REAL ESTATE MARKET REVIEW

Saudi Arabia Real Estate Market Review

Q3 2026

REPORT

Balancing growth ambitions amid heightened security risks

CBRE RESEARCH
November 2026



Balancing growth ambitions amid heightened security risks

Macroeconomic Overview

- Regional security concerns featured more prominently in the economic outlook for Saudi Arabia during Q3. The Kingdom's long-term development plans remain unchanged, although recent events added uncertainty around travel demand, investor sentiment and business confidence.
- Non-oil sectors including construction, transport, professional services and manufacturing continued to support economic activity.
- The Riyad Bank Saudi Arabia PMI rose to 55.3 in September, its highest reading since February, with order volumes and hiring both increasing. Business expectations softened over the same period amid concerns around regional tensions and potential supply chain disruption.
- Inflation was recorded as just 1.9% in September, which is low by regional standards. However, pressure on construction materials, logistics costs and project delivery continues to be felt across parts of the real estate sector.



▼ 4.8%
y-o-y contraction in Q2 2026 in real GDP

▲ 1.9%
Inflation rate in September 2026, an increase of 0.1% from August

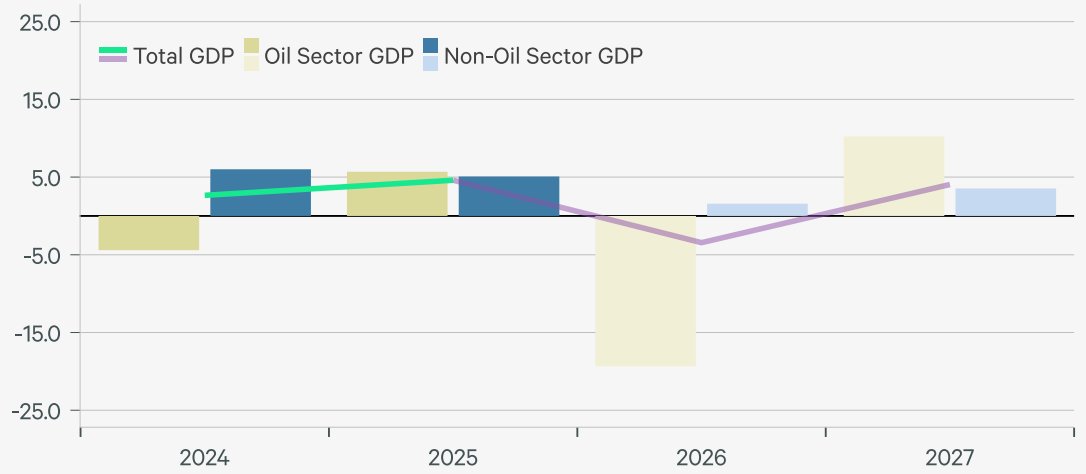
▼ 16.9%
y-o-y decrease in Gross FDI inflows (SAR 22.3bn in Q2 2026, vs. SAR 26.8bn in Q2 2025)

▼ 1.9%
A decrease in hotel RevPAR YTD September 2026

▲ 1.2%
Growth in average Riyadh Office rents y-o-y to Q3 2026

▲ 55.3
PMI reading in September 2026, up from 53.8 in August

FIGURE 1: Saudi Arabia, Gross Domestic Product



Source: CBRE Research/ Oxford Economics

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Real Estate Market

Capital markets and investment

Investment flows moderated during Q3

Saudi Arabia's investment environment showed mixed signals during the quarter. The Kingdom continued to attract new businesses and international investors, while regional developments added uncertainty to capital markets and investment decisions.

Gross FDI inflows declined by 16.9% year-on-year to SAR 22.3 billion in Q2 2026, from SAR 26.8 billion a year earlier. Volatility across equity and debt markets increased following a series of regional security incidents, and investors took a more measured approach to capital deployment.

Regional tensions also began to affect parts of the Kingdom's events calendar during the quarter, with several international conferences, exhibitions and entertainment events postponed or relocated. While the long-term impact remains uncertain, these disruptions have contributed to softer business sentiment and may weigh on visitor activity, corporate travel and investment confidence in the near term.

Nationwide real estate transaction values reached SAR 24.4 billion in August, a 15% year-on-year decline. Residential assets accounted for 73% of total transaction value, equivalent to SAR 17.9 billion.

Funding remains available for strategically significant projects, with the Kingdom continuing to raise capital through international debt markets, and state-backed entities.

However, investors are placing greater emphasis on execution capability, funding structures and the timing of returns.

Development pipeline

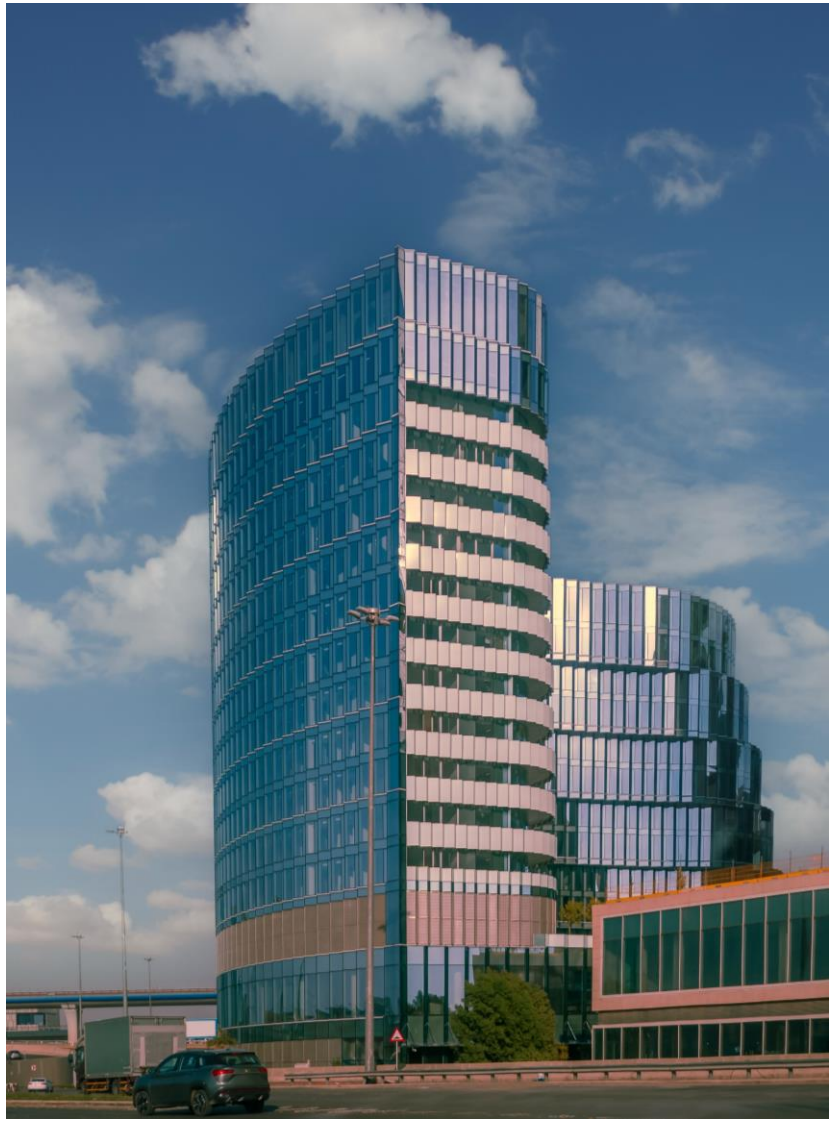
Contract awards led development activity in Q3

Contract awards, rather than project launches, featured most in development activity during Q3. Across several flagship projects, attention moved to construction milestones, procurement and contractor mobilization as projects progressed into execution phases.

Diriyah remained among the most active destinations, with approximately SAR 2.73 billion of contracts awarded for hospitality and residential developments within Diriyah Square. The packages include six luxury hotels and branded residential offerings. ROSHN also announced new residential initiatives and continued construction across existing communities.

Regional supply chain disruptions linked to geopolitical tensions have added execution risk and cost inflation on certain construction products and materials.

Accordingly, regional tensions and ongoing cost pressures have increased the importance of project prioritization, with developers now having to take a more selective approach to launching new projects.



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Real Estate Market

Transport, events and sports infrastructure

Infrastructure investment focused on urban connectivity

Infrastructure investment during Q3 remained focused on connectivity between residential, commercial, leisure and logistics destinations.

Activity covered metro expansion, regional rail, sports infrastructure and entertainment districts across major urban centres.

A growing share of investment is directed at the operational capacity of existing networks. In Riyadh, the Riyadh Metro continued to expand, including additions to rolling stock capacity and supporting infrastructure. The network is expected to connect emerging growth corridors with established business and residential districts.

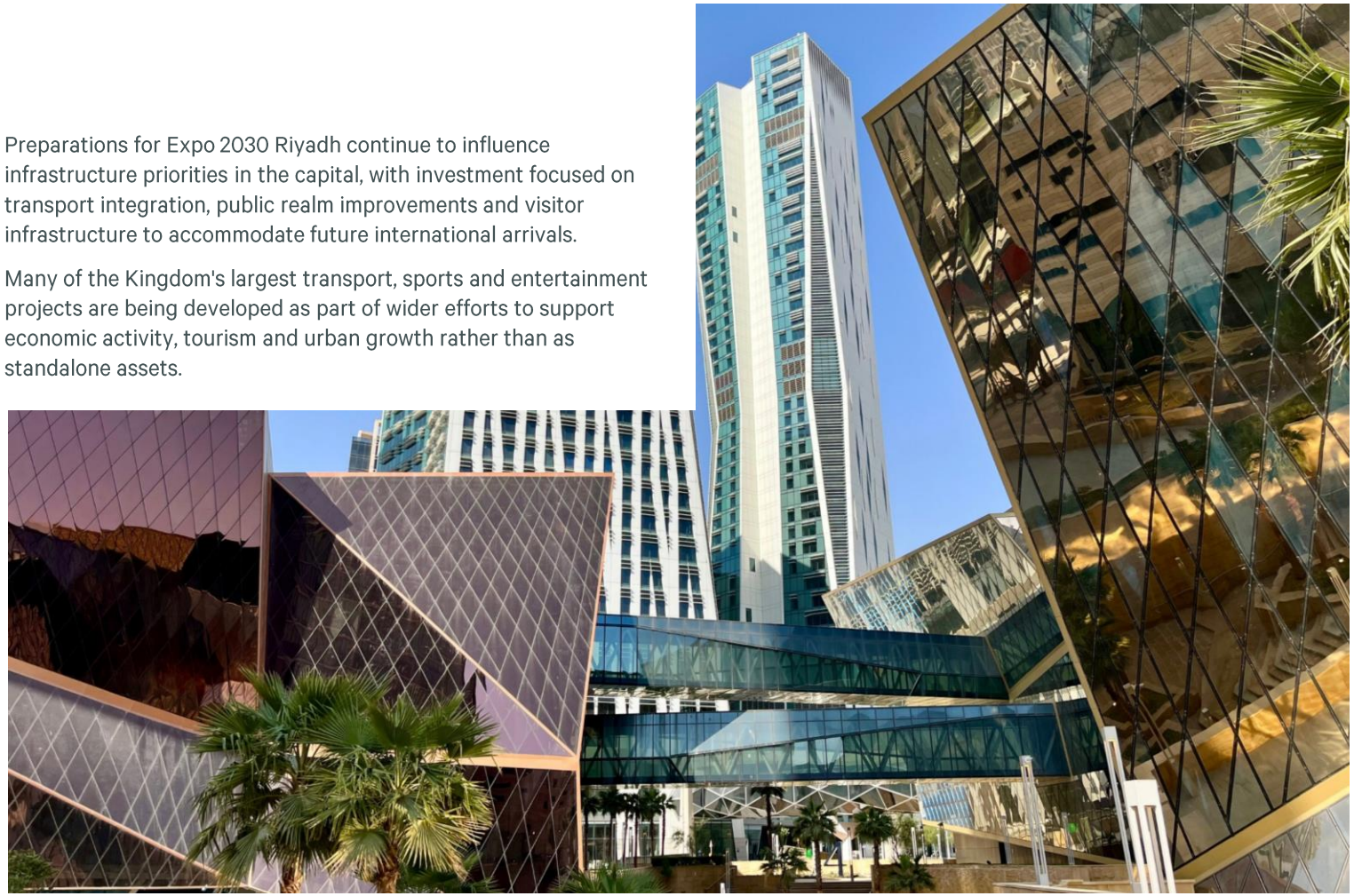
Regional connectivity also remained a priority, with progress maintained on GCC Railway initiatives and logistics corridors, with the Saudi Ports Authority reporting cumulative investments of approximately SAR 14.6 billion across the Kingdom's port and logistics ecosystem. These investments are intended to improve freight connectivity, supply chain efficiency and future trade growth.

Sports Boulevard, SEVEN destinations and infrastructure linked to Saudi Arabia's international events calendar all progressed during the quarter.

In Riyadh, Sports Boulevard continued to advance, while SEVEN progressed entertainment destinations across multiple cities, including The Waves waterfront development in Al Khobar.

Preparations for Expo 2030 Riyadh continue to influence infrastructure priorities in the capital, with investment focused on transport integration, public realm improvements and visitor infrastructure to accommodate future international arrivals.

Many of the Kingdom's largest transport, sports and entertainment projects are being developed as part of wider efforts to support economic activity, tourism and urban growth rather than as standalone assets.



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Offices

Limited Grade A supply continues to shape leasing activity

Riyadh's office market remains undersupplied with high-quality accommodation, particularly within established business districts where occupier demand continues to exceed available Grade A supply.

Multinational occupiers, regional headquarters and expanding domestic businesses remain active, and leasing decisions are influenced by accessibility, workplace quality and talent attraction as well as location.

Occupier demand remained strongest in King Abdullah Financial District (KAFD), where prime occupancy is approximately close to capacity at around 99%, with Grade A vacancies across Riyadh's most established office developments remaining low.

However, recent and ongoing events across the Kingdom may yet lead to shifts in occupier preferences, as employee security becomes more of an ongoing concern.

With little space available in completed buildings, occupiers have turned to pre-leasing opportunities and future development, albeit activity remains notably closer to project completion than to construction commencement.

Commercial rent stabilization measures implemented in September 2025, have effectively led to a sharp rise in lease renewals during the year, with the majority of existing occupiers choosing to retain their existing office accommodation rather than to relocate, in order to benefit from the rent freeze law.

Business continuity and workforce flexibility have become a more pressing consideration for many real estate teams when evaluating workplace strategies and ongoing occupier requirements, with an increased number of local and international businesses invoking temporary remote work policies in recent months.

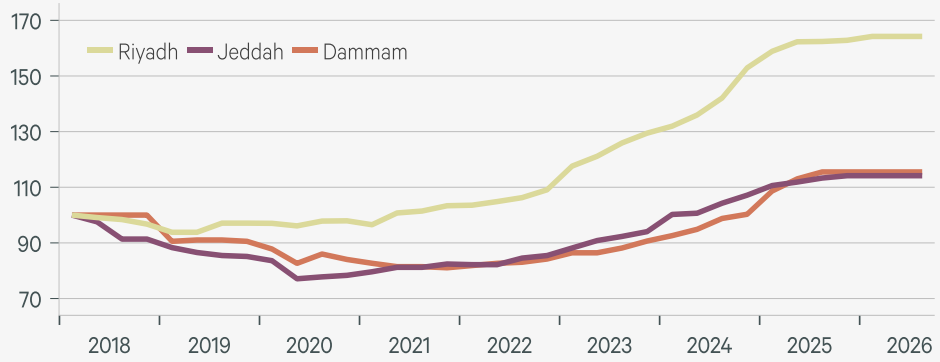
Riyadh's total office stock has now reached more than 6.3 million sqm of GLA. Scheduled deliveries between late 2026 and 2028 total approximately 1.7 million sqm of new space.

Prime occupancy rates remained near capacity, and average prime rents increased by approximately 3% year-on-year to SAR 3,320/sqm/annum.

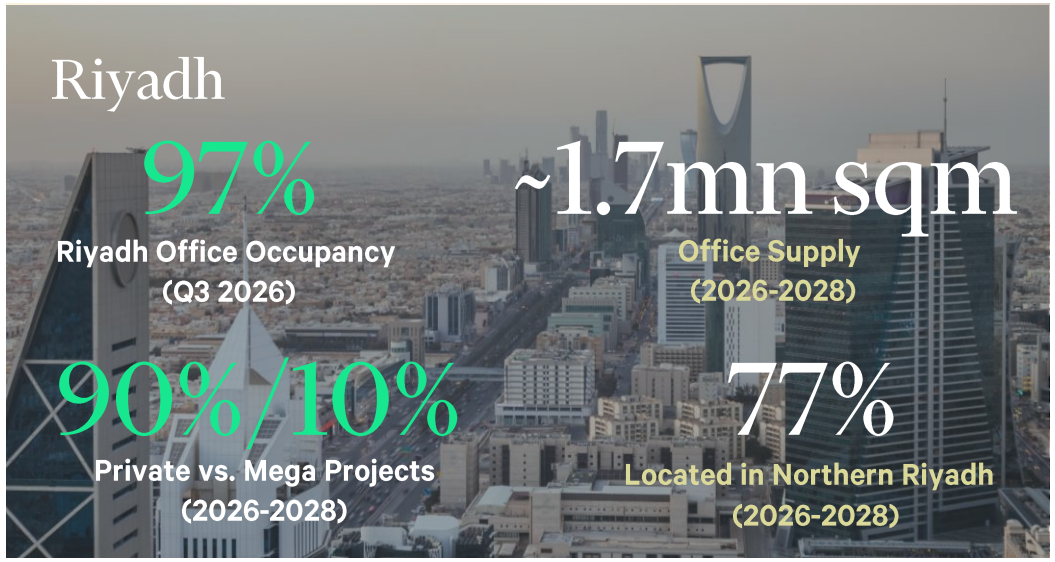
Grade A occupancy was approximately 97% and average Grade A rents reached SAR 2,570/sqm/annum.

Handovers during the quarter included Al Joud Ark Commercial Complex, which added more than 3,500 sqm of flexible workspace, and Rafen Real Estate's Soul Office Building, which added approximately 33,600 sqm.

FIGURE 2: Saudi Arabia, Office Rent Index (2018 = 100), Q3 2026



Source: CBRE Research



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Offices

Future office supply pipeline

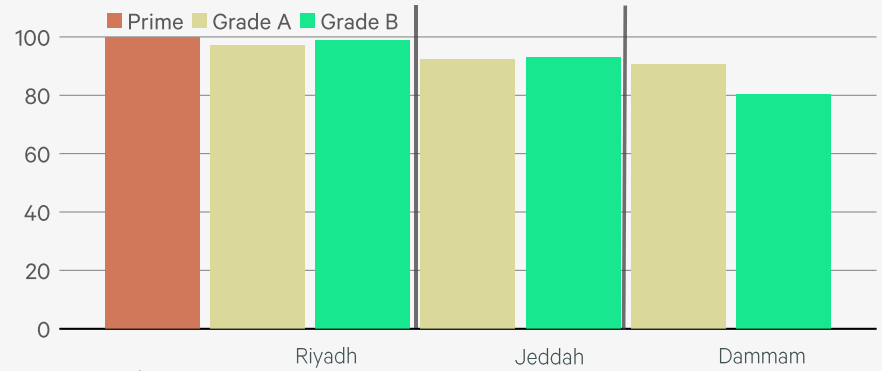
Development activity continued across several major office projects. In Riyadh, Westfield Riyadh is on track to deliver approximately 65,000 sqm of Grade A office supply by the end of the year, and Prime Business Resort by Mawan Real Estate is expected to add around 177,000 sqm by early 2027.

Outside of the capital, Miraf District in Al Khobar is expected to see delivery of approximately 20,000 sqm of Grade A office space, in an Eastern Province market where premium stock has historically been limited.

Technology and healthcare accounted for approximately 28% and 20% of recorded leasing demand YTD in 2026, while Banking, Finance and Investments represented 15% of total active requirements. Local and regional corporates, including family offices, developers and consulting firms, also recorded increased activity as they seek expansion opportunities in Riyadh, closer to clients, government entities and major investment projects.

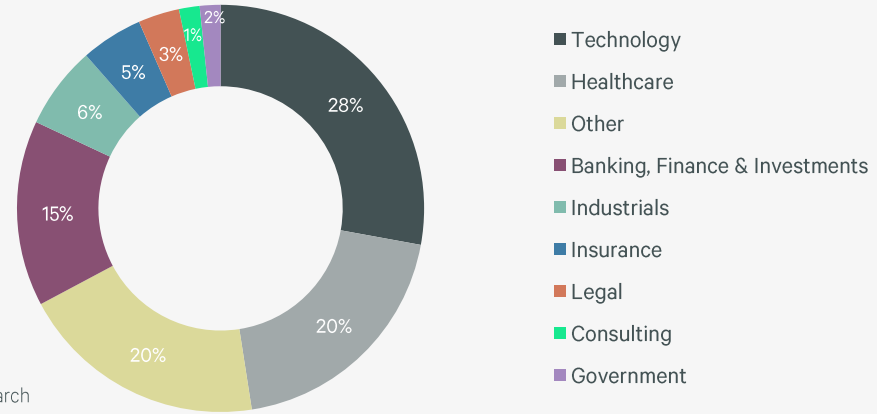
Outside Riyadh, demand is concentrated within the highest quality office stock. In Jeddah, Grade A occupancy was approximately 92%, with tenants favoring modern developments along established commercial corridors. In the Dammam Metropolitan Area, Grade A assets have maintained occupancy of around 91%, and a gap in performance between premium and secondary stock remains.

FIGURE 3: Saudi Arabia, Office Occupancy (%), Q3 2026



Source: CBRE Research

FIGURE 4: Riyadh's Office Active Requirements by Sector, YTD 2026



Source: CBRE Research



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Residential

Affordability and policy reform in the residential market

Residential market activity remained concentrated within the Kingdom's largest urban centres during Q3, whilst affordability appears to be increasingly influencing purchasing behaviour and product preferences. However, for now policymakers and developers remain focused on expanding housing accessibility.

Recent reforms relating to foreign property ownership are expected to gradually widen the pool of potential investors, albeit the geopolitical environment is potentially limiting the upside that may have otherwise materialized.

Residential assets accounted for approximately 73% of nationwide real estate transaction value during August, with residential transaction values and volumes declining by 8% and 7% year-on-year, respectively.

Residential pricing was mixed during the quarter, with average countrywide apartment prices per square meter declining by approximately 3.6% year-on-year.

During the same period, Riyadh apartment prices increased by 2.3% year-on-year, while villa prices declined by 6.5%.

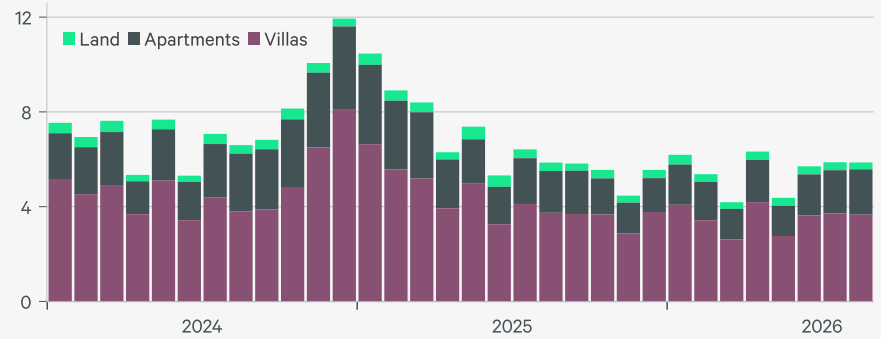
ROSHN remained one of the most active market participants, progressing construction across existing developments and announcing plans for a new large-scale community in Riyadh.

In Jeddah, authorities introduced planning requirements mandating the incorporation of Hejazi architectural design principles within future residential developments, with the aim of preserving local architectural character while accommodating population growth.

Developers may face greater pressure to compete on product quality, community offering and affordability as buyers become more selective.

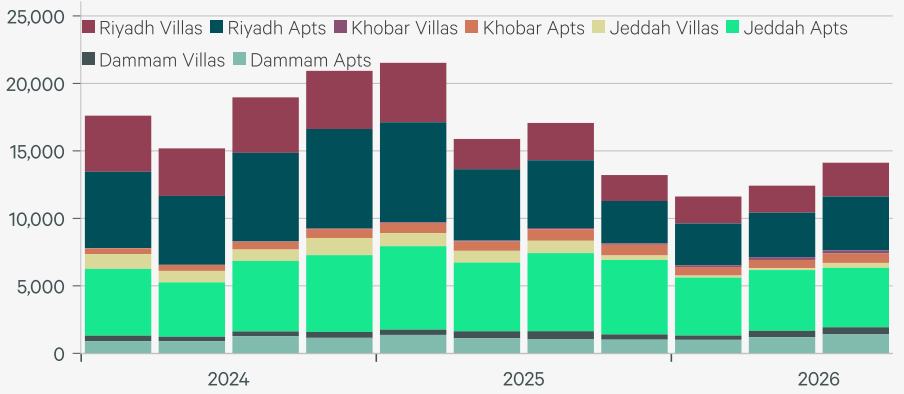


FIGURE 5: Saudi Arabia, New Monthly Bank Mortgages (Saudi Banks) by Value (SAR billions)



Source: CBRE Research / Saudi Central Bank

FIGURE 6: Saudi Arabia, Quarterly Residential Transactions by Volume (Villas & Apartments) to Q3 2026



Source: CBRE Research / MoJ & RER

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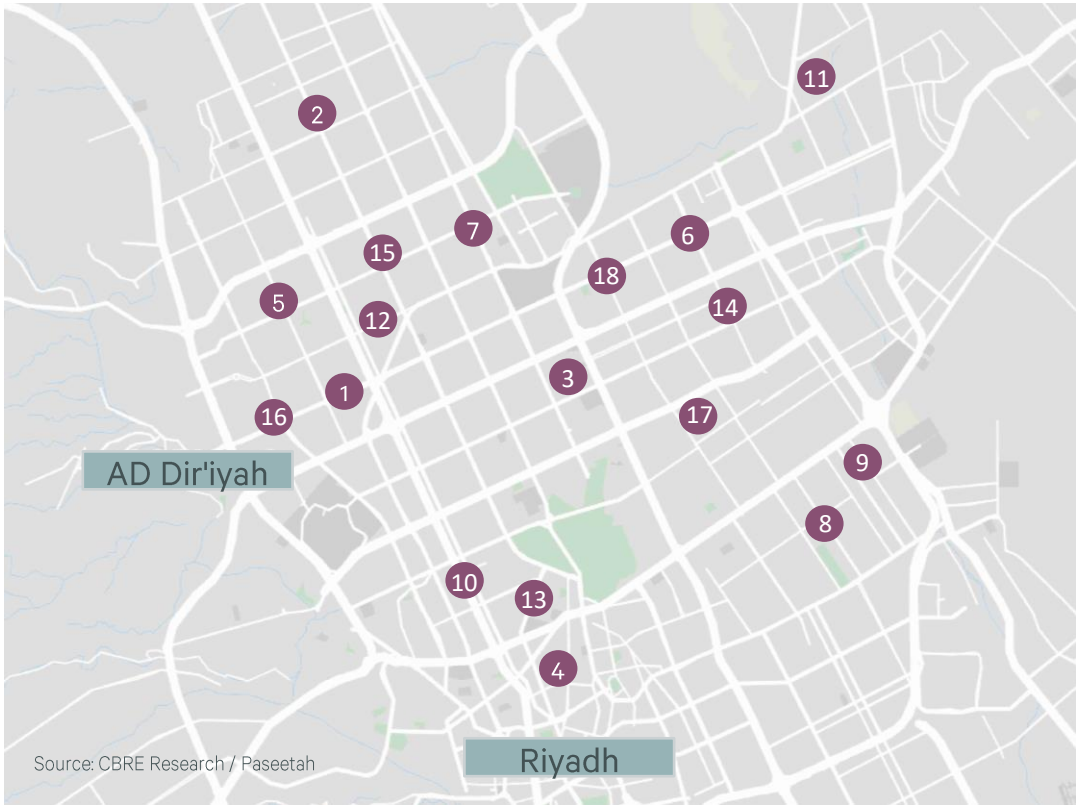
Residential

FIGURE 7: Riyadh Average Rental Rates, y-o-y, Q3 2026



Riyadh's residential rental market became more balanced during Q3 as government measures to improve housing affordability began to affect leasing conditions. Following several years of rapid rental growth, five-year rent stabilization measures have started to moderate rental escalation. Performance varies at district level based on accessibility, housing quality and available supply, and submarket results were mixed during the quarter.

Apartment rents continued to grow in districts such as Al Sulaymaniyah (+5%), Al Nasim Al Gharbi (+4%) and Al Yarmouk (+4%). Rents declined in Al Sahafa (-8%), Qurtobah (-4%) and Hittin (-2%). Among villas, Al Aridh (+9%) and Al Yarmouk (+7%) recorded the strongest growth, while rents fell in Al Sulaymaniyah (-5%), Al Olaya (-4%) and Al Rimal (-5%). The market is adjusting to the new regulatory environment, with rental performance varying by local supply and demand, product quality and location.



No.	Riyadh Districts	Apartment		Villa	
		Q3 2026 AVG SAR/Annum	y-o-y %	Q3 2026 AVG SAR/Annum	y-o-y %
1	Al Aqeeq	50k	3%	129k	2%
2	Al Aridh	50k	0%	148k	9%
3	Al Ezdhar	50k	2%	101k	1%
4	Al Malaz	36k	-2%	62k	-5%
5	Al Malqa	63k	0%	145k	2%
6	Al Munisiyah	42k	3%	119k	-3%
7	Al Narjis	56k	1%	110k	0%
8	Al Nasim Al Gharbi	25k	4%	46k	-2%
9	Al Nasim Al Sharqi	27k	2%	49k	1%

No.	Riyadh Districts	Apartment		Villa	
		Q3 2026 AVG SAR/Annum	y-o-y %	Q3 2026 AVG SAR/Annum	y-o-y %
10	Al Olaya	55k	-2%	126k	-4%
11	Al Rimal	34k	1%	94k	-5%
12	Al Sahafa	45k	-8%	124k	2%
13	Al Sulaymaniyah	50k	5%	110k	-5%
14	Al Yarmouk	36k	4%	84k	7%
15	Al Yasmeen	57k	0%	114k	0%
16	Hittin	72k	-2%	183k	4%
17	King Faisal	35k	-2%	62k	3%
18	Qurtobah	48k	-4%	302k	2%

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Retail

Domestic demand supports retail activity amid uncertainty around visitor flows

Saudi consumer spending remained supportive during Q3. Nationwide Point of Sale (POS) spending rose 3.5% to SAR 13.37 billion (US$3.57 billion) over a seven-day tracking window ending late September. Spending on hotels, recreation, restaurants and cafés recorded double-digit increases.

Operators are monitoring the potential impact of geopolitical developments on tourism-related spending and visitor activity.

Airline-related expenditure was softer, while a greater share of spending was directed towards domestic leisure and local entertainment.

Saudi Entertainment Ventures (SEVEN) advanced several projects across the country, including The Waves, a planned waterfront entertainment destination in Al Khobar. The project is part of a SAR 5 billion development programme spanning the Al Khobar and Dammam entertainment districts. Covering approximately 300,000 sqm, the project is built around entertainment and leisure uses.

Development activity also remained concentrated around major mixed-use destinations. Westfield Riyadh is expected to open by year-end, adding approximately 120,000 sqm of retail supply.

The Avenues Riyadh continues to progress and is set to become one of the Kingdom's largest integrated retail and lifestyle destinations. Outside the capital, projects such as The Avenues Al Khobar continue to add to the pipeline of destination retail assets.

Population growth and leisure spending continue to support retail demand. An increasing share of future supply is linked to tourism and events, and the performance of upcoming schemes will also depend on visitor volumes and regional travel activity.

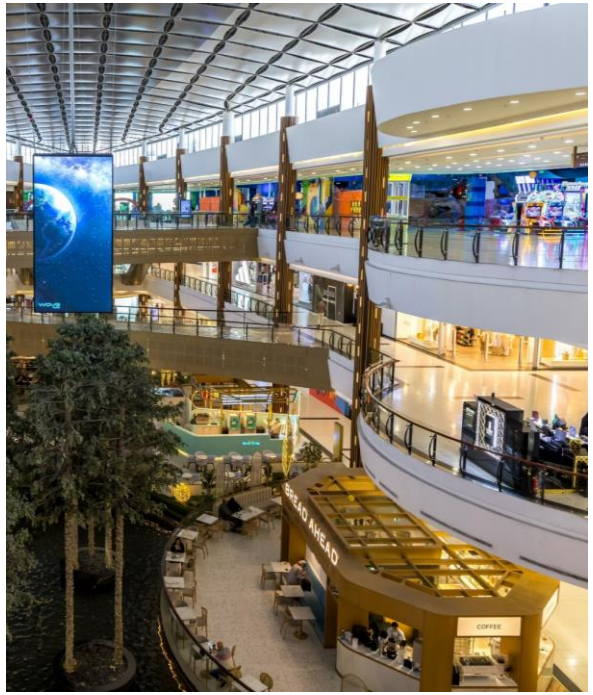
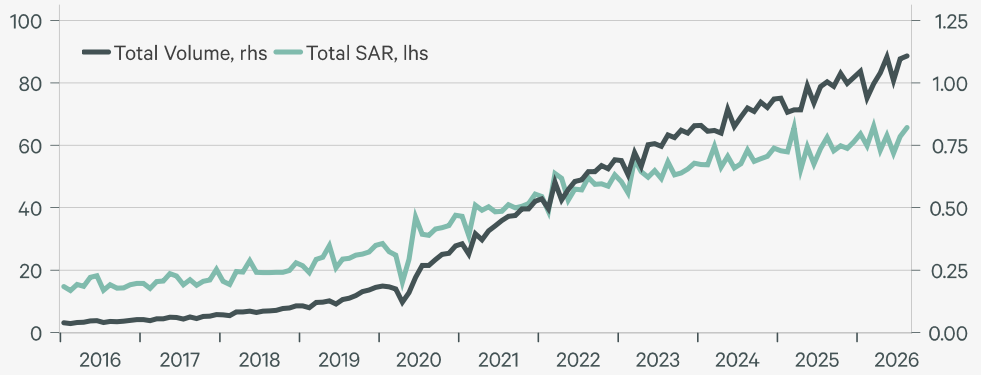
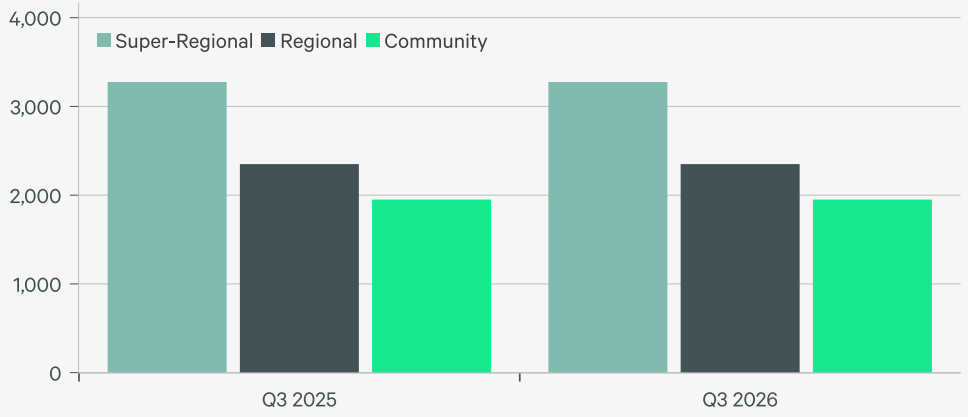


FIGURE 8: Saudi Arabia, Retail POS (Total Value and Volume in billions)



Source: CBRE Research / Saudi Central Bank

FIGURE 9: Saudi Arabia, Retail Rents, Q3 2025 v Q3 2026



Source: CBRE Research

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Hospitality

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



Hospitality development continues as travel sentiment comes under pressure

Regional security concerns have begun to affect aviation connectivity, corporate travel and visitor confidence. Recent attacks on airport infrastructure and the resulting disruption to flight schedules raised concerns about near-term tourism demand, particularly in destinations that rely on international air access and business travel.

Development activity remained evident across key destinations. In Riyadh, hospitality-led mixed-use projects continued to progress, supported by government activity and corporate demand and the city's role as a business hub. However, the quarter also saw some disruption to the Kingdom's events calendar, with several international events postponed or relocated amid the evolving regional situation.

While the full impact remains uncertain, these changes may temper business travel and visitor demand in the near term.

Development in Makkah and Madinah remains concentrated on expanding accommodation capacity and visitor infrastructure to support long-term pilgrimage growth. Pilgrimage-related demand is generally less sensitive to the fluctuations affecting corporate and international leisure travel.

The quarter also saw continued growth in lifestyle-oriented hospitality products and branded residences. OSUS launched a hospitality-led residential development in partnership with Hilton's Curio Collection, combining residential ownership with hotel-style services and amenities.

Saudi Arabia's hospitality sector also received international recognition during the quarter, with additional properties included in Michelin's hotel selection.

According to Ministry of Tourism data, domestic trips increased by 16% year-on-year to 28.9 million in Q1 2026, while inbound arrivals declined by 13% to 8.3 million. Total tourist numbers increased by 8% to 37.2 million. Overall tourism spending declined by 2% to SAR 82.7 billion, as international visitor expenditure fell 7% to SAR 48 billion.

During September 2026, countrywide hotel performance remained relatively steady, with occupancy declining marginally by 0.3% year-on-year and both ADR and RevPAR recording growth of 3.7% and 3.3%, respectively. Riyadh, however, continued to face pressure from softer operating conditions, with occupancy, ADR and RevPAR declining by 19%, 3.7% and 22%, respectively.

Sentiment became more cautious towards the end of the quarter as regional tensions intensified and aviation disruptions affected parts of the Kingdom's air transport network. Domestic tourism, religious visitation and government-related travel continue to support demand, and operators are monitoring booking patterns, flight connectivity and international visitor sentiment heading into Q4.

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

	Current Month- Sep 2026 vs. Sep 2025			Year to Date - Sep 2026 vs. Sep 2025		
Location	Occ. Change	ADR % Change	RevPAR % Change	Occ. Change	ADR % Change	RevPAR % Change
	Month Change Sep 2026 vs. 2025			YTD Change Sep 2026 vs. 2025		
Saudi Arabia	-0.3%	3.7%	3.3%	-2.6%	0.8%	-1.9%
Jeddah	34.9%	16.0%	56.5%	2.1%	-3.2%	-1.2%
Riyadh	-19.2%	-3.7%	-22.2%	-18.3%	-8.0%	-24.8%

Source: CBRE Research / Co-Star

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Industrial

Supply chain resilience and logistics investment support occupier demand

Regional tensions brought greater focus on Saudi Arabia's logistics and industrial infrastructure during Q3. With shipping routes and aviation networks disrupted, businesses placed stronger emphasis on warehousing capacity, freight connectivity and supply chain resilience.

The Industrial Production Index declined 23.5% year-on-year in August 2026, largely reflecting lower activity across oil-related industries, while manufacturing production increased 7.1% year-on-year over the same period.

Saudi Arabia continued to invest in ports, rail and freight connectivity, with the Saudi Ports Authority reporting cumulative investments of SAR 14.6 billion across the Kingdom's port and logistics ecosystem.

ESR announced plans for a logistics and digital infrastructure platform focused on Saudi Arabia and the UAE, supported by a development pipeline exceeding 3 million sqm.

Occupier demand tightened availability across established industrial locations, and rents grew further during Q3. In Riyadh, the East submarket recorded the highest average rents at SAR 313/sqm/annum, up 15.1% year-on-year. Riyadh West and Central followed at SAR 268/sqm/annum and SAR 245/sqm/annum, with year-on-year growth of 9.6% and 11.0%, respectively.

In Jeddah, the East submarket remained the primary logistics hub, with average rents of SAR 309/sqm/annum, up 9.9% year-on-year. Jeddah South recorded the strongest growth in the city, with rents increasing 16.7% year-on-year to approximately SAR 217/sqm/annum.

Occupier demand remains concentrated around industrial locations with access to ports, freight corridors and major population centres, particularly in Riyadh and Jeddah.

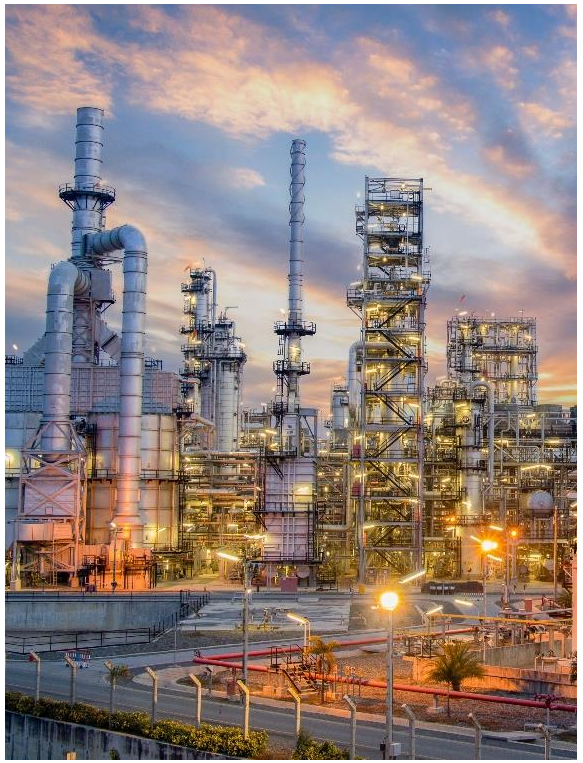
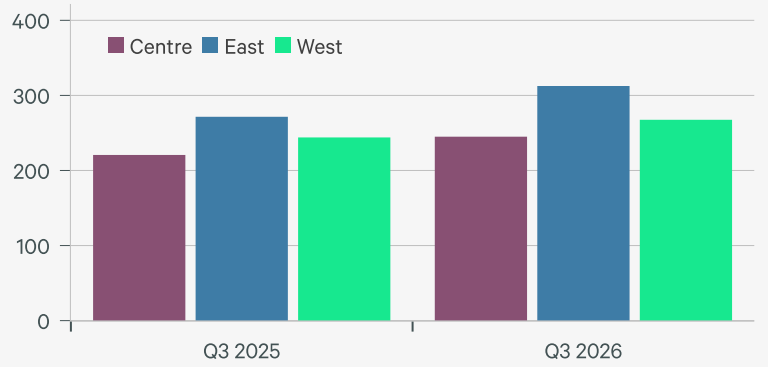
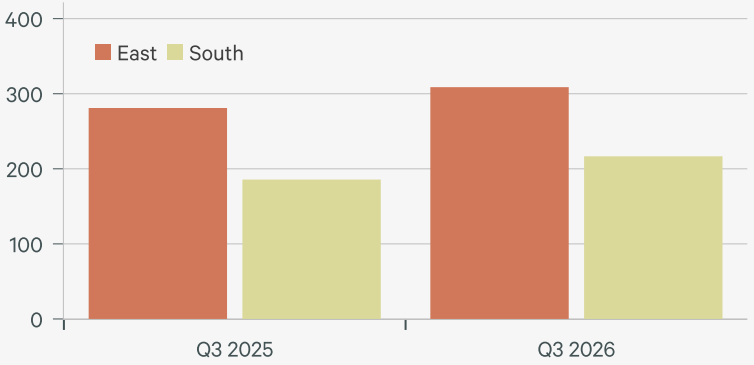


FIGURE 12: Riyadh, Industrial Rents Q3 2025 v Q3 2026 (SAR/sqm/annum)



Source: CBRE Research

FIGURE 13: Jeddah, Industrial Rents Q3 2025 v Q3 2026, (SAR/sqm/annum)



Source: CBRE Research

Average Warehouse / Logistics Rents (Q3 2026)

Riyadh Central
SAR 245/sqm/annum
11.0% y-o-y

Riyadh East
SAR 313/sqm/annum
15.1% y-o-y

Riyadh West
SAR 268/sqm/annum
9.6% y-o-y

Jeddah East
SAR 309/sqm/annum
9.9% y-o-y

Jeddah South
SAR 217/sqm/annum
16.7% y-o-y

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