

REAL ESTATE MARKET REVIEW

# Saudi Arabia Real Estate Market Review Q3 2024

Real estate dynamics remain positive across office and residential sectors.

CBRE RESEARCH  
DECEMBER 2024



# Real estate dynamics remain positive across office and residential sectors, but lower oil pricing could impact future project investment

▲ 1.4%  
Growth in GDP in 2024

▼ 1.7%  
Projected rate of inflation for 2024

▲ 7.1%  
Saudi Arabia's unemployment Rate in Q2 2024, which fell by 1.4% YoY

▲ 1.5%  
Increase in hotel RevPAR YoY in September 2024

▲ 14%  
Growth in average Grade A office rents in Riyadh in the year to Q3 2024

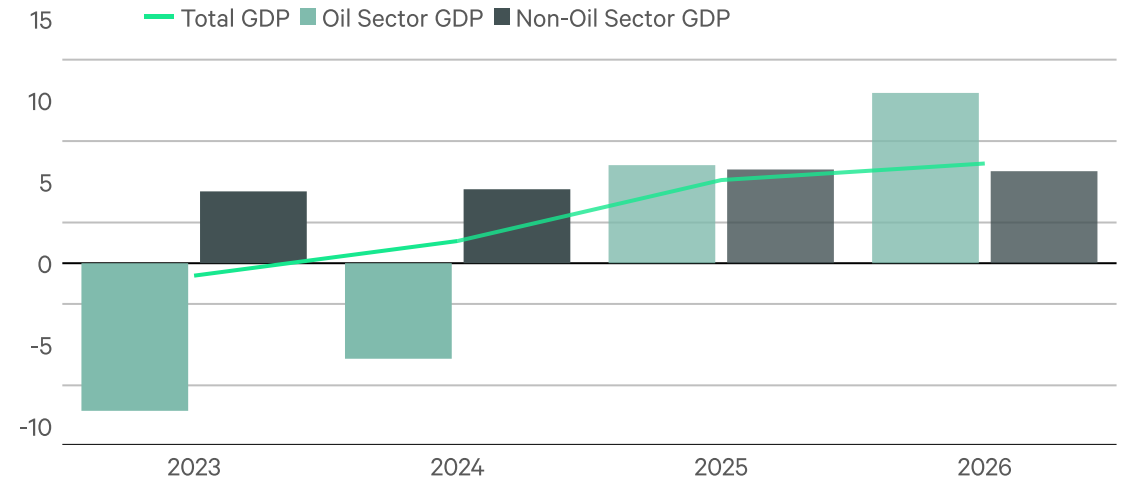
▲ 56.8  
PMI reading in September 2024

## MACROECONOMIC OVERVIEW

- In Q3 2024, Oxford Economics has amended their projection for Saudi Arabia's GDP to expand by 1.4%, following their Q2 2024 estimate of 1.5% growth for 2024.
- The country's Oil GDP is projected to contract by 5.8%, amidst sustained supply cuts and lower than expected oil prices. However, non-oil GDP has continued to drive growth, expanding at an estimated rate of 5.4% in 2024.
- The overall headline GDP forecast for Saudi Arabia in 2025 is currently estimated at 5.1%, notably up year-on-year.
- The Kingdom's unemployment rate has further improved, with an annual decline of 1.4% from the previous year, falling to 7.1% in Q2 2024.

Oxford Economics has predicted a 1.4% increase in GDP for 2024 despite the anticipated -5.4% decline in hydrocarbon related activity. This is due to the sustained strength in the non-oil private sector, which has continued to expand impressively during the year, with a projected 5.4% increase year-on-year, on the back of the governments investment program, largely the focused investments aimed at further investing the Kingdom's non-oil activities

FIGURE 1: Saudi Arabia, Gross Domestic Product



Source: CBRE Research/ Oxford Economics

## OFFICES

Riyadh has remained the central focal point of occupier demand in Q3 2024 with more 540 companies relocating to the capital as the result of Program HQ. However, demand levels across other key cities in the Kingdom, including Jeddah and Khobar, were slightly more subdued, in line with the government investment focus.

However, leasing activity is now being constrained by the acute lack of available office space for rent, particularly in Riyadh, where occupancy rates are already running at close to 100%. This was led by tracked projects in the Grade A and B categories, with CBRE's basket of properties operating at an average of 100% and 99%, respectively.

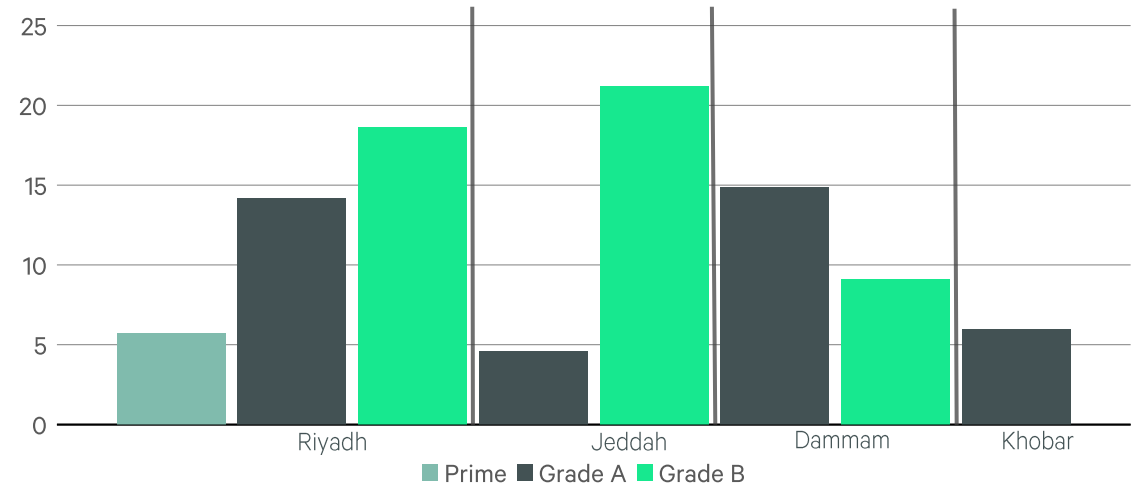
Accordingly, repurposing of other real estate uses has remained an ongoing trend, particularly within the retail sector which has more occupiable supply ready and available to lease, with conversion into flex and serviced offices a relatively straight forward process, as landlords look for quick fixes to the current dearth of office accommodation. This type of short-term office space also aligns with the needs of new to market entrants, many of which are happy to take temporary spaces, and to avoid longer term lease commitments and the significant upfront costs associated with fitting out their own address, as they instead look to focus on business growth.

Riyadh's Prime offices saw average rental growth of nearly 6% in the year to Q3 2024, with Grade A offices expanding by a sizable 14% and Grade B by 19%, as undersupply continued to drive rental values higher.

In Jeddah, it was a similar story, with Grade A office rentals increasing by around 5% whilst for Grade B the growth was even higher at over 21%.

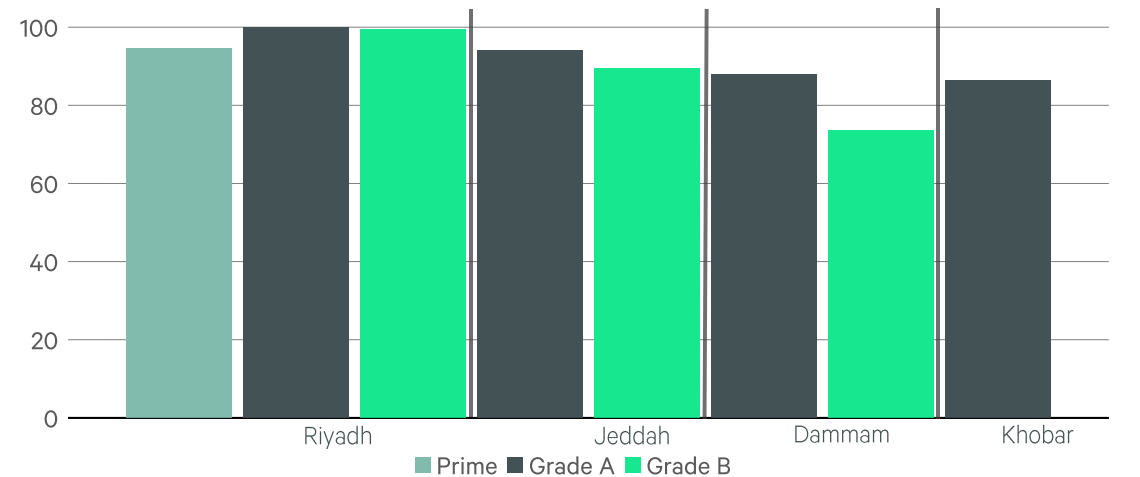
“ Saudi Arabia’s office sector maintains momentum into the year end, driven by the RHQ demand and a strong non-oil economy in what is now very firmly a Landlord’s market. ”

FIGURE 4: Saudi Arabia, Office Rents, YoY % Change to Q3 2024



Source: CBRE Research

FIGURE 5: Saudi Arabia, Office Occupancy, Q3 2024, %



Source: CBRE Research

## RESIDENTIAL

Saudi Arabia’s residential market has continued to demonstrate strong demand fundamentals, with annual improvements in sale transaction volumes across the main metropolitan areas of Riyadh, Jeddah and Dammam.

For Riyadh transaction volumes rose by 31% year-on-year in the 12 months to Q3 2024, reaching 24,000 sales, up from around 18,500 sales for the same quarter last year.

For Dammam, the increase was even higher, with growth of around 37% year-on-year for the same three-month period in 2023, rising to 3,200 transactions.

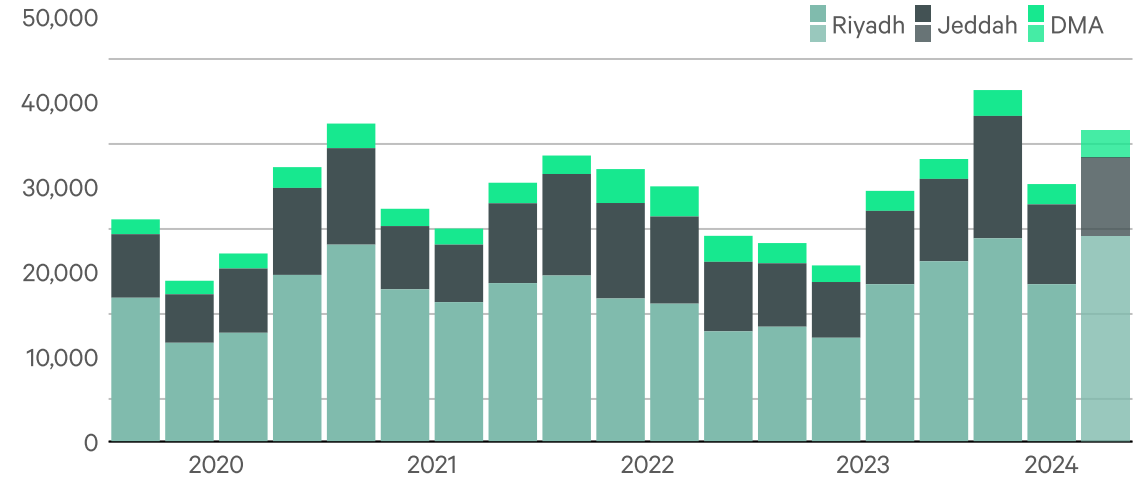
For Jeddah, the increase was lower, but still positive, rising by around 7% to more than 9,000 transactions.

The average villa price in Riyadh has risen by more than 5% in 12 months, with further value growth anticipated in 2025 as better-quality modern stock is completed and as supply and demand dynamics remain tight. Currently villas sales values are averaging nearly SAR6,000/sqm, with more room to grow in the coming quarters.

For apartments, the growth has been a little weaker at around 4% year-on-year, with rates now averaging close to SAR5,000/sqm.

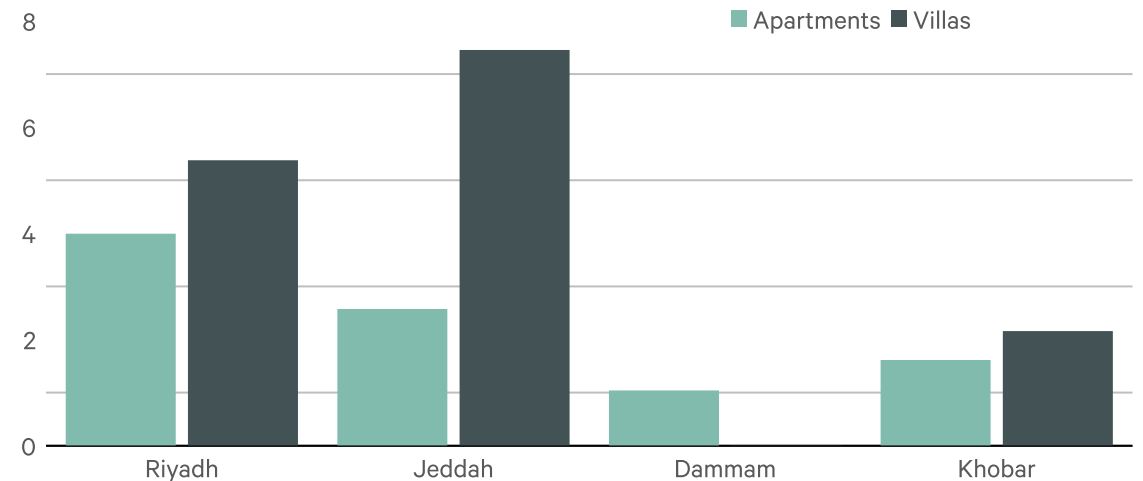
For Jeddah, values for apartment are slightly lower, averaging around SAR 4,027 per square metre. However, villas are notably higher at just over SAR5,800/sqm.

FIGURE 6: Saudi Arabia, Number of Residential Transactions



Source: CBRE Research/Ministry of Justice

FIGURE 7: Saudi Arabia, Residential, Prices, Villas & Apartments, YoY % Change to Q3 2024



Source: CBRE Research

## HOSPITALITY

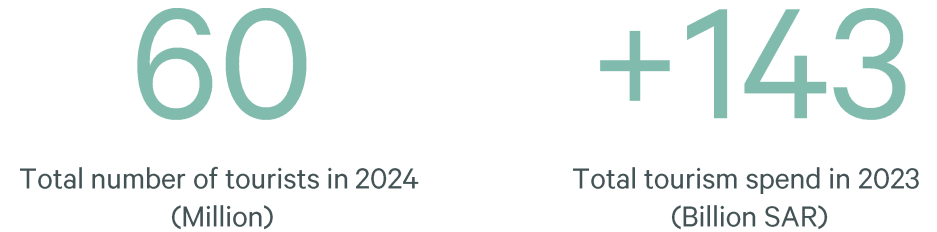
Saudi Arabia’s tourism industry has continued to experience solid growth, with a reported 60 million tourists recorded during the first six months of the year, which has generated SAR 143 billion in tourism expenditure for the same period as preliminary estimates from the Saudi Minister of Tourism. This was against a total of 109 million visitors and SAR 255 billion in expenditures for the full year 2023, hence the Saudi tourism market remains firmly on an expansionary growth path.

However, average occupancy rates dipped slightly over for the same nine-month period in 2023, whilst Average Daily Rates (ADRs) and Revenue Per Available Room (RevPAR) continued to rise, up 2.3% and 0.7%, respectively. The strongest market for occupancy growth was Damman, followed by Jeddah. For Riyadh, there was also a slight dip, despite the massive growth in overall business demand and MICE tourism, including for the recent IIF and City Scape events which were hosted in the capital.

With tourism firmly at the forefront of Vision 2030, as a vehicle for economic and social development, growth in annual visitor numbers is expected to be sustained through the remainder of the year, with expectations to comfortably better last years numbers.

However, the long-term aim is to attract more than 150 million tourists by 2030, which would help the sector to reach a 10% share of total GDP and with it, help to increase employment from 0.65 million in 2019 to around 1.6 million by 2030.

FIGURE 8: Key Tourism Indicators in the Kingdom, H1 2024



Source: CBRE Research/ Ministry of Tourism

FIGURE 9: Saudi Arabia, Hospitality Market, KPIs, YoY % Change

Year to Date - September 2024 vs September 2023			
Location	Occ PP Change	ADR % Change	RevPAR % Change
Saudi Arabia	-1.6	2.3	0.7
Jeddah	2.1	-12.1	-10.3
Riyadh	-1.6	19.0	17.1

Source: STR

## INDUSTRIAL

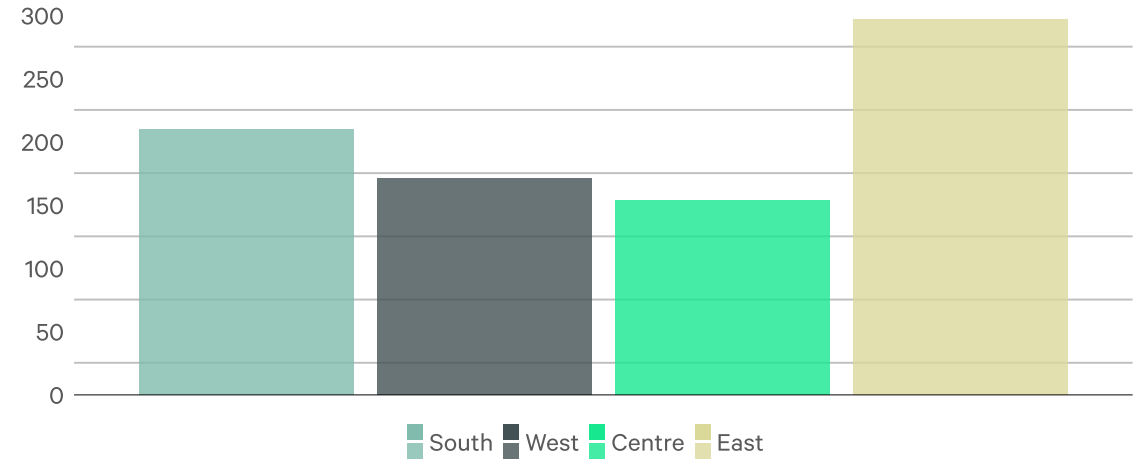
The Saudi Authority for Industrial Cities and Technology Zones (MODON) has signed SAR 2 billion in new deals with ALBADDAD to establish two new industrial cities in Makkah and Al Kharj, which will help to boost the country’s exports, particularly into regional, African and other western markets.

The new Makkah scheme will cover +1.3 million square metres, create more than 5,000 new jobs, and will require SAR 1.75 billion in total investments, with a focus on developing specialized industries including high-tech manufacturing. The facility in Al Kharj will span 0.31 million square metres at an investment value of SAR 0.4 billion, creating around 1,000 jobs.

These investments form part of the wider National Industrial Development and Logistics Program which was first launched in 2019, to develop the country’s energy, mining, industry, and logistics sectors and to establish Saudi Arabia as a regional and global hub for manufacturing, whilst also creating significant new jobs for nationals in the country.

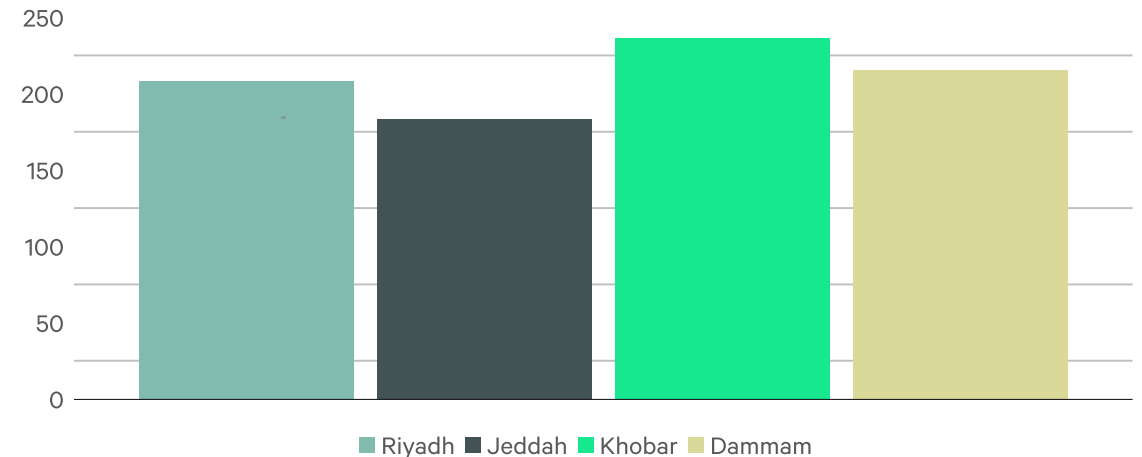
Amidst sustained investment activity from both local and international occupiers and investment firms, Saudi’s industrial rents have also continued to rise, with average rates in Riyadh now close to SAR 210/ sqm/annum. The highest rentals are commanded by quality facilities in the East of the city, with central locations where traffic has become an increasing challenge remain the lowest.

FIGURE 10: Riyadh, Industrial Rents Q3 2024, SAR per Square Metre



Source: CBRE Research

FIGURE 11: Saudi Arabia, Industrial Rents Q3 2024, SAR per Square Metre



Source: CBRE Research

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