KSA Real Estate Report

H2 2025 Review and H1 2026 Outlook

January 2026

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1. Executive Summary

- Saudi Arabia's economy expanded by 5.0% y/y in Q3 2025, marking its fastest pace since early 2023, driven by oil GDP growth of 8.2% and non-oil GDP growth of 4.5%. For the full year 2025, real GDP is projected to grow 4.0% y/y, with oil GDP at 5.0% and non-oil GDP at 3.7%. For 2026, real GDP is forecasted to grow by 4.0% y/y maintaining the positive trend from 2025. Oil GDP is projected to rise by 5.2% y/y in 2026, supported by OPEC+ production increases. Non-oil GDP is expected to grow by 3.5% y/y in 2026, compared to 3.7% in 2025. This broad-based economic expansion, led by oil sector gains and steady non-oil activity, is anticipated to drive stronger demand for commercial and industrial real estate.

- Inflation remained moderate, averaging 2.1% in 2025, primarily due to housing and utilities costs and is forecasted to remain stable at 2.0% in 2026. Interest rates eased following two policy cuts by the Saudi Central Bank (SAMA) in H2 2025, bringing the repo rate to 4.50% and reverse repo to 4.00%, aligning with U.S. Federal Reserve actions. This combination of stable inflation and lower borrowing costs is expected to benefit the real estate sector by improving affordability, reducing financing expenses for developers and buyers, and stimulating demand for both residential and commercial properties.

- The rate reductions supported liquidity and credit growth, with bank claims on the private sector rising 13.0% y/y in September, while real estate lending reached SAR 932.8 billion, up 14.5% y/y. Retail mortgage activity remained robust despite a slight decline in new contracts, underscoring continued efforts to boost homeownership.

- The fiscal deficit expanded to 3.7% of GDP in 2025 and is expected to remain at a similar level in 2026, largely driven by increased capital expenditure on the country's Vision-related projects. These investments are anticipated to boost the local construction and real estate markets by accelerating infrastructure development and creating strong demand for commercial and residential projects.

- Brent crude averaged USD 65.1 per barrel in October 2025, down 12.8% YTD, with EIA projections indicating a further decline to USD 51 per barrel in 2026. Lower oil prices are offsetting gains from increased production, reducing government revenues and contributing to persistent budget deficits. Global oil market volatility, driven by oversupply and trade tensions, remains a key risk factor.

- Population growth continues to underpin housing demand, with Saudi Arabia's population reaching 35.3 million by mid-2024, up 4.7% y/y, and non-Saudis accounting for 44.4% of the total. Urban migration and demographic expansion are expected to sustain long-term residential demand.

- Real estate inflation moderated to 1.3% y/y in Q3 2025, down from 3.2% in the previous quarter, as residential price declines offset commercial sector gains. The overall price index reached 103.9, with residential prices falling 0.9% amid a 1.7% drop in apartment values, influenced by regulatory measures such as Riyadh's five-year rent freeze and higher undeveloped land taxes. Conversely, commercial property prices surged 6.8%, driven by strong office space demand in Riyadh and Jeddah.

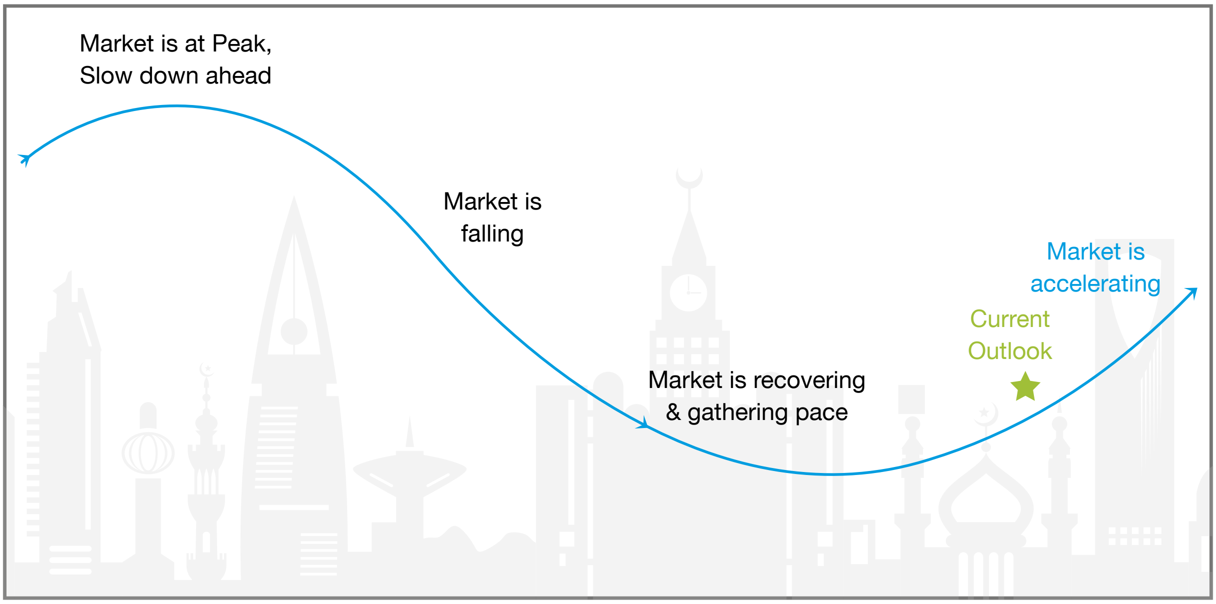
- Saudi Arabia's real estate sector remains robust, driven by urban migration, Vision 2030 initiatives, and strong corporate demand. Residential transactions grew 17.9% q/q in Q3 2025, with Riyadh and Jeddah leading price gains and developers accelerating supply through giga-projects and luxury developments. The office segment operated under near-zero vacancy in Riyadh (0.5%) and recorded prime rent growth of 7.3% y/y, supported by the Regional HQ Program and diversification into healthcare and technology sectors.

- The industrial and logistics sector continued its strategic growth, with the Industrial Production Index rising 7.1% y/y and rental rates in Riyadh logistics hubs surging 14%–28% y/y. Jeddah posted moderate rental growth (4%–8%), reflecting sustained demand amid giga-projects, manufacturing expansion, and a USD 440 billion project pipeline, reinforcing the sector's role in Saudi Arabia's economic transformation.

- Saudi Arabia introduced a five-year rental freeze in Riyadh effective September 2025, covering both residential and commercial properties to curb rapid rent inflation and enhance affordability. The policy aims to stabilize costs, improve market transparency through mandatory Ejar registration, and support Vision 2030 goals.

- Overall, based on our assessment of various macroeconomic factors, we believe that the real estate sector in Saudi Arabia remains in the accelerating phase in H2 2025 and will continue to accelerate in H1 2026.

Saudi Arabia Real Estate Market Outlook



Source: Marmore Research

Saudi Arabia Macroeconomic Views

Economic Factors	Our Take	Our View
Oil (Real) GDP Growth	Strong	Oil GDP is projected to rebound strongly, expanding by 5.0% in 2025 and accelerating further to 5.2% in 2026. This growth will be supported by OPEC+ production hikes, even as global demand softens and Brent crude prices trend lower.
Non-Oil (Real) GDP Growth	Neutral	Non-oil GDP is expected to grow by 3.7% in 2025 and 3.5% in 2026, maintaining steady momentum despite a gradual moderation. Growth will be supported by ongoing government investments and Vision 2030 initiatives, which continue to underpin business confidence and consumer activity, providing a stable foundation for real estate demand.
Fiscal Position	Neutral	Saudi Arabia expects its fiscal deficit to narrow to 3.3% of GDP in 2026, down from 4.9% in 2025, supported by higher oil revenues from OPEC+ production hikes in H2 2025, despite global price pressures. This reflects the government's ability to sustain Vision 2030 spending while leveraging increased output to offset weaker crude prices.
Investments	Moderate	Investments are anticipated to remain stable, underpinned by sustained government expenditure on Vision 2030 initiatives and strategic efforts to attract foreign capital. The authorities have introduced a comprehensive campaign featuring tax exemptions, the implementation of foreign real estate ownership rights commencing in 2026, streamlined visa procedures, and regulatory incentives aimed at fostering business activity within designated special economic zones.
Broad Money Growth	Moderate	Broad money supply is projected to expand in 2025, driven by accommodative monetary policy and reduced interest rates aimed at stimulating credit growth and overall economic activity.
Inflation	Moderate	Inflation remained steady at 2.2% in October 2025 and is expected to hold broadly stable around 2.1% for the year, despite some upward pressure from food, insurance, and personal care costs. Looking ahead, inflation is projected to ease slightly to 2.0% in 2026, indicating a relatively stable price environment.

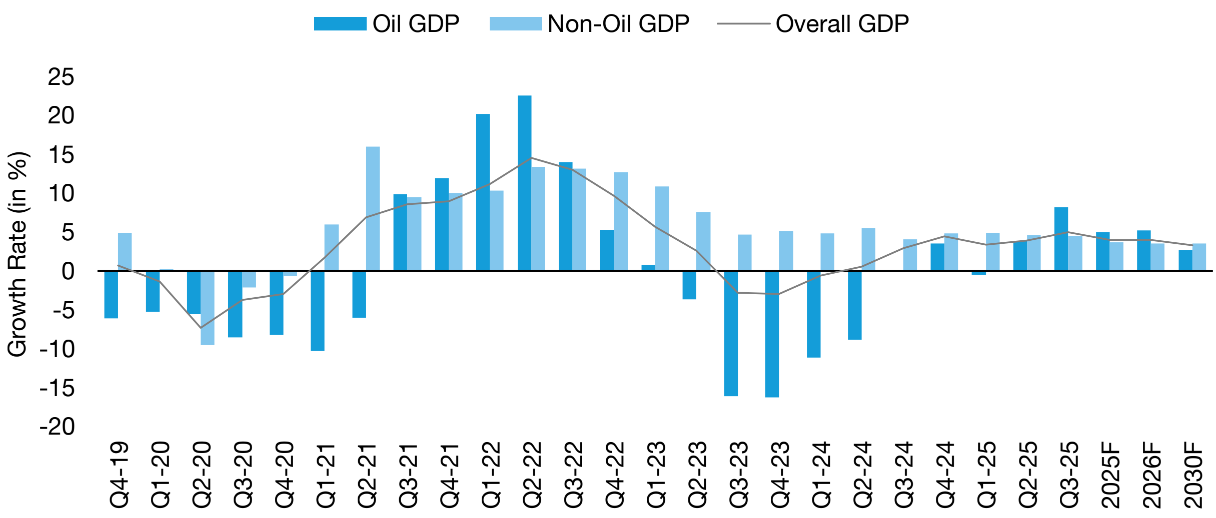
Population Growth	Neutral	Population growth is expected to remain steady at around 2.0% in both 2025 and 2026, supported by initiatives such as the Regional Headquarters Program and measures aimed at attracting global talent, including the Premium Residency Program. Additionally, recent reforms allowing foreign ownership of real estate are anticipated to enhance the country's appeal to expatriates and long-term residents, contributing to sustained demographic stability.
Job creation	Moderate	Job creation is expected to remain steady through H2 2025, supported by Vision 2030 initiatives and growth in sectors such as technology, tourism, and renewable energy. Mega-projects like NEOM and Qiddiya continue to drive demand for specialized talent, while digitalization fosters roles in areas such as AI, IoT, and cybersecurity. Saudization policies and an expanding startup ecosystem further contribute to employment opportunities. Overall, approximately 1.04 million jobs are projected to be added in 2025, followed by an additional 125,000 jobs in 2026. This outlook reflects stable labor force participation rates and a gradual decline in unemployment, although slower population growth may temper long-term workforce expansion.
Interest rates	Neutral	The Federal Reserve is expected to maintain an accommodative stance, with a 25-basis-point rate cut in December 2025, followed by an additional 50 basis points of easing in the second half of 2026. These measures aim to support economic activity amid moderating growth and persistent headwinds.
Government Reforms	Strong	Saudi Arabia's foreign ownership law opens designated zones to non-Saudis with caps at 70-90%, streamlined registration, and fees to curb speculation, aligning with Vision 2030 to attract FDI while balancing local demand and supply in high-growth areas like Riyadh and Jeddah.

2. Saudi Arabia: Macroeconomic Update

a. Saudi Arabia's economic growth projected to strengthen in 2026

Saudi Arabia's economy expanded by 5.0% y/y in Q3 2025, marking its fastest pace since early 2023, supported by strong growth in both oil and non-oil sectors. Estimates from the General Authority for Statistics show in Q3 2025 oil activities surged 8.2%, non-oil output rose 4.5%, slightly below the previous quarter's 4.6% growth, and government activities increased 1.8%. As per IMF, Saudi Arabia's real GDP is expected to grow by 4.0% y/y in 2026, continuing the trend from 2025. Oil-GDP is estimated to grow by 5.2% y/y in 2026, up from 5.0% y/y in 2024, due to OPEC+ production increases. Non-oil GDP is expected to grow by 3.5% y/y in 2026, compared to 3.7% y/y in 2025.[1]

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



Source: General Authority for Statistics; Full year 2025, 2026 and 2030 forecasts are from IMF

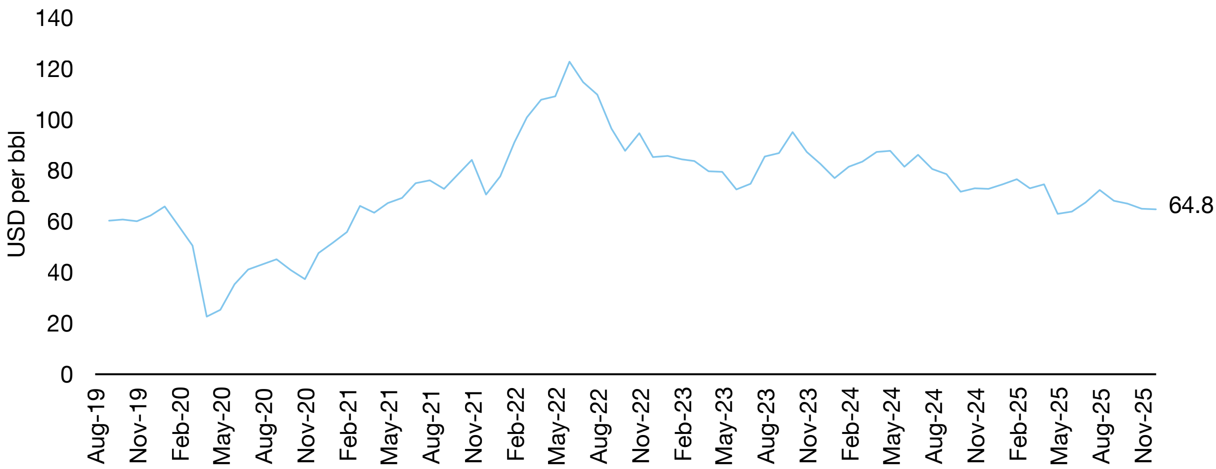
The performance underscores progress under Vision 2030, with the Minister of Economy projecting 5.1% GDP growth in 2025, while global institutions have revised Saudi growth forecasts upward, World Bank to 3.2% for 2025 and OECD to 3.9% for 2026, reflecting optimism around higher oil output and robust diversification momentum.

Saudi Arabia's fiscal deficit remains a key concern as oil prices stay below the breakeven level of approximately USD 96 per barrel, widening budgetary pressures.[2] Despite this, the government continues to prioritize capital expenditure on Vision 2030 projects, channeling significant funds (projected to be about USD 243 billion[3]) into infrastructure, housing, and giga-projects to accelerate economic diversification.

[1] IMF
[2] Bloomberg
[3] Andersen

While these investments are expected to stimulate growth in construction and real estate sectors, they also contribute to persistent deficits, projected to hover around 3.5–3.7% of GDP through 2026. The IMF notes that without a recovery in oil prices or alternative revenue streams, financing these ambitious projects will require sustained borrowing and potential asset sales, underscoring the delicate balance between fiscal sustainability and long-term development goals.

Daily Brent Oil Prices (Aug 2019 – Nov 2025)



Source: LSEG

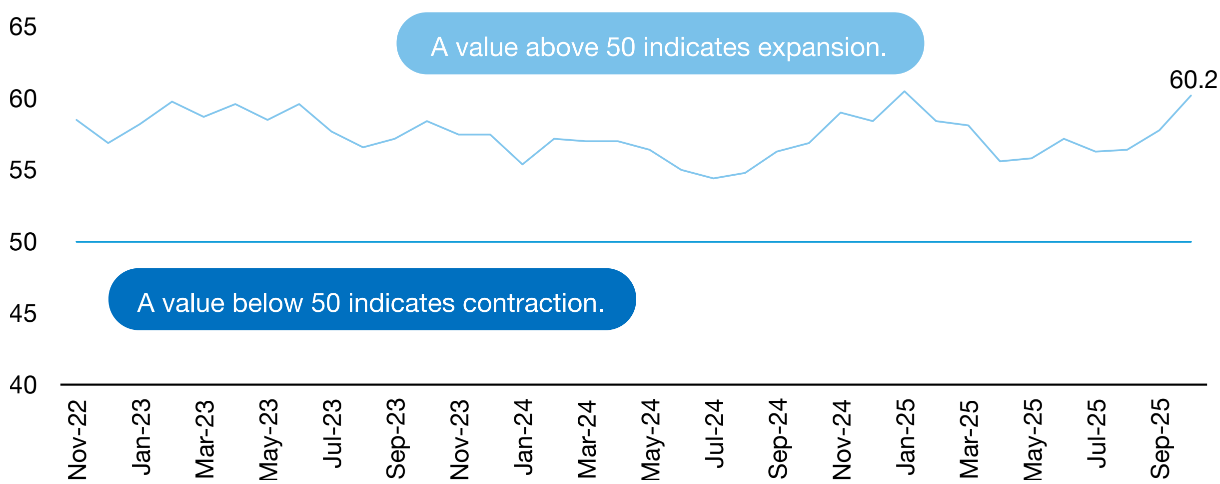
Oil prices have declined by 12.8% YTD as of October 2025, falling from USD 74.6 per barrel at the end of 2024 to USD 65.1 per barrel by the end of October. Oil markets were volatile, with prices peaking at USD 82.0 in January and hitting a low of USD 60.2 in May. This downturn was driven by global economic uncertainty, concerns over tariffs, oversupply following the reversal of OPEC+ production cuts, and weakened demand.

Global oil production is forecasted to rise to 105.8 million barrels per day in 2025, largely due to the lifting of OPEC+ production constraints and increased output from non-OPEC producers. OPEC+ has announced a production hike of 137,000 bpd for 2 consecutive months of November and December 2025, and the being paused for Q1 2026. However, global oil demand has slowed, declining by 350,000 barrels per day, with total annual growth estimated at 700,000 barrels per day, reflecting weaker consumption in emerging and developing economies such as China, Brazil, India, and Egypt. Considering increased supply, the U.S. Energy Information Administration (EIA) projects Brent crude prices to average USD 59 per barrel in Q4 2025 and USD 51 per barrel in 2026.

The International Energy Agency (IEA) has revised its policy outlook, projecting that global oil and gas demand will not peak this decade, contrary to earlier expectations. The updated forecast reflects persistent consumption driven by emerging markets and slower-than-anticipated adoption of clean energy technologies.[4]

For Saudi Arabia, this price environment poses significant macroeconomic challenges. Lower oil revenues are likely to exert fiscal pressure, potentially widening the budget deficit and slowing progress on Vision 2030 diversification initiatives. Public spending may tighten, affecting infrastructure development and mega-project timelines, while the external balance could come under strain despite strong foreign reserves. In real estate, slower economic growth and cautious consumer sentiment may dampen demand for mid-to-high-end residential properties. The commercial sector could experience delays in government-backed projects, impacting office and retail space absorption. Hospitality and tourism developments, central to Vision 2030, may also face funding constraints, slowing the pace of new hotel and leisure projects.

Saudi Composite PMI (Nov 2022 – Oct 2025)



Source: IHS Markit, LSEG

Saudi Arabia's Purchasing Managers' Index (PMI) surged to 60.2 in October 2025 from 55.6 in April, marking one of the strongest improvements in non-oil private sector conditions since 2014. The uptick was fueled by sharp gains in new orders, output, and employment, with nearly half of surveyed firms reporting higher sales amid robust domestic demand and growing foreign investment. Business activity expanded significantly, supported by the fastest hiring pace in almost 16 years as companies scaled up capacity to handle rising workloads. Purchasing and inventory levels strengthened, while supplier delivery times improved despite elevated demand.

[4] Wall Street Journal/IEA

On the pricing front, firms faced quicker input cost inflation driven by higher wages and imported material costs, prompting the steepest rise in output charges since May 2023. Looking ahead, business confidence remained strong, underpinned by resilient demand, ongoing projects, and optimism about the Kingdom's non-oil growth trajectory.[5]

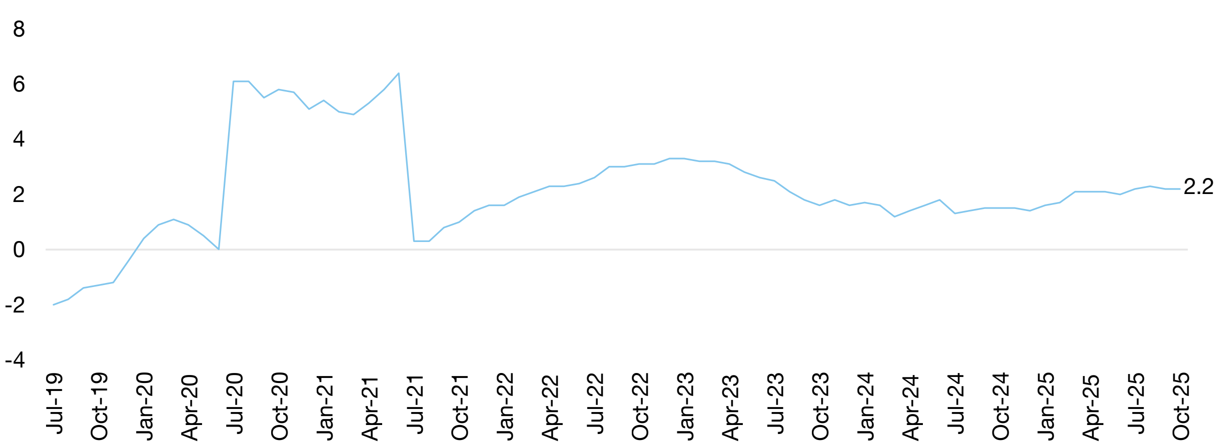
The PMI remained above the threshold (50), indicating that the country's economy continues to operate in an expansionary phase.

b. Inflation held steady at 2.2% y/y in October amid mixed category trends held steady

Saudi Arabia's annual inflation held steady at 2.2% in October 2025, unchanged from September, marking a 70-basis-point increase y/y and 20 basis points higher than the first half of 2025. Upward pressures came from food and beverages, which rose 1.5% versus 1.1% in September, driven by higher prices for fresh, chilled, or frozen meat (2.5% vs 0.6%). Inflation also accelerated for insurance and financial services (8.2% vs 7.7%) and personal care, social protection, and miscellaneous goods and services (5.9% vs 5.4%), led by a sharp rise in other personal effects (19.9% vs 16.3%). In contrast, costs declined for furniture and household goods (-0.5% vs -0.6%) and information and communication (-0.2% vs -0.4%). Housing-related inflation eased to 4.5% from 5.2% amid slower rent growth (5.7% vs 6.7%). On a monthly basis, consumer prices rebounded, rising 0.3% after a 0.1% decline in September.

Saudi Arabia's inflation has edged up slightly in recent months, with the IMF projecting an average rate of 2.1% for 2025.

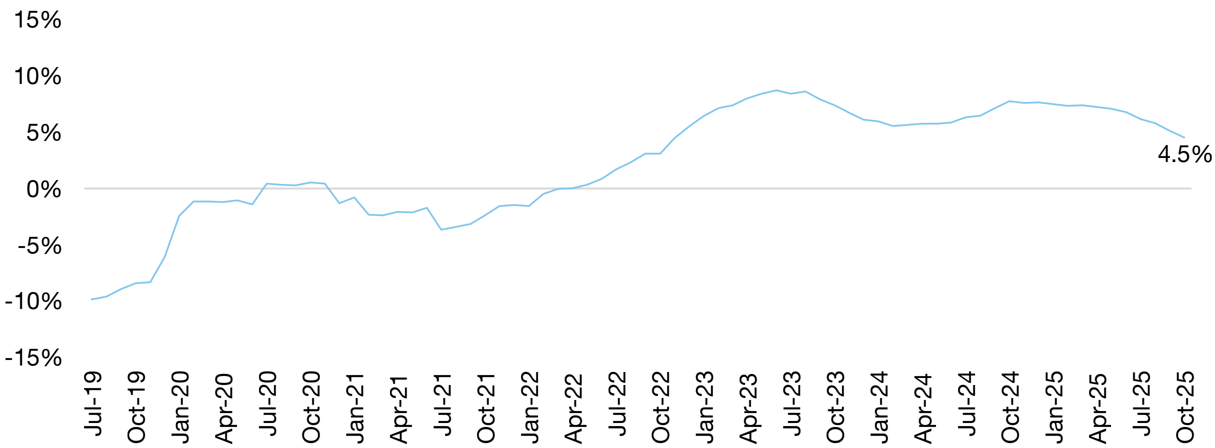
Consumer Price Index Inflation (Jul 2019 - Oct 2025) (Y/Y, %)



Source: LSEG

[5] S&P Global

Housing & Utilities Price Change (Jul 2019 - Oct 2025) (y/y, %)

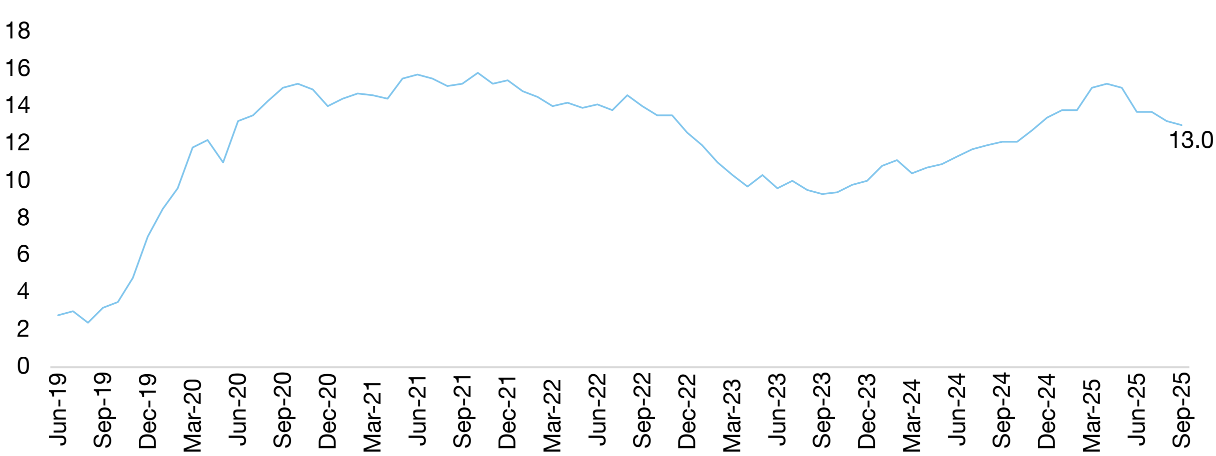


Source: LSEG

c. Saudi banks face slower growth amid liquidity pressures and margin constraints

Saudi banks faced slower growth in H2 2025 as tighter liquidity conditions pressured margins, despite continued lending activity. Total commercial bank claims on the private sector grew 13.0% y/y in September, the lowest rate this year after peaking at 15.2% y/y in April, reflecting a moderation in credit expansion. Loan portfolios rose about 15.8% y/y, while deposits grew only 6.3%, pushing the loan-to-deposit ratio to 106% and increasing reliance on sukuk issuances and time deposits for funding. Aggregate sector profits climbed 17% in the first nine months of 2025 to SAR 68.87 billion, supported by lower provisions, but rising funding costs narrowed net interest margins. To ease liquidity pressures, the Saudi Central Bank (SAMA) cut policy rates by a cumulative 50 basis points in two moves during September and October, aligning with U.S. Federal Reserve actions.

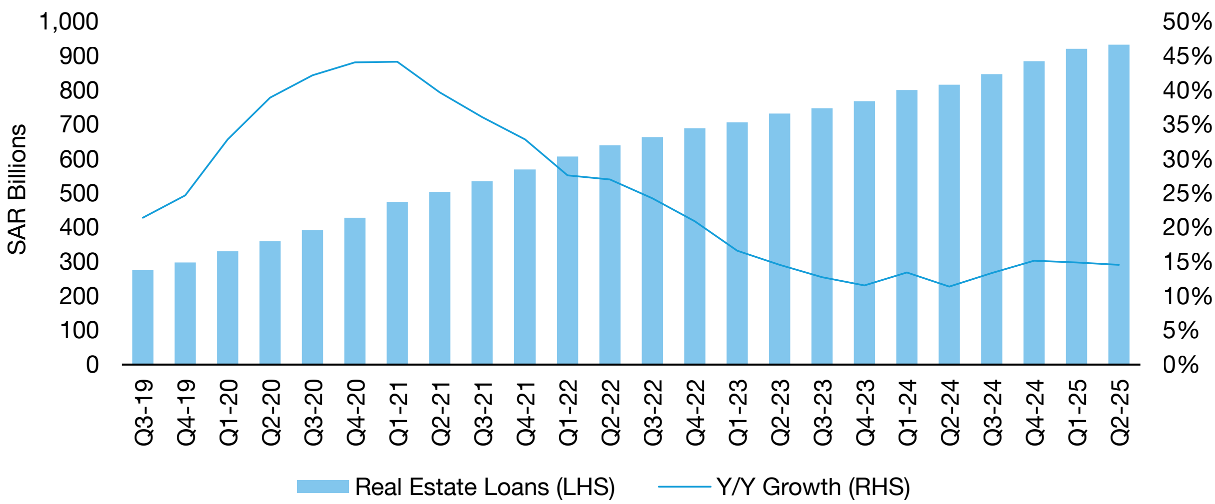
Bank claims on private sector (Jun 2019 – Sept 2025) (y/y, %)



Source: SAMA, LSEG

Real estate lending by Saudi banks reached SAR 932.8 billion at the end of Q2 2025, marking a 14.5% y/y increase. Retail loans accounted for SAR 711.6 billion, up 11.3% y/y, while corporate loans stood at SAR 221.2 billion, reflecting a robust 26.3% y/y growth. The sustained momentum in mortgage activity underscores ongoing efforts to boost homeownership, driven by government initiatives aimed at expanding access to residential financing and enhancing housing affordability.

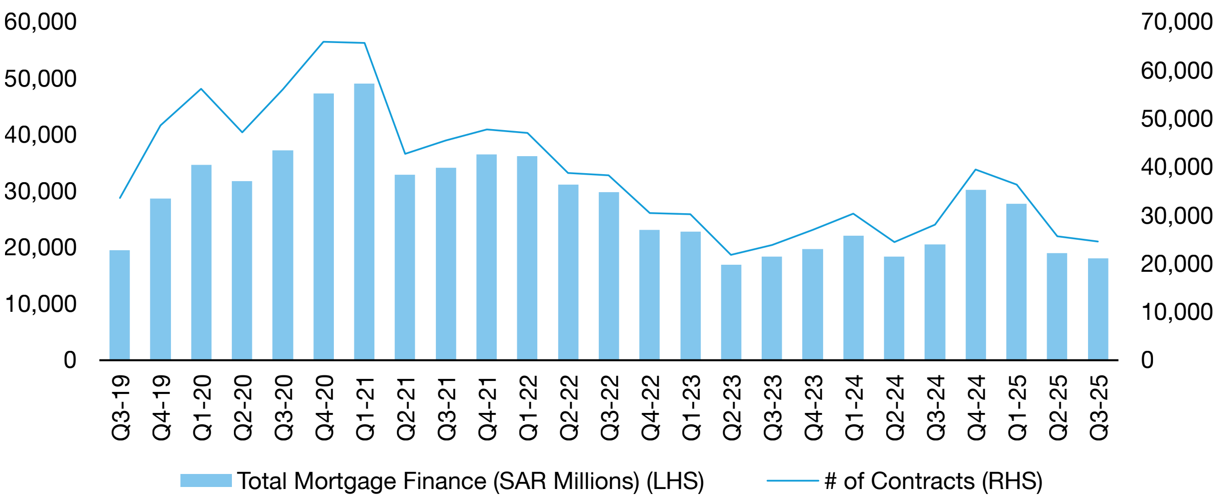
Real Estate loans by banks (SAR billions & y/y change %)



Source: SAMA

The value of new residential mortgages offered to individuals by banks stood at SAR 18.10 billion in Q3 2025, reporting a decline of 11.7% y/y compared to Q3 2024. The total number of mortgage contracts decreased by 12.5% y/y in Q3 2025, standing at SAR 25.54 billion.

Number of new residential mortgage contracts and total outstanding mortgage value

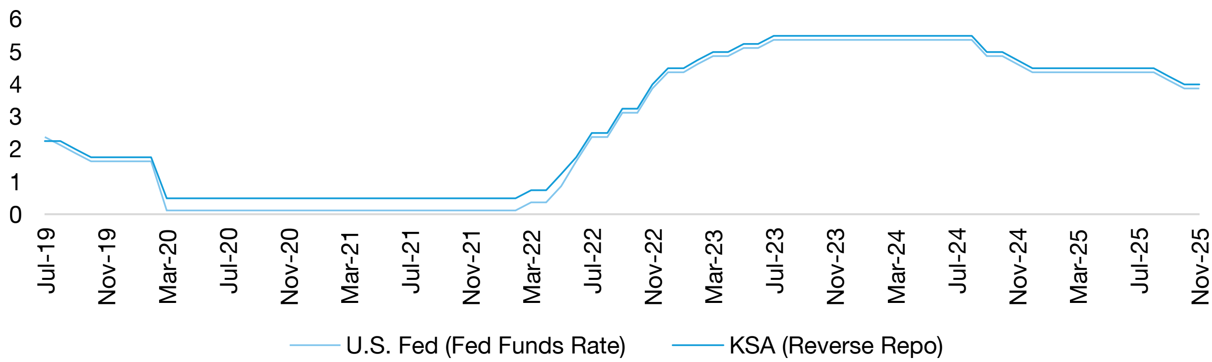


Source: SAMA

d. Saudi Central Bank Cuts Rates Twice in H2 2025, Signals Possible Third Reduction Amid Global Uncertainty

The Saudi Central Bank (SAMA) implemented two rate cuts in the second half of 2025, reducing its repo rate by 25 basis points to 4.75% and the reverse repo rate to 4.25% in September, followed by another 25-basis-point cut on October 29, bringing the repo rate to 4.50% and the reverse repo rate to 4.00%. The move aims to maintain monetary stability amid global economic developments and follows the U.S. Federal Reserve's decision to cut its benchmark rate by 25 basis points to a range of 3.75%–4.00% in October. SAMA typically aligns its interest rate adjustments with the Fed due to the Saudi riyal's peg to the U.S. dollar. Market anticipates the possibility of one more rate cut before year-end, aimed at supporting liquidity and sustaining economic momentum amid global uncertainties. Lower interest rates compared to 2024 are expected to bolster credit growth; however, uncertainty persists regarding additional rate cuts by the U.S. Federal Reserve in 2025 and, consequently, by the Saudi Central Bank.

Interest Rates of KSA vs US (Jul 2019 – Nov 2025)



Source: LSEG

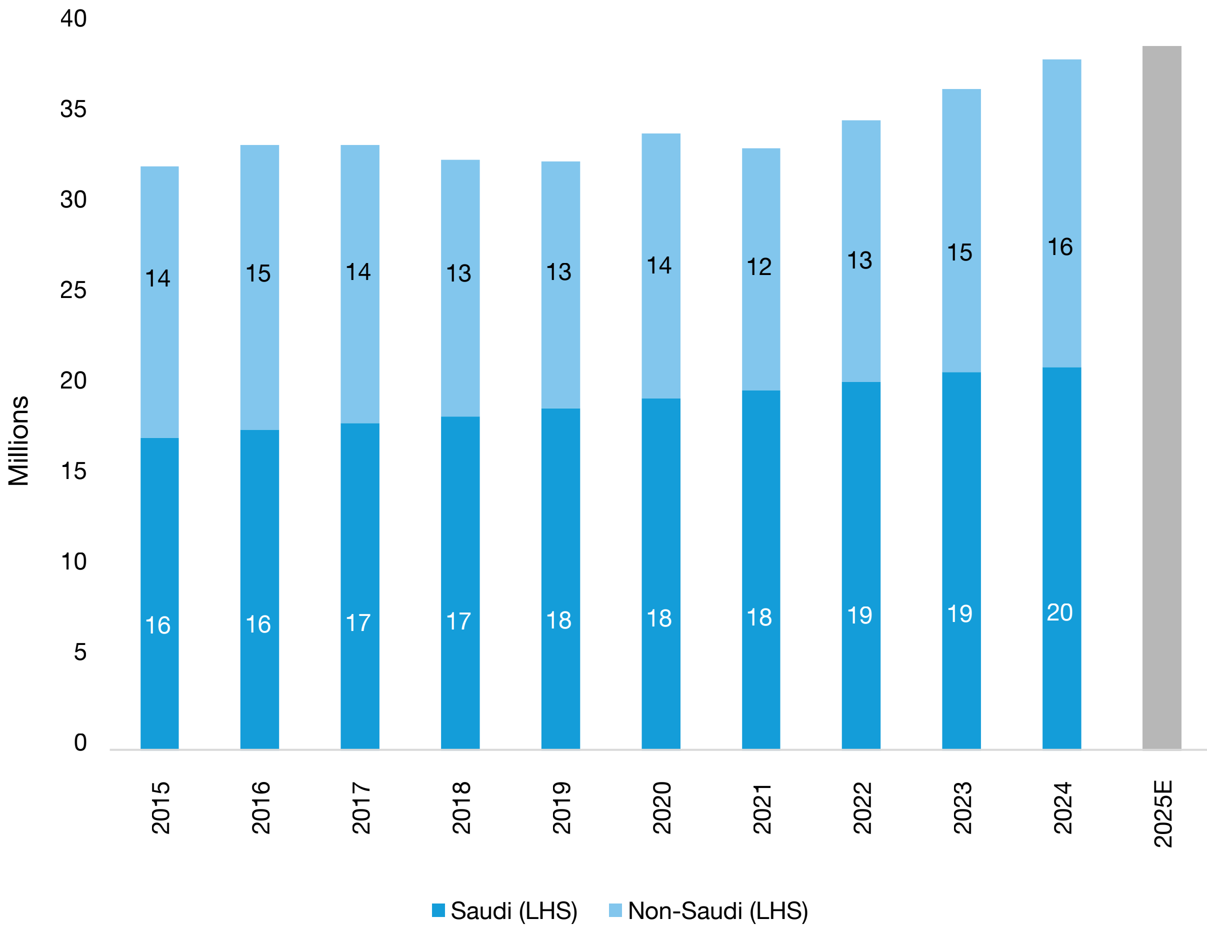
e. Saudi Arabia's population reaches 35.3 million, driven by non-Saudi residents

Saudi Arabia's population reached 35.3 million by mid-2024, according to the data from the General Authority for Statistics (GASTAT). Of this total, Saudi nationals make up 55.6%, while non-Saudis account for 44.4%. The Kingdom recorded an annual increase of 1.6 million people, reflecting a 4.7% growth rate compared to mid-2023. When measured against the base period of May 2022, the growth rate stood at 4.6%.

The Saudi population exceeded 19.6 million by mid-2024, growing at 2% annually, while the non-Saudi population rose to 15.7 million, up from 14.5 million a year earlier. Notably, non-Saudis contributed 75.6% of the total population increase, whereas Saudis accounted for 24.4%. Men represented 70.8% of the annual population growth during this period.

Age distribution data shows that 33.5% of Saudis are aged 0–14, compared to 8.6% among non-Saudis. Conversely, the working-age group (15–64 years) is dominated by non-Saudis at 89.9%, compared to 62.7% for Saudis.

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.

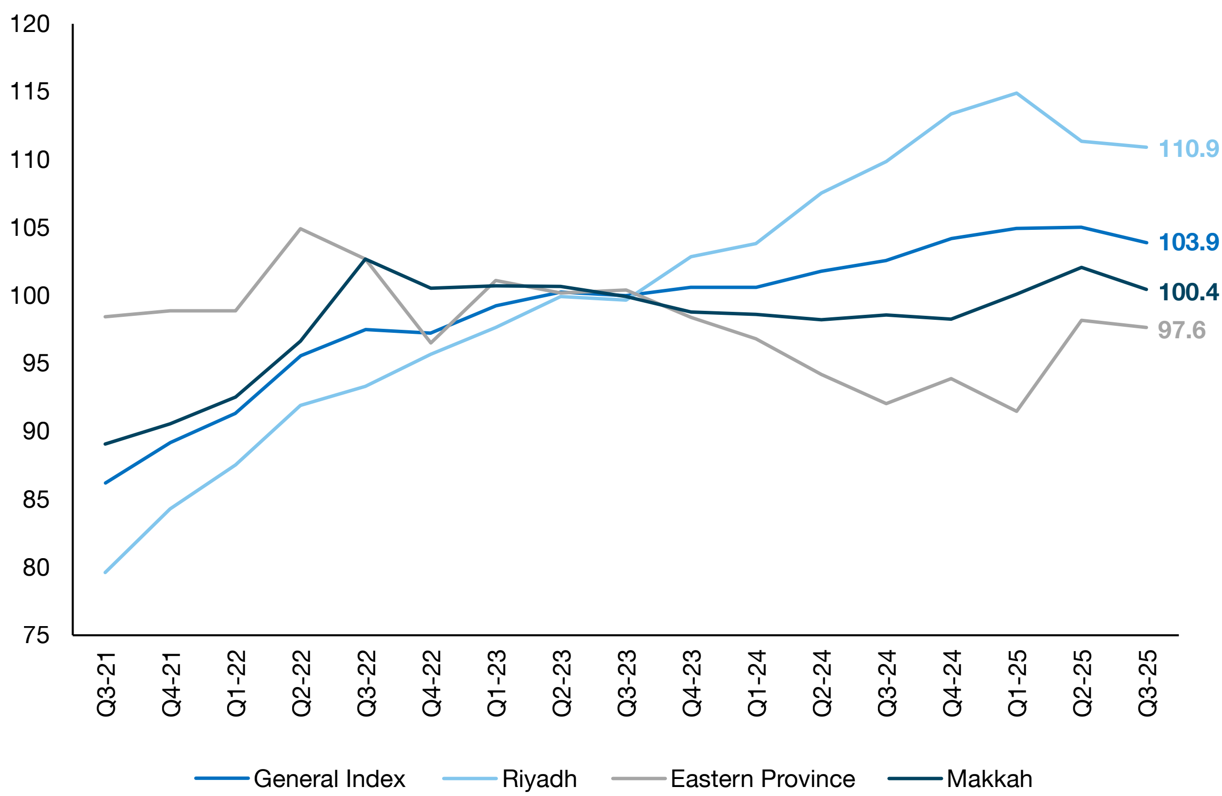
3. Real Estate land prices eased

Saudi Arabia's real estate inflation eased to 1.3% y/y in Q3 2025, down sharply from 3.2% in the previous quarter, as a cooling residential market offset gains in the commercial sector, according to the General Authority for Statistics (GASTAT).

The real estate price index rose to 103.9 from 102.6 y/y, while residential prices fell 0.9%, led by a 1.7% drop in apartment values. Government measures, including a five-year rent freeze in Riyadh effective September and higher taxes on undeveloped land under the White Land Tax Law, contributed to the slowdown. Data showed a 1.1% q/q decline in the index versus Q2, driven by lower residential land, apartment, and villa prices. In contrast, commercial property prices surged 6.8%, supported by a 7.2% rise in land values amid strong demand for office space in Riyadh and Jeddah.

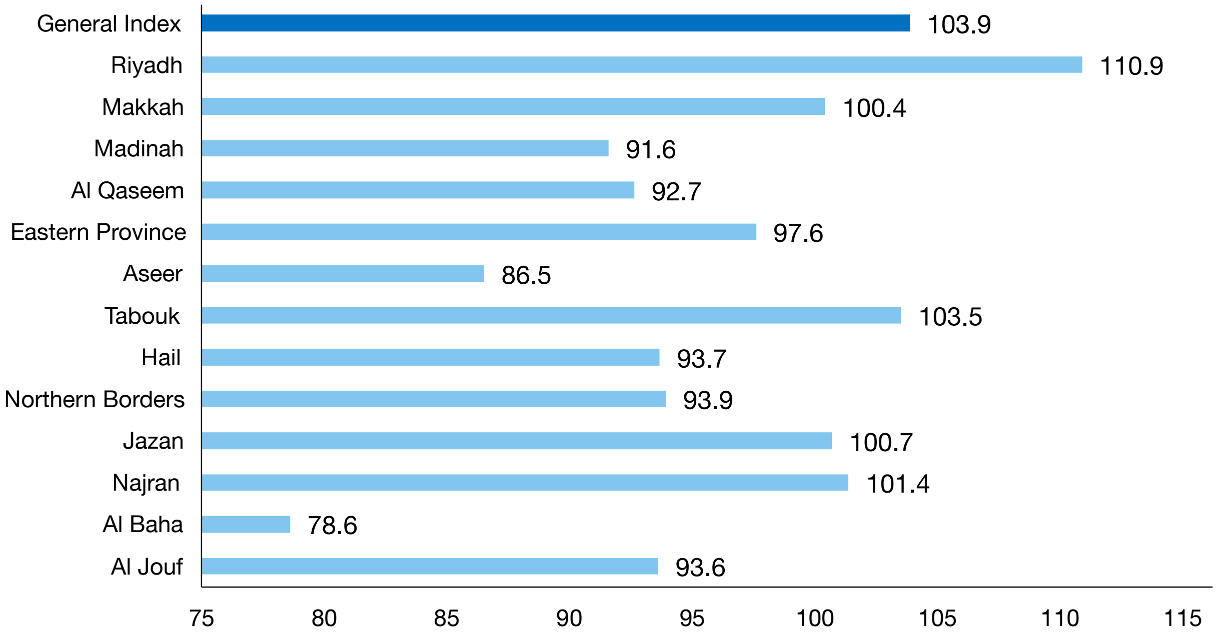
The sector remains central to Vision 2030, with market size projected to reach USD 101.6 billion by 2029 at an 8% CAGR. Regionally, the Eastern Province saw the highest price increase at 6.1%, while Madinah recorded an 8% drop.

Saudi Real Estate Price Index (Q3 2021 – Q3 2025) (2023=100)



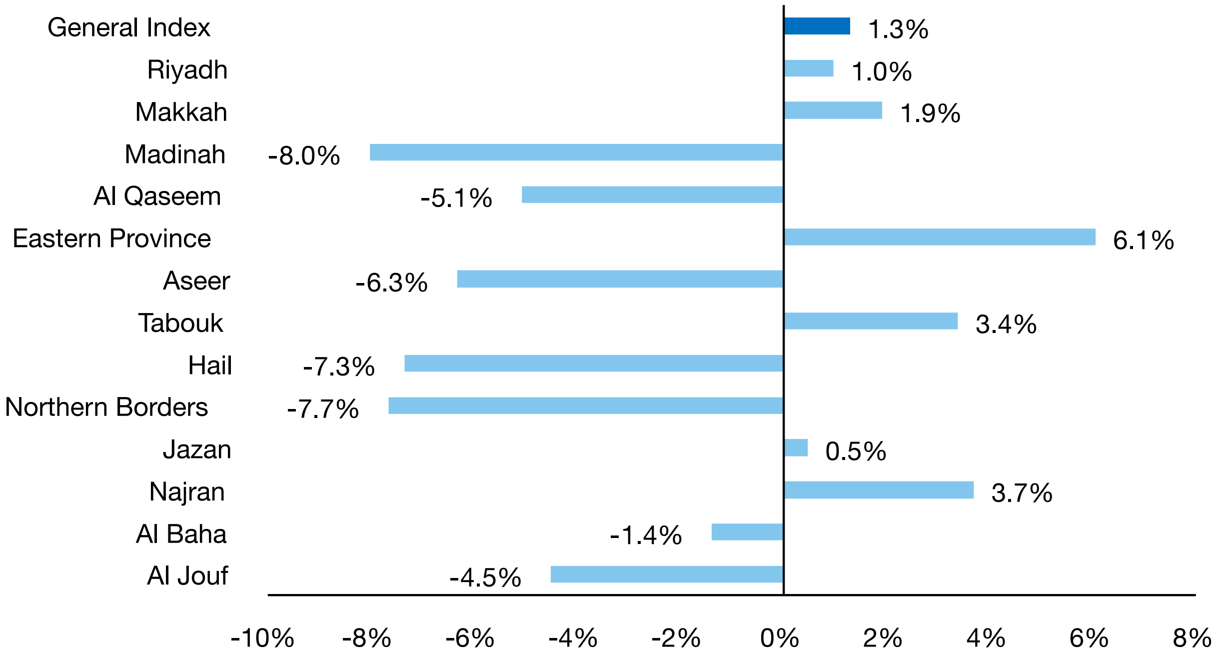
Source: General Authority on Statistics

Real Estate Price Index by Administrative Region, Q3 2025 (2023=100)



Source: General Authority on Statistics

Real Estate Price Index (Y/Y change in %) by region – Q3 2025



Source: General Authority on Statistics

Sector-wise performance of KSA Real Estate

Saudi Arabia's real estate market remains robust, driven by consistent demand across multiple segments. Urban migration, government initiatives such as the Regional Headquarters Program, and a strong push toward mortgage adoption continue to underpin sector growth.

Performance of the Residential sector[6]

- The residential transaction volume in KSA increased by 17.9% q/q in Q3 2025, recording transaction value SAR 7.7 billion, with residential land registering approximately 5,000 transactions.

- Riyadh registered around 13,000 residential sales transactions in Q3 2025, marking a 44.3% decline compared to the same period in 2024.[7] Price trends in Riyadh remained strong in Q3 2025, with apartment prices rising 6.3% y/y and villa prices up 11.6%. In Jeddah, residential transactions surged 16.5%, (reaching approximately 7,500 transactions[8]), driven by robust demand for affordable apartments, while villa prices grew 3.2% and apartment values dipped 1.1%, reflecting price sensitivity in the multifamily segment.

- To address supply-demand imbalances, developers ramped up activity, with Dar Al Majdiah signing SAR 453.6 million (USD 121 million) worth of contracts in September for over 1,000 new units in Riyadh (Adeem Al Fursan) and Jeddah (Khayala 1), and an additional 5,000 units in the regions expected by year-end.

- Giga-project launches also advanced, including ROSHN's ALAROUS, a limited release in Jeddah (September 2025) and Emaar's The Economic City (EEC) signed an agreement to develop 340 luxury units with Al Tahaluf in KAEC targeting foreign buyers from 2026. The luxury segment saw the debut of The Chedi Residences Wadi Safar in Diriyah in September, signaling growing demand for high-end serviced homes.

- In Q2 2025, Dammam recorded around 2,200 residential sales, a 29.4% y/y growth. Residential transaction value reached SAR 2.9 billion, a 90.3% rise.[9] Apartments constituted a major portion of these transactions at 85.3%. Al Saif led apartment transactions in Dammam with a 27.5% share, while Al Mazruiyah ranked highest for villa sales at 27.5%. The pricing in the region also posted mixed performance in Q2 2025, with apartment prices remaining largely stable, slipping just 0.1% y/y. In contrast, villa prices edged up by 1.8% y/y reaching SAR 4,844 per sqm.[10]

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- Al Khobar recorded a strong uptick in sales activity, rising 23.7% y/y in Q2 2025. Apartments dominated with an 82.0% share of sales transactions. Among areas, Al Aziziyah led apartment sales with 13.9% share of total apartment sales, while Al Dahab topped villa transactions with 47.7% share of total villa sales[11]

- In Al Khobar, sales prices continued their upward trend in Q2 2025, with apartment prices rising 5.8% y/y to SAR 3,782 per sqm and villa prices increasing 2.2% to SAR 5,995 per sqm. The city is renowned for its premium compounds and villas, attracting expatriates, whereas Dammam primarily offers apartment assets, catering largely to local demand.[12]

- The Dammam Metropolitan Area (DMA), which consists of the cities of Dammam, Al Khobar and Dhahran, and neighboring city of Al Jubail, added approximately 1,740 units in H1 2025, bringing total residential stock to 725,400 units. Another 860 units are anticipated in the second half of the year. Existing stock is largely concentrated along the coast in Al Khobar and Dammam, with Al Khobar continuing as the primary hub for residential projects, dominated by apartments. Future supply is gradually shifting inland and toward the southern DMA to meet rising demand in these areas.

- While this supply pipeline supports Vision 2030 goals, sustained financial backing remains critical. Despite a projected USD 65 billion budget deficit for 2025, the government is mobilizing capital to fund its USD 2 trillion economic transformation, highlighted by a USD 10 billion sovereign loan to maintain development momentum and balance long-term housing supply-demand dynamics.

Office Sector Performance[13]

- Riyadh's prime office market operated under near-zero vacancy conditions in Q2 Riyadh's prime office market operated under near-zero vacancy conditions in Q2 2025, with rates as low as 0.5% for prime spaces and slightly higher for Grade A (3.8%) and Grade B (2.9%). Jeddah mirrored this trend with Grade A and B vacancy at 3.3% and 2.2%, respectively, signaling strong occupier demand in the Kingdom's two largest commercial hubs. In contrast, the Dammam Metropolitan Area (DMA) exhibited significantly higher vacancy, 17.2% for Grade A and 21.4% for Grade B, reflecting structural differences and its reliance on government offices and owner-occupied buildings.

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- Rental rates surged across major cities, led by Riyadh's King Abdullah Financial District (KAFD), where prime rents exceeded SAR 4,000 per sqm annually. Overall, Riyadh's prime rents rose 7.3% y/y to SAR 3,630 per sqm, while Grade A rents jumped 9.1% to SAR 2,358 per sqm, supported by occupier migration toward northern Riyadh for better accessibility and quality offerings. Jeddah recorded healthy rental growth, with Grade A up 4.3% y/y to SAR 1,393 per sqm and Grade B up 6.5% to SAR 933 per sqm. Despite high vacancy, DMA saw notable rent increases, with Grade A up 8.2% and mid-market segments (Grade B and C) rising over 11%, driven by concentrated demand for affordable options.

- Riyadh added 311,880 sqm of office GLA in H1 2025, bringing total stock to 8.1 million sqm, with another 660,880 sqm expected by year-end. Future supply is increasingly concentrated in northern Riyadh along King Salman Road, supported by conversions of residential assets into office spaces to meet exceptional demand. Jeddah added 81,887 sqm in H1 and expects 42,680 sqm in H2, while DMA recorded no completions in H1 but anticipated 116,080 sqm in H2. These trends highlight the Kingdom's evolving office landscape and the need for flexible, technology-enabled designs in upcoming projects.

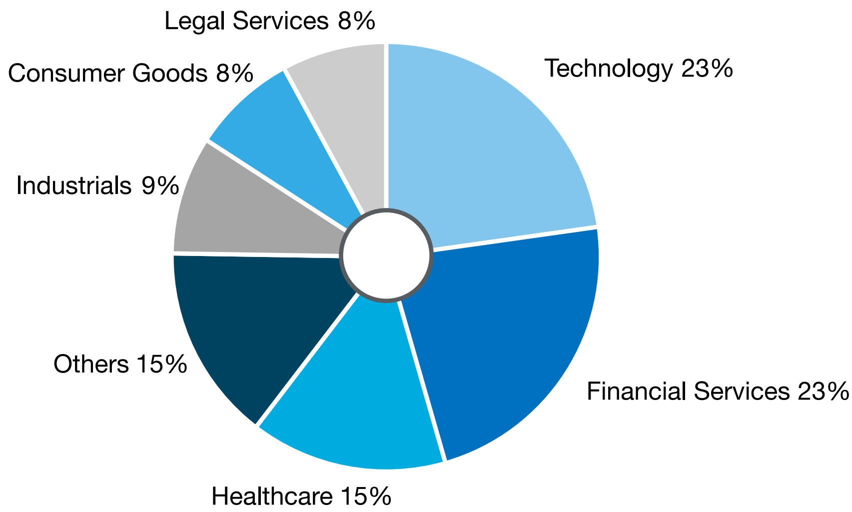
- Leasing activity in Riyadh diversified beyond traditional sectors, with healthcare, pharmaceuticals, and technology emerging as key drivers of demand. This shift aligns with Vision 2030's economic diversification goals and underscores the growing preference for high-quality, amenity-rich office environments. In DMA, demand remains concentrated in Grade B and C spaces, reflecting its mid-market orientation and dominance of government and oil-related occupiers.

- The Regional HQ Program continues to attract multinational corporations to Riyadh, particularly within KAFD, reinforcing its position as a premier business hub. Future developments will prioritize tenant convenience through enhanced amenities, flexible layouts, and advanced technologies. Operational occupancy in KAFD is expected to rise as fit outs conclude, supported by infrastructure upgrades such as new bridges. Additionally, investment funds are actively acquiring and upgrading office assets, while local conglomerates increasingly pursue ownership strategies, potentially reducing premium leasing stock over time.

- Occupier data for the 9M 2025 period in Riyadh indicates a strong concentration of client demand within the Technology (23%), Financials (23%), and Healthcare

(15%) sectors, which together account for over two-thirds (61%) of all office space inquiries. Among these, the Technology sector recorded the highest volume of individual requests. Other sectors, including Consumer Goods, Industrials, and various professional services, contributed smaller shares to overall office space interest.[14]

Riyadh's Office Inquiries by Sector (9M 2025)



Source: CBRE

- The DMA exhibited a distinct market dynamic in Q2 2025, with notably high vacancy rates; Grade A office space's vacancy rates stood at 17.2%, while Grade B reached 21.4%. The office market is largely dominated by government entities and owner-occupied buildings, including banks and major corporate headquarters, representing about one-quarter of total stock. As the core hub of the oil industry, DMA's office market profile and occupancy trends remain heavily influenced by this sector. Looking ahead, the market is expected to shift toward flexible work models and adopt advanced technologies, shaping future supply configurations.
- Despite elevated vacancy rates, the DMA office market remained landlord-favored in Q2 2025, with Grade A rents rising 8.2% y/y to SAR 994 per sqm annually. Grade B and C spaces witnessed even stronger growth of 11.0% and 11.6% y/y respectively, reaching SAR 840 and SAR 896 per sqm, reflecting robust demand in mid-market segments. Majority of the demand continued to concentrate on Grade B and C offices, which also represent the largest share of existing stock.

[14] CBRE

- The DMA witnessed no major office completions in H1 2025, keeping total stock steady at 1.96 million sqm, though 116,080 sqm is scheduled for delivery in the second half of the year. Future developments are expected to feature flexible layouts and advanced technologies to align with evolving workplace needs.

Performance of Industrial & Logistics Sector[15]

- The Industrial and Logistics sector continued its strategic expansion in Q3 2025, supported by the National Industrial Development and Logistics Program (NIDLP). Industrial activity surged, with the Industrial Production Index (IPI) rising 7.1% y/y in August 2025, driven by non-oil industrial diversification. The manufacturing sub-index grew 5.6% y/y, underscoring the sector's long-term health and its role in Saudi Arabia's economic transformation.

- High construction activity is translating into new industrial capacity, as evidenced by an 8.4% y/y increase in July cement sales. In July alone, the Ministry of Industry issued 179 new industrial licenses worth SAR 6.6 billion, and 133 new factories began production, highlighting the accelerated pace of industrialization and the Kingdom's commitment to expanding its manufacturing base.

- Saudi Arabia has USD 440 billion in committed projects, with over USD 116 billion allocated to construction, fueling demand for logistics and manufacturing facilities. This investment pipeline reinforces the sector's strategic importance and ensures sustained growth in industrial infrastructure across the country.

- Industrial rental performance strengthened notably in Q3 2025, particularly in Riyadh, where micro-markets drove rental growth. Average y/y rental increases ranged from 14% to 28%, with prime logistics hubs like Al Faisaliyah District leading gains. Well-located warehouses in Riyadh South, such as Al Mashal District, recorded rents of SAR 299 per sqm per annum, reflecting strong demand for premium logistics space.

- Jeddah's industrial market posted moderate annual rental growth of 4%-8%, with prime logistics areas like Afsan commanding rents around SAR 350 per sqm per annum. This steady growth across both cities highlights the Kingdom's rapid industrial expansion and the rising importance of connectivity and logistics in supporting trade and manufacturing activity.

[15] CBRE

Average Warehouse/Logistics Rents in Various Region (Q3 2025)

Riyadh Central
SAR 241 per sq.m. per annum
27.8% y/y ▲

Riyadh East
SAR 215 per sq.m. per annum
18.1% y/y ▲

Riyadh South
SAR 239 per sq.m. per annum
17.1% y/y

Jeddah East
SAR 281 per sq.m. per annum
9.0% y/y ▲

Jeddah South
SAR 186 per sq.m. per annum
8.6% y/y ▲

Source: CBRE

Performance of Retail Sector[16]

- Retail sector performance in Q3 2025 was driven by robust consumer spending and a growing preference for experiential formats. Total retail sales volumes are projected to grow at a CAGR of 4.4% between 2025 and 2027, according to Oxford Economics. Despite this demand, Riyadh's Super-Regional/Regional retail rents remained stable, recording a modest year-on-year increase of less than 1%, with prime assets averaging SAR 2,815 per sqm per annum.

- The market is increasingly shifting toward integrated, lifestyle-oriented retail experiences. A landmark partnership between Majid Al Futtaim (MAF) and Saudi's Diriyah Company in Q3 will anchor Diriyah Square as a premier lifestyle and entertainment hub. This project will feature VOX Cinemas and globally recognized lifestyle brands, highlighting a strategic move toward curated retail and pedestrian-friendly environments that blend modern retail with cultural heritage.

- Riyadh's retail market is set for substantial growth, with approximately 800,000 sqm of new retail space expected over the next five years, more than 80% concentrated in Northern Riyadh. By the end of 2025, about 100,000 sqm of new GLA will be delivered through projects like STC Square (35,000 sqm), The 25 Mall Complex (24,000 sqm), and Square 1 (15,200 sqm), reinforcing Riyadh's position as a dominant retail destination.

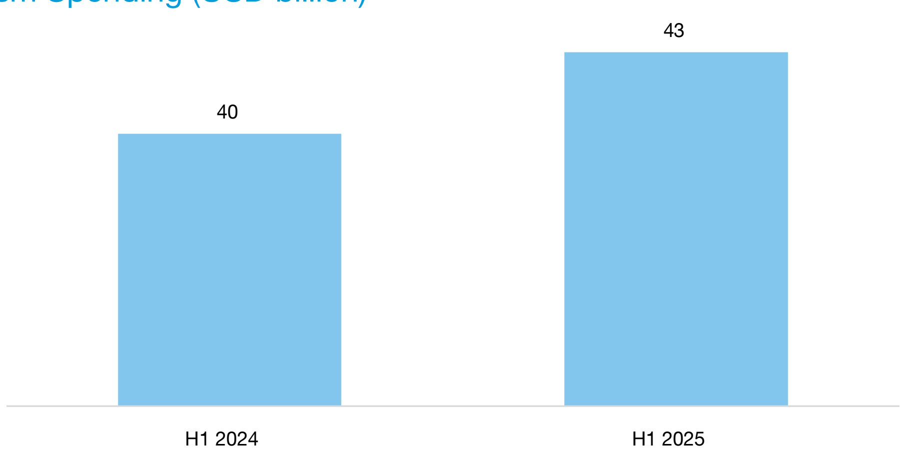
[16] CBRE

- Beyond 2025, major developments such as Jawharat Riyadh (opening in Q3 2026 with 130,000 sqm GLA) and Bellevue Mall (scheduled for 2027 with 370,000 sqm GLA) will drive retail supply growth. These projects emphasize integrated mixed-use concepts and premium amenities, catering to evolving consumer preferences for convenience and experiential retail.

Performance of Hospitality Sector[17] [18]

- According to the Ministry of Tourism, Saudi Arabia welcomed 60.9 million domestic and international tourists in H1 2025, up from 60 million in H1 2024. Total tourism spending during the period exceeded USD 43 billion, a growth of about 4% from H1 2024, reflecting continued growth in the Kingdom's tourism sector and its contribution to the national economy.

Total Tourism Spending (USD billion)



Source: Zawya, Arab News, Ministry of Tourism

- The Saudi Summer 2025 program attracted over 32 million domestic and international tourists, marking a 28% increase compared to summer 2024 (May-September period). Tourist spending reached USD 14.2 billion for the period (May-September), up 15% y/y, with notable growth in destinations like Aseer, which saw a 49% rise in GCC tourist arrivals.

- The sector delivered mixed results during the first half of 2025. Nationwide occupancy fell by 1.7 percentage points y/y, settling at 62.3% as of June YTD. While the Average Daily Rate (ADR) saw a modest increase of 1.9% to SAR 821.8, this was insufficient to drive significant revenue growth, resulting in an almost flat

[17] CBRE
[18] JLL

Revenue Per Available Room (RevPAR) performance, which edged up by only 0.2% to SAR 512.3. This trend reflects a challenging environment where pricing gains were offset by weaker demand.

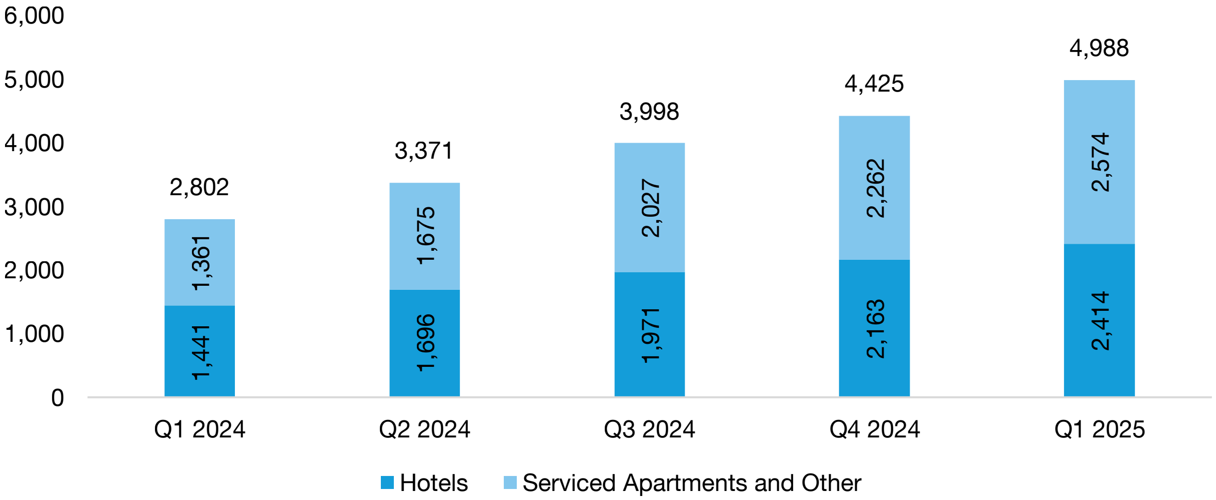
- ADR for hotel rooms in Riyadh declined by 6.9% to about SAR 842.1 while its RevPAR decreased by 11.6% to SAR 576.6 as of June 2025, indicating a slowdown in both demand and pricing power. Occupancy rates were at 56.6%. The city added 690 keys in H1 2025, increasing total inventory to 49,100 keys, and expects an additional 1,080 keys in H2 2025.

- In Jeddah, both the ADR and RevPAR declined by 7.1% y/y and 5.3% y/y respectively to SAR 674.2 and SAR 466.7 respectively as of Q2 2025. The occupancy rate was 69.2% as of June 2025. Jeddah completed 750 keys in H1 2025, bringing its inventory to 18,760 keys, and anticipates 1,300 more keys by year-end. Continued investment in waterfront infrastructure is expected to enhance its appeal.

- Makkah posted robust ADR and RevPAR growth of 7.1% y/y and 3.1% y/y to SAR 884.7 and SAR 566.0 respectively as of Q2 2025, which offset a 3.7 percentage point decline in occupancy for the period. In Madinah, ADR and RevPAR rose by 1.9% y/y and 2.7% y/y to SAR 926.2 and SAR 698.4 respectively as of Q2 2025. Occupancy rate was 75.4% as of June 2025.

- The holy cities maintained steady inventories of 154,590 and 60,170 keys, respectively, during H1 2025. However, notable pipeline activity is anticipated, with 5,590 additional keys in Makkah and 710 keys in Madinah scheduled for delivery in H2 2025.

Number of Licensed Tourist Hospitality Facilities



Source: Ministry of Tourism

Rental Freeze in Riyadh and Its Impact on Real Estate Segments

Saudi Arabia's landmark decision to impose a five-year freeze on rent increases in Riyadh marks a pivotal regulatory intervention designed to rebalance the capital's rapidly escalating rental market. This policy, effective from September 25, 2025, has immediate and long-term consequences for all real estate stakeholders in the Kingdom's primary economic engine.[19]

Policy Scope, Authority, and Legal Basis

The rental freeze is part of the Regulatory Provisions for the Rental Relationship, approved by the Council of Ministers via a Royal Decree and subsequent resolution, and announced through the Saudi Press Agency (SPA) on September 25, 2025.

- **Scope:** The freeze is comprehensive, applying to both residential and commercial properties within Riyadh's urban area. It covers existing leases upon renewal and establishes the initial rent for new leases (vacant units must be leased at the last recorded Ejar rent; first-time rentals are mutually agreed). The locked rent is fixed for five years.

- **Implementing Authority:** The Real Estate General Authority (REGA) is the primary authority, tasked with enforcement, market monitoring, issuing guidance, and managing the official Ejar digital platform, where all contracts must be registered to be legally recognized.

- **Legal Basis:** The policy is underpinned by the new Regulatory Provisions and leverages the existing legal framework for real estate transactions and disputes. Violators face stiff penalties, including fines up to 12 months' rent plus compensation for the affected tenant, with a whistleblower incentive of up to 20% of the fine.[20]

Policy Rationale: Affordability and Strategic Stability

The move is directly linked to the goals of Vision 2030 to enhance the quality of life and position Riyadh as a competitive global hub.

- **Affordability & Price Stabilization:** The primary driver is addressing the rapid rental inflation. Riyadh experienced significant rent hikes in the lead-up to the freeze, with some reports citing double-digit annual increases for villas and apartments, which put increasing financial pressure on households and businesses. The freeze provides immediate budget predictability for both families and companies.

[19] Zawya
[20] Zawya

- **Social/Political Objectives:** By stabilizing housing costs, the government aims to reduce the financial burden on citizens and expatriates, strengthening the capital's appeal for the highly skilled workforce needed to execute Vision 2030 projects.

- **Market Transparency:** Mandatory registration on the Ejar platform for all leases (a Kingdom-wide requirement enforced by the freeze) increases market transparency, digitizes contracts, and streamlines dispute resolution, replacing informal agreements with a clear, enforceable legal framework.[21]

Market Impact Analysis:

Short term Impacts (6-12 Months)[22 23]

Indicator	Residential Property	Commercial (Office/Retail)	Effect & Rationale
Rent Levels	Stabilized/Frozen on 25 Sept 2025 rates	Stabilized/Frozen on 25 Sept 2025 rates	Immediate price cap eliminates annual rent growth component in Riyadh
Vacancy Rates	Decrease (Tenants lock-in stable rents, increasing tenure)	Decrease (Businesses secure fixed operational costs for five years)	Increased tenant retention due to the security of fixed, below-market-rate leases
Transaction Volumes	Dip in Investment Sales, Rise in Leasing	Dip in Investment Sales, Rise in Leasing	Investment appetite for stabilized assets relying on rental growth is curtailed; tenants rush to secure or renew fixed-price leases

Medium to Long-Term Consequences (1-5+ Years)

- **Investment Appetite & Valuation:** Investor valuation models for Riyadh assets must be fundamentally recalibrated. The shift is from a Growth Play to a Pure Yield Play. Investment will favor value-added strategies, such as properties requiring major renovations (which are exempt from the initial freeze, allowing a rent reset) or new developments where the initial rent is set at market value. Passive investors seeking appreciation from rent escalation will be deterred, leading to a potential cap rate decompression in the stabilized asset class.

- **New Supply Pipelines:** New development is likely to slow down or be redirected to segments outside the freeze's scope (e.g., high-end luxury or specialized property) or entirely to other cities. Developers may be wary of committing capital to long-

[21] Zawya

[22] Hahn, Anja M. and Kholodilin, Konstantin A. and Waltl, Sofie R. and Fongoni, Marco, Forward to the Past: Short-Term Effects of the Rent Freeze in Berlin (February 2022)

[23] Kholodilin, Konstantin A. “Rent Control Effects through the Lens of Empirical Research: An Almost Complete Review of the Literature.”

term rental projects where the revenue stream is fixed, potentially leading to a future supply crunch once the current development pipeline is exhausted (JLL/CBRE market reports often note this as a standard consequence of rent control).

- **Financing & Credit Risk:** Banks may adjust lending criteria for income-generating assets in Riyadh, as the fixed revenue stream increases inflation risk for the lender. Maintenance spending may decline as landlords lack the revenue growth incentive to reinvest, leading to the deterioration of existing stock, which could eventually increase credit risk.

- **Refurbishment vs. New Development:** The exemption for properties undergoing substantial construction or structural restoration creates a strong incentive for owners to pursue major refurbishments to reset the rental value to market rates, potentially boosting the construction and interior fit-out sector over ground-up development.[24]

The impact is not uniform across property types and geographies.

Geographic Scope	Property Type	Immediate Impact	Long-Term Outlook
Riyadh (Urban Area)	Residential	Rent is fixed; high tenure security for tenants	Risk of maintenance neglect and future supply shortage
Riyadh (Urban Area)	Office/Retail	Fixed operational costs for businesses (a key policy win)	Fixed return may reduce appetite for new commercial development
Jeddah, Dammam/Al Khobar	All	No blanket freeze; rent increases follow mutual agreement on Ejar	Potential for rental market to absorb displaced investment capital from Riyadh, leading to pressure on rent levels in these cities
Secondary Cities	All	Follows standard Ejar mechanism	Marginal impact, but REGA has the authority to extend the freeze

Note: The policy is currently only mandated for Riyadh, creating significant regulatory arbitrage opportunities in cities like Jeddah and Dammam/Al Khobar, which may see increased inbound investment into their rental sectors.

Source: Zawya, Peninsula

[24] Stake Properties Limited

Enforcement and Operational Challenges

- **Compliance & Circumvention:** The key challenge is preventing circumvention. Landlords may attempt to impose non-rental fees (service charges) or require substantial key money/deposits outside the Ejar-registered contract to compensate for the lost rental increase. REGA must actively monitor compliance using the digital records.
- **Dispute Resolution:** While Ejar centralizes contracts, the volume of landlord objections (e.g., claiming major renovation or pre-2024 contract exceptions) will test the efficiency of the specialized committees established under the Real Estate Brokerage Law.
- **Ejar Data Integrity:** The integrity of the freeze relies heavily on the accuracy of the last registered rent on the Ejar platform for vacant units. Inconsistent or outdated data could lead to disputes over the correct fixed rent value.

Saudi Housing and Warehousing Supply Struggles to Keep Up with Demand

Saudi Arabia's real estate and logistics sectors are grappling with significant supply-demand imbalances, particularly in Riyadh. The housing market is showing signs of plateauing due to delays in new housing stock that cannot match rising demand. According to the General Authority for Statistics, residential property prices grew by only 0.4% between Q1 and Q2 2025, a sharp slowdown from 5.1% in the previous quarter. Sales volumes also declined compared to 2024, with Riyadh transactions down 1.5% y/y in Q2.[25]

A major factor behind this imbalance is the surge in migration of businesses and workers to Riyadh, which has accelerated housing demand beyond the market's capacity. Currently, 18,900 units are under construction in Riyadh, much of it aimed at incoming professionals. However, supply delays and mismatched property sizes and quality have created a gap between demand and availability. The upcoming policy allowing foreign property ownership in select zones, including Riyadh and Jeddah, adds another layer of complexity to the market.

Meanwhile, the office market is heating up, fueled by Vision 2030 and the Regional Headquarters Program, which offers global firms tax exemptions and incentives. Riyadh's prime office rents climbed 7.3% y/y to SAR 3,630 per sqm per year, with King Abdullah Financial District commanding SAR 4,000 per sqm. Vacancy rates remain

[25] JLL

extremely low, 0.5% for prime spaces, underscoring intense demand. Grade A and B segments in Riyadh and Jeddah also report constrained vacancy rates below 4% (Riyadh Grade A: 3.8% and Grade B: 2.9%, and Jeddah Grade A: 3.3% and Grade B:2.2%). Jeddah recorded healthy growth, with Grade A rents up 4.3% to SAR 1,393 per sqm and Grade B rents rising 6.5% to SAR 933.

Riyadh's total office stock reached 8.1 million sqm in H1 2025, with 0.66 million sqm expected by year-end, while Jeddah added 81,887 sqm in H1 2025, bringing the total stock to 2.97 million sqm, with a further 42,680 sqm of GLA expected by year-end. The occupier base is diversifying, with leasing activity from non-traditional sectors such as healthcare, pharmaceuticals, and technology.[26]

Simultaneously, Saudi Arabia faces a severe shortage of warehousing space, with Riyadh's occupancy rates at 98% and rents surging 16% y/y to SAR 208 per sqm, with prime facilities exceeding SAR 250 per sqm. This crunch is fueled by rapid e-commerce growth, industrial expansion, and giga-projects that demand modern logistics hubs. Despite 820,000 sqm of industrial and logistics space under construction, supply remains insufficient, especially for specialized facilities like cold storage and tech-enabled warehouses. Jeddah mirrors this trend, with 97% occupancy and similar rental pressures. Slow development cycles and conservative investment approaches exacerbate the shortage, while giga-projects and infrastructure upgrades continue to accelerate demand. Addressing these challenges will require substantial investment and collaboration between local and international stakeholders to deliver high-quality housing and logistics solutions aligned with Saudi Arabia's Vision 2030 goals.[27]

[26] Arab News
[27] Zawya

How are the different sectors in real estate expected to fare in H1 2026 vs H2 2025?

Asset Class	H1 2026 vs H2 2025	Key Driver
Residential	Similar H2 2025	Population growth and urban migration continue to underpin housing demand, supported by government initiatives like the Premium Residency Program and the upcoming foreign ownership law effective January 2026, which will allow non-Saudis to purchase property in designated zones such as Riyadh and Jeddah. Additionally, regulatory reforms such as the instant licensing system for off-plan sales and increased taxes on undeveloped land aim to accelerate supply and improve affordability. Developers are actively launching giga-projects and luxury housing to cater to both local and foreign buyers, while mortgage facilitation and potential interest rate cuts will further stimulate demand.
Office	Similar to H2 2025	The Regional Headquarters Program continues to attract multinational corporations to Riyadh, reinforcing its position as a regional business hub. This influx of global firms, combined with Vision 2030's diversification push, is driving demand for high-quality, amenity-rich office spaces. Limited supply of prime Grade A offices, particularly in Riyadh's King Abdullah Financial District (KAFD), is sustaining rental growth. Future developments are focusing on flexible layouts and technology-enabled designs to meet evolving occupier needs, while investment funds and local conglomerates are actively acquiring and upgrading office assets.
Industrial & Logistics	Similar to H2 2025	The sector is propelled by the National Industrial Development and Logistics Program (NIDLP), which aims to localize manufacturing and expand logistics infrastructure. A USD 440 billion project pipeline, including giga-projects and infrastructure upgrades, is fueling demand for modern warehousing and manufacturing facilities. E-commerce growth and supply chain modernization are driving rental increases in prime logistics hubs, with Riyadh recording annual rental growth of up to 28%. Government incentives, new industrial licenses, and factory openings further reinforce the sector's strategic role in economic diversification.

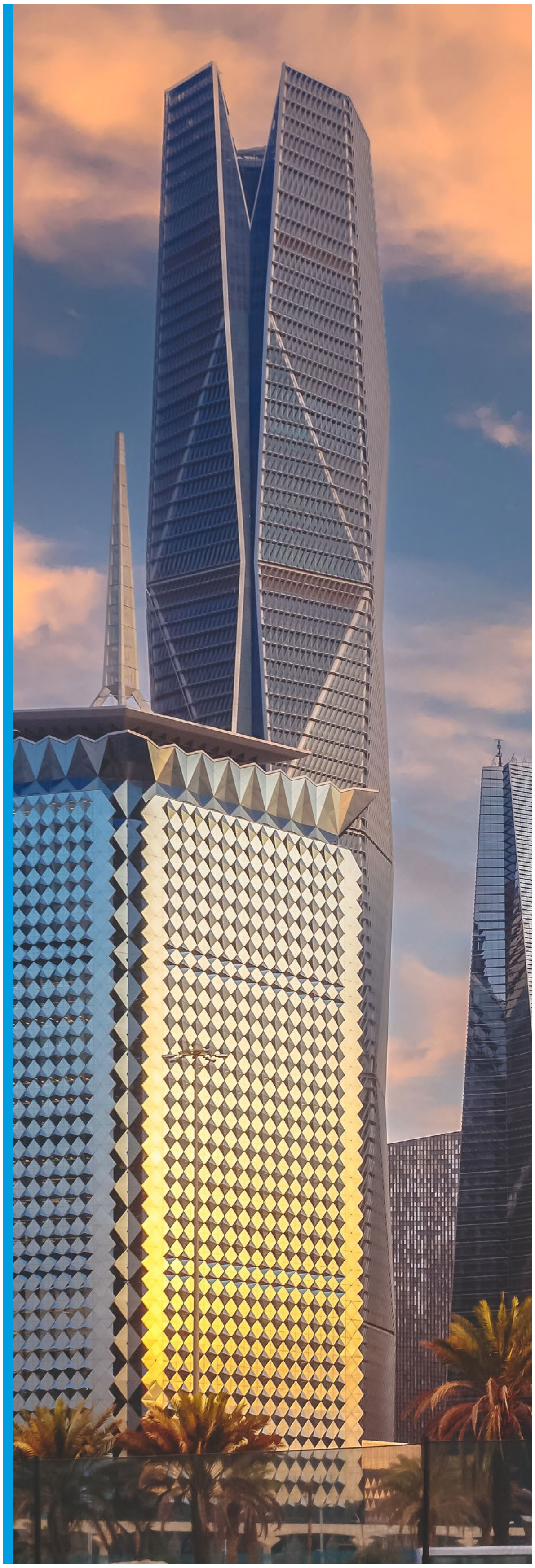
Retail	Similar to H2 2025	Retail demand is supported by a young, tech-savvy population, rising disposable incomes, and a shift toward integrated lifestyle-oriented retail experiences. Major mixed-use projects like Diriyah Square, featuring global brands and entertainment hubs, are redefining retail spaces. Partnerships between leading developers and international retailers, coupled with tourism inflows, are boosting footfall. While rents remain stable, the pipeline of premium malls such as Jawharat Riyadh (opening Q3 2026) will drive supply growth and cater to evolving consumer preferences for convenience and experiential shopping.
Hospitality	Similar to H2 2025	Tourism remains central to Vision 2030, with Saudi Arabia targeting over 41 million visitors in 2025 and further growth in 2026. Key drivers include streamlined visas, giga-projects, and cultural tourism initiatives. Major events such as Inter Aviation Arabia (Feb 2026), LIV Golf Riyadh (Feb 5–7), Khobar Season (Oct 2025–Apr 2026), and heritage festivals in Diriyah and AlUla will boost international arrivals. Significant hotel investments and waterfront developments will expand capacity, while experiential programs like Saudi Seasons and global conferences reinforce the Kingdom's position as a year-round destination.

Source: JLL, Deloitte, Marmore Research

4. Real Estate Saudi Arabia – Major News/ Laws

RCRC Launches Tawazoun Platform to Offer Up to 40,000 Residential Plots Annually in Riyadh

- On 11 September 2025, the Royal Commission for Riyadh City (RCRC) launched the Real Estate Balance Platform (Tawazoun) to receive applications from citizens for purchasing planned and developed residential land plots in Riyadh. The initiative aims to stabilize Riyadh's real estate sector by providing 10,000 to 40,000 plots annually for five years, priced at a maximum of SAR 1,500 per square meter. Applications are open until 23 October 2025 via tawazoun.rcrc.gov.sa. Eligibility requires applicants to be married or over 25 years old, have no prior real estate ownership, and maintain at least three years of residency in Riyadh. Conditions include a 10-year restriction on selling or mortgaging, except for construction financing, and undeveloped plots will be reclaimed with reimbursement. RCRC clarified that application timing does not affect priority and warned against unauthorized intermediaries, emphasizing that all updates will be communicated through official channels.



PIF and JLL Sign MoU to Drive Innovation and Efficiency in Saudi Real Estate Sector

- On 30 October 2025, the Public Investment Fund (PIF) and Jones Lang LaSalle (JLL) signed a Memorandum of Understanding (MoU) during the Future Investment Initiative (FII) conference in Riyadh to strengthen collaboration in Saudi Arabia's real estate sector. The agreement aims to drive innovation, enhance efficiency, and support Saudi Vision 2030 objectives of economic diversification and improved quality of life. Under this MoU, PIF and JLL will focus on market insights, valuation, and project management, while promoting private sector participation, developing local talent, and accelerating technology adoption for sustainable growth.

Saudi Arabia opens real estate market to foreign ownership from January 2026 with additional fees, strict rules, and designated zones

- Saudi Arabia will allow non-Saudis to own real estate starting January 2026 under a new law aimed at boosting foreign investment and economic diversification. Ownership will be permitted in designated zones such as Riyadh and Jeddah, while Mecca and Medina remain restricted to Muslims and Saudi companies. Eligible categories include foreign individuals, companies, Saudi firms with foreign shareholders, non-profits, and diplomatic missions. The law mandates full registration and disclosure, imposes combined fees and taxes of about 10%, and sets penalties up to SAR 10 million for violations. Detailed maps and rules will be issued by the Real Estate General Authority (REGA).

Saudi Arabia Launches USD 1 Billion Fund for King Salman Park Mixed-Use District

- On 17 November 2025, Saudi Arabia's King Salman Park Foundation partnered with Ajdan Real Estate and SEDCO Capital to launch a SAR 3.8 billion (USD 1 billion) mixed-use investment fund aimed at developing a vibrant urban district within King Salman Park, one of the world's largest urban park projects and a key Vision 2030 initiative. The project will feature 600+ residential units, 200+ hotel rooms, 45,000 sqm of office space, and diverse retail and service facilities on a 106,000 sqm site along Oruba Road in Riyadh. The fund adopts an innovative model where the foundation provides land and private partners contribute capital, creating a transparent platform to attract institutional investors and top-tier developers.[28]

[28] SPA

Saudi PIF to invest USD 267 billion in real estate projects over next five years to drive Vision 2030 growth.

- Saudi Arabia’s Public Investment Fund (PIF) plans to invest USD 267 billion in local real estate projects over the next five years, to accelerate housing development, tourism infrastructure, and mixed-use urban projects, aiming to develop 200,000 housing units and 90,000 hotel rooms as part of Vision 2030 goals.

[29] REGA
[30] Middle East Economy

Saudi Arabia introduces instant licensing for off-plan sales, slashing requirements by 90% and cutting wait times to immediate.

- On 18 November 2025, Saudi Arabia's Real Estate General Authority (REGA) has launched an instant licensing system for off-plan project sales, reducing requirements by about 90% and cutting approval time from 30 days to immediate. The automated platform enhances transparency, connects with banks for escrow setup, and accelerates funding, aiming to boost investment, governance, and real estate supply.[29 30]

Cityscape Global 2025 Sets Record with USD 63.2 Billion in Deals

- Cityscape Global 2025 concluded in Riyadh with a historic achievement, recording real estate transactions worth SAR 237 billion (USD 63.2 billion) over its four-day run. The event, held under the theme "The Future of Urban Living," attracted 577 exhibitors, including 265 international participants, showcasing cutting-edge projects in real estate development, urban planning, and proptech innovations. The exhibition reinforced Saudi Arabia's role in shaping future cities, fostering partnerships between government and private sectors, and highlighting opportunities for domestic and international investors. With a strong focus on sustainability and advanced construction technologies, Cityscape Global 2025 underscored the Kingdom's commitment to Vision 2030 and its ambition to create competitive, future-ready urban environments.

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 2026 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	10%	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	5%	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.
Government reforms	10%	New laws and policies in the real estate sector directly impact housing demand and availability, market transparency and foreign investment.

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 provided in the table below.

Saudi Arabia Macro-Economic Factor Assessment

Economic Factors	2021	2022	2023	2024	2025e	2026f	Qualitative Take	Quantitative Score
Oil (Real) GDP Growth	1.2%	15.0%	-9.0%	-4.4%	5.0%	5.2%	Strong	5
Non-Oil (Real) GDP Growth	5.6%	10.9%	5.8%	4.5%	3.7%	3.5%	Neutral	3
Fiscal Position, % of GDP	-2.0%	2.2%	-1.8%	-2.5%	-3.7%	-3.7%	Neutral	3
Investments (as % of GDP)	26.3%	26.5%	29.2%	30.2%	31.2%	31.9%	Moderate	4
Money Supply, M2 y/y	7.4%	8.1%	7.6%	8.8%	9.0%	8.6%	Moderate	4
Inflation	3.1%	2.5%	2.3%	1.7%	2.1%	2.0%	Moderate	4
Interest Rates (%) *	0.5	2.1	5.2	5.3	4.4	4.0	Neutral	3
Yearly Population Growth	-2.4%	4.5%	4.7%	4.7%	2.0%	2.0%	Neutral	3
Jobs created (in '000s)	328	1,015	2,861	1,032	1,046	725	Moderate	4
Government reforms	-	-	-	-	-	-	Strong	5
							Overall	**3.85**

Source: IMF, GaStat, ILO, Marmore research; Note: *Average monthly Interest Rate for the respective year is considered.

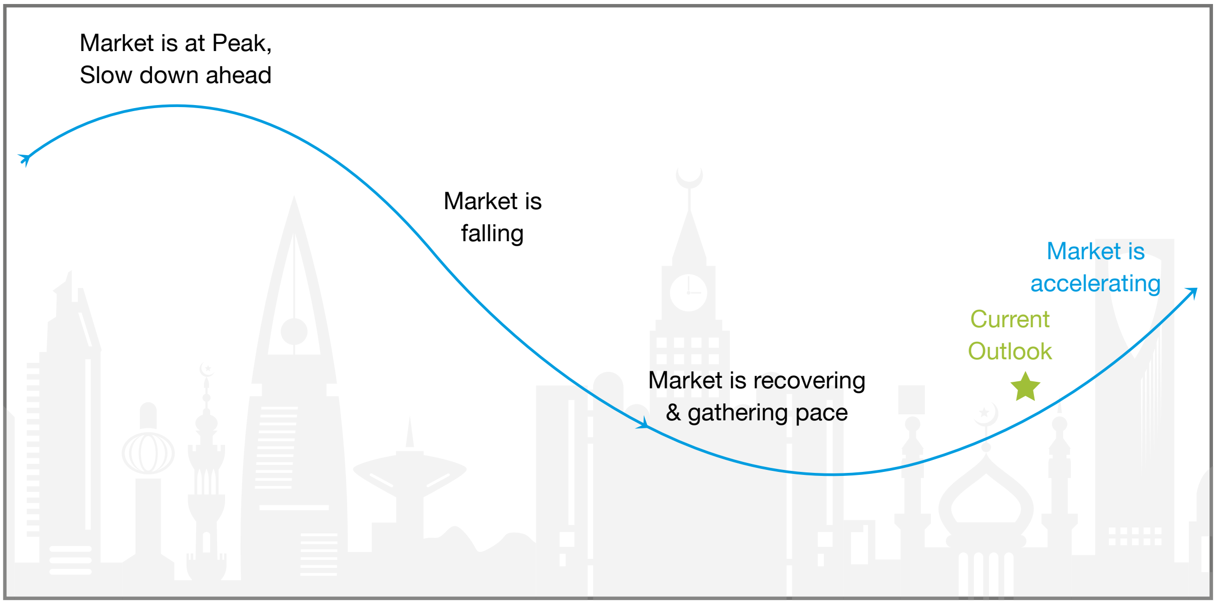
The state of the real estate market was categorized into four distinct phases as shown below.

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 (H2 2024- H2 2025)

Macro indicators	H2 2024	H1 2025	H2 2025
Oil Real GDP Growth	3	4	5
Non-Oil Real GDP Growth	4	4	3
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
Government Reforms	4	4	5
Overall Score	**3.55**	**3.70**	**3.85**

Source: Marmore research

Conclusion

Saudi Arabia's real estate sector stands at a pivotal juncture, reflecting both resilience and transformation amid evolving macroeconomic and policy dynamics. The Kingdom's economy is projected to maintain positive momentum into 2026, supported by oil GDP growth of 5.2% y/y following the unwinding of OPEC+ production cuts and sustained non-oil sector expansion under Vision 2030, with the sector projected to experience growth of 3.5% y/y. These structural reforms, coupled with government-led initiatives such as the Regional Headquarters Program, mortgage facilitation, and tax reforms, continue to underpin demand across residential, commercial, and industrial segments.

Despite positive sentiment, the Saudi housing market faces significant supply-side constraints. Demand in Riyadh and other major cities remains elevated, driven by rapid urban migration and demographic growth, with 72% of Saudis and expatriates expressing interest in homeownership.[31] However, supply pipelines lag behind demand, creating affordability pressures and prompting regulatory measures such as Riyadh's five-year rental freeze. According to recent data, the market is showing signs of plateauing, with the residential price index rising only 0.4% between Q1 and Q2 2025, compared to 5.1% in the previous quarter, and sales volumes in Riyadh down 1.5% year-on-year. Currently, 18,900 units are under construction in Riyadh, but delays in delivering quality housing stock have slowed absorption, even as migration of businesses and workers accelerates demand.[32]

Price trends are expected to stabilize after years of expansion, with moderate growth concentrated in select segments. Villas in prime Riyadh locations are projected to grow by 4%–8% annually, while apartments in Jeddah's northern districts may see 3%–6% yearly gains. Townhouses in emerging suburban areas are likely to experience strong absorption amid limited supply, and luxury coastal properties will continue to be driven by lifestyle demand rather than speculative buying.[33]

Similarly, the industrial and logistics sector is constrained by severe warehousing shortages, with occupancy levels nearing saturation and rents escalating sharply. Addressing these imbalances will require accelerated development, innovative financing models, and strategic partnerships between public and private stakeholders.

The office market exemplifies the Kingdom's success in attracting global corporations, with near-zero vacancy rates and rising prime rents in Riyadh and Jeddah. This

[31] Knight Frank
[32] AGBI
[33] RAKEZ

trend underscores Saudi Arabia's emergence as a regional business hub, though it also highlights the urgency for flexible, technology-enabled office solutions to meet evolving occupier needs. Retail and hospitality segments are poised for steady growth, driven by rising consumer spending, experiential retail formats, and robust tourism inflows, even as competitive pressures and new supply may temper rental growth in the medium term.

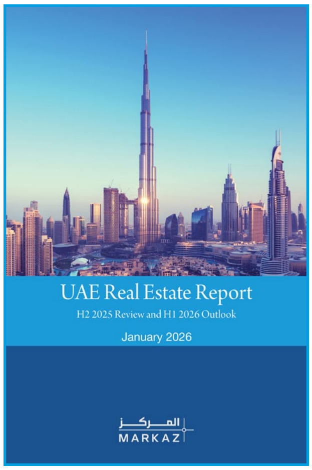
Looking ahead, the sector is projected to remain in an accelerating phase through H1 2026, with its progress contingent on effectively balancing rapid demand growth against timely supply delivery, while managing global challenges such as oil price volatility and trade tensions. Residential demand will be supported by mortgage facilitation, relaxation in foreign ownership laws and population growth, while commercial and industrial segments will continue to benefit from Vision 2030 projects and foreign investment inflows. Continued government support, and infrastructure development will be critical to sustaining momentum. Strategic focus on affordability, such as rent freezes, sustainability, and innovation will define the next chapter of growth, positioning the Kingdom as a leading real estate destination in the region.

Summary – KSA Markaz Real Estate Macro Index

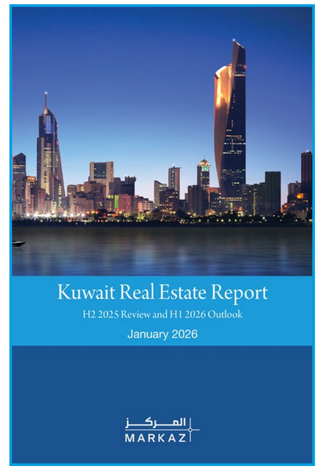
Macro indicators	Outlook (H2 2025 & beyond)	Quantitative Score
Oil Real GDP Growth	Moderate	5
Non-Oil Real GDP Growth	Moderate	3
Fiscal Balance	Neutral	3
Investments	Moderate	4
Money Supply, M2 y/y	Moderate	4
Inflation	Moderate	4
Interest Rates	Neutral	3
Population growth	Neutral	3
Jobs created	Moderate	4
Government Reforms	Strong	5
Overall Score		**3.85**

Source: Marmore Research

Our Other Real Estate Reports



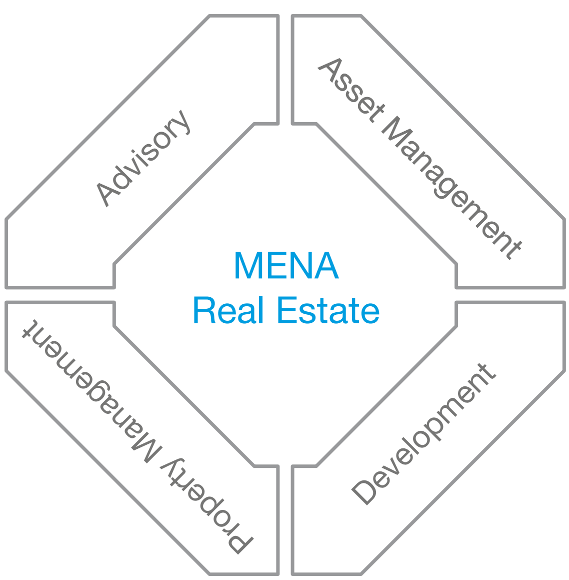
UAE Real Estate Report H2 2025 Review and H1 2026 Outlook



Kuwait Real Estate Report H2 2025 Review and H1 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

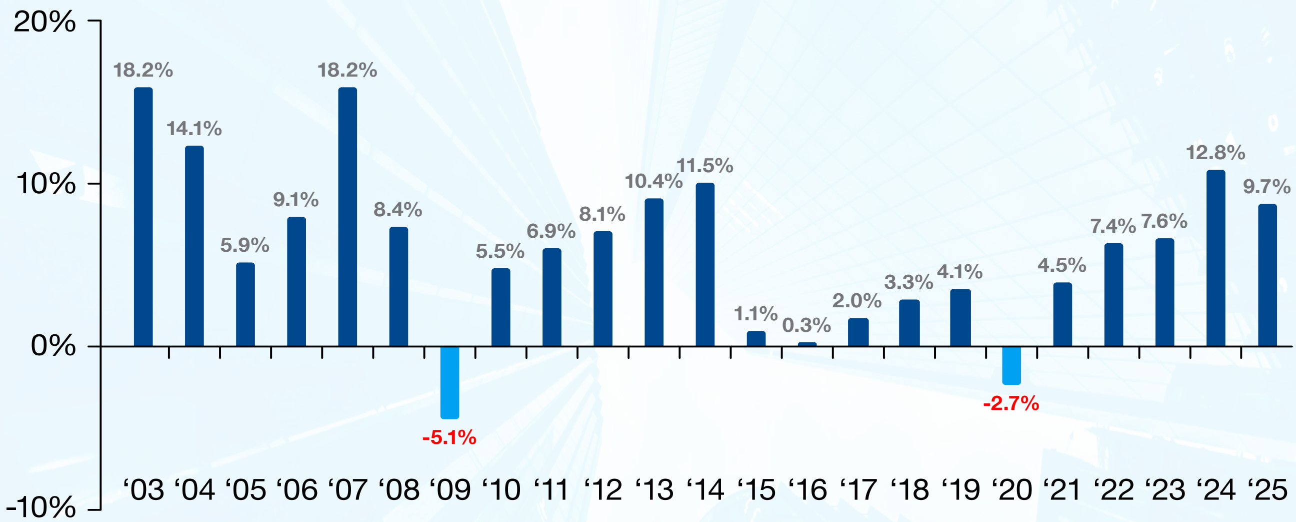
7.7% IRR per annum over 23 years

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

Disclaimer

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