REAL ESTATE MARKET REVIEW

Saudi Arabia Real Estate Market Review Q2 2024

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CBRE RESEARCH
AUGUST 2024

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▲ 1.5%	▶ 1.6%	▲ 7.6%	▲ 8.2%	▲ 11.5%	▼ 55.0
Growth in GDP in 2024	Rate of inflation in May 2024	Saudi Arabia's unemployment Rate, which fell by 1.1%	Increase in hotel RevPAR YoY in June 2024	Growth in average Grade A office rents in Riyadh in the year to Q2 2024	PMI reading in June 2024

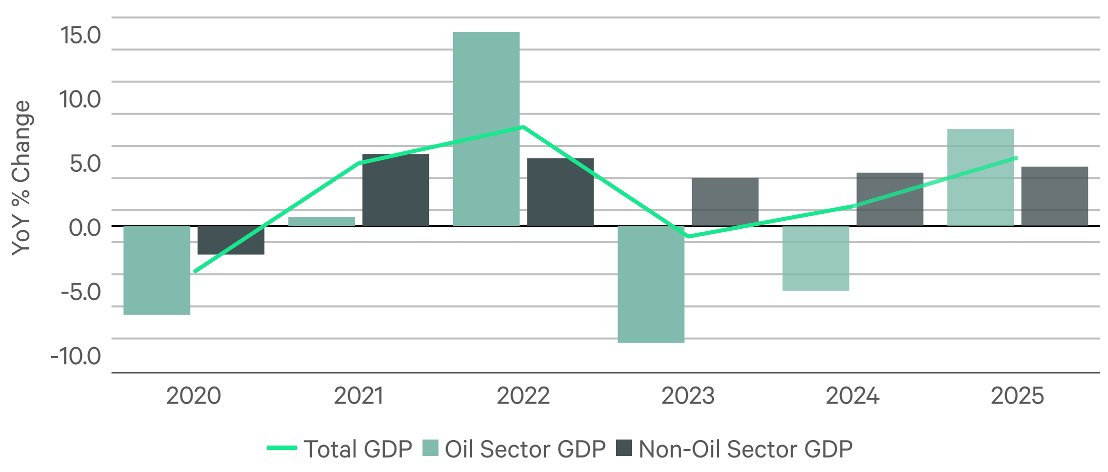
MACROECONOMIC OVERVIEW

- In Q2 2024, Saudi Arabia's GDP has been adjusted to grow by 1.5%, following an initial estimate of 2.0% growth in Q1 2024 for the year.
- For 2024, Oil GDP is forecast to decline by 5.0% year on year, whereas non-oil GDP is estimated to expand by 4.2%.
- In 2025, GDP is projected to increase by 5.3%.
- Saudi Arabia unemployment rate dropped by 1.1% year-on-year reaching 7.6%.

Saudi Arabia's GDP growth forecasts for 2024 have been downgraded to 1.5% by Oxford Economics, where a 5.0% decline in oil activities, underpinned by OPEC+ output cuts are impacting headline growth. Non-oil activities on the other hand are expected to grow by 5.0% in 2024.

Looking ahead, in 2025, Oxford Economics GDP projections expect headline growth of 5.3%, on the back of expected reversals in OPEC+ output cuts which is expected to drive a 7.6% expansion in oil related GDP. Over this period, non-oil activity's GDP rate of growth is expected to register at 5.7%.

FIGURE 1: Saudi Arabia, Gross Domestic Product



Source: CBRE Research/ Oxford Economics

OFFICES

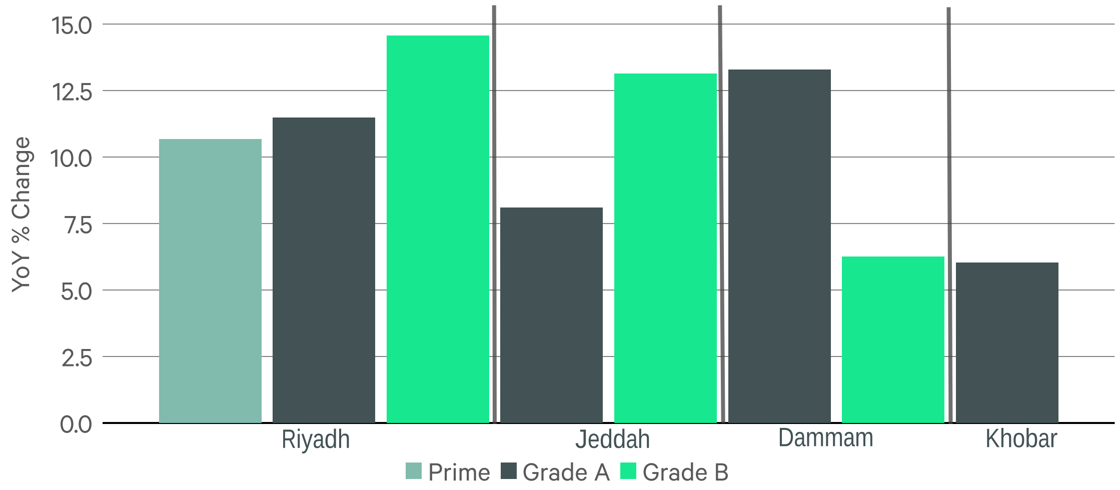
In Q2 2024, strong demand for quality office space continued to remain elevated in the capital, Riyadh, as more international and local occupiers moved to the city. Moreover, in Q2 2024, Riyadh registered the highest volume of demand and enquiries across all major cities in Saudi Arabia. The trend of repurposing of existing and upcoming real estate into office space in an attempt to meet demand remained prevalent during the second quarter of 2024. A key example has been the case of a prime retail space located on Prince Turki Ibn Abdulaziz Al Awwal Road being repurposed into offices. In terms of upcoming supply, the most notable project scheduled in the immediate future is Diriyah Gate's office components in Q4 2024 and Q1 2025.

In Riyadh, Prime offices saw average rental increases of 10.7% year-on-year to reach an average of SAR 2,767 per square metre. Furthermore, Grade A grew by 11.5%, standing at an average of SAR 2,050 per square metre. Grade B segment marked the highest increase on a yearly basis at 14.6%, with the average rent reaching SAR 1,686 per square metre. As for average occupancy rates in Riyadh, Grade B office occupancy remained unchanged at 99.4%, Prime and Grade A office occupancies saw respective upticks of 4.5 percentage points and 0.1 percentage points to arrive at 94.7% and full occupancy respectively.

In Jeddah, average rental rates improved for both Grade A and Grade B assets in the year to Q2 2024. In the Grade A segment, average rents rose by 8.1% to reach SAR 1,419 per square metre, while Grade B offices witnessed an upswing of 13.1% standing to sit at SAR 800 per square metre. For average occupancy, both Grade A and Grade B recorded gains of 0.6 percentage points and 8.0 percentage points, resulting in average occupancy rates of 93.1% for Grade A and 88.0% for Grade B respectively.

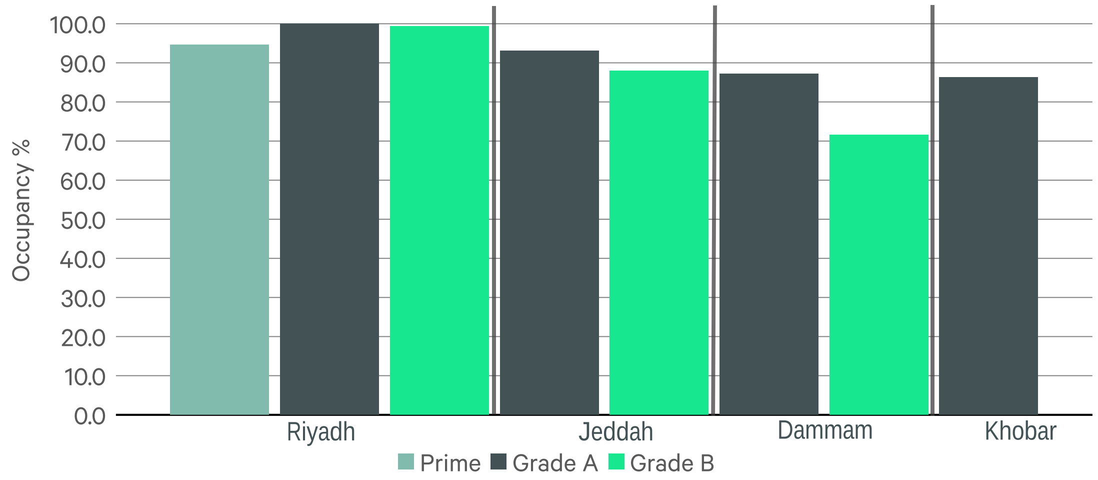
The office market in Dammam saw both market segments rental rates increase. Grade A average rent reaching SAR 1,067 per square metre, increasing by 13.3% year-on-year. Grade B segment also improved by 6.2% to register an average rent of SAR 567 per square metre. In Khobar, the average rent for Grade A assets stood at SAR 1,145 per square metre after expanding by 6.0% over the same period. The average occupancy levels in both cities recorded increases, with Khobar's Grade A segment reaching 86.3% after seeing a 5.3 percentage points annual increase. Whereas in Dammam, Grade A and Grade B leapt by 5.0 percentage points and 4.0 percentage points to reach 87.2% and 71.6%, respectively.

FIGURE 4: Saudi Arabia, Office Rents, YoY % Change to Q2 2024



Source: CBRE Research

FIGURE 5: Saudi Arabia, Office Occupancy, Q2 2024, %



Source: CBRE Research

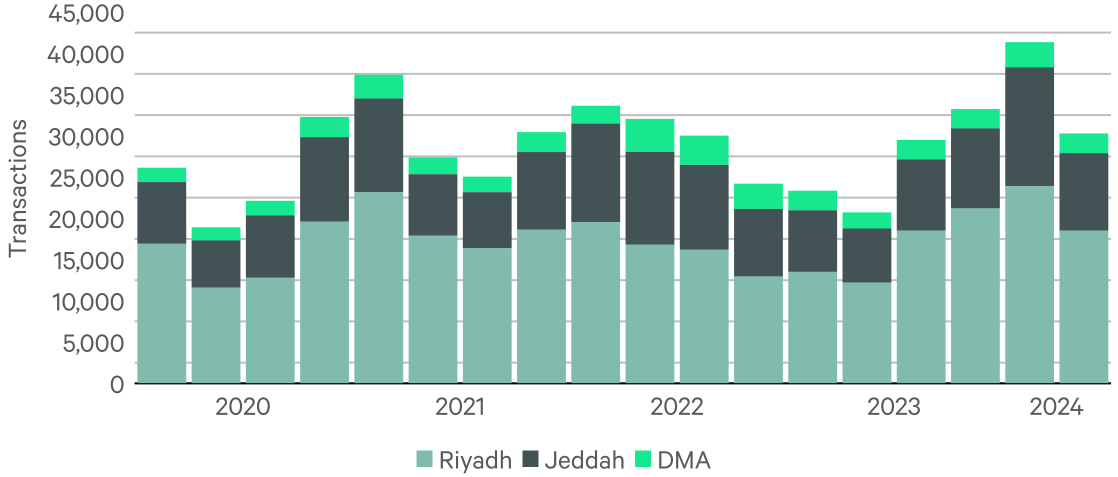
RESIDENTIAL

In Q2 2024, transactional activity across key tracked cities showed a second consecutive quarter of annual growth. In Riyadh, the number of sales transactions rose by 51.6% in the year to Q2 2024, totalling 18,500 with the value of these transactions reaching SAR 26.6 billion. In Dammam, the total number of residential transactions grew annually by 22.4% to total of 2,390 transactions valued at SAR 2.4 billion. In Jeddah, the total number of residential transactions reached 9,392, which highlighted a year-on-year expansion of 43.2% over the same quarter in 2023. the total value estimated for these residential transactions reached SAR 14.5 billion.

In terms of performance, in the apartment segment of the market, only Riyadh showed an increase in prices across our key tracked cities, with average apartment prices increasing by 6.6% to stand at SAR 4,971 per square metre. In Khobar, average apartment prices remained static at SAR 3,415 per square metre. In Jeddah and Dammam average apartment prices declined by 0.9% and 0.6%, respectively. These declines resulted in average prices of apartments of SAR 3,945 per square metre in Jeddah and SAR 2,833 per square metre in Dammam.

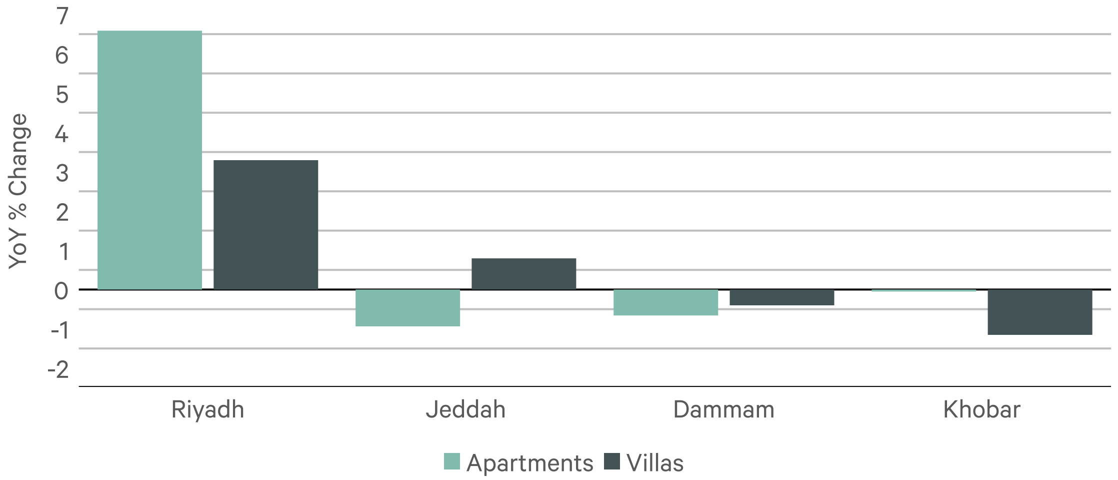
In the 12 months to Q2 2024, in the villa segment, Riyadh and Jeddah registered annual expansions in their average villa prices of 3.3% and 0.8%, respectively. These price expansions translated to average villa prices in Riyadh and Jeddah of SAR 5,824 and SAR 5,707 per square metre respectively. Over the same period, average villa prices in Dammam and Khobar contracted by 0.4% and 1.2%, respectively, where the average price in Dammam stood at SAR 3,597 per square metre and in Khobar they reached SAR 3,636 per square metre.

FIGURE 6: Saudi Arabia, Number of Residential Transactions



Source: CBRE Research

FIGURE 7: Saudi Arabia, Residential, Prices, Villas & Apartments, YoY % Change to Q2 2024



Source: CBRE Research

HOSPITALITY

As at May 21st 2024, Saudi Arabia's General Authority of Civil Aviation (GACA) latest data shows that so far in 2024, total passenger numbers have increased by 20.0%. This continued growth follows a 26.0% growth rate seen in passenger numbers in 2023, where the number of passenger totalled 111 million. Moreover, it was announced that the Kingdom's connectivity has increased by 48% as a result of 148 new national and international destinations being added over the course of 2023.

In comparison to the pre-pandemic baselines, in the year to date to June 2024 compared to the same period in 2019, aside from Jeddah, the Key Performance Indicators (KPIs) of all major hospitality markets within Saudi Arabia now sit above their pre-pandemic baselines. For Saudi Arabia as a whole over this period, the average occupancy rate and ADR sit 3.7 percentage points and 35.6% higher and as a result, RevPARs have increased by 43.9%.

Year-on-year in the year to June 2024, all KPIs for Saudi Arabia as a whole showed growth. The Kingdom's average occupancy rate rose by 0.9 percentage points, its ADR climbed by 6.7% and resultantly we have seen an 8.2% increase in RevPAR over this period.

Looking at the major cities, in the year-on-year in the year to June 2024, average occupancy in Riyadh fell by 1.5 percentage points, however as the capital's ADR increased by 25.5% this led to a 22.4% expansion in RevPAR. Makkah's key performance indicators demonstrated positive readings, starting with a 1.6 percentage point increase in average occupancy, which was accompanied by a growth of 1.1% in ADR that culminated in a 3.6% expansion in RevPAR. In Madinah, although the city has seen its average occupancy rate weaken by 1.0 percentage points, ADR increased by 16.1%, which facilitated for a RevPAR growth of 14.5%. Khobar's hospitality indicators regressed, with average occupancy softening by 1.7 percentage points and ADR contracting by 1.5%, resulting in the average RevPAR for Khobar declining by 4.1%. For Dammam, the average occupancy grew by 8.4 percentage points and although ADR decreased by 1.1%, RevPAR observed an upturn of 14.5%. Finally, looking at Jeddah, the average occupancy registered a growth of 4.1 percentage points, which was contrasted by a fall of 9.9% in ADR generating a decline in RevPAR of 4.2%.

FIGURE 8: Key Tourism Indicators in the Kingdom, Q2 2024

111m

Total passenger numbers in 2023

48%

Increased connectivity with 148 new destinations worldwide added in 2023

Source: CBRE Research/ General Authority of Civil Aviation

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

	Year to Date - June 2024 vs June 2019			Year to Date - June 2024 vs June 2023		
	Occ PP Change	ADR % Change	RevPAR % Change	Occ PP Change	ADR % Change	RevPAR % Change
Saudi Arabia	3.7%	35.6%	43.9%	0.9%	6.7%	8.2%
Khobar	-	-	-	-1.7%	-1.5%	-4.1%
Dammam	-	-	-	8.4%	-1.1%	14.5%
Jeddah	11.3%	-20.0%	-4.1%	4.1%	-9.9%	-4.2%
Makkah	0.1%	40.9%	41.2%	1.6%	1.1%	3.6%
Madinah	13.0%	105.5%	148.5%	-1.0%	16.1%	14.5%
Riyadh	3.3%	53.6%	62.5%	-1.5%	25.5%	22.4%

Source: CBRE Research/ STR Global

INDUSTRIAL

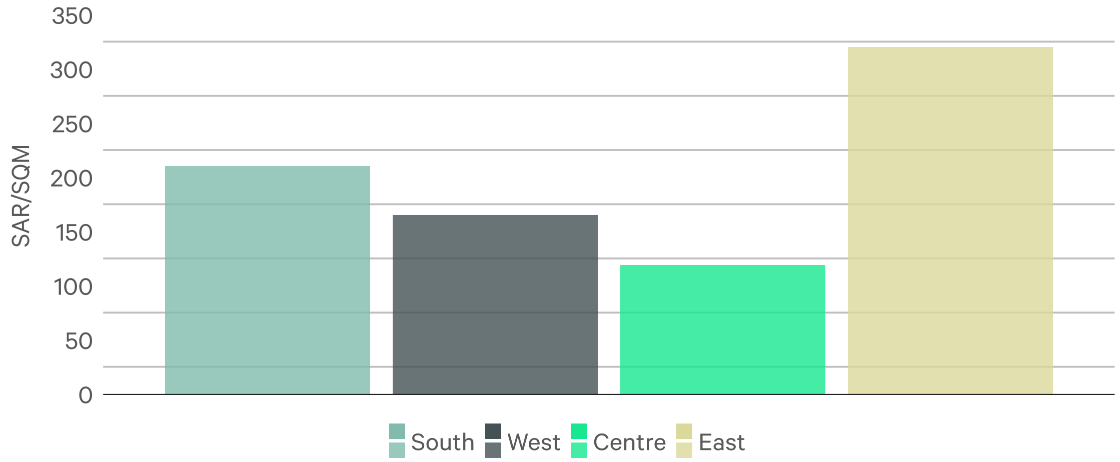
In Q2 2024, the total area designated for logistical services within MODON rose to 4.8 million square metre as part of the National Industrial Development and Logistics Program "NIDLP" efforts to attract both local and foreign investments and increase the local content participation in the industrial sector. In the food industry, MODON signed six key agreements valued over SAR 290 million which allocate around 110,000 square metres towards food industry ventures across its industrial cities with 67,000 square metres in Jeddah, 11,000 square metres in Dammam and 30,000 square metres in Jazan. These agreements increased the total for investments in the food industry upwards of SAR 50.0 billion. In the year to Q1 2024, MODON attracted 280 new investments estimated to be over SAR 4.0 billion and creating 14,000 job opportunities in the process.

As for rental performance, in the 12 months to Q2 2024, average industrial and logistics rent in Riyadh improved by 2.8% year-on-year reaching SAR 203 per square metre. Central Riyadh remained the least costly location in the capital with average rents of SAR 119 per square metre. Riyadh's eastern region commanded the highest rental rate at SAR 320 per square metre.

Khobar's average industrial and logistics rent soften by 2.6% arriving at SAR 232 per square metre in the second quarter of 2024. Similarly, Dammam's average rent stood at SAR 221 per square metre as it witnessed an annual drop of 0.7% over the same period.

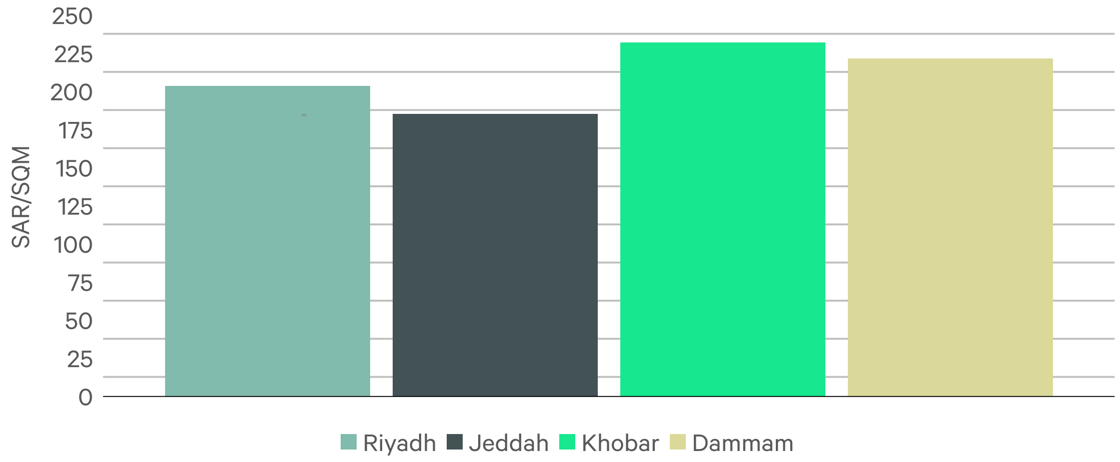
In the year to Q2 2024, Jeddah's average industrial and logistics rent rose to SAR 185 per square metre highlighting a yearly increase of 2.3%. Jeddah's northern region showcases higher average rents which stand at SAR 241 per square metre compared to the southern region, where average rents are SAR 128 per square metre.

FIGURE 10: Riyadh, Industrial Rents Q2 2024, SAR per Square Metre



Source: CBRE Research

FIGURE 11: Saudi Arabia, Industrial Rents Q2 2024, SAR per Square Metre



Source: CBRE Research

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