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Middle East Real Estate Predictions
2025 | KSA market review

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Executive summary

Saudi Arabia's real estate market is set to experience robust growth through 2025, fueled by the Kingdom's Vision 2030 reform agenda and commitment to economic diversification. Key developments, including major events like EXPO 2030 and the FIFA World Cup 2034™, alongside giga-projects such as NEOM, the Red Sea, and Qiddiya, are expected to drive the creation of new urban hubs and tourism destinations.

Although the Kingdom witnessed a decline in Foreign Direct Investment (FDI) inflows during Q1 - Q3 2024, dropping approximately by SAR 14.7 billion compared to the same period in 2023, the outlook remains optimistic. The National Investment Strategy projects FDI inflows to reach SAR 388 billion by 2030, reflecting a compound annual growth rate (CAGR) of 22% from the 2023 figure of SAR 95.9 billion. Favorable regulatory reforms aimed at attracting global investors are expected to drive demand across residential, retail, commercial, and hospitality sector.

Key trends shaping the market include the rise of sustainable and smart developments, increased demand for luxury and mixed-use properties, and a growing emphasis on affordable housing to meet the needs of the Kingdom's expanding population.

Hospitality

Riyadh and Jeddah Seasons, organized by the Entertainment Authority, have significantly boosted domestic and internal leisure travel in 2024.

Residential

Transaction volumes and values have risen steadily in 2024, fueled by Saudi Arabia's economic expansion and population growth.

Offices

Riyadh continues to solidify its position as Saudi Arabia's primary business hub, supported by government initiatives to enhance business accessibility and attract foreign investment.

Retail

According to Oxford Economics (OE), retail sales in Saudi Arabia are projected to grow at a CAGR of 4.4% between 2025 and 2027.

Industrial and logistics

Saudi Arabia's strategic vision is propelling growth in logistics and warehousing, backed by government initiatives, infrastructure investments, and a strong emphasis on expanding international trade.

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KSA's hospitality market

In 2024, Saudi Arabia's hospitality industry continued to advance under Vision 2030. While seasonal fluctuations and new projects caused slight declines in occupancy, the country's average daily rate (ADR) demonstrated steady growth, showcasing strong market dynamics.

KSA hospitality market overview

Having surpassed Vision 2030's goal of 100 million tourists a year ahead of schedule, Saudi Arabia continues its upward trajectory. This growth is driven by strategic Vision 2030 initiatives, including investments in infrastructure, the development of urban areas, and the restoration of cultural and historical landmarks. Major giga-projects, such as the Red Sea Project and Diriyah Gate, have also made notable progress, with their first hotels opening in 2024.

The successful bid to host the FIFA World Cup in 2034 has further accelerated this growth, drawing global attention and boosting development. This momentum is mirrored in government initiatives to create new attractions, such as Riyadh's New Murabba project, which is set to introduce a significant number of additional hospitality offerings to the market.

Key performance indicators (KPIs) for Saudi Arabia's hospitality sector indicate market stability from 2023 to 2024. While occupancy rates saw a slight dip from 62% to 61%, the increase in ADR from SAR 702 to SAR 726 maintained a steady RevPAR of SAR 437. This stability, despite the significant addition of new hotels, underscores the sustained demand in the market.

In Riyadh, the hospitality KPIs exhibited a positive trend from 2023 to 2024. The occupancy rate remained steady at 64%, while the ADR increased to SAR 895. This growth is largely attributed to the introduction of 5-star hotels across Riyadh, significant developments such as Diriyah Gate, and the demand generated by Riyadh Seasons.

In Jeddah, the hospitality sector experienced a slight decline during the same period. The occupancy rate marginally decreased to 62%, and the ADR dropped to SAR 680. These changes can be linked to shifts in dynamics between Jeddah and Riyadh where Riyadh continues to build a major economic and commercial hub for the Kingdom.

The Dammam Metropolitan Area demonstrated stability in hospitality KPIs from 2023 to 2024. The occupancy rate held steady at 60%, while the ADR and RevPAR saw slight decreases to SAR 385 and SAR 231, respectively. This trend reflects a decline in domestic demand, compounded by the growing tourism infrastructure and attractions in other markets across KSA, which have diluted DMA's market share as a tourism destination.

KSA review of 2023 - 2024 performance

Year	Occupancy	ADR (SAR)	RevPAR (SAR)
2023	62%	702	437
Trend	↓	↑	→
2024	61%	716	437

Riyadh review of 2023 - 2024 performance

Year	Occupancy	ADR (SAR)	RevPAR (SAR)
2023	65%	792	515
Trend	↓	↑	↑
2024	64%	895	568

Jeddah review of 2023 - 2024 performance

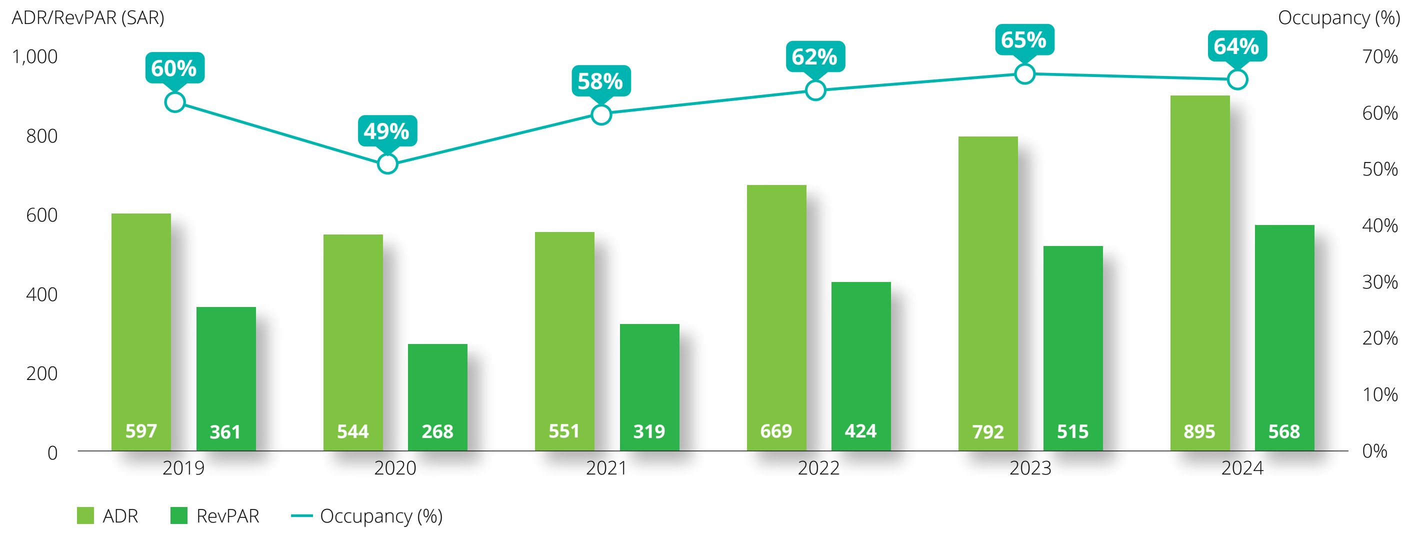
Year	Occupancy	ADR (SAR)	RevPAR (SAR)
2023	63%	775	490
Trend	↓	↓	↓
2024	62%	680	425

DMA review of 2023 - 2024 performance

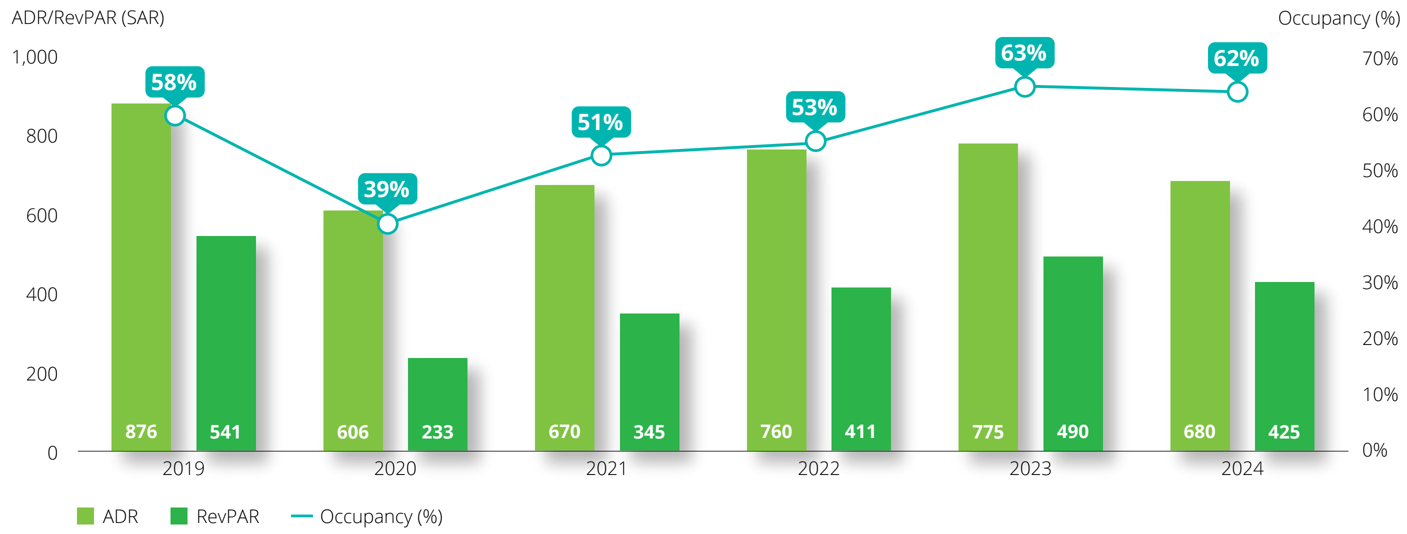
Year	Occupancy	ADR (SAR)	RevPAR (SAR)
2023	60%	391	235
Trend	→	↓	↓
2024	60%	385	231

Source: STR Global

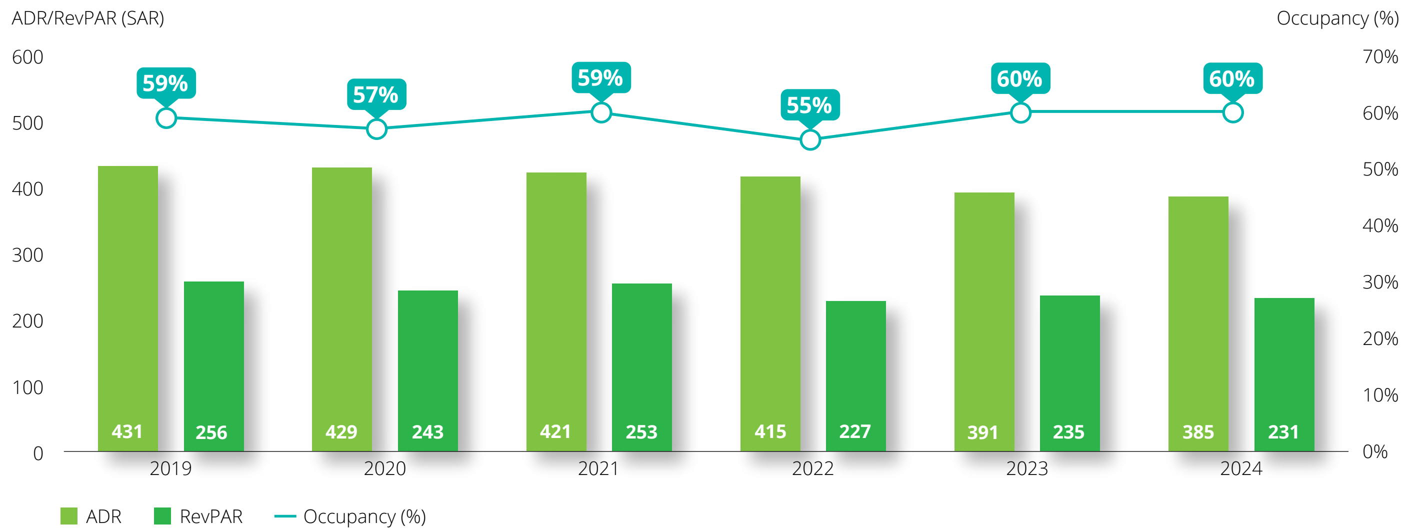
Riyadh hotel market performance, 2024



Jeddah hotel market performance, 2024



DMA hotel market performance, 2024



Source: STR Global

Regional leader in growth and economic activity

KSA continues to dominate the region in economic activity, leading the hospitality pipeline and showcasing strong future growth potential. With significant efforts to position itself as a premier tourism destination, KSA's commitment is evident through initiatives such as the Riyadh and Jeddah Seasons, organized by the Entertainment Authority, which have substantially boosted domestic and inbound leisure travel annually. Additionally, the Tourism Development Fund (TDF) actively supports private investors in developing hotels across the country, further fueling the sector's growth.

The gigaprojects, aligned with Vision 2030, are transforming the hospitality market. Vision 2030's emphasis on revitalizing cultural and historical sites, coupled with substantial investments in tourism infrastructure, has paved the way for diverse hotel offerings, including luxury resorts, eco-friendly accommodations, and culturally immersive experiences. This diversification is capturing global attention and investments, establishing KSA as a dynamic hospitality destination. Consistent growth in cities like Riyadh reflect the market's evolution, solidifying KSA's position as a global hospitality leader.

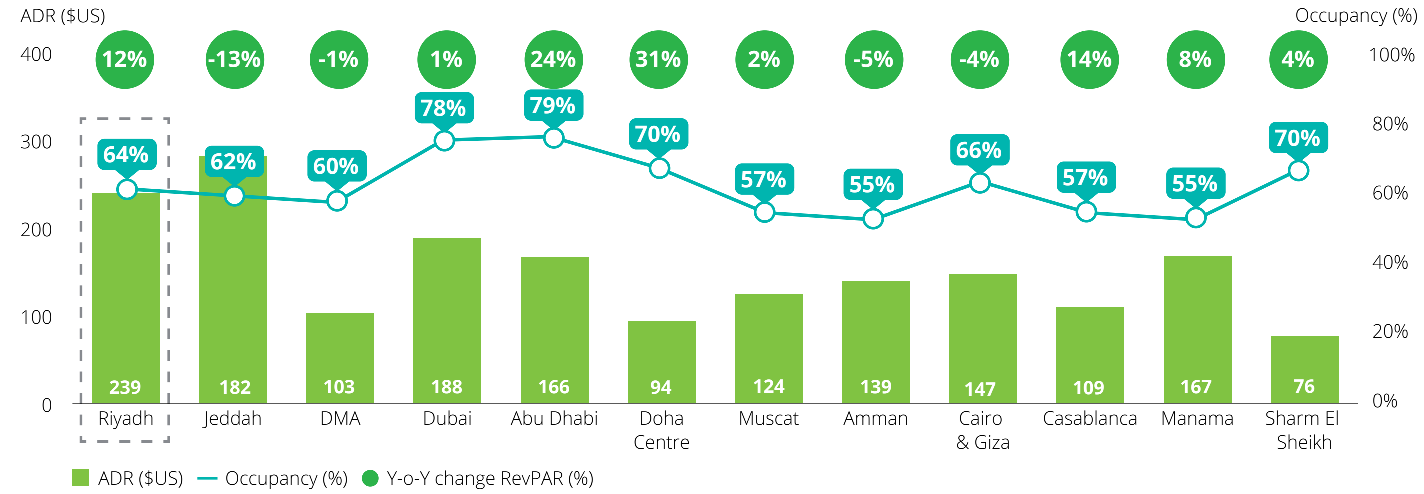
Key hospitality trends in 2024 and beyond

As KSA's hospitality sector grows rapidly, several key trends are shaping its landscape. One notable trend is the increasing focus on co-located hotels and branded residences. This shift reflects a desire to provide seamless luxury accommodation and residential living, catering to the preferences of the growing high-net-worth population in the region.

Co-located developments allow operators to diversify revenue streams while meeting the demand for integrated lifestyle experiences.

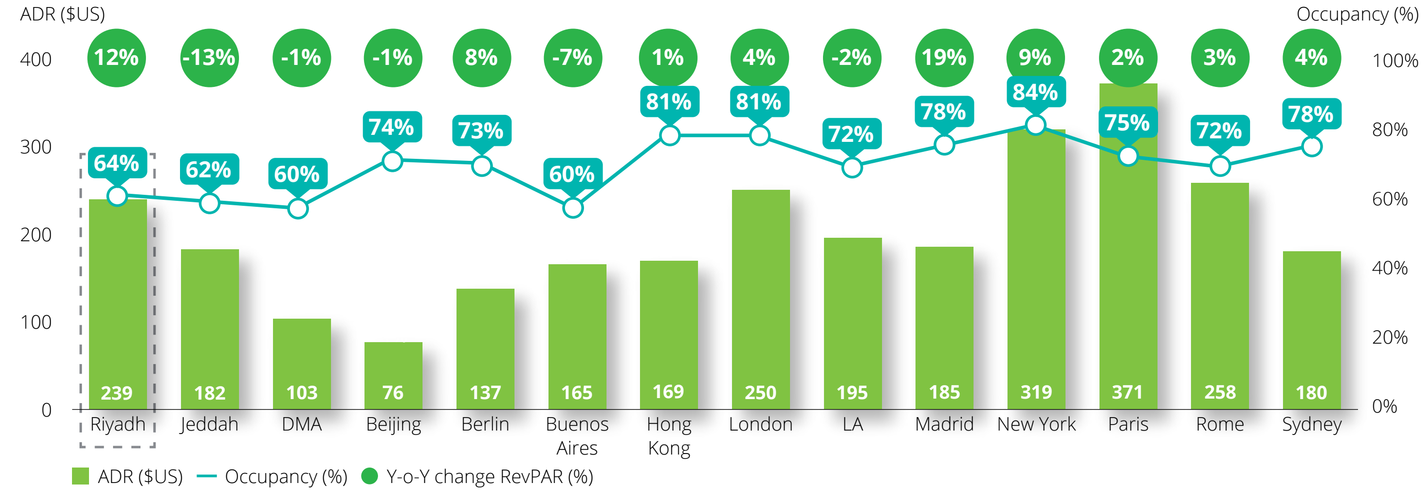
Another emerging trend is the focus on conversions and rebranding. KSA's hospitality market holds immense potential for growth in the upper-midscale and upscale segments. A growing strategy involves converting and rebranding aged hospitality assets, aligning them with modern market demands. This approach revitalizes existing hotels, ensuring they remain competitive while enhancing KSA's appeal as a premier global destination.

Riyadh, Jeddah and DMA ADR and occupancy vs regional markets, 2024



Source: STR Global

Riyadh, Jeddah and DMA ADR and occupancy vs international markets, 2024



Source: STR Global

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KSA’s residential market

Transaction volume and value across Riyadh, Jeddah and DMA increased by approximately 50% between 2023 and 2024.

Review of 2024 performance

Residential supply in the key markets of Riyadh, Jeddah and the Dammam Metropolitan Area (DMA) continued to increase in 2024, although marginally by approximately 1% in each geography. This reflects the increasing market maturity and the planned phasing approach adopted by developers.

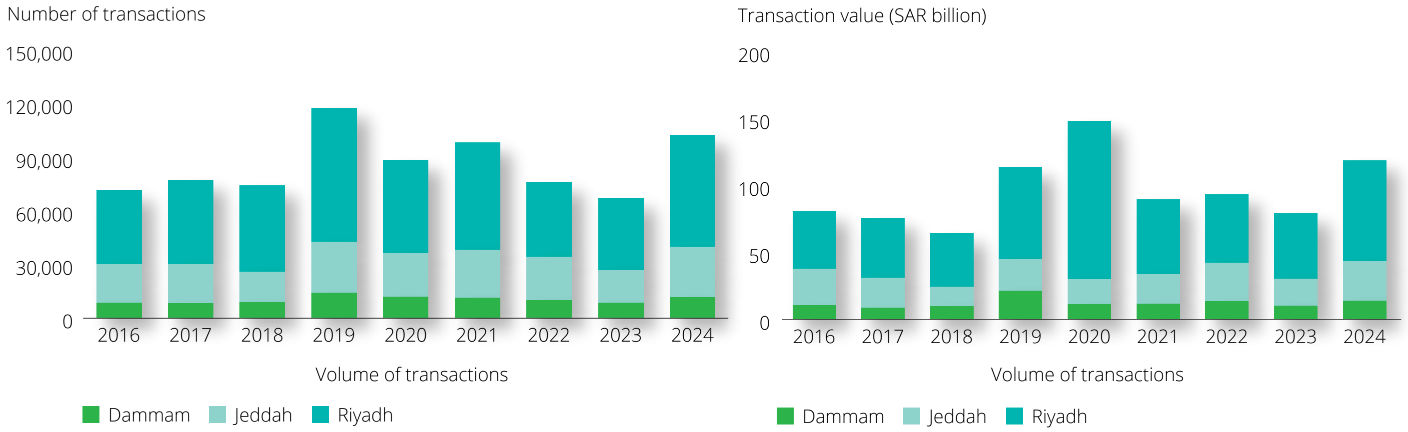
The total number of residential transactions across Riyadh, Jeddah and DMA reached 102,522 in 2024, with a total value of SAR 118 billion (USD 32 billion). This represents an increase of approximately 50% compared to 2023.

Based on transaction data from the Ministry of Justice, sales prices and rents have shown growth across Riyadh. Sales rates in Riyadh increased by 5% for apartments and 12% for villas, while apartments in Jeddah and DMA experienced growth of approximately 1% over the past 12 months.

In Riyadh, approximately 69% of apartments sold in the last 12 months were priced between SAR 250,000 and SAR 1 million, (USD 66,000 to USD 266,000), primarily targeting the low to mid-income segments. Transaction volume in the south of Riyadh has grown due to the availability of stock, while the total transaction value remains highest in the north of Riyadh, reflecting sustained high demand in that area.

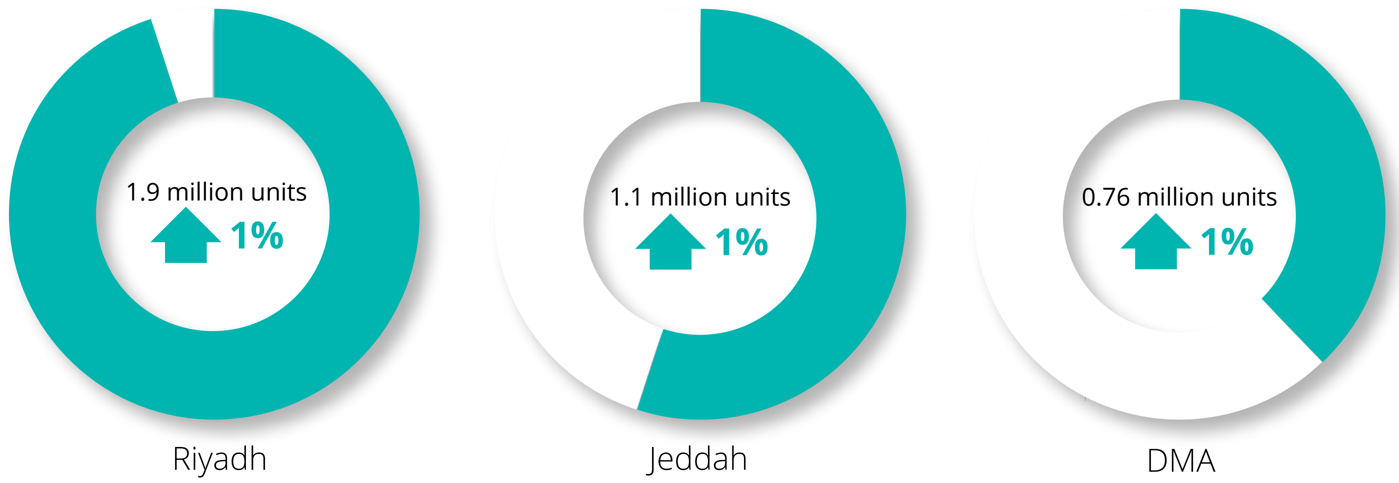
Riyadh's residential market continues to see increased demand in northern districts such as Al Sahfa and Al Yasmin. Established premium districts like Al Aqiq, Al Hittin, and Al Malqa continue to attract higher premiums. In Jeddah, growth in residential sale values remains concentrated in coastal districts, particularly Ash Shati and areas further north such as in Al Murjan. The residential market in DMA, especially in Al Khobar and Dammam, has shown continued growth. Market stimulation is expected to rise further in 2025 with key projects, such as ROSHN's Aldanah, currently underway.

KSA residential transaction, 2016 – 2024



Note: The data includes building, flat, residential land and villas
Source: Ministry of Justice

KSA residential supply, Q4 2024



Source: Deloitte

KSA residential average sales prices and rents by location, Q4 2024

Riyadh

PRICES		RENT	
SAR 3,672 per sqm	↑ 12%	SAR 70,000 to SAR 380,000	↑ 3%
SAR 6,448 per sqm	↑ 5%	SAR 40,000 to SAR 280,000	↑ 4%

Jeddah

PRICES		RENT	
SAR 5,250 per sqm	↑ 1%	SAR 60,000 to SAR 200,000	↑ 2%
SAR 3,422 per sqm	↑ 1%	SAR 25,000 to SAR 160,000	↑ 3%

DMA

PRICES		RENT	
SAR 3,500 per sqm	↑ 1%	SAR 40,000 to SAR 130,000	↑ 2%
SAR 3,054 per sqm	↑ 3%	SAR 18,000 to SAR 75,000	↑ 3%

Source: Ministry of Justice; Deloitte
Average prices are quoted in SAR per sq m and average rents in SAR per annum with year-on-year percentage change based on rental transactions.
Note: 1 USD = 3.75 SAR
Please note that there have been updates from MoJ and numbers might have changed for previous years.

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KSA's office market

Employment forecasts indicate that Grade A office-focused sectors, such as financial and business services, experienced a growth of 5.3% between 2023 and 2024.

Review of 2024 performance

Office supply in Riyadh, Jeddah and DMA stood at 6.4million sqm, 2.2 million sqm, and 1.5 million sqm, respectively by the end of 2024. Notable developments include Laysen Valley, STC Square Phase 1, and the New East project in Riyadh, adding a total gross leasable area (GLA) of 146,000 sqm. A significant portion of the King Abdullah Financial District (KAFD) office supply was also successfully delivered, reflecting high pre-leasing and leasing rates. In Jeddah an additional 150,000 sqm GLA was delivered encompassing projects like JCDC and Darb Al Haramain.

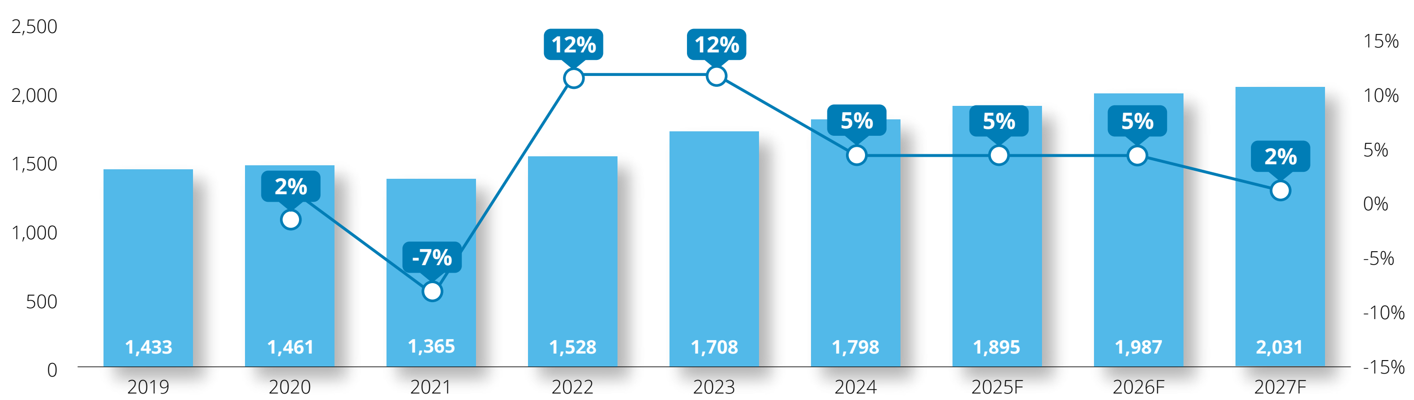
Saudi Arabia's gross domestic product (GDP) reached SAR 3 trillion (USD 786 billion) in 2024 and is forecasted to grow to SAR 3.7 trillion (USD 981 billion) by 2030, equating to a CAGR of 3.4% over the same period, according to Oxford Economics (OE).

Riyadh's ongoing growth, combined with the development of new Grade A office spaces, is exerting pressure on older stock in secondary areas. To meet market demands, many upcoming offices are being incorporated into larger master plans that integrate residential, retail, and hospitality elements. This approach fosters a more integrated environment and promotes the Live-Work-Play philosophy.

Throughout 2024, key initiatives were introduced to establish Riyadh as a leading business hub and drive office construction. One of the most significant was the Regional Headquarters Program, launched in Q1 2024, which resulted in the relocation of 571 companies to Riyadh by the end of the year. A majority of new entrants have established their base in KAFD.

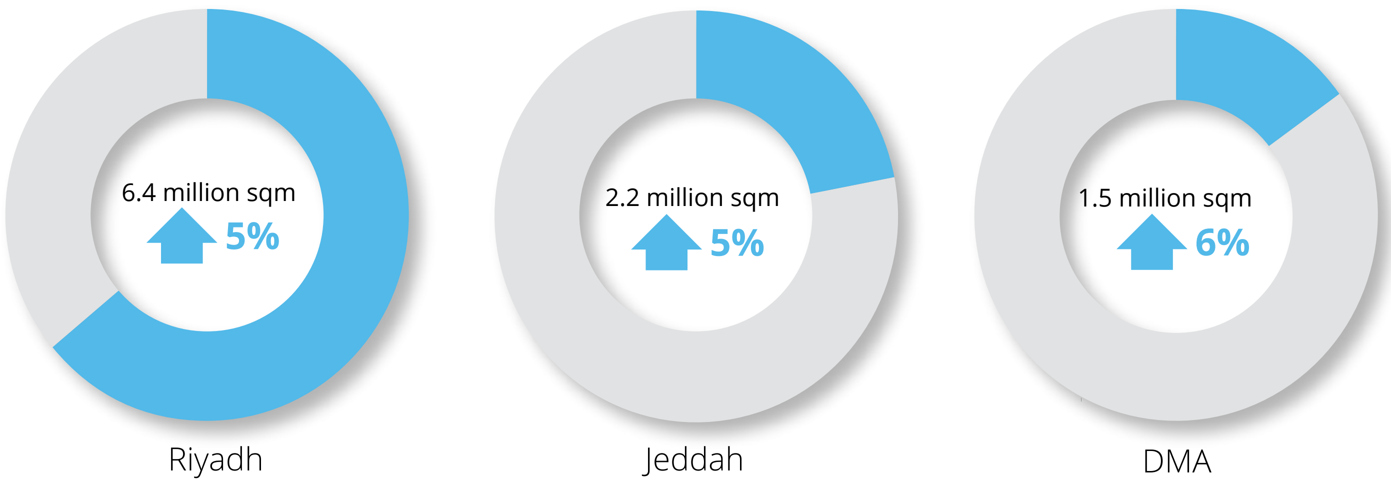
The Saudi government also introduced tax breaks, streamlined regulations, and broke ground on a number of large-scale projects, including New Murabba and Diriyah Gate, which are expected to offer extensive office space upon completion.

KSA employment in financial and business services, 2019 to 2027F



Source: Oxford Economics; Note: F:forecast

KSA office supply by location, Y-o-Y growth, Q4 2024



Source: Deloitte

Note: Revisions of the "10th Anniversary edition" were made throughout the year, thus supply trends and associated percentages are reflective of more up-to-date information as of Q1 2025.

KSA Grade A office rents by location, Q4 2024

Riyadh

SAR 2,100 per sqm | ↑ 17%

Jeddah

SAR 1,500 per sqm | ↑ 15%

DMA

SAR 1,000 per sqm | ↑ 4%

Source: Deloitte

Note: Rents quoted above exclude service charge

Note: 1 USD = 3.75 SAR

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KSA's retail market

Oxford Economics (OE) estimates that total retail sales volume in KSA will experience continued growth at a CAGR of 4.4% between 2025 and 2027.

Review of 2024 performance

The development of retail assets which offer integrated entertainment and immersive experiences continues to be a key focus for retail operators throughout the Kingdom. The preferences of customers continue to evolve and move away from traditional standalone retail developments.

Throughout 2024, retail rents in Saudi Arabia had marginal increases primarily due to a high volume of supply and relatively stable demand. Older retail developments are struggling to maintain their market relevance and foot traffic as newer developments with more diverse offerings are capturing market share.

Pop-up stores trend

Pop-up stores and temporary retail spaces used to create a unique customer experience and drive brand awareness have gained significant traction in retail environments globally. In KSA, this trend is beginning to take hold within the major cities' retail malls, offering a dynamic addition to the traditional retail landscape.

Pop-up stores offer advantages such as:

Flexibility and Low Risk: Pop-up stores allow retailers to test new products and concepts with minimal financial commitment.

Enhanced Customer Engagement: These temporary setups create a sense of urgency and exclusivity, driving foot traffic and fostering a direct connection with customers.

Brand Visibility and Market Penetration: For new entrants and international brands, pop-up stores offer a cost-effective way to build brand awareness and gain market insights without the long-term commitment of a permanent location.

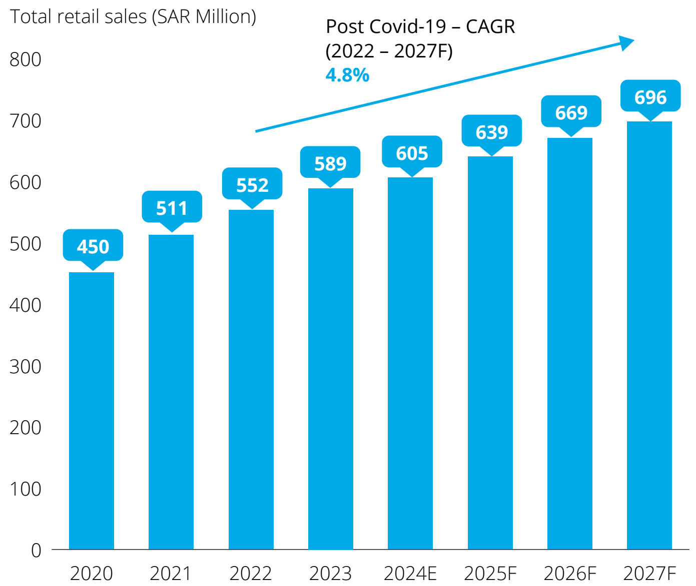
Pop-up stores are transforming KSA's retail malls by:

Diversifying Retail Offerings: They introduce unique and varied shopping experiences, attracting a broader customer base and enhancing overall mall traffic.

Increasing Tenant Mix Flexibility: Mall operators can quickly adapt to changing market conditions by rotating pop-up tenants, keeping the retail environment fresh and appealing.

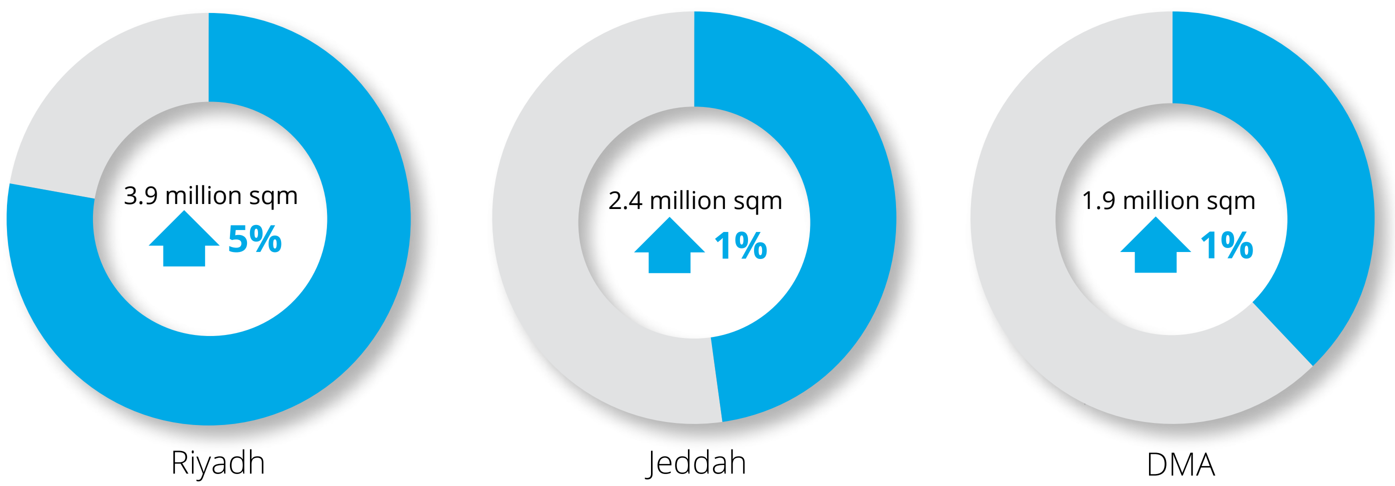
Boosting footfall: Introducing a pop-up store presence of established, high-end and trendy brands can be a strategic move to boost the mall's footfall. This synergy between the brand's prestige and the mall's image will consequently boost the short-term revenue of the mall.

KSA retail sales volume, 2020 to 2027F



Source: OE; E:estimate, F:forecast

KSA retail supply by location and year-on-year growth, Q4 2024



Source: Deloitte
Note: The above figures represent organized retail formats

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KSA regional and super regional mall rents by location, Q4 2024

Riyadh

SAR 1,800 per sqm to SAR 4,000 per sqm — 1%

Jeddah

SAR 1,600 per sqm to SAR 4,000 per sqm — 1%

DMA

SAR 1,500 per sqm to SAR 3,900 per sqm — 1%

Source: Deloitte
Note: Rents within regional and super regional malls are wide ranging depending on the unit type and as such, the above chart represents the average ranges. This includes all types of units, including F&B, restaurants, anchor tenants etc.
Note: 1 USD = 3.75 SAR

KSA's industrial and logistics

Saudi Arabia's vision to become a global industrial hub is driving growth in logistics and warehousing, supported by government initiatives, infrastructure investment and a focus on expanding international trade.

Review of 2024 performance

The growth in demand in the warehousing and logistics sector is primarily attributed to the various initiatives and incentives being deployed as part of the 2030 Vision. These include:

National industrial development and logistics program
Focused on transforming KSA into a leading industrial hub

Special economic zones
Such as Riyadh Integrated Logistics Zone

Saudi Port Authority initiatives
Enhancing port infrastructure in Jeddah & DMA

Vision 2030 logistics master plan
100 million sq m of logistics infrastructure throughout KSA

Saudi authority for industrial cities & tech zones
Development and management of industrial cities

Giga-projects and industrial investment
Developments such as Oxagon in NEOM to promote international trade

Demand for warehousing and logistics will continue its growth protectory due to the enhancement of the aviation infrastructure and increase in air cargo.

National air cargo actuals & targets (vision 2030)

0.9 Mn Tn
2023

4.5 Mn Tn
2030

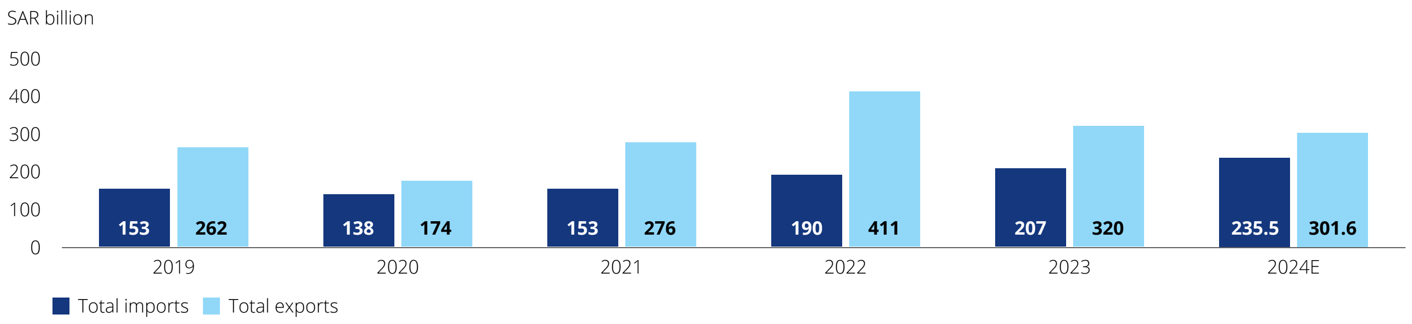
Based on statistics from the Saudi Port Authority, cargo throughout increased by 14% in 2024 compared to 2023.

Cargo throughput – KSA ports

301 Mn Tn
2023

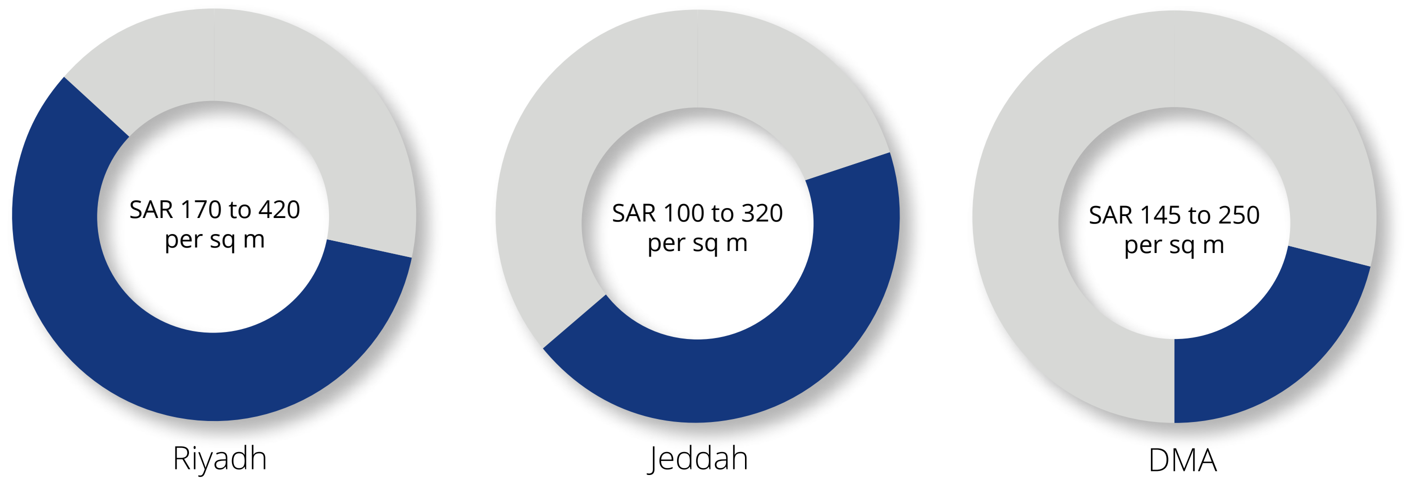
321 Mn Tn
2024

KSA imports and exports, 2019 to 2024



Source: Fitch Solutions (2019 – 2023); CEIC (2024); Note: E:estimate F:forecast

KSA prime warehouse rents, Q4 2024



Source: Deloitte

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Executive summary

Middle East real estate market trends

The development of sports infrastructure across the Middle East

The sports ecosystem in the Middle East is rapidly expanding, driven by strategic investments from sovereign wealth funds across the GCC, as well as the region's growing role in global mega-events, including FIFA World Cup™, Asian Games, Formula 1, Asian Winter Games and the Asian Football Cup.

The current real estate tax ecosystem and updates in Saudi Arabia

The real estate sector in Saudi Arabia is undergoing significant transformation due to government initiatives aimed at economic diversification and reducing reliance on oil revenues. Key components of this transformation include tax reforms related to value added tax (VAT), real estate transaction tax (RETT), Zakat, and corporate tax.

KSA real estate market: Recent developments in mortgage finance

The mortgage market in Saudi Arabia has evolved significantly in recent years, driven by government initiatives and regulatory reforms. Improved access to finance is a cornerstone for achieving the 70% homeownership objective of Vision 2030.

The development of sports infrastructure across the Middle East

The sports ecosystem in the Middle East is rapidly expanding, driven by strategic investments from sovereign wealth funds across the GCC, as well as the region's growing role in global mega-events, including FIFA World Cup™, Asian Games, multiple Formula 1 races, Asian Winter Games and the Asian Football Cup.

While Bahrain first hosted Formula 1 in the Middle East over 20 years ago, the past five years have seen a fundamental shift in the scale and prestige of events in the region, with the FIFA Football World Cup™ (FWC) 2022 in Qatar being the crown jewel. This was the first time the event had been held in the Middle East. In Saudi Arabia, Vision2030 has been a key driver in unifying the country and its people on its national vision, with key sports related objectives to 'Encourage widespread and regular participation in sports and athletic activities, working in partnership with the private sector to establish additional dedicated facilities and programs' and to 'excel in sports and be among the leaders in selected sports regionally and globally'. According to a report released by SURJ Sports Investment, a PIF company, Saudi Arabia's sports sector market value is projected to hit US$22.4 billion by 2030, up from US$8 billion, driven by a surge in investments and a growing focus on the industry.

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Sporting ecosystem

For Saudi Arabia to deliver on the Vision 2030 key sports objectives, there is a need for collaboration from the entire sporting ecosystem, from grassroot and community sports through to professional, elite sports associations across the private and public sectors.

The Kingdom's ambition has already led to the establishment of several new national sport federations for previously unrepresented sports, as well as substantial investment into professional leagues such as the Saudi Basketball League and the Saudi Pro League (Football), attracting some of the world's best footballers including Cristiano Ronaldo, and Karim Benzema. Furthermore, the Kingdom will be the host to several mega-events over the next decade including the Asian Football Cup 2027, Asian Winter Games 2029, Asia Games 2034, and the FIFA World Cup™ in 2034, a quantifiable outcome of Vision 2030.

As a direct result of the growing global sports landscape in Saudi Arabia, there has been a significant increase in investment into sports infrastructure across the Kingdom, including modern stadiums, arenas, high-performance facilities, and community sports facilities which are being built or upgraded to meet the growing demand. The FWC 2034 alone has set off plans for the construction of 11 new stadiums and 73 new training facilities across the Kingdom.

An additional benefit of the venue master plans is the potential for developing non-sports assets, including retail, healthcare, commercial, residential and hospitality assets. To support successful outcomes, it is essential that project owners establish a viable development program aligned with their internal corporate governance and processes, which will enhance risk management and ensure a streamlined approach to project delivery.

Project owners should consider adopting a stage-gate process, used to steer and control the development from strategic vision through to operational use of the new facilities.

An example of stage gates that can be adopted for sports infrastructure and mega event readiness is below; however, it should be tailored to suit specific development and project owner needs:

- **Stage 1:** Strategic vision
- **Stage 2a:** Detailed briefing
- **Stage 2b:** Concept design
- **Stage 3:** Spatial
- **Stage 4a:** Technical design
- **Stage 4b:** Construction procurement
- **Stage 5:** Construction
- **Stage 6:** Closeout and handover

Developing the strategic vision and detailed brief requires input from various stakeholders, along with global benchmarking and market analysis of regional and international multi-sport facilities.

This includes assessing the factors related to the desired technical and commercial outcomes of the development, including potential asset-mix and revenue streams. The below Image 1 includes several key building blocks required to set-up a revenue-generating and sustainable sports ecosystem. Further, the Strategy Choice Tool can be used to assess the various facility options and revenue streams to support the development of the project brief and strategic vision.

A financial assessment should analyze key performance indicators to confirm the project's feasibility and budget. Additionally, a financial model should project returns under different scenarios. As part of Stage Gate closure, it is fundamental that the project owner has the Strategic Vision and Detailed Brief authorized by the sponsoring board and other assigned stakeholders.

Image 1: Key sports facility building blocks and revenue streams

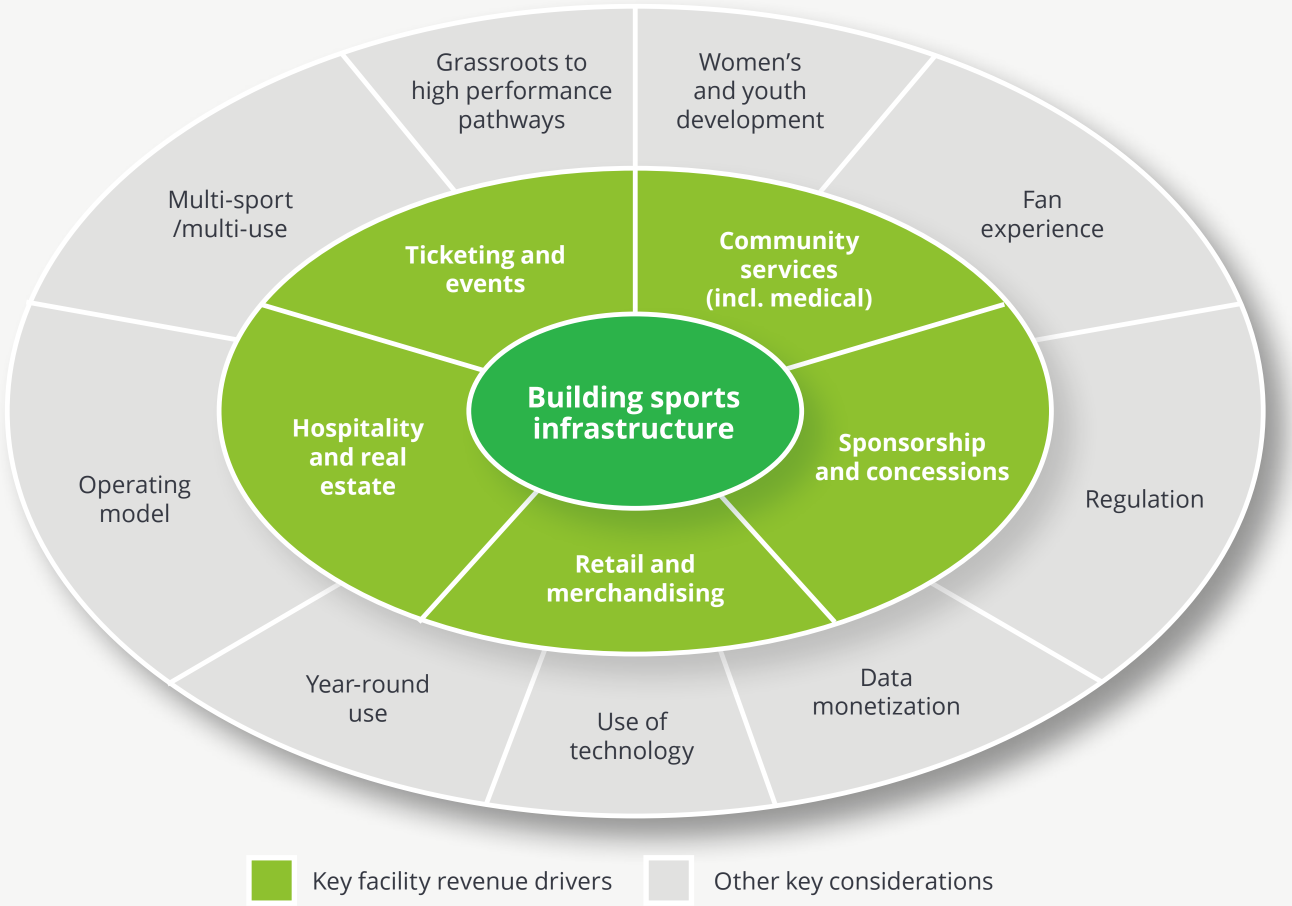
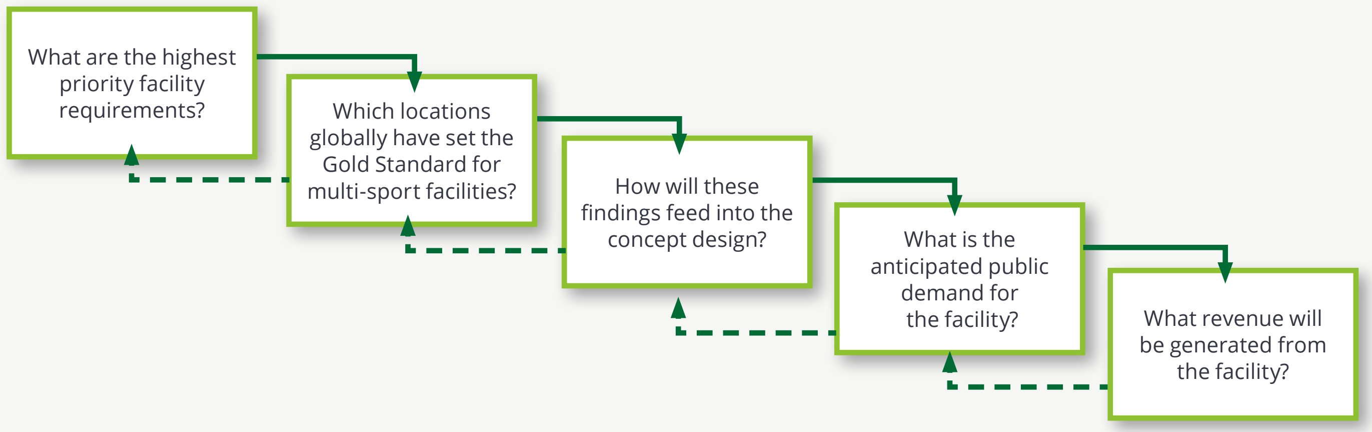


Image 2: Strategy choice cascade tool



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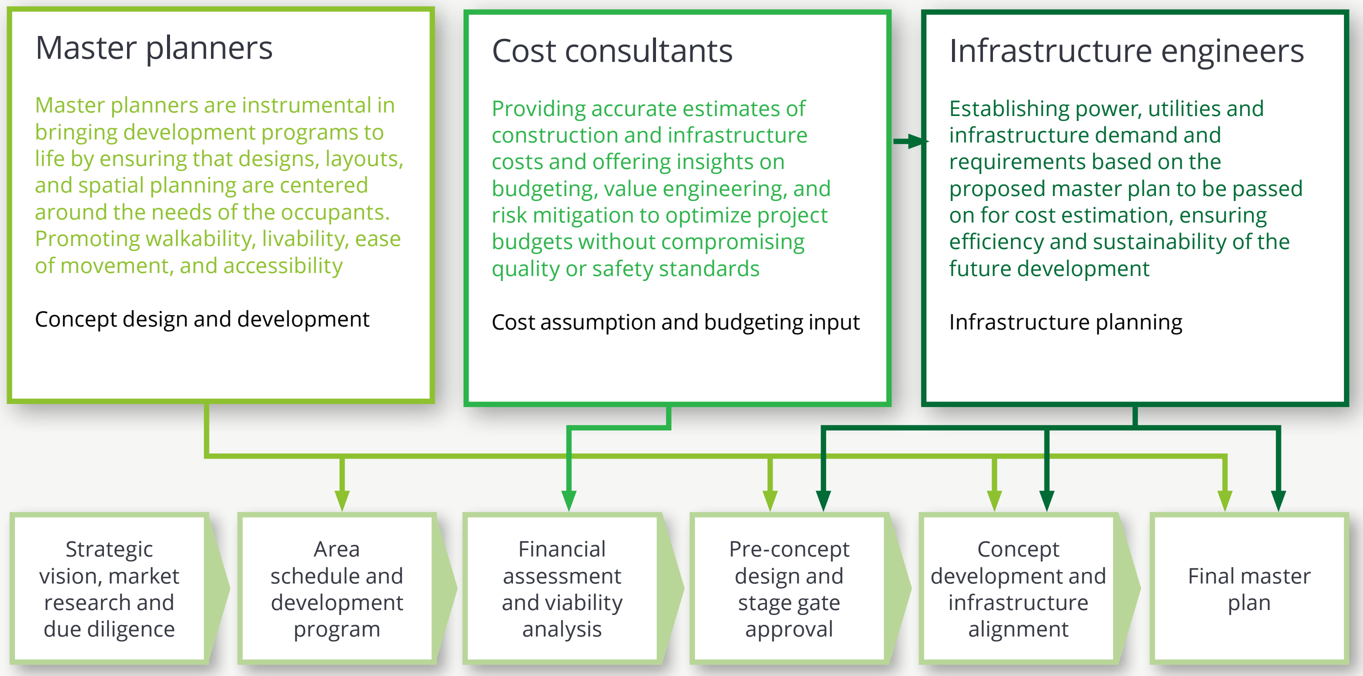
After the strategic vision is approved through the stage gate process, establishing a development management office (DMO) can help coordinate stakeholders across master planning, design, construction, and handover phases.

Initially, the Development Management Office (DMO) can advise the project owner on the most appropriate procurement strategy and delivery model for the project. The procurement strategy defines how the contractor and third parties will collaborate on risk allocation, responsibilities, and managing design, construction, and operations. Various procurement strategies are available, ranging from owner-managed or direct contracts to collaborative approaches. Based on the project's owner priorities, specific requirements and timeline, certain procurement models, particularly those integrating design and construction phases, have the potential to reduce the overall project duration and provide greater certainty on cost, however, may compromise on scope and quality. Choosing the right procurement strategy ensures efficiency, cost control, and risk management align with project objectives.

The DMO can also support the project owner in selecting and appointing the design team via a design competition, standard procurement, or an alternative approach. Once appointed, the DMO can coordinate the activities and outputs of the master planner, cost consultant, infrastructure engineers and other technical, financial, and legal advisors to ensure a final masterplan is delivered that meets the Strategic Vision, as shown in Image 3 on p32.

Image 3: Final master plan development



The final masterplan should then be used to obtain planning and development approvals through the local Authorities Having Jurisdiction (AHJ's). Concept and technical design of the assets and facilities can commence with the DMO providing coordination and management of the lead design consultants involved in delivering the work. The aim of this stage is to develop a technical design that can be used as part of a tender to construction contractors to execute the works in accordance with the design. This is a critical stage of the program as the signing of the construction contract is a significant commitment as the construction phase involves the largest capital expenditure.

The DMO should support the project owner through procurement, construction, and handover phases, ensuring the contractor and consultants deliver the project within established guidelines, adhering to contract terms, policies, and procedures.

Additionally, retaining the DMO during the initial operations phase is advisable to provide operational readiness oversight and ensure that assets and facilities are activated in line with the strategic vision. The goal is to develop revenue-generating assets and sustainable sports infrastructure. The DMO plays a key role in implementing the strategic vision throughout the development lifecycle while supporting the client in achieving both financial and non-financial benefits.

Saudi Arabia's Vision 2030 is ambitious, and recent progress proves it is on track to meet or exceed its sports-related goals. Increased community sports participation, growing regional and global investments, and heightened international representation demonstrate this success. With the modern sports infrastructure to be delivered over the next decade, Saudi Arabia will have a solid foundation to continue its success in increasing community participation, implementing high-performance programs, and benefiting from the social and economic impacts resulting from being a global sports player.

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The current real estate tax ecosystem and updates in Saudi Arabia

The real estate sector in Saudi Arabia is undergoing significant transformation due to government initiatives aimed at economic diversification and reducing reliance on oil revenues. Key components of this transformation include tax reforms related to VAT, RETT, Zakat, and corporate tax.

VAT

Introduced in January 2018 at a standard rate of 5%, VAT in Saudi Arabia increased to 15% in July 2020. VAT applies to most goods and services, including real estate transactions, with specific exemptions.

VAT on real estate transactions

Residential property: Sales and leases of residential properties are exempt from VAT.

Commercial Property: While the leasing of commercial properties is subject to VAT at 15%, the sale of commercial properties is exempt. This exemption has implications for VAT recovery on costs incurred during construction.

Zakat

In Saudi Arabia, Zakat is a religiously mandated form of almsgiving imposed on businesses and corporates owned by Saudi nationals and GCC citizens.
Base and rate: Zakat is calculated at 2.5% of the Zakat base per Hijri year, which includes equity and liabilities (subject to conditions) minus qualifying deductions. If the Zakat payer's fiscal year differs from the Hijri year, the applicable Zakat is adjusted based on the actual number of days in the fiscal year.
The calculation is as follows:

Percentage of Zakat = (Number of actual days in the Zakat payer's fiscal year × 2.5%) ÷ Number of days in the Hijri year

RETT

Introduced in October 2020, RETT applies to land and property transactions.

Zakat on real estate

Personal use real estate is exempt from Zakat, whereas real estate held for business or trading purposes is generally deductible from the Zakat base of a registered business or corporation.

Corporate tax

Corporate tax applies to non-Saudi and non-GCC-owned businesses operating in Saudi Arabia. Corporations with Saudi and non-Saudi shareholders are classified as mixed-ownership companies and are taxed based on the proportion of non-Saudi ownership.
Standard corporate tax rate: 20% of the tax-adjusted profit base. Impact on real estate: Income from real estate activities, including rental income and capital gains, is subject to corporate tax.

Key features of RETT

Rate: Fixed at 5%.

Applicable transactions: RETT is imposed on sales, assignments, and transfers of real estate properties.

Exemptions: Certain transactions are exempt, such as familial transfers up to the second degree, and transfers to government or charitable organizations.

VAT recovery for developers: A 'licensed real estate developer' is required to recover VAT on construction-related costs.

Recent updates and future outlook

To support Vision 2030, Saudi Arabia's tax framework continues to evolve, focusing on transparency, efficiency, and investor-friendliness.

RETT developments:

While RETT was introduced in Saudi Arabia in October 2020, there was no dedicated RETT Law at the time. Instead, it was administered based on a Royal Decree and Interim Implementing Regulations.

Recently, Saudi Arabia enacted and published the RETT Law under Royal Decree No. M/84 (issued on 22 September 2024) and Council of Ministers Decision No. 239 (dated 17 September 2024). This marks a significant regulatory milestone.

The new RETT legislation, published in the official Saudi Gazette on 11 October 2024, will take effect 180 days after publication. Additionally, RETT Implementing Regulations will be issued within 180 days, replacing the existing RETT framework. A draft of the RETT Implementing Regulations was recently issued for public consultation. The consultation period closes on 15th March.

ZATCA guidelines and clarifications:

The Zakat, Tax, and Customs Authority (ZATCA) has introduced various amendments to existing RETT implementing regulations, providing greater clarity for investors.

A key change includes expanded exemption scope for real estate funds and initial public offerings (IPOs), aligning with Saudi Arabia's push for increased market participation.

RETT treatment of Build, Own, Operate, and Transfer (BOOT) contracts:

Recently, ZATCA issued a guideline clarifying the RETT treatment for BOOT contracts. This clarification is welcomed by the industry, as it provides certainty on tax treatment.

VAT blockage and licensed real estate developer scheme:

With RETT's introduction, real estate transfers became exempt from VAT. However, this created VAT input blockage issues for developers.

ZATCA's solution:

ZATCA introduced the licensed real estate developer scheme, a new refund mechanism. This scheme eases the VAT burden on developers and real estate suppliers.

New Zakat regulations (Effective 1 January 2024)

The new Zakat regulations, implemented by ZATCA, introduce key updates for real estate assets:

1. Deductible Real Estate Assets:
Real estate assets not registered in the Zakat payer's name are now deductible, provided they meet one of the following conditions:

1. The asset is used in the Zakat payer's business activities.
2. The asset is recorded as in-kind capital in the Zakat payer's company.
3. The revenue or expense related to the asset is accrued in the company's financial statements.

2. Deduction of Assets Under Construction:
The new Zakat regulations allow for the deduction of assets under construction held for sale, provided that:
The cost of sales percentage does not exceed 25% of the asset's construction value, as reflected in the financial statements.

Cost of sales percentage = The value of deductions (sales) at cost/(opening balance + additions during the year)

Proposed amendments to Zakat regulations

Off-plan sale projects licensed by the competent authority in Saudi Arabia are deductible from the Zakat base using the following formula:

Deductible amount = the project balance at the end of the year – the value of additions to the project during the year

This formula is applied separately to each project. If the deductible amount is less than zero, it will not be considered in the Zakat base calculation.

Deduction of off-plan sale projects:

The Zakat payer is allowed to deduct the balance of off-plan sale projects classified as non-current assets up to the extent of the deductible amount as per the above formula.

If the deductible amount exceeds the balance of non-current assets, the current portion of the off-plan sale projects balance can also be deducted, but only up to the remaining deductible amount.

Loans from shareholders and Zakat treatment for unlisted entities, loans from shareholders are considered equity for Zakat calculations unless the following conditions are met:

- The company must have audited financial statements, and the loan is classified as a liability.
- The financing contract must specify a payment period.
- The interest/profit rate must align with market prices.
- The company must not be owned by a single shareholder.

Real estate taxes – Saudi Arabia compared to other GCC countries

Country	VAT	Zakat	Corporate Income Tax	RETT
Saudi Arabia	15% standard rate. Residential sales & leases typically exempt, commercial leases taxed.	2.5% on Zakat base for Saudi and GCC nationals.	20% on non-Saudi/non-GCC share.	5% on transaction value, with specific exemptions.
UAE	5% standard rate, with certain exemptions for residential properties.	Not applicable.	No federal corporate tax; emirate-specific on foreign banks and oil companies.	No real estate transaction tax; emirate-specific transfer fees may apply.
Oman	5% standard rate, applicable to most real estate transactions.	Not applicable.	15% generally; 55% for oil companies.	3%-5% transfer fees, varies by municipality, not termed as transaction tax.
Kuwait	Not yet introduced VAT.	2.5% on Zakat base for Kuwaiti and GCC nationals.	15% on non-Kuwaiti share.	No specific real estate transaction tax; transfer fees may apply.
Qatar	Not yet introduced VAT.	2.5% on Zakat base for Qatari and GCC nationals.	10% on non-Qatari share.	No specific real estate transaction tax; registration fees may apply.
Bahrain	10% standard rate; residential properties generally exempt.	2.5% on Zakat base for Bahraini nationals; businesses can voluntarily pay.	No general corporate tax, exceptions for oil, gas and petroleum sectors may apply.	No specific real estate transaction tax; transfer fees may apply.

The Saudi Arabian real estate tax ecosystem is undergoing significant reforms, including the implementation and adjustment of VAT, RETT, Zakat, and corporate income tax. These changes reflect the government's commitment to economic diversification and fiscal reform, in alignment with Vision 2030 objectives.

To navigate this evolving landscape, it is crucial for stakeholders to stay informed and compliant with these tax regulations. Optimizing tax positions and ensuring compliance will enable businesses to contribute effectively to the Kingdom's progressive economic goals.

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Recent developments in the KSA real estate mortgage market

The mortgage market in Saudi Arabia has evolved significantly in recent years, driven by government initiatives and regulatory reforms. Improved access to finance is a cornerstone for achieving the 70% homeownership objective of Vision 2030.

Housing program overview

The Kingdom launched the first phase of the Housing Program in 2018 as part of Vision 2030, focusing on governance improvements and building a sustainable housing ecosystem. The program is driven by regulatory reforms and both supply- and demand-side enablers, such as the establishment of the Real Estate Development Fund (REDF), which offers a range of subsidies and support schemes to Saudi nationals. A surge in loan volumes was observed subsequently from 50,000 in 2018 to 296,000 in 2020 with more than 420,000 housing mortgages subsidized.[1]

The second phase 2021 – 2025 has focused on housing market affordability, market maturity, vulnerable segment support, and reaching a milestone of 65% homeownership rate among nationals. By the end of 2023, homeownership rate had reached 63.7%, the Housing Burden Ratio had dropped to 38.2%, already below the target of 40%. A key pillar in achieving these results was the increased mortgage penetration with subsidized loans provided to more than 700,000 low-income beneficiaries, and achieving total outstanding real estate loans for individuals amounting to SAR 770 billion out of the targeted SAR 880 billion in 2025[2].

Mortgage ecosystem maturity

The Saudi Refinance Company (SRC) has significantly expanded its refinance portfolio from SAR 2 billion to over SAR 12 billion in 2021, reflecting strong mortgage market maturity.[3] Furthermore, "Dhamanat" was founded in 2023 as a mortgage guarantees services company, aiming to reduce lender risks allowing the expansion of lending services to beneficiaries.[5]

Types of mortgage finance offerings

Real estate finance in Saudi Arabia is primarily provided through Sharia-compliant mortgage finance options:

1) Murabaha or cost-plus finance: where the bank buys the property and sells it to the buyer on instalments with a reasonable profit.[3]

2) Ijara which is a lease-to-own arrangement where the bank buys the property and rents it to the buyer until the property price has been fully repaid, allowing transfer of ownership to the buyer.[3]

3) Musharaka: a less utilized arrangement where the buyer and the bank partner to purchase a property, and then the bank's share in the property is bought out by the buyer over an agreed period of time.[4]

Real estate ownership and access to mortgage for expatriates

Sharia-compliant mortgages are available to non-GCC residents in KSA but under more stringent terms than those for Saudi citizens.

Furthermore, real estate ownership is subject to the stipulations of the Saudi Royal Decree No. M/15 (dated 17th July 2000) "Law of Real Estate Ownership and Investment by Non-Saudis".[6]

The law allows non-GCC nationals to own real estate property in Saudi Arabia, subject to certain conditions, including restrictions on investment, prior permission from the Ministry of Interior, and restrictions on ownership of property within the boundaries of Mecca and Medina. On the other hand, GCC nationals are subject to far less restrictions under the Royal Decree No. M/22 (dated 8th March 2011).[7]

Under Vision 2030, the Premium Residency program grants extensive real estate ownership privileges to eligible foreigners. However, those who obtain residency through the real estate ownership route (requiring SAR 4 million in assets) cannot mortgage their portfolio.[8]

The recent developments in the mortgage ecosystem provide financial solutions to wider segments of the Saudi population, relieving the housing finance burden on households which was reflected in the substantial increase in homeownership rates.

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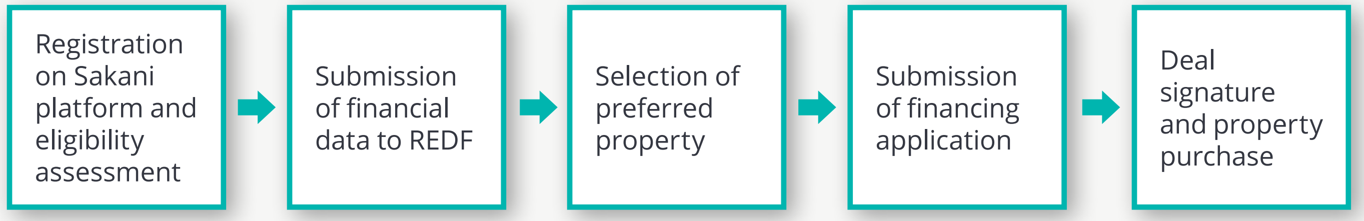
Government initiatives for Saudi nationals

The Sakani platform, created under Vision 2030, is a "one-stop shop" making affordable housing available to Saudi nationals through various options and initiatives. Below are some of the most notable initiatives provided on the platform[9]:

Notable programs	Key features
Mad'oum[10]	Provides eligible citizens with salaries up to SAR 14,000 with subsidized financing of up to SAR 500,000 (profit amount is borne by REDF). This solution includes life and property takaful insurance.
Al Rahn Al Moyassar	Provides subsidized financing with a reduced down payment requirement from the typical 10% to 5%, provided at an LTV up to 90%.
Subsidized Down Payment Program	Facilitates homeownership by directly disbursing up to SAR 150,000 to beneficiaries in order to fund the required down payment.
Least Financing Profit Margin Program	Provides mortgage loans at a fixed minimum profit of 2.59% to eligible beneficiaries.
'Dhamanat' or 'Guarantees Program'	The program complements Mad'oum program, providing guarantees to cover risks up to 80% of the loan value in order to mitigate lender risks.

Enhanced mortgage customer journey

The creation of Sakani platform as a one-stop shop for acquiring property and accessing finance has materially enhanced the customer journey for Saudi nationals. The process starts at the Sakani platform where the eligibility for government programs is assessed, then financial data is submitted to REDF to assess bankability, once applicants are approved by REDF, they select their preferred real estate product on the platform. Applicants then apply for preferred financing options according to their eligibility and advisors are available at the final step to ensure successful closure and deal signing.



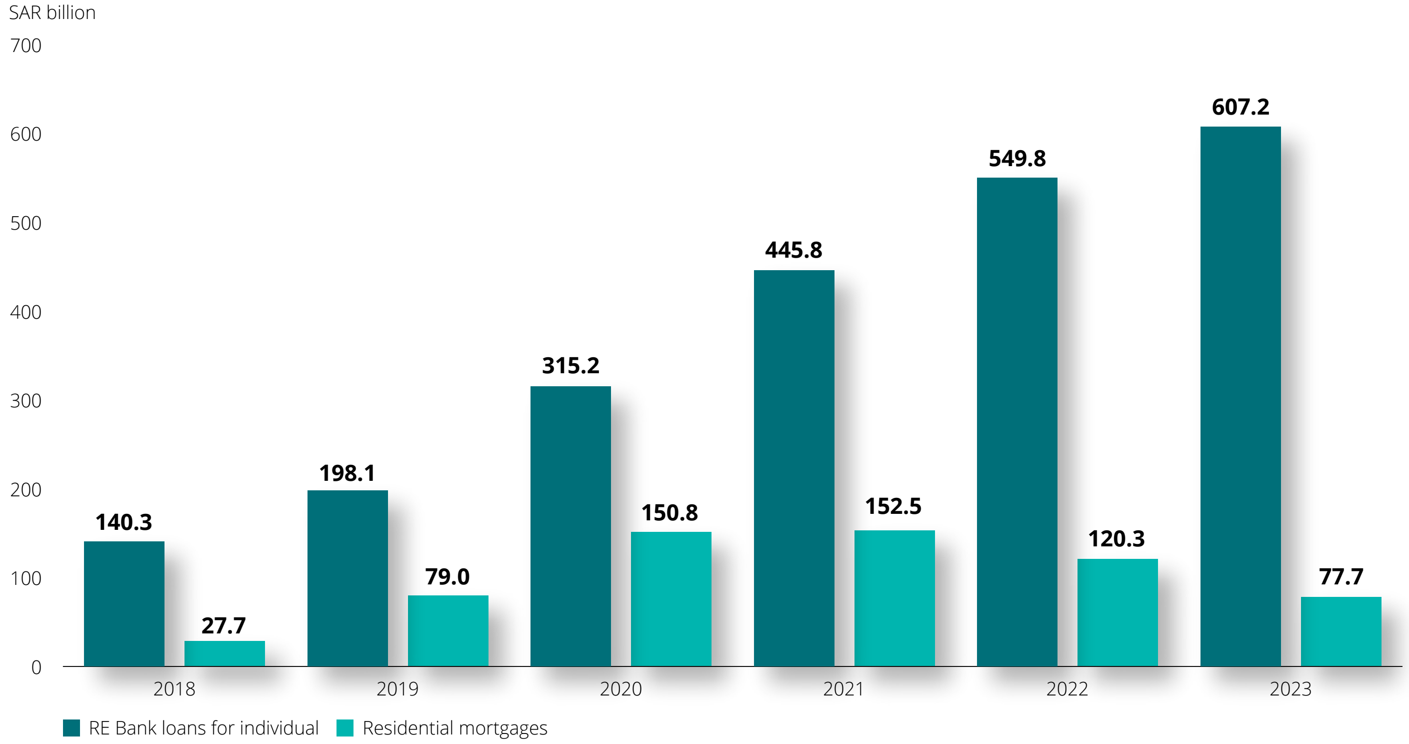
Mortgage customer journey for saudi nationals (the housing program delivery plan)

Saudi market mortgage penetration

According to the Saudi Central Bank (SAMA), real estate bank loans for individuals in 2023 amounted to SAR 607.2 billion, while finance companies have provided residential real estate loans of SAR 23.1 billion. Banks dominate the mortgage lending market, issuing 77% of real estate loans to individuals, while financial companies account for the remaining 23%.

According to the Ministry of Justice, 69% of the total transaction value recorded in 2024 (up to September) was classified as mortgaged or funded.

Annual real estate finance volume



Source: SAMA

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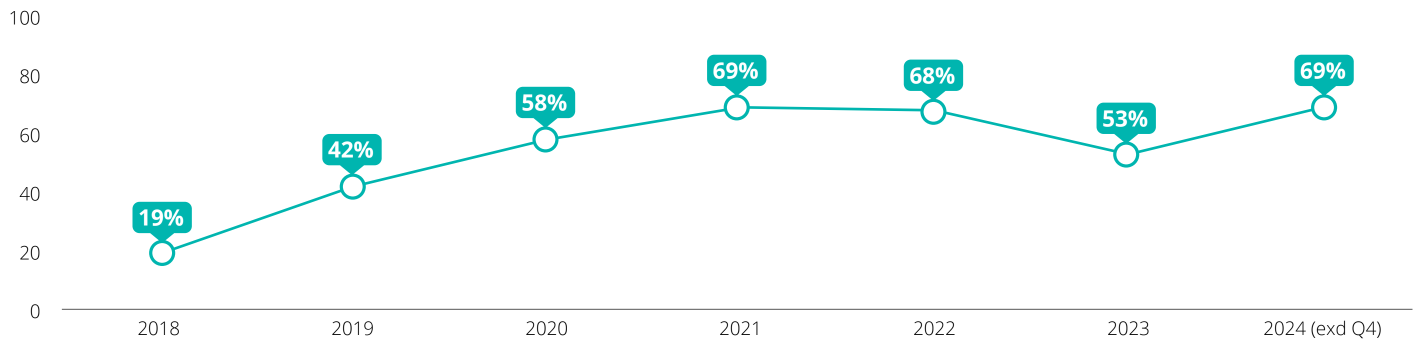
Percentage of Real estate funded/Mortgage real estate transactions



Source: Ministry of Justice

Real estate mortgages have been a key enabler of Vision 2030's homeownership goals, with steady annual growth. The introduction of mortgage guarantees and the development of a secondary market are expected to expand access to real estate financing for a broader segment of Saudi nationals.

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