 2030 numbers are based on assumption of linear progression between 2016 to 2030.

Tourism Diversification: AIUla, Red Sea, Diriyah, and Qiddiya

Growth is widening beyond Riyadh, Jeddah, Makkah, and Madinah. The pipeline of projects indicates that this is a diversification strategy, not only spillover demand.

Hospitality Project Pipeline in KSA

Destination	Anchor Project(s)	Scale / Target	Timing
Red Sea Coast	Red Sea Global Resorts	16 resorts, 3,000 keys	By end-2026
Red Sea Coast	Amaala	9 hotels	Q3 2026
AIUla	Numaj Autograph Collection (Marriott)	250-room hotel	2027
Diriyah	Four Seasons private residences & hotel	70 rooms/suites + 15 residences	H2 2026
Diriyah	Conrad Riyadh Laysen Valley (Hilton)	170-room hotel	October 2026
Qiddiya	Entertainment & leisure infrastructure	17m annual visitor target	Maturing pipeline

Source: MEED, Reuters, Zawya, Arab News

AIUla is emerging as a distinct luxury destination. **Diriyah continues to anchor ultra-luxury supply** with branded pipeline additions from Hilton, IHG, and Marriott. The pipeline indicates continued confidence from hotel operators despite near-term RevPAR weakness.

Makkah remains the main supply centre, with close to 300,000 keys and an additional 4,150 keys in the 2026 pipeline.⁴⁰ This reinforces the role of pilgrimage demand as the sector's single largest asset base. Makkah and Madinah benefit from a demand base that requires limited marketing. AIUla, the Red Sea Global projects, and Qiddiya are being developed to create new sources of demand.

⁴⁰ JLL

8. Industrial and Logistics

Logistics Market: Red Sea Disruption and West Coast Repositioning

Saudi Arabia's west coast has become more important to the Kingdom's logistics strategy in the light of recent events. Market conditions changed quickly. The Houthis halted attacks on international shipping and on Israel after the Gaza peace plan took effect on 10 October 2025, and some carriers cautiously resumed Red Sea routes.⁴¹ The recovery turned into strong demand within months as escalating tensions between Iran, the United States, and Israel disrupted shipping flows through the Strait of Hormuz, the world's most critical oil and trade chokepoint.⁴²

Saudi Arabia has responded by rerouting trade flows via the Red sea to reduce a part of its dependence on the Strait of Hormuz. Crude oil is increasingly being moved through the East-West pipeline to the Red Sea port of Yanbu, bypassing the Strait entirely.⁴³ This explains why Yanbu and the broader west coast have become strategic priorities.

Key Performance Drivers: Q1 2026

- **Non-oil PMI recovery:** Activity dipped below 50 in March 2026 amid regional disruption, then recovered above 50 through April and May.
- **Government intervention:** New Saudi Ports Authority (MAWANI)-operated corridors and sustained government stockpiling of essential goods have supported warehouse demand.
- **Temporary West Coast boost:** Saudi Arabia is routing more cargo through Yanbu and NEOM's Oxagon amid the geopolitical tensions. However, a full build-out will be phased and selective given the capital involved and the risk that shipping lines eventually return to the Gulf.

Source: CBRE, Saudi Gazette

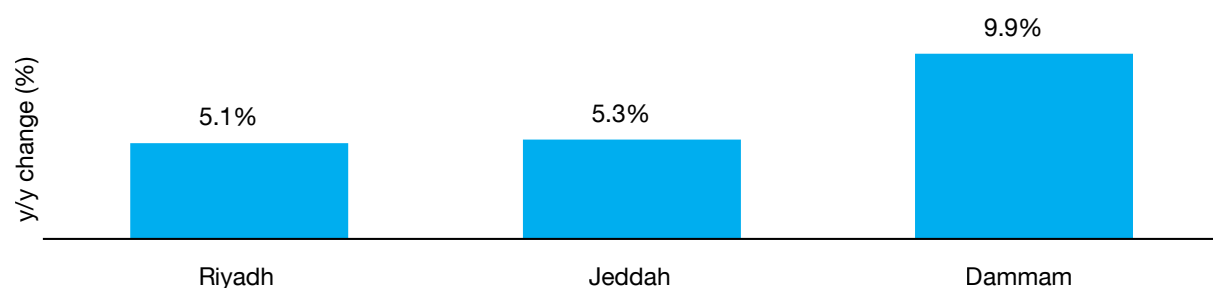
⁴¹ Al Jazeera

⁴² ⁴³ Reuters

Logistics Rents: Submarket Performance

Rental growth indicates increased demand caused by the shipping crisis and domestic rerouting within Saudi Arabia.

Industrial Market Rents - KSA



Source: JLL

The Dammam Metropolitan Area recorded the fastest annual rent growth at 9.9%, supported by its role as the Kingdom's key eastern industrial and logistics gateway. The gain reflects a combination of being close to ports, a significant petrochemical and manufacturing base, and rising demand for warehousing around established industrial clusters. Additionally, demand has improved as companies are looking for locations that can serve both regional trade routes and domestic distribution networks as supply chains are reconfigured because of the ongoing geopolitical tensions in the region.⁴⁴

Jeddah rents also increased, with **Jeddah Islamic Port** commanding SAR 470/sqm/year, the highest rent for a logistics location in the Kingdom amid Red Sea rerouting. Growth in Riyadh was driven by the Taibah submarket at 9.6%. Riyadh continues to function as the Kingdom's largest e-commerce fulfilment and distribution hub, regardless of which coast international shipping favors.

⁴⁴ JLL

9. Conclusion and Outlook for H2 2026

Saudi Arabia’s real estate market enters H2 2026 with a stable outlook. Commercial and industrial real estate, including offices, logistics, and to a lesser extent retail, continue to benefit from demand created by Vision 2030 initiatives, the RHQ programme, and changes in regional trade routes. These segments are expected to remain resilient. The residential market is adjusting after several years of rapid price growth. Regulations, including the rent freeze and vacant-property fee, are accelerating this adjustment. Residential sales activity is therefore expected to remain soft before stabilizing later in H2 2026.

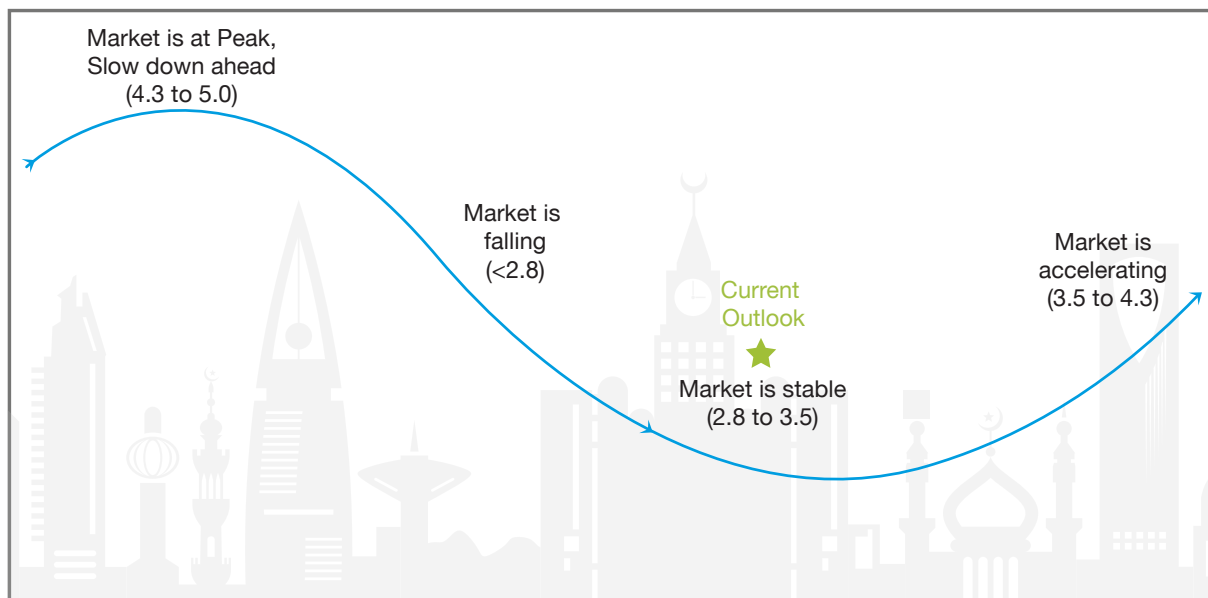
Saudi Arabia’s cycle remains largely driven by domestic policy and regulation. This makes the market less dependent on changes in global investment flows. However, H2 2026 performance will depend heavily on execution, including:

1 How quickly the conflict’s residual effects fade?	2 How investment is allocated to priority projects?	3 How construction cost pressures are absorbed?
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Segments closely aligned with policy priorities, including Grade A offices, logistics, affordable housing, and tourism-linked assets, are best placed to outperform.

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

Markaz Real Estate Outlook based on Macro Economic Indicators



Source: Marmore Research

Based on our assessment of various macroeconomic indicators, we expect Saudi Arabia's real estate market to remain stable in H2 2026 despite regional geopolitical tensions. The Markaz Real Estate Macro Index score is 3.3 out of 5.0. The outlook will still be shaped by the resolution and residual effects of the conflict.

10. Appendix

Markaz Real Estate Macro Index

Saudi Arabia Markaz Real Estate Macro Index Scores (H2 2026 vs. H1 2026)

Economic Factors		Weights (%)	H2 2026	H1 2026
	Oil (Real) GDP Growth	25%	4	4
	Non-Oil (Real) GDP Growth			4
	Fiscal Position, % of GDP	10%	3	3
	Investments (as % of GDP)	10%	4	4
	Money Supply, M2 (y/y)	0%	-	4
	Inflation	15%	4	4
	Interest Rate	10%	3	3
	Yearly Population Growth	10%	3	3
	Jobs created (in '000s)	10%	4	4
	Government reforms	10%	4	4
Total Score			3.30	3.70
Assessment			Market is Stable	Market is Stable

Source: Marmore Research; Note: The H2 2026 model combines Oil & Non-Oil Real GDP Growth into "Real GDP Growth" and excludes Money Supply due to a lack of post-conflict forecasts for these indicators.

Our Other Real Estate Reports



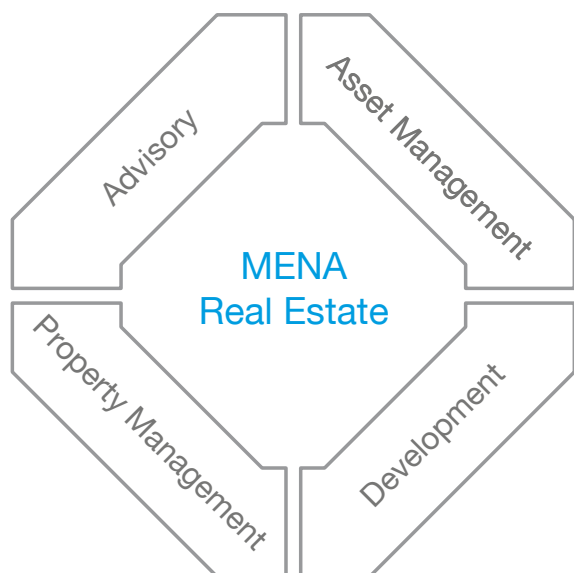
**UAE Real Estate Report - H1 2026
Review and H2 2026 Outlook**



**Kuwait Real Estate Report - H1 2026
Review and H2 2026 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

9.7% Total Return in 2025

7.7% IRR per annum over 23 years

5.0%

Capital Gain

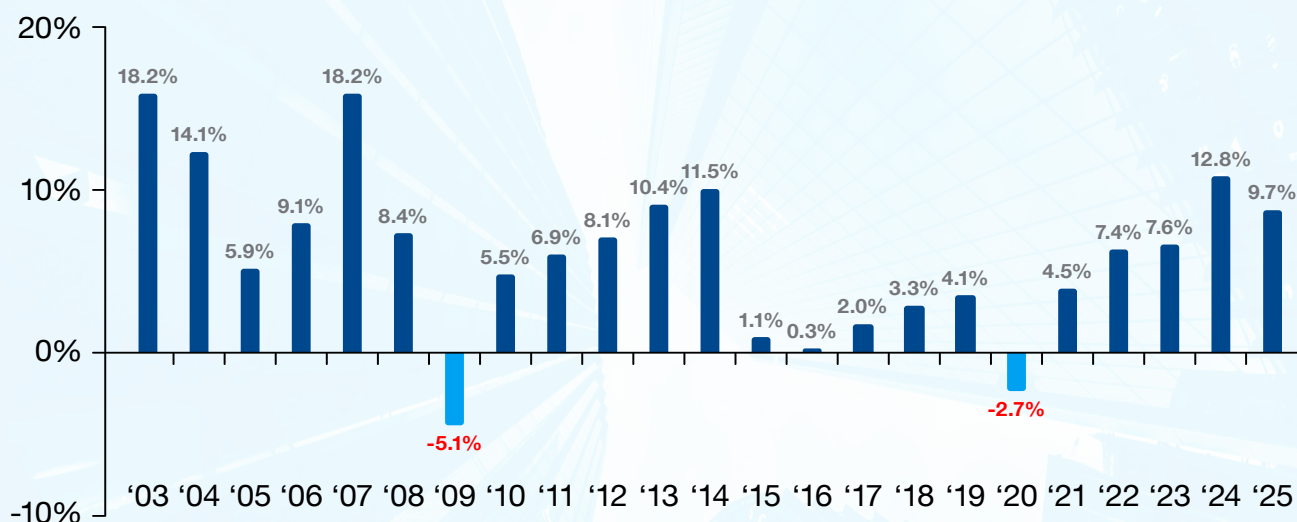
4.7%

Cash Distribution

9.7%

Total Return

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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