

REAL ESTATE MARKET REVIEW



Saudi Arabia Real Estate Market Review

Q1 2026

REPORT

Strategic Recalibration: Maintaining
Structural Resilience Amid Regional
Rebalancing

CBRE RESEARCH
May 2026

Strategic Recalibration: Maintaining Structural Resilience Amid Regional Rebalancing

Macroeconomic Overview

- Saudi Arabia’s softening economy reflects a more challenging regional landscape in Q1 2026. This follows a strong close to 2025, where Real GDP growth reached 5.0% in Q4, supported by both oil and non-oil activities.
- However, full-year growth expectations have undergone a series of downward revisions as external pressures mount. Real GDP forecasts have been adjusted from 4.3% at year-end 2025 to a current 1.9%. This deceleration is driven by a projected 2.3% contraction in the oil sector and a more cautious 3.4% outlook for non-oil activity.
- The cooling trajectory was further evidenced by the Riyadh Bank Purchasing Managers’ Index (PMI), which dipped to 48.8 in March before recovering to 51.5 in April. While the return to expansion signals stabilised domestic demand, the recovery remains fragile as businesses navigate record declines in export orders and historic surges in input costs due to regional logistics bottlenecks.
- Fiscal strategy has pivoted to prioritize implementation intensity. The 2026 budget maintains an intentional deficit of SAR 165 billion (3.3% of GDP) to sustain expansionary spending on high-multiplier infrastructure.
- This is supported by an opening of capital markets; on February 1, 2026, the Saudi Exchange (Tadawul) removed the US\$ 500 million asset requirement for foreign funds, creating a liquidity bridge for broader market access.

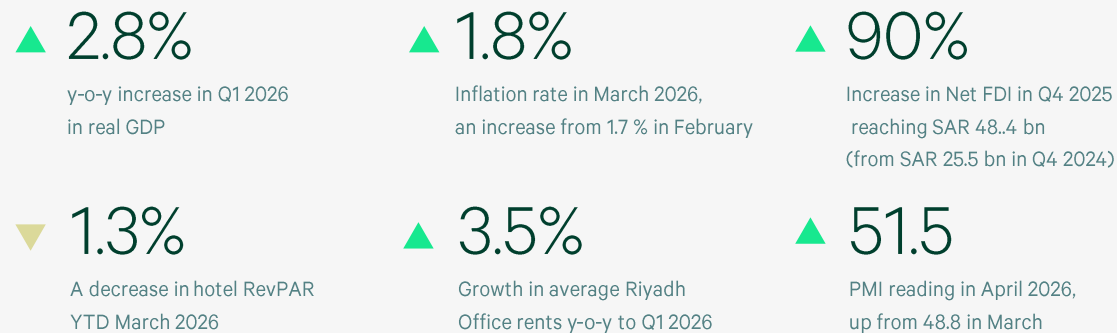
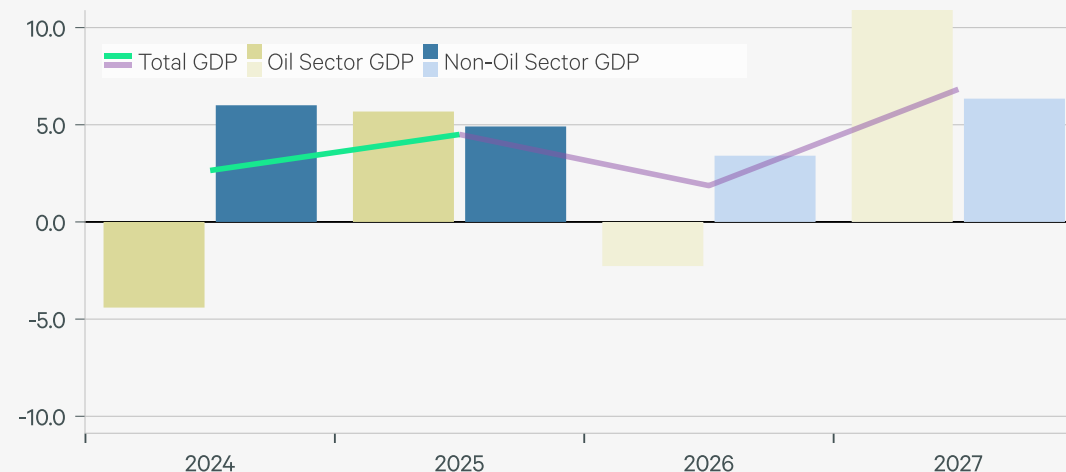


FIGURE 1: Saudi Arabia, Gross Domestic Product



Source: CBRE Research/ Oxford Economics

Real Estate Market

According to a recent Emirates NBD report, regional financial markets have shown resilience, with USD denominated GCC bonds recouping over half of their late February losses. Real estate and infrastructure sectors are among the primary drivers of this rebound, as credit spreads have tightened from a peak of 140 basis points to just 13 basis points above pre-conflict levels. This narrowing of yields reflects a resurgence of investor confidence in the Kingdom's long-term project viability, ensuring that liquidity remains available to support the development pipeline.

In addition, the latest data from the General Authority for Statistics (GASTAT) underlines this stability, with the value of total real estate transactions across the Kingdom reaching SAR 112 billion during the first quarter of 2026, marking a 6.8% increase compared to the same period in 2025.



Regulatory & Policy Shifts

Strategic Evolution of the PIF

The approval of the Public Investment Fund's (PIF) 2026 to 2030 strategy reflects a move away from the rapid expansion of previous years, to prioritising long-term value and efficiency.

By organising assets into three distinct portfolios, Vision, Strategic, and Financial, the PIF is now focusing on six core economic ecosystems, with urban development and liveability at the centre. This approach sets a clear path for the market, indicating that future growth will depend more on private sector involvement and collaboration and less on direct government investments.

Modernising the Kingdom's Land & Assets

Q1 2026 marks the official rollout of the Law of Real Estate Ownership by Non-Saudis, with the Saudi Properties digital portal now live as the mandatory gateway for eligibility checks and developer interactions.

To preserve local affordability, ownership for non-Saudis remains strategically limited to specific districts within major urban centres, with specific zones yet to be announced.

Simultaneously, the State Properties General Authority (SPGA) and the National Centre for Privatization (NCP) have launched the 'Quality Valley' project, a landmark Public-Private Partnership (PPP). This 191,000 sqm mixed-use masterplan, centred around the Saudi Standards, Metrology and Quality Organization (SASO) headquarters in Riyadh's Al Muhammadiyah District, signals a strategic pivot toward leveraging private sector expertise to develop government assets.

Beyond ownership reforms, the focus has shifted toward institutionalising market transparency and ESG standards. The Real Estate General Authority (REGA) is formalising oversight of thorough new suite unified market indicators that track vacancy rates, rental inflation, and supply pipelines across major cities, effectively replacing qualitative anecdotes with measurable data for investors. These initiatives extend across the full spectrum of real estate, including residential, retail, industrial, and hospitality developments.

This push for clarity is being paired with green building mandates for new Grade A developments, a strategy underpinned by the Kingdom's regional leadership in sustainable construction, where over 1 million sqm of sustainable building spaces have already been certified.

This is not limited to isolated projects but is visible in high performance infrastructure such as the LEED Platinum certified Red Sea International Airport, and integrated community developments where developers like ROSHN are embedding carbon management certifications, such as PAS 2080, across their entire residential portfolio.

By aligning local data standards with global benchmarks and embedding efficiency into project lifecycles, the Kingdom is actively positioning its real estate sector to attract international institutional funds that prioritize sustainable, long-term value.

Real Estate Market



Development Pipeline: Progress, Scale, and Execution Outlook

From Construction to Connection: The Evolution of Saudi Infrastructure

The national project pipeline is shifting from initial construction-led growth to long-term operational management. This evolution is evident in major logistics and transit projects, such as the new 50:50 joint venture between ROSHN Group and Agility Logistics Parks. This partnership aims to develop a SAR 2.5 billion Grade A logistics park in Jeddah, spanning 1.3 million square metres, which serves as a key driver for the National Industrial Development and Logistics Programme. Connectivity remains a priority alongside these developments, with steady progress on the Riyadh Metro Red Line extension linking King Saud University to Diriyah, a critical component of the transit strategy for Expo 2030.

This momentum is supported by broader construction activity. Saudi Arabia awarded over SR 15.6 billion in contracts during March, a 458% increase compared to February, making it the strongest month for project activity this year. The construction sector remains the primary engine of this growth, supported by the delivery of Vision 2030 projects.

Educational facilities and commercial developments led the investment, accounting for a combined value of over SR 7.6 billion. Riyadh remains the primary focus of this activity, hosting 82% of the total awarded projects and capturing roughly SR 15 billion of the total value. Key players like the National Housing Company, Diriyah Gate Development Authority, and Qiddiya Investment Company are behind the largest initiatives, which are set for completion by 2032, ensuring a steady pipeline of development over the coming years.

While project activity has accelerated, the industry is facing upward pressure on costs. The Construction Cost Index recorded a 2% year-on-year increase in March, driven largely by higher expenses for equipment rentals, machinery, and labour. Both the residential and non-residential sectors saw modest price hikes as the cost of equipment and energy continued to climb. Despite these rising costs, the steady momentum in the sector aligns with broader national efforts to diversify the economy, and future activity is expected to remain high, with roughly 18 new contracts anticipated for April across Madinah and the Eastern Province.

Key Project Progress Highlights

Riyadh Expo 2030 Site Activation:

Construction has officially moved above ground as of the end of Q1 2026. Following the briefing of the Bureau International des Expositions (BIE), work on the main theme and sub-theme areas has commenced. The current focus is on the foundational infrastructure for the national pavilions, with the first phase of internal roads and utility networks nearing completion to allow participant countries to begin their own site-specific construction later this year.

King Salman Park Phased Delivery:

Work has accelerated on the 16.9 km² site, with the first major phase now confirmed for a late 2026 opening. Current activity is centered on the “Innovation Loop,” which is a primary transit and pedestrian spine, and the ecological restoration of the central wadi systems.

The Royal Arts Complex has also entered a significant vertical construction phase, anchoring the park’s role as a future cultural core for the capital.

NEOM’s Strategic Pivot:

Q1 2026 has seen a significant recalibration of “The Line.” NEOM has shifted its short-term focus toward becoming a global AI and data centre hub. This pivot is supported by a US\$ 5 billion partnership with DataVolt, leveraging the site’s renewable energy and cooling potential. Simultaneously, the green hydrogen plant at Oxagon has reached 80% completion, remaining on track for its mid-2026 delivery.

Diriyah Square & Infrastructure Maturity:

The transformation of the 14 km² Diriyah site is moving into a high-intensity execution phase. Construction has officially started on the premium office stock within Diriyah Square. Meanwhile, the Zallal mixed-use precinct is now fully operational as the first commercial and retail hub in the area.

Jeddah Tower:

Construction on the Jeddah Tower is moving forward quickly, with the structure recently passing the 100-floor and 400-meter height milestones. Now that work has accelerated following the restart in early 2025, the project is on track to be finished by 2028. Once complete, it will be the world’s tallest building at over 1,000 meters. As a mixed-use development, it will eventually add a new tier of luxury hotel, office, and residential space to the market, serving as a landmark addition to the wider Jeddah Economic City masterplan.

Jeddah’s “Jewel of the Bride” (Jawharat Al Arous):

The official launch of this SAR 8bn private-sector-led masterplan marks a definitive shift in Jeddah’s northern expansion. Spanning 107mn sqm, the project is engineered to house over 700,000 residents across 18 integrated neighborhoods. With 1,344 km of road infrastructure already underway, the development serves as a primary anchor for the city’s growth corridor, transitioning toward self-sustained, large-scale urban environments.

Offices

Stability and the Normalisation of Demand

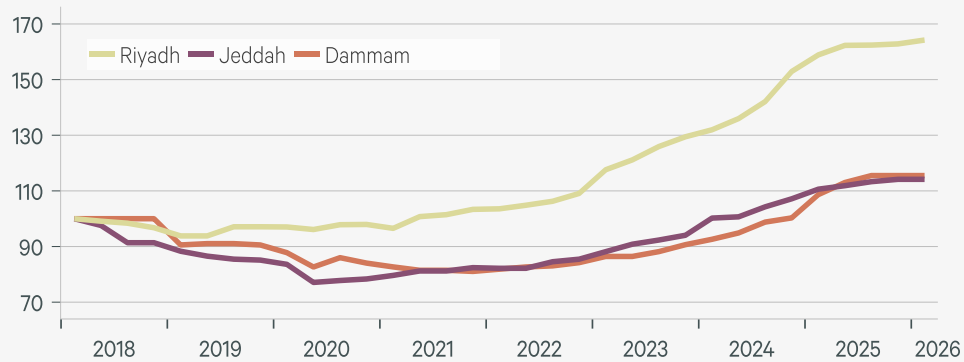
Riyadh’s office market remains resilient, with Grade A occupancy levels holding firm at approximately 98%. The Regional Headquarters (RHQ) program remains a primary driver for this sustained demand, as over 780 international firms are now reportedly licensed and actively maintaining a physical presence in the capital.

Riyadh is progressing through a significant supply cycle in 2026, with approximately 0.56 mn sqm of office accommodation scheduled for completion. This includes projects such as Misk City, Westfield Riyadh Offices, the initial phases of Diriyah Square Offices, and The 25 Osus office building driving this growth. While new stock is likely to help moderate rental growth, demand for Grade A space continues to outpace supply. Looking ahead to 2027 and 2028, the capital landscape will expand by another 0.90 mn sqm, as the delivery schedule shifts toward private developers, who are responsible for close to 84% of completions, before major giga projects resume the lead from 2029 onwards. This balance between government projects and private sector delivery is essential for Riyadh’s competitiveness.

Real Estate General Authority data for the first quarter of 2026 shows a shift in cycle, with non-residential sales transactions dropping in March as compared to last year, yet average deal values rose to SAR 2.62 million, indicating a shift toward higher value, strategic assets.

The rental market reflects this, with Riyadh accounting for 42% of total commercial rental value at SAR 3.21 billion. Despite the February rental spike of 75%, the March softening represents seasonal normalisation during Ramadan. Overall, rental transaction values grew 6% annually in March, confirming a sustained upward trend.

FIGURE 2: Saudi Arabia, Office Rent Index (2018 = 100), Q1 2026



Source: CBRE Research

Riyadh

97.7%
Riyadh Office Occupancy (Q1 2026)

~1.5mn sqm
Office Supply (2026-2028)

84%/16%
Private vs. Mega Projects (2026-2028)

76%
Located in Northern Riyadh (2026-2028)

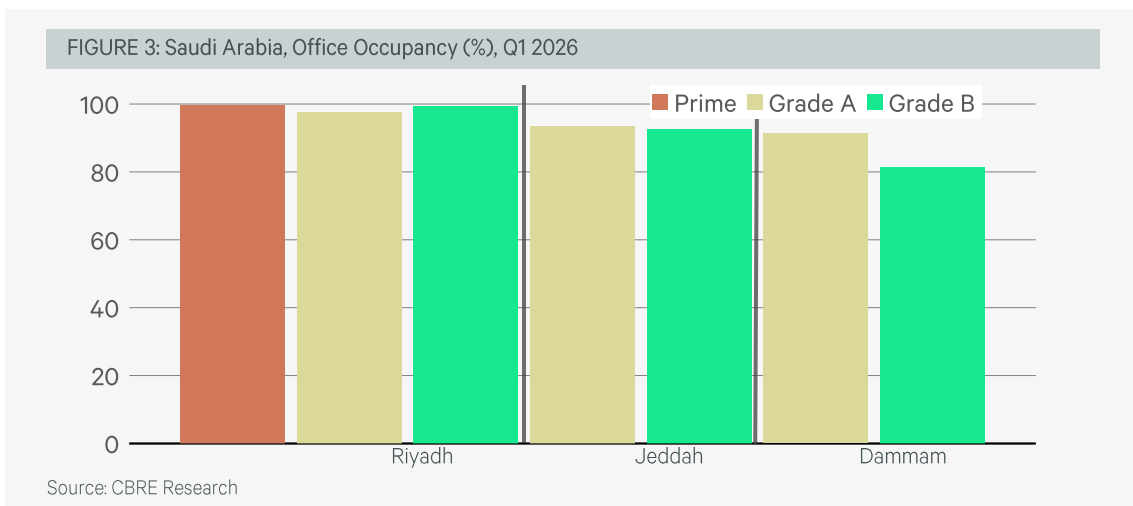
Offices

Occupier demand during the first quarter of 2026 was concentrated across high-growth industries. Technology led the way, accounting for 53% of all office requirements. Professional and financial services, including consulting, financial services, and legal, followed with a collective 33% share, with other sectors accounting for the remaining 14% of activity.

A shortage of premium office space continues to drive companies toward higher quality buildings across the Kingdom’s secondary markets. **Jeddah** remains competitive, with Grade A occupancy rates at 94% and prime rents holding steady at 1,490 SAR/sqm/annum. This stability shows that the market is handling new supply well at this stage.

In the Eastern Province, the **Dammam** office market is effectively split in two. While top tier buildings remain steady at 91% occupancy, Grade B assets are facing significant pressures as tenants prioritize modern management and digital connectivity. Older, less flexible buildings are struggling to keep up, and because investors are focusing almost entirely on new Grade A developments, the market’s future depends on the delivery of high-quality space.

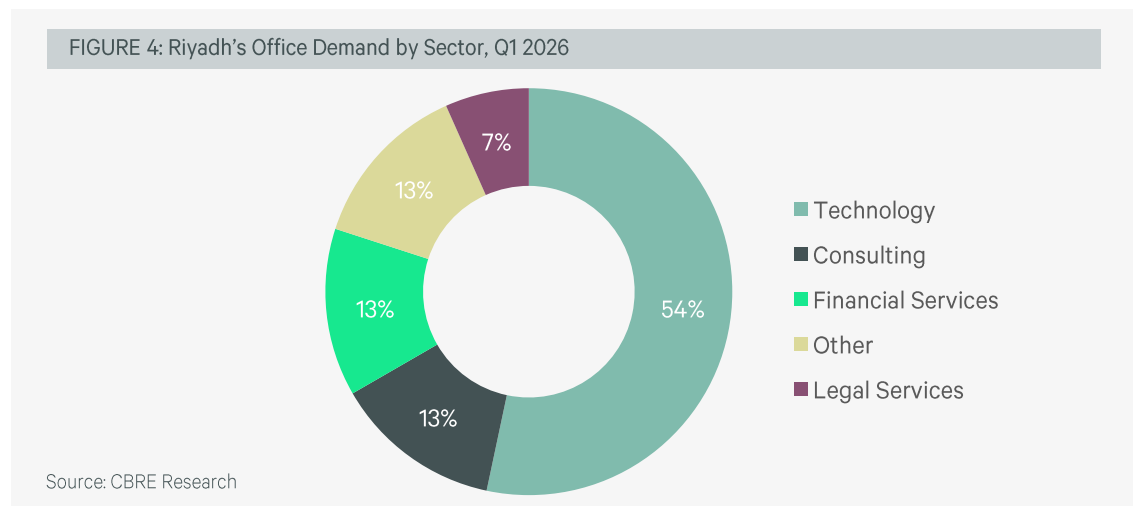
Q1 performance unfolds against a complex regional backdrop. While geopolitical tensions have introduced a layer of caution, the overall office performance remains largely unchanged.



The RHQ program continues to demonstrate sustained momentum, with MISA licensing data confirming ongoing growth in engineering and tech sectors. A shift from paper compliance to actual physical occupancy is visible, particularly in hubs like KAFD, evidenced by the rise in senior leadership residency filings.

However, the current climate has influenced occupier behaviour in other areas. Firms in non-essential sectors are adopting a more cautious approach, which has lengthened leasing cycles as decision makers opt for holdover tenancies rather than immediate long-term commitments.

A transition from aggressive expansion to space optimisation is also underway. Professional services and Technology, Media, and Telecommunications sectors are increasingly utilising the Ejar platform to monetise surplus Grade A capacity, while data from Small and Medium Enterprises General Authority (Monsha’at) points to a growing preference for managed workspaces that minimise capital expenditure. In response to these conditions, some organizations have adopted flexible work policies to maintain operations while minimising staff transit. Yet, despite these adjustments, landlords remain bullish, as the structural scarcity of Grade A space provides a robust buffer against broader macroeconomic volatility.



Residential

Market Rebalancing and Strategic Yields

The residential sector is currently undergoing a period of rebalancing. According to GASTAT, total residential transaction values reached SAR 82 billion in the first quarter, this represents a 4.5% decline year-on-year. This trend was particularly pronounced in February, where nationwide residential transactions fell 45% compared to the same period in 2025. Ministry of Justice data confirms this contraction, recording 18,300 total residential transactions totalling SAR 14.7 billion. Land transactions were the primary drag on these figures, with volumes and values declining by 50% and 62%, respectively compared to February 2025. While Riyadh remains the most active hub, the broader market is entering a phase of price stabilisation as investor confidence is tested by the regional situation. Buyers are increasingly prioritising high-liquidity assets, specifically studios and smaller apartments in the SAR 300,000–500,000 range, at the expense of traditional large-scale villas. This pivot is particularly evident in Jeddah, where the preference for apartment living is outpacing detached property demand.

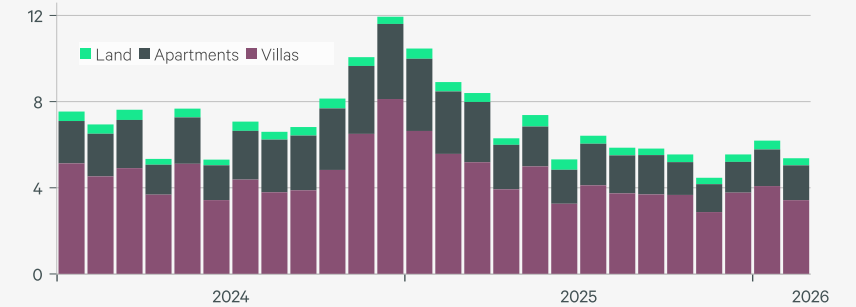
There is a widening divergence between the mortgage and rental landscapes. Prospective homebuyers are largely adopting a wait-and-see approach, leading to a noticeable moderation in new mortgage loans. Conversely, the rental sector is surging as professionals arriving under the RHQ program prioritize mobility and operational efficiency. According to the latest Ejar data, lease contracts rose 37% in February and total contract values increased by 85%, prompting investors to reallocate toward assets that generate steady, predictable rental yields. Success is no longer guaranteed by launch momentum, but by how closely a product matches these shifting behaviours.

Foreign ownership regulations remain a critical pillar for long-term sentiment. While regional headwinds have tempered the immediate pace of acquisitions, these updated rules are establishing a more robust foundation for secondary market pricing. Sustained inquiry levels persist regarding cities approved for non-Saudi ownership, although the specific designated areas within Riyadh have yet to be officially confirmed to unlock the next phase of capital deployment.

Major developers are maintaining momentum with large scale projects to support this evolving market. ROSHN recently secured deals worth SAR 571 million for their Sedra and Warefa communities, while Kingdom Holding is advancing a 3 million sqm project in Riyadh with a projected sales value of SAR 4 billion. Additionally, firms such as Dar Al Majed are scaling their presence with the launch of eight new residential buildings in the capital. These investments, supported by government initiatives like Sakani, underscore a long-term commitment to providing the high-quality housing stock that meets the needs of a more selective demographic.

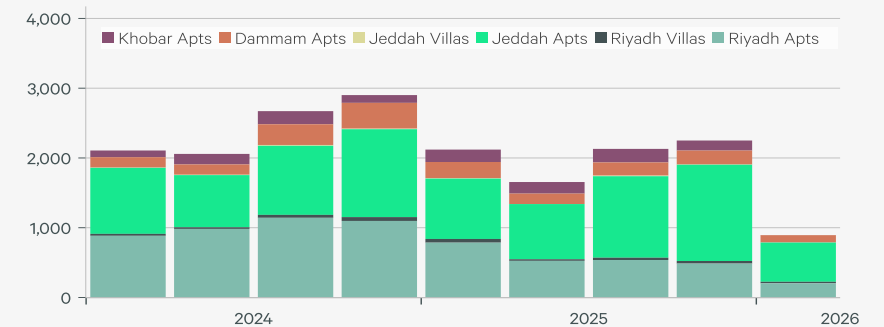
The supply landscape is maturing as developers transition from early-stage construction to the active delivery of high-quality inventory. During Q1 2026, approximately 12,800 units were handed over across major urban centres, with NHC-led developments accounting for 92% of this volume. Looking ahead to the end of 2026, NHC is set to remain the primary driver of Riyadh’s residential supply, capturing 44% of the total units currently under construction. Private developers and mega-projects follow, accounting for 32% and 24% of the pipeline, respectively.

FIGURE 5: Saudi Arabia, New Monthly Bank Mortgages (Saudi Banks) by Value (SAR billions)



Source: CBRE Research / Saudi Central Bank

FIGURE 6: Saudi Arabia, Quarterly Residential Transactions by Volume (Villas & Apartments) to Q1 2026



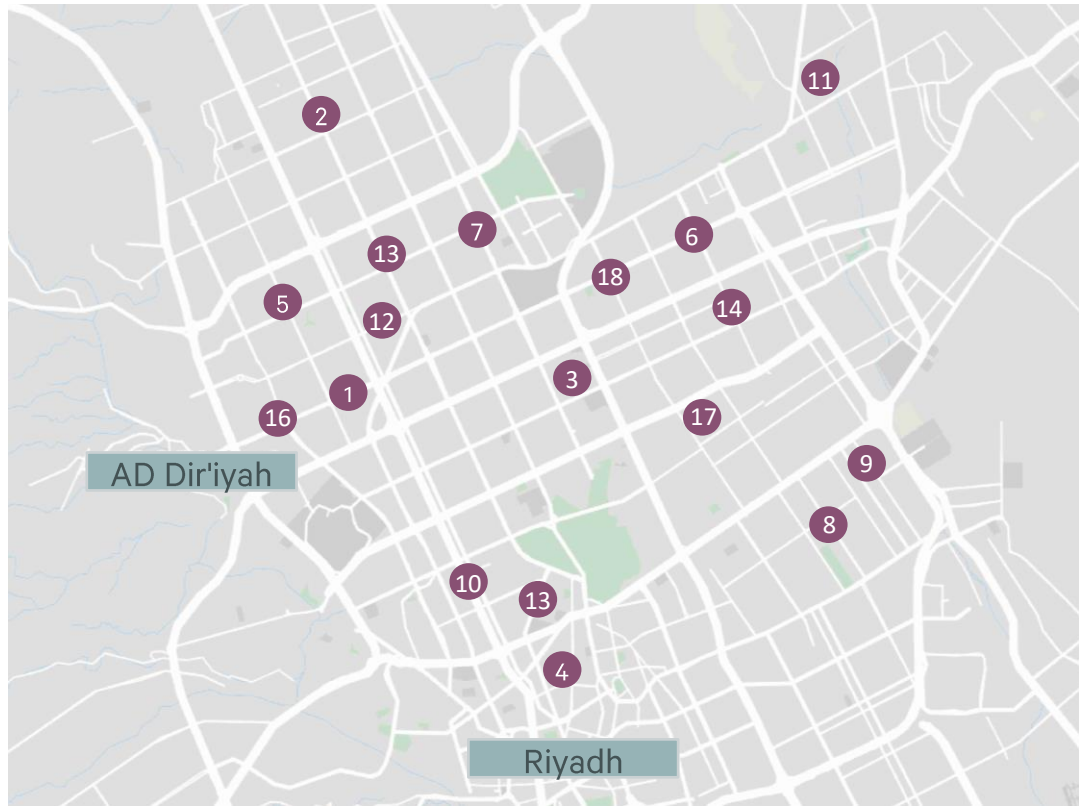
Source: CBRE Research / MoJ / Paseetah

Residential

Reflecting a broader market recalibration, residential rental rates in Riyadh softened by 2.1% year-on-year in March 2026, marking a shift toward more sustainable pricing across the capital. This softening underscores the impact of the September 2025 regulatory reset, which brought a period of accelerated rental growth in the capital to a close. Under REGA’s new mandate, rents

for existing leases are fixed at their September 2025 levels, while new-to-market inventory must align with the last recorded value on the Ejar platform. This regulatory shift provides a stabilised baseline for both existing tenancies and new inventory, effectively cooling speculative spikes while ensuring yield predictability for institutional investors.

FIGURE 7: Riyadh Average Rental Rates, y-o-y, Q1 2026



Source: CBRE Research / Paseetah

No.	Riyadh Districts	Apartment		Villa		No.	Riyadh Districts	Apartment		Villa	
		Q1 2026 AVG SAR/Annum	y-o-y %	Q1 2026 AVG SAR/Annum	y-o-y %			Q1 2026 AVG SAR/Annum	y-o-y %		
1	Al Aqeeq	74k	-1%	97k	3%	10	Al Olaya	60k	-1%	126k	2%
2	Al Aridh	48k	6%	130k	-5%	11	Al Rimal	31k	8%	72k	-4%
3	Al Ezdhar	55k	-3%	104k	-6%	12	Al Sahafa	56k	3%	114k	-2%
4	Al Malaz	39k	4%	52k	-4%	13	Al Sulaymaniyah	50k	-3%	107k	-6%
5	Al Malqa	66k	1%	148k	9%	14	Al Yarmouk	38k	1%	69k	4%
6	Al Munisiyah	39k	-1%	96k	6%	15	Al Yasmeen	59k	-6%	130k	0%
7	Al Narjis	58k	5%	122k	5%	16	Hittin	81k	11%	163k	8%
8	Al Nasim Al Gharbi	24k	4%	38k	8%	17	King Faisal	66k	-8%	58k	6%
9	Al Nasim Al Sharqi	22k	4%	49k	8%	18	Qurtobah	53k	0%	299k	0%

Retail

Evolving Toward Experience and Digital Integration

The retail sector is undergoing a structural transformation as it continues to move away from traditional shopping mall formats toward integrated, experience led lifestyle destinations. Physical footfall at major entertainment and retail hubs softened slightly during the first quarter as consumer sentiment turned cautious in response to the regional situation. However, this has been largely offset by a significant surge in digital commerce. According to the latest data from the Saudi Central Bank (SAMA), electronic payments accounted for 85% of total retail payments in 2025, a notable increase from 79% in the prior year, with transaction volumes reaching 14.6 billion. This acceleration in digital adoption is providing a necessary buffer for retailers as they navigate changing consumer habits.

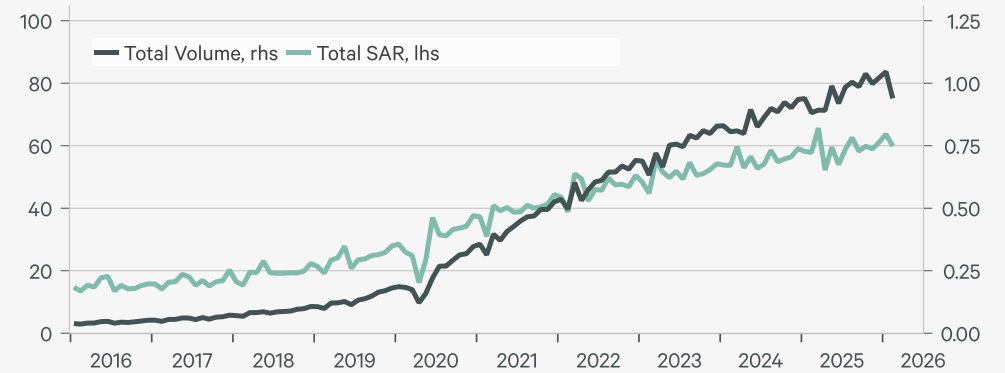
This digital shift is supported by high levels of domestic consumption. Recent data indicates that F&B outlets remain a primary engine of market activity, accounting for approximately 16.6% of total weekly expenditure, while fashion and accessories follow at 15.8% in the lead up to Eid. This domestic resilience effectively offsets fluctuations in international tourism spending, maintaining stability across the sector.

New supply is increasingly integrated into mixed-use masterplans, such as the newly launched PPP Quality Valley project and the expanded Jeddah Front, which blend work, leisure, and retail to create 24-hour environments. Developers are treating F&B outlets not merely as tenants but as primary footfall drivers, dedicating significant leasable space to restaurants and cafés to maximise dwell time. The development pipeline remains active for the coming year, with The Avenues Riyadh on track for a Q1 2027 opening, while Westfield Jeddah and Westfield Riyadh are scheduled to open in May and September 2026. These projects will introduce over 200,000 sqm of Grade A retail and office space to the market.

Rents for super regional and regional malls have held steady at around SAR 2,820 per sqm per year as new supply comes online. Despite the current regional situation, landlords are typically looking to maintain their rates and are not widely offering rent relief or concessions to tenants.

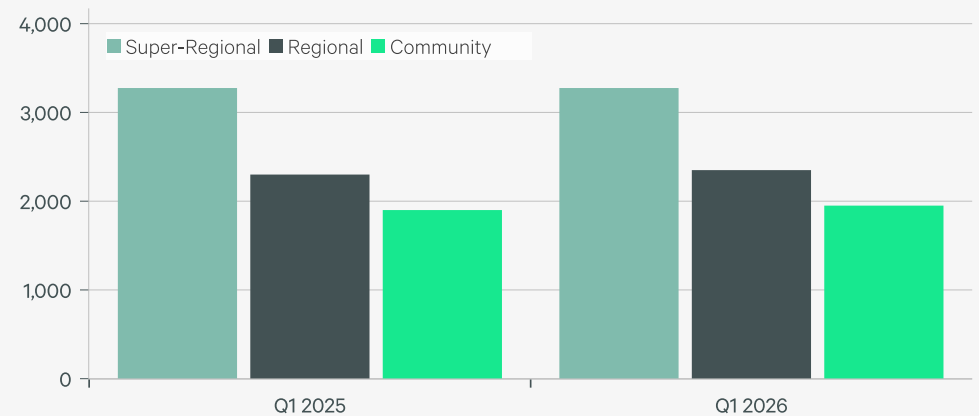
As more and more Saudi's shop online, there continues to be a clear shift towards prioritising wellness, luxury, and digital features with retail centres, with landlords focusing on creating walkable, mixed-use spaces. The most successful retail spots today are those that create a sense of community and cater to the daily habits of the local population.

FIGURE 8: Saudi Arabia, Retail POS (Total Value and Volume in billions)



Source: CBRE Research / Saudi Central Bank

FIGURE 9: Saudi Arabia, Retail Rents, Q1 2025 v Q1 2026



Source: CBRE Research

Hospitality

FIGURE 10: Key Tourism Indicators in the Kingdom, Q1 2025 vs. Q1 2026



Source: CBRE Research/ Ministry of Tourism
*Preliminary data

Record Activity Amid Operational Headwinds

Despite the regional backdrop, Saudi’s hospitality sector has shown resilience during the first quarter of 2026, recording 37.2 million total domestic and inbound tourists, contributing a combined SAR 82.7 billion in spending. Domestic tourism proved to be the primary engine of this growth, with 28.9 million domestic travellers representing a 16% increase y-o-y and generating SAR 34.7 billion in spending. This performance was bolstered by a strong Ramadan and Eid season, which drew 10 million domestic tourists, a 14% rise compared to the same period last year.

While these figures highlight robust demand, the sector also navigated a complex operational environment in early 2026. Although Riyadh showed a 13.5% decline in occupancy on a year-to-date basis, the monthly performance for March revealed a more pronounced shift. During this period, the sector faced localized operational headwinds, with Riyadh experiencing a 15.6% decline compared to the same month last year. Similar contractions were seen in the Eastern Province, with Al Khobar and Dammam recording decreases of 9.9% and 10.3%, respectively. While the March dip reflects heightened sensitivity to regional sentiment and shifting seasonal timing, the narrower year-to-date variance suggests the market is undergoing a necessary recalibration as the hospitality landscape normalizes following record-breaking growth cycles.

Indeed, this localized volatility was counterbalanced by the record domestic travel volume established earlier in the quarter. Domestic strength provided a vital buffer against the temporary dip in international arrivals caused by regional airspace closures early in the year. Despite these headwinds, the sector continues to see record interest from global operators.

The launch of the \$1 billion Ayara platform, which aims to deliver 50 business hotels by 2029, underscores the industry's commitment to building efficient mid range accommodation. New project milestones reached during the Q1 highlight the continued confidence of international brands, notably with the recent opening of the W Riyadh in KAFD. Other major developments currently in the pipeline include the Armani Hotel Diriyah, the Conrad Riyadh Laysen Valley, and the Regent Jeddah, all of which are on track to bring new luxury inventory to the Kingdom later this year. Furthermore, the AIUla Development Company has commenced construction on the Numag Autograph Collection Hotel, a Marriott property offering 250 rooms alongside extensive hospitality and dining amenities in the heart of AIUla. Beyond these assets, operators are actively diversifying their portfolios, with first quarter signings extending into emerging markets such as Taif, Dammam, and Hail. This expansion, led by brands like Marriott, Accor, and Four Seasons, reflects a strategic move to align new capacity with a mix of religious, business, and leisure travel patterns. These assets are essential for meeting the national target of 150 million annual visitors by 2030.

Corporate travel remains a primary performance driver, particularly in Riyadh where the RHQ program continues to elevate hotel demand. Meanwhile, the Umrah Plus initiative has stabilised occupancy levels in the holy cities, which sustained an 80% occupancy rate through the final weeks of Ramadan. This mix of steady business demand and rising domestic leisure travel is keeping the sector on a positive trajectory as it navigates short-term instability.

FIGURE 11: Saudi Arabia, Hospitality Market, Hotel KPIs, y-o-y Change (%)

Location	Current Month- March 2026 vs. March 2025			Year to Date - March 2026 vs. March 2025		
	Occ. Change	ADR % Change	RevPAR % Change	Occ. Change	ADR % Change	RevPAR % Change
	Month Change March 2025 vs. 2024			YTD Change March 2025 vs. 2024		
Saudi Arabia	-6.9%	-9.4%	-15.7%	-4.2%	3.0%	-1.3%
Jeddah	13.2%	-0.1%	13.1%	3.8%	0.5%	4.4%
Riyadh	-15.6%	-3.5%	-18.5%	-13.5%	4.6%	-9.5%

Source: CBRE Research / Co-Star

Industrial

High Strategic Priority

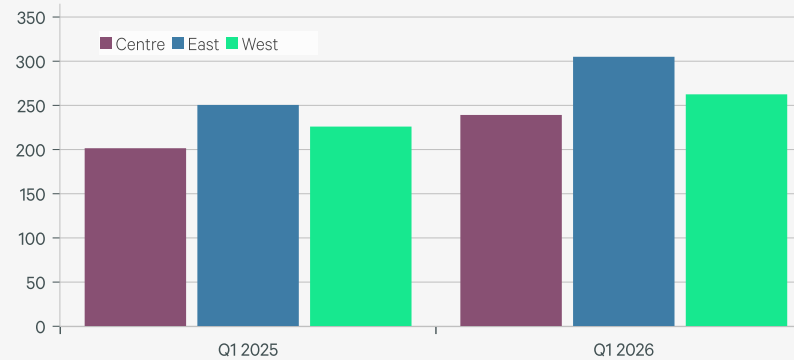
The industrial and logistics sector continues to gain momentum, despite current operational challenges. Third-party logistics (3PL) providers are currently under margin pressure, as shipment re-routing and extended transit times increase operating costs. While some operators are absorbing these expenses, those with low-margin fixed contracts are facing significant volatility. To counter maritime bottlenecks, MAWANI has proactively introduced new operational corridors, allowing cargo to be redirected from eastern ports to Jeddah Islamic Port to ensure trade flows remain uninterrupted.

Strategic confidence is reinforced by massive infrastructure acceleration. The Saudi Landbridge project is now viewed as an East-West lifeline, with heavy industry players already pre-booking rail capacity for late 2026 to avoid future maritime risks. This long-term commitment aligns with major capital investments this quarter. Most notably, the Saudi Aramco and DHL joint venture, ASMO, partnered with Arcapita to develop a 1.4 million sqm logistics facility at King Salman Energy Park (SPARK). Furthermore, the development focus at NEOM's Oxagon has sharpened toward logistics functionality, with the Port of Neom's T1 terminal nearing completion to anchor a new Red Sea trade corridor.

Government-led requirements for stockpiling essential goods have exacerbated the shortage of ready-to-occupy Grade A space across the key hubs of Riyadh, Jeddah, and Dammam. Market sentiment remains positive, however, as the construction sector hit a four-month high in March with contract awards totalling SAR 15.6 billion. This activity is further proven by major e-commerce players who are continuing to expand despite regional tensions. Alongside DHL's new 78,000 sqm hub in the Special Integrated Logistics Zone, other global corporates appear to be moving ahead full-steam with expansion plans, signalling a deep, long-term confidence in the Kingdom's domestic consumer market.

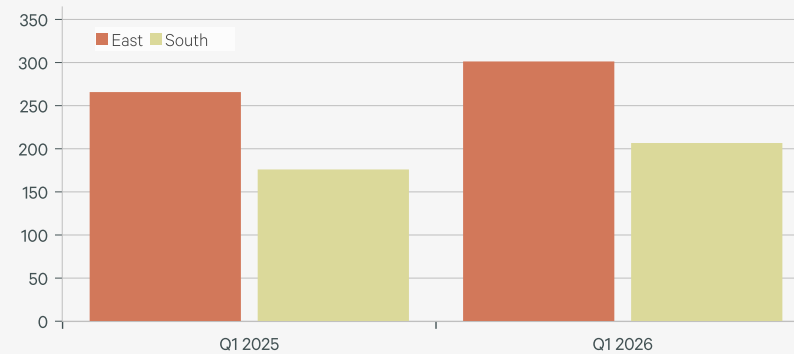
These market conditions are supported by recent performance data. The Industrial Production Index (IPI) rose by 8.9% in February 2026 compared to the same month last year, supported by gains in mining, manufacturing, and waste management. Driven by this industrial growth and the rapid scaling of e-commerce, rental rates for Grade A warehousing have continued to climb. In Riyadh, the West and Central corridors have reached average rents of SAR 263 per sqm and SAR 239 per sqm respectively, while the East corridor has risen to SAR 305 per sqm. In Jeddah, the East remains the premium industrial location at SAR 301 per sqm, followed by Jeddah South at SAR 207 per sqm, reflecting stable annual growth of 13.4% and 17.4%, respectively.

FIGURE 12: Riyadh, Industrial Rents Q1 2025 v Q1 2026 (SAR/sqm/annum)



Source: CBRE Research

FIGURE 13: Jeddah, Industrial Rents Q1 2025 v Q1 2026, (SAR/sqm/annum)



Source: CBRE Research

Average Warehouse / Logistics Rents (Q1 2026)

Riyadh Central
SAR239/sqm/annum
18.7% y-o-y

Riyadh East
SAR305/sqm/annum
21.8% y-o-y

Riyadh West
SAR263/sqm/annum
16.2% y-o-y

Jeddah East
SAR301/sqm/annum
13.4% y-o-y

Jeddah South
SAR207/sqm/annum
17.4% y-o-y

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