REAL ESTATE MARKET REVIEW

Saudi Arabia Real Estate Market Review

Q2 2026

REPORT

Execution at Scale: Structural Non-Oil Momentum Anchors Asset Delivery Amidst Regional Friction

CBRE RESEARCH
July 2026

Execution at Scale: Structural Non-Oil Momentum Anchors Asset Delivery Amid Regional Friction

Macroeconomic Overview

- The acceleration of infrastructure linked capital deployment is becoming more visible across Saudi Arabia's macro landscape, with the Ministry of Finance revealing total government expenditures rose 20% year-on-year, driven by a 56% surge in capital expenditure and a 170% increase in localised subsidies.
- The targeted fiscal allocation is underpinning physical construction as observed across national giga projects and other municipal programs, with public debt expanding to SAR 1.67 trillion to fund the current execution phase.
- General Authority for Statistics (GASTAT) data confirms that non-oil economic activities continue to anchor the Kingdom's structural growth trajectory. According to the authority, non-oil activities expanded by 2.9% year-on-year during Q1 2026, contributing 1.7% to headline performance, whilst shielding the economy from contractions in the oil sector.
- Driven by resilient domestic demand, the Purchasing Managers Index (PMI) rose to 53.3 in June, signalling the importance of the private sector to Saudi's future growth plans.
- With headline Real GDP forecast to moderate to 1.7% in 2026, there are likely to be growing fiscal pressures this year, with spending rising whilst economic production declines. However, backed by sustained non-oil expansion, national GDP is projected to rebound 5.5% in 2027, solidifying the Kingdom's position as one of the fastest-growing major economies.
- Positively, headline inflation remains in check at 1.8%, whilst an increasingly diversified domestic economy, including growing domestic production capacity, is helping to off-set some of the challenges emerging from recent constraints on oil production and exports.

▲ **3.0%**
y-o-y increase in Q1 2026 in real GDP

▲ **1.8%**
Inflation rate in May 2026, an increase from 1.7 % in April

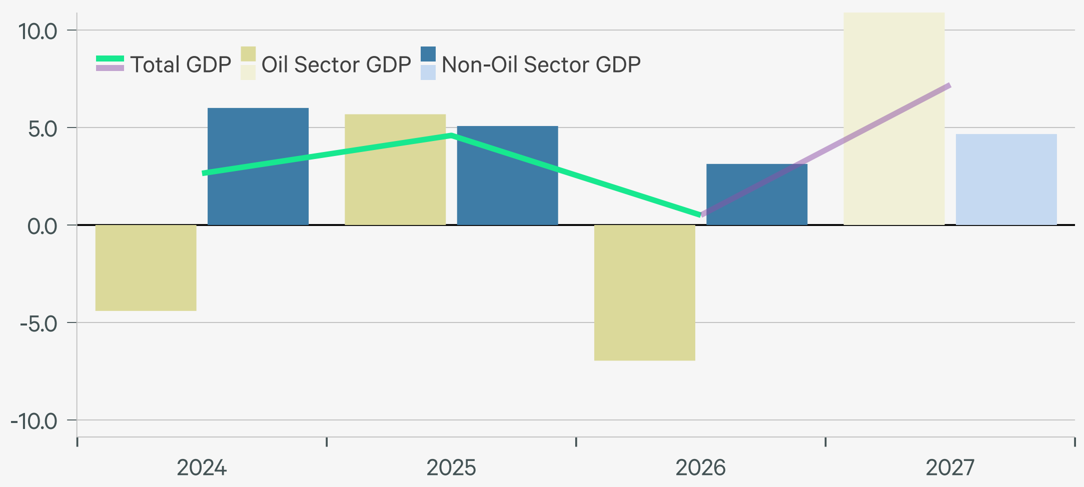
▼ **3.1%**
Decrease in unemployment rate in Q1 2026 (Saudis and Non-Saudis)

▼ **1.7%**
A decrease in hotel RevPAR YTD June 2026

▲ **1.3%**
Growth in average Riyadh Office rents y-o-y to Q2 2026

▲ **53.3**
PMI reading in June 2026, up from 52.8 in May

FIGURE 1: Saudi Arabia, Gross Domestic Product



Source: CBRE Research/ Oxford Economics

Real Estate Market

Development Pipeline: Progress, Scale, and Execution Outlook

Macro trends & Procurement Velocity: Q2 2026 Overview

Contract procurement across the Kingdom's real estate and construction sectors reflected a move towards awards parcels for early civil works across several major development projects. According to data compiled by the Saudi Contractors Authority (SCA) the quarter started with 23 awards in April at a value of more than SAR 11.8, with the total value of projects rising sharply through May, up 154.4% month-on-month, to hit SAR 30 billion across 18 major new contracts. June then saw the highest number of individual awards, with 25 new projects valued at more than SAR 29.5 billion.

Geographically, key destinations for these planned investments included largescale transit projects in the southern Asir region, industrial expansion projects in the Eastern Province, and a major real estate push across Riyadh, logging SAR 8.7 billion across four prime packages in May alone.

In addition, six urban development sites across Makkah valued at SAR 13.3 billion have also been awarded to support for the expansion of pilgrim housing.

The strong momentum in procurement activity was further validated by the Al Rajhi Capital Saudi Construction Index, which climbed to a record high of 56.3 in June, on the back of a robust recovery in new orders. This reflects the transition across residential, non-residential, and infrastructure sectors into physical construction phases, with new orders expanding at their fastest pace since February.

To help sustain this momentum, government entities like the Ministry of Investment and GASTAT are pushing to ensure the construction sector remains a leading force in expanding the country's non-oil economy, through initiatives aimed at regulatory reform, increased data transparency, and supporting FDI. However, there is also increasing private sector participation, as exemplified by Riyad Capital's establishment of the specialised Riyad Real Estate Development Fund - Dar Al Salam to channel private capital directly into primary land purchases and project financing.

Key Awarded Contracts & Project Procurement

Vertical development across residential and luxury hospitality assets led procurement volumes in Q2 2026, anchored by major outlays from the National Housing Company (NHC) and the Diriyah Company. The NHC topped June project owners by value, finalizing six major building and vertical development contracts totalling over SAR 5.0 billion to expand high-density, mixed-use residential apartment supply. Crucially, a core component of this strategy includes the activation of a SAR 3.3 billion residential package within the Noor Khuzam master plan to absorb rapid urban job migration near the northern Expo 2030 zone, executed through a development partnership with Grova Developments and Tilal Real Estate.

Concurrently, luxury asset pipelines in the historic district secured massive capital injections. The Diriyah Company awarded a landmark SAR 2.7 billion construction contract to a joint venture of Hassan Allam Construction Saudi and UCC Saudi to deliver the Grand Avenue Gate 2 Waldorf Astoria superblock, comprising a 200-key luxury hotel, 47 branded residential units, and Grade A office facilities. Cultural infrastructure in the same master plan moved forward via a SAR 1.84 billion contract awarded to the Al Bawani and Hassan Allam joint venture for the Saudi Arabia Museum of Contemporary Art (SAMoCA), an asset that spans 77,428 square meters and has achieved a Mostadam Gold sustainability rating. Public realm modifications in the district were complemented by a SAR 393 million award to SATCO for Diriyah Heroes' Park, capable of hosting 35,000 visitors.

Beyond the capital, the holy cities continue to draw immense vertical hospitality allocations. Rua Al Madinah Holding drove building volumes by awarding 12 distinct contracts collectively valued at over SAR 7.7 billion. These packages centre entirely on Superblock 5, introducing a dense cluster of five-star hotels and mixed-use public spaces engineered to expand Madinah's visitor capacity.

Real Estate Market

Core Transport, Event & Sports Infrastructure

Cultural, Athletic & Entertainment Scale

Logistical connectivity and event-readiness served as the primary drivers for civil infrastructure outlays this quarter, anchoring long-term commercial real estate demand. The largest single allocation of the quarter was a SAR 18.8 billion mega-contract for the Aseer-Jazan Strategic Expressway, awarded by the Ministry of Transport and the National Center for Privatization and PPP to unlock southern geographic assets and accelerate global tourism development.

Within the capital proper, the Royal Commission for Riyadh City (RCRC) officially kicked off its SAR 9.8 billion Fourth Phase of the Main and Ring Road Axes Program. This expansive urban transport expansion covers 40 kilometres of road corridors, 14 intersections, 33 bridges, and 5 tunnels, engineered to process a combined capacity of 950,000 vehicles per day. As a core component of this package, RCRC committed SAR 4.9 billion toward civil works for the comprehensive upgrade of the Sheikh Jaber Al Sabah Road commercial artery, a critical design-and-build intervention aimed at reducing traffic friction and establishing robust logistical networks ahead of the 2034 FIFA World Cup.

Simultaneously, preparations for upcoming global showcases prompted immediate ground mobilization. The Expo 2030 Riyadh Company issued two infrastructure awards totalling SAR 1.5 billion in April, covering Lot 3 site-wide utilities, primary roads, and electric vehicle charging networks across the 6 million square meter northern corridor.

Amidst sustained efforts to ready the country for major upcoming sporting events, significant investments are becoming more visible into related infrastructure. This includes the multi-billion-riyal redevelopment of the King Fahad Sports City Stadium, often referred to as the Shining Pearl. The Saudi Bin Ladin Group was awarded the SAR 2 billion construction contract, with teams excavating 10 meters below ground level to add a new lower seating bowl and to further expand the stadium capacity to around 70,000 seats ahead of the 2027 AFC Asian Cup and 2034 FIFA World Cup events.

Following the award of SAR 5.75 billion contract to China Harbour Engineering Company, the 74,000 sqm stadium complex at Diriyah is also taking shape. The complex features a 20,000-seat multipurpose venue, three Grade A office plots, and an expansive parking infrastructure.

Further expanding the nation's sports infrastructure footprint, the Qiddiya Investment Company (QIC) recently unveiled plans for the region's largest National Tennis Centre in Qiddiya City.

Designed by global architectural firm Populous, the stadium is built to host major international tournaments. The 30-court complex will feature having a seating capacity of 33,000 spectators across multiple venues, including the flagship 15,000-seat Centre Court equipped with a retractable roof.

The development has already transitioned into active construction under a design-build contract awarded to a joint venture of Bouygues Bâtiment International and Almabani.

At the same time, the Sports Boulevard Foundation is advancing bid evaluations for Riyadh's 130-meter Global Sports Tower, which will anchor the Athletics District and house over 30 distinct sports facilities across 84,000 sqm of indoor space.

On the logistical front, Saudi Arabia Railways expanded the Eastern Province industrial corridor by awarding a major freight expansion contract to an OHL Arabia and Hassan Allam joint venture, laying a new 22.7-kilometer single-track line to link Dammam 2nd Industrial City directly to Gulf coast ports.

Industrial & Energy Infrastructure

To secure the structural energy base supporting this massive domestic construction boom, capital is flowing directly into heavy onshore assets. Saudi Aramco awarded a major onshore EPC contract to Saipem Nasser Saeed Al-Hajri Contracting Company (SNSH) valued at approximately SAR 3.6 billion. The project marks a flagship launch under the National EPC Champion Program to expand infrastructure at the non-associated Uthmaniyah gas field.

Real Estate Market

Development Pipeline: Progress, Scale, and Execution Outlook

Urban Connectivity, Liveability & Capital Regulations

Investments into scaling the country's infrastructure execution phase continue to grow, with regional transport networks and urban sustainability projects receiving the bulk of capital allocations in line with preparations for upcoming international events. In Riyadh, the King Abdullah Financial District road network project has surpassed the 35% completion mark, with the Royal Commission for Riyadh City (RCRC) overseeing the installation of major bridges. This 20 km upgrade includes 19 new bridges and three key intersections to help ease traffic congestion into North Riyadh's commercial core.

This will help to unlock newly expanded urban zones where non-Saudis can legally acquire commercial and residential real estate. Accessible via the official Saudi Properties digital gateway, these approved areas are concentrated within Riyadh's northern and eastern growth corridors, prime financial districts, and key transit-oriented developments.

To help cut administrative delays, regulators have also upgraded the underlying execution framework for the Saudi Property Portal, by better automating the process for completing foreign property transactions.

Based on related announcements, it is understood that Saudi residents are verified automatically using Muqeem/Absher data and resident ID (Iqama), while non-resident foreign companies register via Invest Saudi to obtain a National Unified Number.

Crucially, this opens a direct path for international firms to buy industrial real estate outright, such as warehouses and manufacturing sites, or to deploy equity into commercial projects through regulated funds without setting up a local entity.

Following confirmation of the inclusion of the country's giga-projects within the non-Saudi property law, we expect to see a continued push on construction and new launch activities, as developers look to leverage new regulations and open direct investment pathways for international capital to legally acquire property rights within designated master-planned zones across Diriyah Gate, NEOM, Qiddiya City, ROSHN, King Salman Park, New Murabba, and the Red Sea Project.

The government has also launched several targeted urban resilience initiatives to try and counter localised urban heat retention and elevate the city's broader liveability metrics, with municipal authorities launching a sweeping cooling infrastructure strategy. The program fundamentally aims to lower street and surface temperatures by up to 15 °C across certain core districts by using advanced district cooling networks and climate-responsive public spaces. By implementing new measures to help mitigate the extreme summer heat, the government hopes to be able to have a direct positive impact on real estate premiums, as well as for adjacent projects and land parcels.

Regional Pipeline & Anti-Speculation Guardrails

Development momentum is also evident across the Western Province, with rising development activity along the key coastal corridor. This includes the Jeddah Tower project that has officially surpassed 100 floors, rising more than 400 metres above ground level, with the kilometre-high mixed-use luxury residential and hospitality project targeting a 2028 completion.

This momentum intersects with the recent mapping of geographical boundaries relating to the law for foreign ownership of property rights, which have specifically designated Jeddah's coastal hubs for international property acquisitions.

While individual resident expatriates holding a valid residency permit can take advantage of the single-unit exemption to purchase a single residential property for personal use outside of the designated investment zones, speculative plays are tightly controlled.

Regulators have implemented a 7% acquisition fee within major urban centres, pairing the baseline 5% Real Estate Transaction Tax (RETT) with an active 2% REGA foreign transaction fee to deter short-term flipping and protect long-term market yields. While the overarching statute allows for a fee ceiling of up to 5%, the current implementing regulations have capped the active rate at 2% across Riyadh, Jeddah, Madinah, and Makkah.

Offices

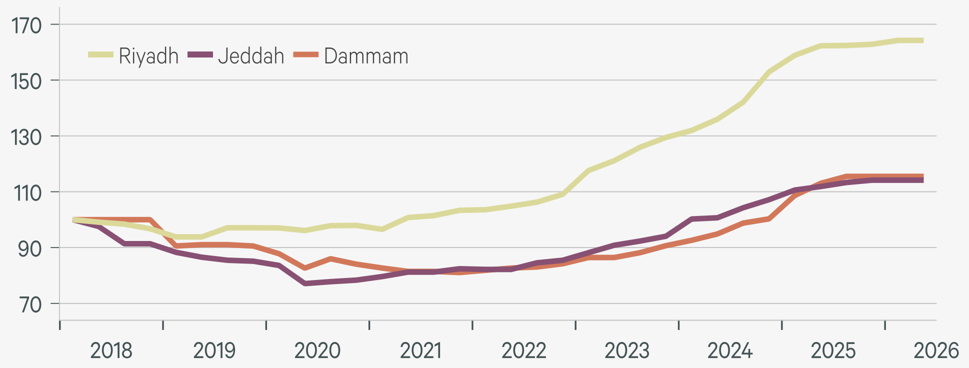
RHQ Mandate Accelerates Grade A Space Friction and Corporate Pre-Leasing Activity

In Riyadh corporate occupiers continue to prioritise new Grade A office accommodation, intensifying competition for premium addresses within central business districts. This remains supported by the sustained influx of multinationals establishing operations under the RHQ mandate, with more than 780 international companies now understood to be holding licenses as part of the program.

With office fundamentals remaining firm, major local developers are increasingly exploring partnership opportunities, including new public private partnership (PPP) frameworks with the government to help unlock premium land parcels and meet with rising demand. The Royal Commission for Riyadh City (RCRC) is understood to be evaluating competitive bids for a prime plot (in Al-Muhammadiyah District, Riyadh), with the framework granting the winning bidder up to 35 years of commercial development rights in one of the capital's high demand submarkets, establishing a new precedent for state backed land monetisation.

During the quarter, Riyadh's total office stock reached to over 6 million sqm of GLA, with around a third of this regarded as Grade A. The future pipeline for delivery in 2026, is projected at 0.6 million sqm, with around 0.2 million of that being Grade A accommodation.

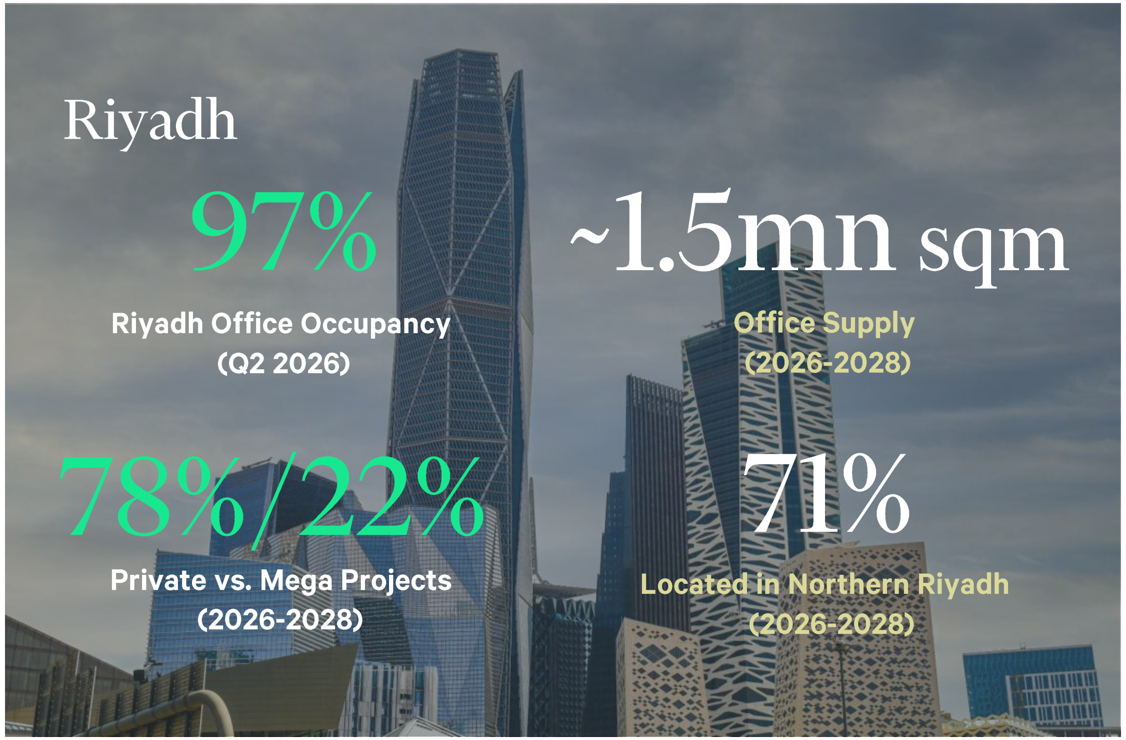
FIGURE 2: Saudi Arabia, Office Rent Index (2018 = 100), Q2 2026



Source: CBRE Research

Prime occupancy rates continue to operate at near capacity, driven by tight availability in premier hubs like KAFD. However, amidst the rental freeze, average prime rents have increased by just 3% year-on-year, settling at around SAR 3,320/sqm/annum.

Sustained demand also kept broader Grade A occupancy rates elevated, with rents up 1% year-on-year at SAR 2,570/sqm/annum. Major handovers during the quarter included the SAR 1 billion Boulevard Business Park, which added 60,000 sqm of Grade A space to the market.



Offices

Supply-Side Constraints and Macroeconomic Drivers

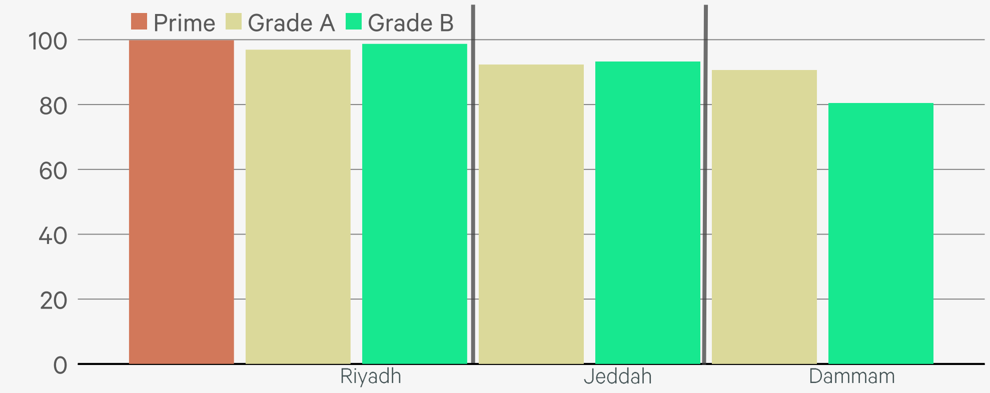
Rising execution costs and continued logistics bottlenecks do potentially pose a short-term risk to the pace of new deliveries, with project delays a likely outcome. GASTAT data reveals a 3% annual inflation rate in the non-residential sector, driven by a 6.7% spike in equipment and machinery rentals, which obviously challenges developer margins and could help prolong the capital's low-vacancy environment. According to Oxford Economics, the Gross Value Added (GVA) for head offices and management consultancies has surged over 15% annually since 2016, alongside an 8% annual expansion in financial activities. This concentration of corporate growth is ensuring that absorption of premium spaces remains skewed toward flagship hubs like KAFD.

Occupier demand during the first six months of the year remained concentrated within high-growth sectors, including technology, which continues to serve as a primary driver of demand accounting for 29% of all office requirements. This is then followed closely by healthcare, which generated 26% of recorded market activity. Professional and financial services, specifically consulting and financial operations, collectively claimed an 18% share of demand, with the remaining 27% of requirement volume distributed across infrastructure, government, and other minor segments.

Outside the capital, Jeddah's Grade A office segment maintained solid occupancy at approximately 92% as corporate tenants continue to favour modern, highly specified developments along primary commercial corridors. Concurrently, the Dammam metropolitan area continues to display fragmented performance where top tier assets able to sustain higher occupancy rates of around 91%, contrasting sharply with older Grade B properties that face elevated vacancy pressures as tenants prioritize superior digital infrastructure and physical amenities.

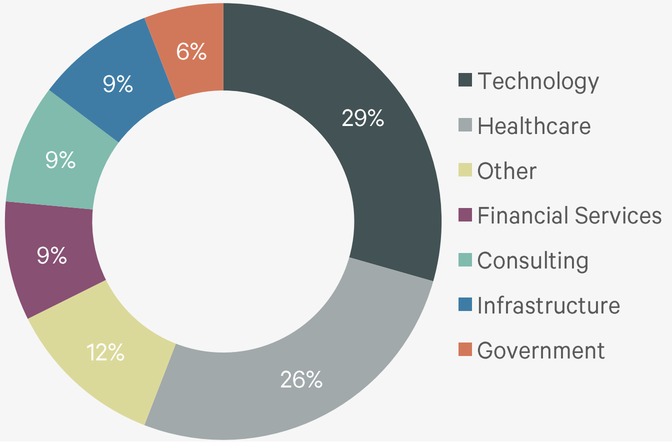
In Riyadh, the Westfield Riyadh Office project, developed by Cenomi Centers under a brand licensing agreement with Unibail-Rodamco-Westfield, is on track to deliver 65,000 sqm of premium Grade A space in Western Riyadh by Q3 2026. Further west, the Bank Al-Bilad - Regional Office Building Tower in Jeddah, which is in its final fit-out stages, is set to add more than 30,000 sqm of corporate space by Q4 2026. Meanwhile, commercial hubs in the Eastern Province will see expansion through the phased delivery of The Avenues - Khobar. The project's mixed-use tower is scheduled to bring 17,000 sqm of Grade A shell-and-core offices to the market by H2 2027, adding much-needed premium stock to the region.

FIGURE 3: Saudi Arabia, Office Occupancy (%), Q2 2026



Source: CBRE Research

FIGURE 4: Riyadh's Office Demand by Sector, H1 2026



Source: CBRE Research

Residential

Regulatory Shifts Coincide with Market Rebalancing

The implementation of the landmark Law on Non-Saudi Ownership of Real Estate reached execution following the Cabinet's approval of geographic regulations in June 2026. The recent regulatory interventions are coinciding with a period of market rebalancing, with Ministry of Justice (MoJ) and REGA data, reflecting a decline in the total real estate transaction value across all sectors nationwide to SAR 82 billion during H1 2026. The total number of traded properties also fell 32% year-on-year to 138,600 transactions. Focusing on Q2 2026 performance, the residential segment mirrored a broader moderation, with combined nationwide deal volumes across apartments, villas, and land plots dipping 14% year-on-year to 41,340 deals, while the total traded value also dropped by around 27% to nearly SAR 38 billion.

However, despite falling transaction volumes, the National Residential Price Index grew 2.6% year-on-year in Q2 2026 (up 3.7% quarter-on-quarter). Rather than signalling a broader market downturn, this volume-versus-price split reflects a maturing market undergoing structural recalibration across asset classes, primarily supported by positive momentum in secondary regional markets such as Al-Jouf (+10.4%) and the Northern Borders (+4.6%).

For the land market, even as speculative plot trading has noticeably cooled and brought down overall deal volumes, land plot prices across the Kingdom have still climbed by 6.3% year-on-year as structural land scarcity in certain key urban corridors has kept developer demand firm.

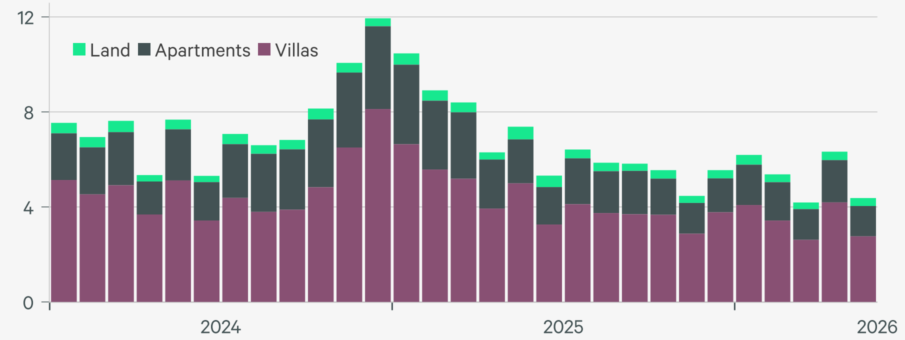
Similarly, country-wide apartment values have held broadly steady with a modest 1.1% gain, underpinned by end-user demand concentrating in well-located masterplans.

However, for Riyadh specifically apartment prices have softened, down -8.9% year-on-year. However, standalone villa values across the country dropped more notably, dipping -9.7%, broadly in line with the -10.9% moderation in Riyadh, as elevated borrowing costs pushed larger detached homes past end-user affordability limits.

To help support transaction volumes, the Real Estate Development Fund (REDF) launched its Alternative Financing program in partnership with SNB and the NHC. This state-backed initiative targets first-time Saudi homebuyers with subsidized monthly instalments starting at SAR 699 in the Western Province, SAR 999 in the Eastern Province, and SAR 1,499 in the Central Province. From the supply-side, activity is being sustained by an increase in PPPs, with NHC signing joint development agreements across Riyadh's Khuzam and Al-Fursan master plans. Against this backdrop, developers are accelerating handovers of master-planned supply to capture shifting demand. In Riyadh, NHC's Murcia project (Phase 1) within Dahiyat Khuzam is slated to deliver 5,018 villas and 572 apartments by Q4 2026.

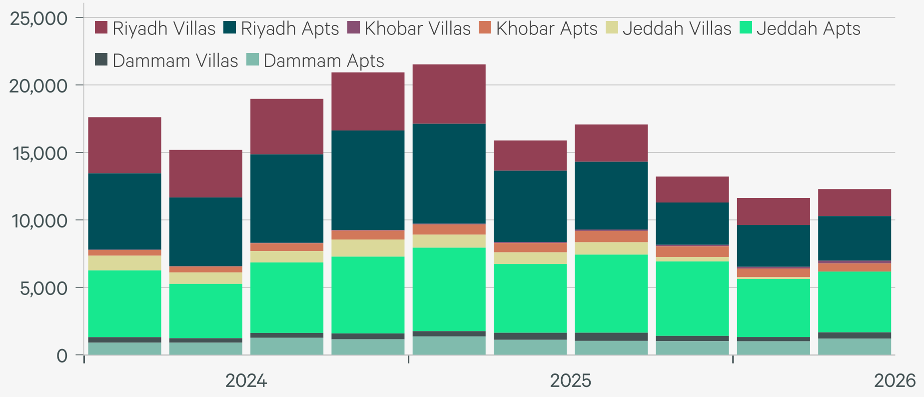
Concurrently, the Western Province pipeline is expanding via the Masar Destination residential towers in Makkah, bringing 690 mid-market units online by Q1 2027, alongside approximately 2,300 premium villas within NHC's Dahiyat Sadayem in Northern Jeddah by late 2027.

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 Q2 2026

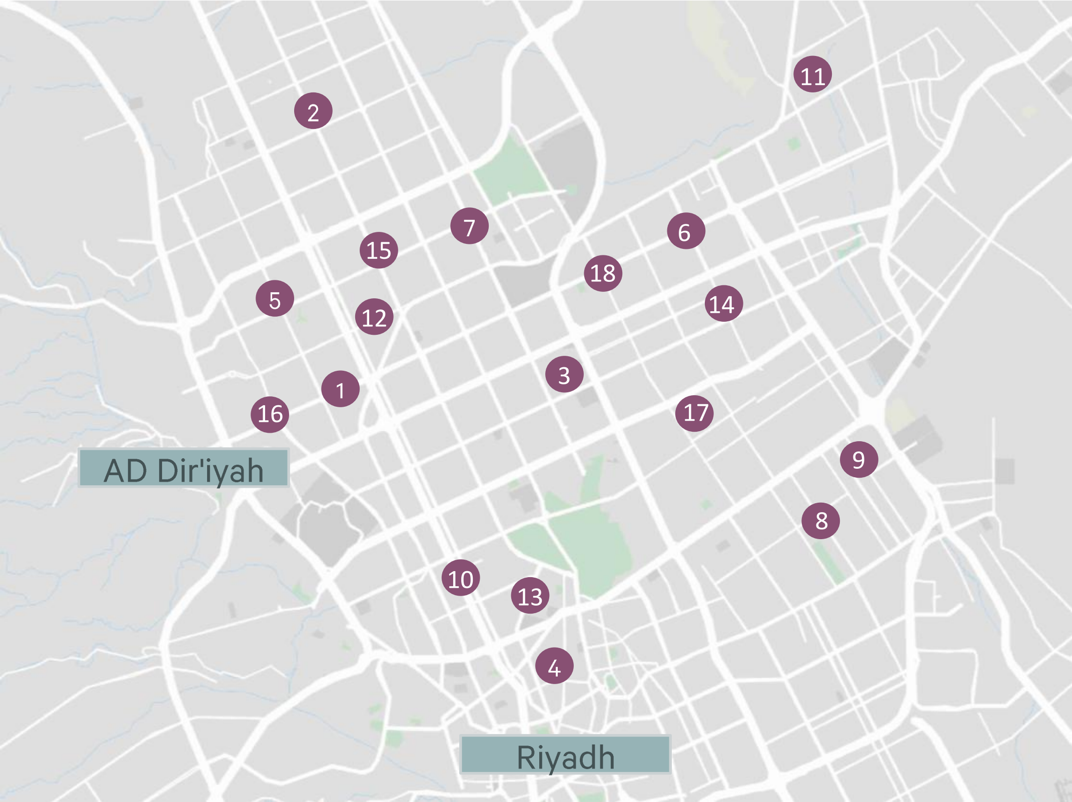


Source: CBRE Research / MoJ & RER

Residential

Riyadh's residential rental market continues to reflect a structural shift away from rapid open market price acceleration toward a period of greater stability. This transition unfolded against a backdrop of fluctuating nationwide activity, with official Ejar indicators recording a combined total of 123,880 residential apartment and villa rental transactions across the Kingdom, even as localised district data revealed highly divergent submarket dynamics. Established northern and central hubs directly reflected this cooling trend by experiencing noticeable price corrections, exemplified by Al Sahafa and Al Yasmeen where average apartment rents softened by 7% and 6%, respectively. In contrast, strategic eastern corridors bucked this broader deceleration. Most notably, Al Munisiyah recorded a 15% year-on-year jump in apartment rental values, supported by a steady influx of newly completed housing stock and the presence of high functioning infrastructure connectivity, particularly its proximity to key Riyadh Metro stations and major highways that allows tenants to bypass congestion.

FIGURE 7: Riyadh Average Rental Rates, y-o-y, Q2 2026



No.	Riyadh Districts	Apartment		Villa	
		Q2 2026 AVG SAR/Annum	y-o-y %	Q2 2026 AVG SAR/Annum	y-o-y %
1	Al Aqeeq	48k	-1%	121k	-7%
2	Al Aridh	49k	-2%	136k	4%
3	Al Ezdhar	50k	1%	100k	-4%
4	Al Malaz	35k	-1%	65k	-2%
5	Al Malqa	66k	1%	183k	4%
6	Al Munisiyah	47k	15%	100k	7%
7	Al Narjis	54k	-1%	107k	-7%
8	Al Nasim Al Gharbi	25k	4%	47k	4%
9	Al Nasim Al Sharqi	26k	6%	50k	3%

No.	Riyadh Districts	Apartment		Villa	
		Q2 2026 AVG SAR/Annum	y-o-y %	Q2 2026 AVG SAR/Annum	y-o-y %
10	Al Olaya	53k	-5%	139k	-5%
11	Al Rimal	33k	0%	90k	-4%
12	Al Sahafa	46k	-7%	127k	-3%
13	Al Sulaymaniyah	49k	0%	107k	-4%
14	Al Yarmouk	35k	0%	76k	-2%
15	Al Yasmeen	54k	-6%	114k	-5%
16	Hittin	66k	2%	187k	3%
17	King Faisal	37k	4%	24k	0%
18	Qurtobah	47k	-2%	303k	1%

Source: CBRE Research / Paseetah

Retail

Lifestyle Driven Consumption Reconfigures Traditional Shopping Mall Formats

Saudi Central Bank Point of Sale (POS) data into the end of May reflected the expanding momentum in lifestyle spending, with total spend rising from SAR 58.4 billion in April to hit SAR 63.1 billion from a record 1.10 billion transactions. The food and beverage (F&B) was an anchor of consumer demand, expanding from SAR 9.56 billion in April to SAR 10.12 billion in May, underscoring Saudi's growing discretionary spending despite the regional backdrop.

This appears to align well with and Saudi Entertainment Venture's (SEVEN) SAR 50 billion nationwide strategy to deliver 14 new integrated entertainment destinations across the Kingdom, which will shift into its operational phase by H2 2026, with completion of the first SEVEN destination in Abha. Developed in coordination with the Asir Development Authority, the SAR 1.3 billion complex spans a total built-up area of more than 79,000 sqm and has been designed to capture local domestic spending and support year-round commercial footfall.

Approximately 0.4 million sqm of new retail GLA is projected to come online by the end of 2026, followed by an additional 0.4 million sqm by the end of 2027. With super-regional malls commanding close to a 70% share of this inventory. Amidst rising supply, average retail vacancy levels held firm at 6%, while prime rental rates within premier super-regional assets were steady at around SAR 3,275 per sqm.

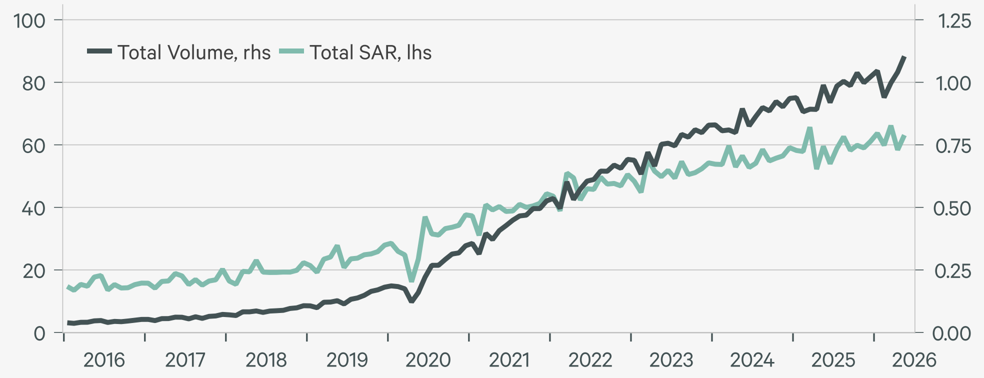
In the capital, Westfield Riyadh represents the next major retail delivery with its expected handover in Q3 2026, adding 120,000 sqm of new supply. This will then be followed by Unified Real Estate Development's project in north Riyadh, The Bellevue. The open-air lifestyle scheme is on track to introduce 27,900 sqm of retail GLA across a total development footprint of 90,000 sqm by Q1 2027.

Across the country's Western Region, the imminent completion of The Cove Jeddah Waterfront, a specialized retail and entertainment hub will add around 70,000 sqm of regional space to the city's pipeline.

In the Eastern Province, Shomoul Holding's development, The Avenues - Khobar, is set to introduce 167,000 sqm of retail GLA. The flagship super-regional scheme will feature nine distinct retail districts, entertainment zones, cinema halls, and two annexed towers housing Four Seasons and Canopy by Hilton upon its scheduled completion in Q4 2027.

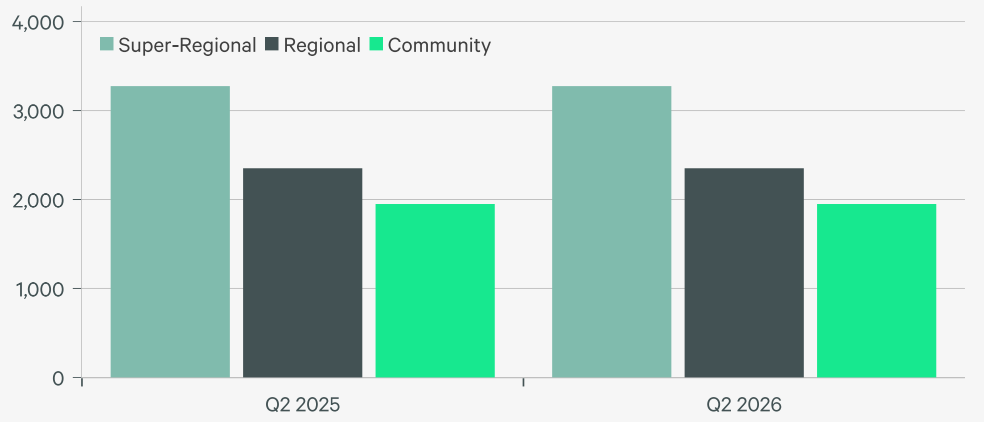
In Dammam, MAS Group and SEVEN have partnered with the Saudi Bin Ladin Group to deliver a planned new major entertainment destination, to capture demand across the perceived underserved lifestyle market in the Eastern Province. This reflects a growing trend of developers looking to leverage opportunities beyond the capital Riyadh to capture regional purchasing power.

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



Source: CBRE Research / Saudi Central Bank

FIGURE 9: Saudi Arabia, Retail Rents, Q2 2025 v Q2 2026



Source: CBRE Research

Hospitality

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

SAR 32.3 bn
Domestic Spending (SAR Billion)

SAR 34.7 bn
Domestic Spending (SAR Billion)
▲ 8% y-o-y

Source: CBRE Research/ Ministry of Tourism
*Preliminary data

Strategic Capacity Scaling Underpins Supply Rebound Despite Short-Term Regional Headwinds

Riyadh's hospitality market continues to struggle amidst a marked slowdown in corporate travel and MICE demand through the first half of the year, as the tourism sector continues to feel the impact of regional unrest, in tandem with slowing government spending across giga projects which is also impacting corporate demand.

Room supply across the city continues to grow at a more moderate pace as compared to the double-digit growth of recent years. However, there continues to be delivery of assets across strategic locations, including the Atheel KAFD Hotel within a vital business node, which is on track to introduce 214 keys and integrated convention spaces during Q3 2026.

Preliminary data for Q1 2026 revealed total domestic tourism expenditure reached SAR 34.7 billion, marking an 8% year-on-year increase from SAR 32.3 billion in Q1 2025, underlining the importance of the local Saudi population in sustaining the country's hospitality sector through this difficult period.

Total hospitality room supply across the Kingdom reached a record of 177,000 keys at the end of Q2, with a significant pipeline of new rooms expected particularly over the next five years as the government continues to build capacity to support upcoming international events and the long-term tourism growth strategy.

During June 2026, countrywide performance indicators saw average occupancy rates contract 10.2% versus the same month the previous year, while average daily rates (ADRs) and revenue per available room (RevPAR) softened by 43.3% and 49.1%, respectively.

Outside the capital, pipeline momentum continues, particularly across emerging masterplan destinations in the Western Region and across the Holy Cities, particularly across Makkah and Madinah.

In Jeddah, Saudi Real Estate Company advanced this momentum by allocating SAR 463 million toward the Porta Jeddah mixed-use destination, establishing a major commercial hospitality anchor in the city's expanding northern district.

Further along the coastline, Miraval The Red Sea, operating under Hyatt's luxury wellness brand, is scaling its market presence following a May 2026 opening. As a core addition to the Red Sea Global flagship megaproject on Shura Island, the resort introduces 180 luxury keys and extensive wellness infrastructure to the destination's expanding inventory.

In Makkah, Umm Al Qura for Development and Construction unveiled Masar Gardens, a SAR 6 billion mixed-use project spanning 1.2 million sqm, structured through a private real estate fund as part of a five-year asset strategy.

Meanwhile, religious tourism capacity in Madinah is expanding through Phase 1 of the Rua Al Madinah master plan. Situated within this phase, the Superblock 5 development is currently 55% complete. The project comprises 18 towers, 10 of which are hotels that will add 4,790 keys to the market under international brands such as Grand Hyatt, Fairmont, JW Marriott, and Swissôtel upon its scheduled completion in early 2029.

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

	Current Month- June 2026 vs. June 2025			Year to Date - June 2026 vs. June 2025		
Location	Occ. Change	ADR % Change	RevPAR % Change	Occ. Change	ADR % Change	RevPAR % Change
	Month Change June 2026 vs. 2025			YTD Change June 2026 vs. 2025		
Saudi Arabia	-10.2%	-43.3%	-49.1%	-2.7%	1.0%	-1.7%
Jeddah	-3.4%	-5.4%	-8.6%	-1.3%	-6.1%	-7.3%
Riyadh	14.8%	-11.8%	1.2%	-16.3%	-8.4%	-23.3%

Source: CBRE Research / Co-Star

Industrial

Supply Chain Realignment and Logistics Localisation Compress Grade A Vacancy to Record Lows

The Kingdom's industrial and logistics sector continues to adapt to shifting maritime dynamics and localised manufacturing mandates, as reflected in a -18.7% contraction in the Industrial Production Index as of May 2026. Accordingly, the country's strategy has increasingly pivoted towards leveraging deep-water Red Sea infrastructure alongside inland rail connectivity, supported by the structural flexibility of new land-bridge alternatives, which have helped to shield activity from ongoing transit bottlenecks. However, the more recent flare-up of maritime issues through the Red Sea waterways is now likely to create a new set of challenges.

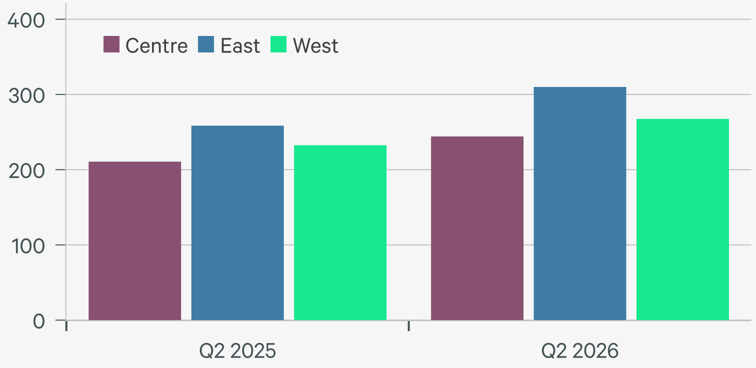
Underscoring this push to expand land-based freight capabilities, Saudi Arabia Railways awarded a SAR 500 million contract to OHL Arabia and Hassan Allam Construction joint venture. The 22.7-kilometer single-track freight rail project will link Dammam's Second Industrial City directly to the national rail network. The scope includes specialised bridge crossings over Highway 615 and the Aramco Pipeline Corridor to streamline freight flows between Eastern Province manufacturing clusters and primary port networks.

Supply chain realignments continue to tighten existing warehouse availability, driving institutional expansion across key trade corridors. Institutional developer GFH signed a strategic Memorandum of Understanding with Octo to develop a SAR 1.13 billion network of modern logistics facilities across Saudi Arabia and the UAE, with the partnership aiming to build Grade A warehousing infrastructure designed to meet the sophisticated operational mandates of global e-commerce and 3PL occupiers.

Driven by infrastructure localisation and rapid scaling of the e-commerce ecosystem, occupier demand for prime warehousing facilities continues to grow. Through Q2 2026, annual rental growth across primary submarkets has accelerated. In the capital, Riyadh East emerged as the key premium submarket, commanding average lease rates of SAR 310/sqm/annum, reflecting a 19.9% year-on-year increase. The capital's West and Central corridors tracked close behind, at SAR 268/sqm/annum (up 15.1% year-on-year) and SAR 244/sqm/annum (up 15.9% year-on-year), respectively.

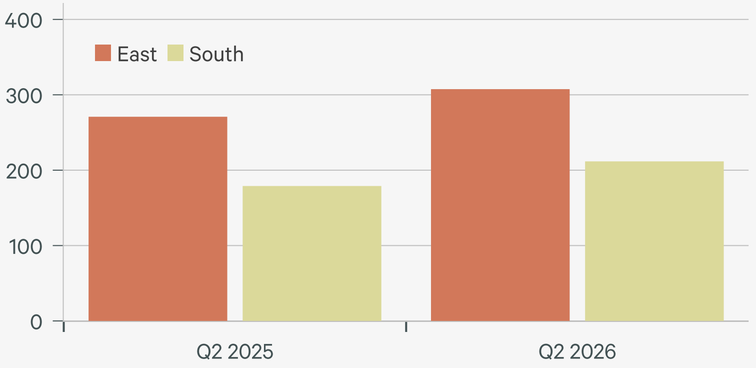
A similar upward trend is visible across Jeddah, where regional occupier competition remains heavily concentrated. Jeddah East maintained its premium position in the Western Province, with average lease rates reaching SAR 308/sqm/annum, with an annual growth of 13.5%. Meanwhile, Jeddah South posted the sharpest rate of acceleration in the city rising 18.2% year-on-year to settle at an average annual rent of SAR 212/sqm/annum.

FIGURE 12: Riyadh, Industrial Rents Q2 2025 v Q2 2026 (SAR/sqm/annum)



Source: CBRE Research

FIGURE 13: Jeddah, Industrial Rents Q2 2025 v Q2 2026, (SAR/sqm/annum)



Source: CBRE Research

Average Warehouse / Logistics Rents (Q2 2026)

Riyadh Central
SAR244/sqm/annum
15.9% y-o-y

Riyadh East
SAR310/sqm/annum
19.9% y-o-y

Riyadh West
SAR268/sqm/annum
15.1% y-o-y

Jeddah East
SAR308/sqm/annum
13.5% y-o-y

Jeddah South
SAR212/sqm/annum
18.2% y-o-y

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