

APRIL 2025

REAL ESTATE MARKET PULSE

RIYADH, JEDDAH, AND DAMMAM
METROPOLITAN AREA (DMA)



FOREWORD

Over the last two years, Saudi Arabia's real estate market has experienced strong growth, with Riyadh, Jeddah, and the Dammam Metropolitan Area (DMA) achieving significant breakthroughs in transaction volumes and large-scale development projects.

By examining the market's evolution over the past five years and the current demand and supply trends in these key cities, we aim to highlight the major trends shaping real estate into 2025 and beyond.

The real estate sector remained resilient, supported by government initiatives and Vision 2030's economic diversification. Demand for quality office space, flexible workspaces and sustainable residential developments rose, reflecting shifts towards hybrid work models and wellness-centric living. Retail and hospitality sectors adapted to evolving consumer trends, emphasizing experiential offerings and digital innovation.

Riyadh experienced a significant rise in transaction volumes, driven by demand for residential properties, modern office spaces, and master-planned communities, attracting the highest investment as the capital. Jeddah saw notable growth with major projects like the Jeddah Waterfront and Jeddah Central advancing, benefiting from its strategic location near Makkah and proximity to the Islamic port.

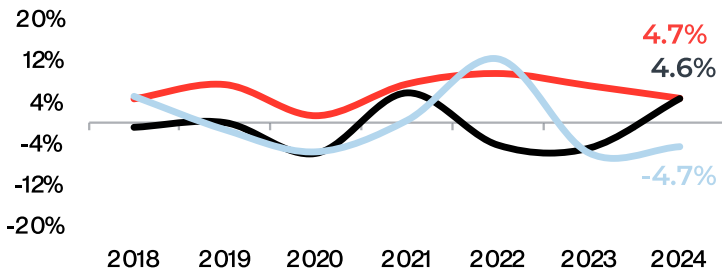
The Dammam Metropolitan Area (DMA) gained momentum with developments in Dhahran, Dammam, and Khobar introducing new real estate opportunities, driven by the expansion of its industrial and retail sectors and its status as a major port and transportation hub. Unique hotel offerings in the Red Sea region boosted the Kingdom's tourism profile, attracting more visitors, with tourist arrivals exceeding predictions.

MACROECONOMIC OVERVIEW

GDP Growth Rate (2018 – 2024)

(YoY % Growth)

■ Riyadh ■ Jeddah ■ Dammam



Stable Growth Fuelled by Non-Oil Sectors

Non-oil sectors in cities, like Riyadh and Jeddah, have remained resilient, emerging as key drivers of economic activity amid diversification efforts. However, cities more reliant on the oil sector, such as Dammam, have faced challenges due to market fluctuations.



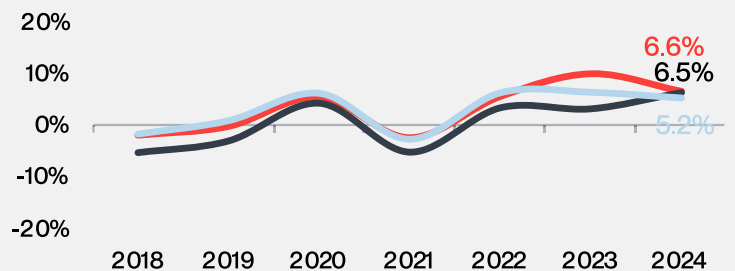
Positive Medium-Term Growth Expected

OPEC+ 1 policies have impacted GDP projections for KSA, but with oil production expected to rise in 2026 / 2025, economic activity is forecasted strengthen. When combined with non-oil sector growth, overall growth prospects remain positive.

Population Growth Rate (2018 – 2024)

(YoY % Growth)

■ Riyadh ■ Jeddah ■ Dammam



Increased Net Migration From Expats

New visa reforms, development projects enhancing quality of life, and strong economic growth since 2022 have driven positive net migration into the Kingdom, benefiting major economic hubs, like Jeddah and Riyadh.



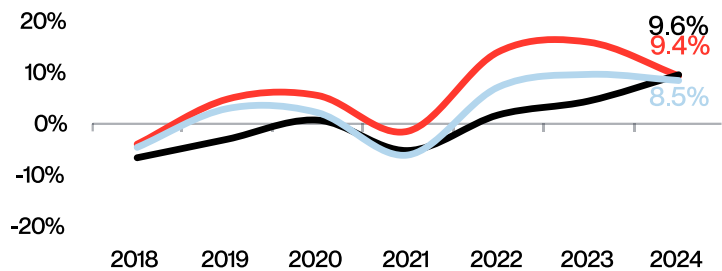
Driving Foreign Talent to KSA

Economic diversification has increased demand for skilled professionals, creating job opportunities and driving migration. Investor and talent-friendly visa programs have further attracted international talent and investment, contributing to population growth.

Employment Growth Rate (2018 – 2024)

(YoY % Growth)

■ Riyadh ■ Jeddah ■ Dammam



Sustained Demand for Skilled Workforce

Ongoing development projects and economic activity are expected to sustain employment growth, creating more opportunities for Saudi nationals in key industries.



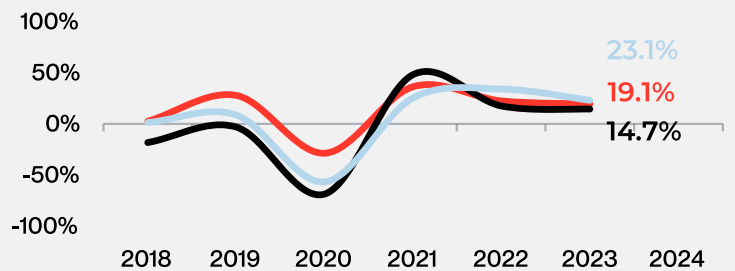
Resilient Labor Market Recovery

Since 2020, employment levels have rebounded steadily, driven by non-oil sector expansion and workforce nationalization efforts. Growth in finance, tourism and logistics has helped offset volatility in traditional industries, ensuring continued job creation across major cities.

Tourist Visitor Growth (2018 – 2024)²

(YoY % Growth)

■ Riyadh ■ Jeddah ■ Dammam



Tourism Sector Activation

Record number of Umrah visas, activation of unique sites, retail and entertainment hubs and targeted marketing campaigns for domestic and inbound tourists have driven increased visitors across all three major cities since 2020.



Broadening the Kingdom's Tourism Profile

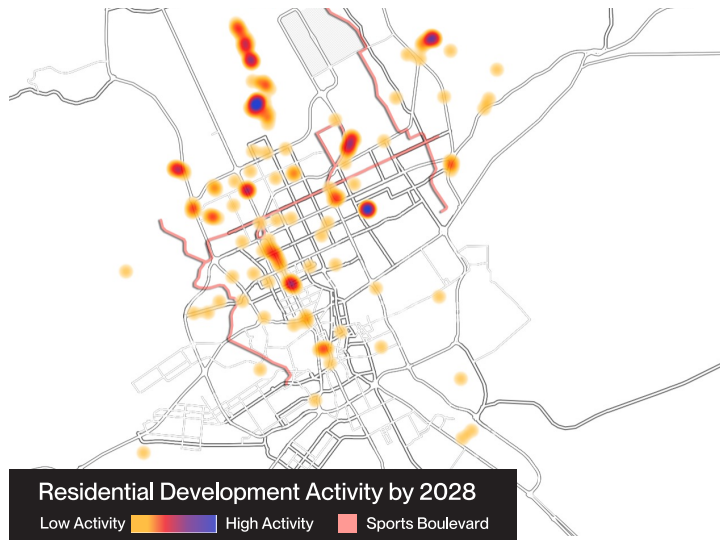
To differentiate itself from its GCC neighbors, the Kingdom is expanding its tourism offerings. This includes cultural and heritage projects, eco and adventure tourism, sports and entertainment events, UNESCO sites in Riyadh and Jeddah. Additionally, Dammam is showcasing its oil sector to attract visitors.

RIYADH MARKET EVOLUTION AND OUTLOOK

2019 - 2028



RESIDENTIAL MARKET RIYADH



Key Trends (Summary)



High-density Residential Development

Apartment projects are gaining momentum in central and northern Riyadh, driven by rising urbanization, proximity to the airport and key emerging commercial and business hubs, as well as continued investment in mega projects and infrastructure.



Low-density Expansion on Peripheries

Upcoming low-density developments are emerging on the outskirts of Riyadh across all directions, aligning with the city's urban expansion trends. Suburban villa and townhouse communities are increasingly being developed to accommodate growing middle-to-upper-class demand.



Emergence of Jointly-Owned Projects

An increasing number of buyers are shifting from single building or villa plots, opting instead for apartment complexes and communities. These developments require service charge payments and the formation of owner's associations.

Market Outlook (Summary)



Increased Development of Master-Planned Communities

The market is seeing a strong focus on large-scale, master-planned communities designed to offer integrated living spaces. These developments emphasize walkability, green areas and mixed-use facilities, driven by demand for sustainable and convenient lifestyles.



Luxury Residential Market Expansion

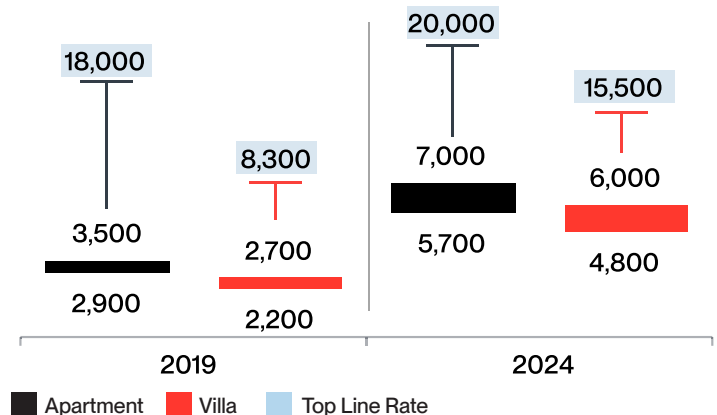
High-end developments in Central Riyadh and other key areas have attracted affluent buyers, fueling demand for gated villas, penthouses, and serviced/branded apartments. This trend has significantly boosted sales rates, with further luxury development expected to materialize in the short- to medium-term.



Sustained Market Growth Expected

Riyadh's residential market is set to expand, driven by master-planned communities, rising apartment demand, and government-backed housing programs. Additionally, government-led development projects and efforts to enhance market transparency are also playing a crucial role in this growth.

Average Sales Rate Range (2019 vs 2024) (in SAR per Sqm)

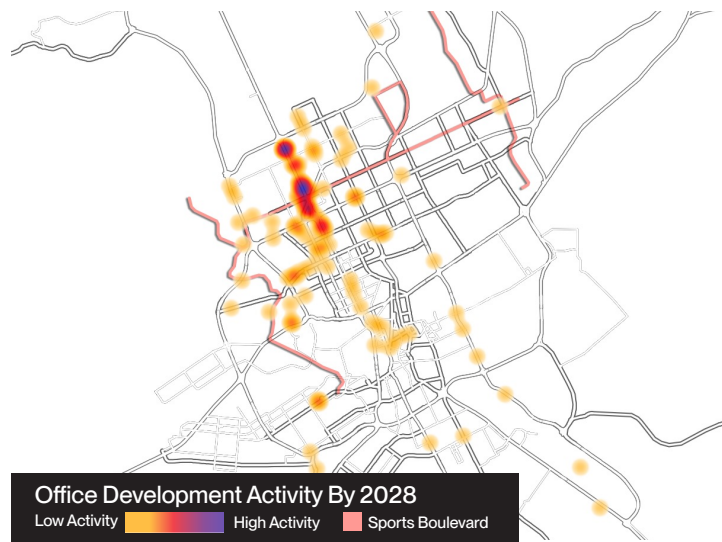


Since 2019, average apartment sales rates in Riyadh have more than doubled, driven by increasing demand within the city and growing market acceptance of apartment living. This shift reflects changing buyer preferences, particularly among younger residents and investors seeking well-located, urban properties.

Villas have also experienced significant price growth, with average prices more than doubling as demand for homes in high-quality communities rises. Larger household sizes and a strong preference in integrated amenities continue to fuel competition for premium villa developments, keeping pressure on prices despite expanding supply.

Source: WSP Research & Analysis, Ministry of Justice, MEED Projects.

OFFICE MARKET RIYADH



Key Trends (Summary)



Expansion of Grade A Office Supply

New office developments are primarily Grade A and concentrated in Central Riyadh, between Al Olaya and north of KAFD, to meet the increasing demand for high-quality office spaces.



Decentralization of Office Supply

While central areas remain dominant, office activity is expanding in peripheral zones, reflecting efforts to decentralize business districts and reduce congestion in central Riyadh.



Corporate Relocations & Consolidation

Multinational firms and government entities are consolidating office spaces into larger, centralized locations, increasing demand for Grade A office towers in premium locations.

Market Outlook (Summary)



High Occupancy Rates & Limited Grade A Supply

A limited supply of quality office space, combined with record high occupancy levels has led to rising lease rates for Grade A units. This trend is driven by regional and global demand, particularly due to government initiatives such as the regional headquarters program.



Increased Interest in Flexible Workspaces

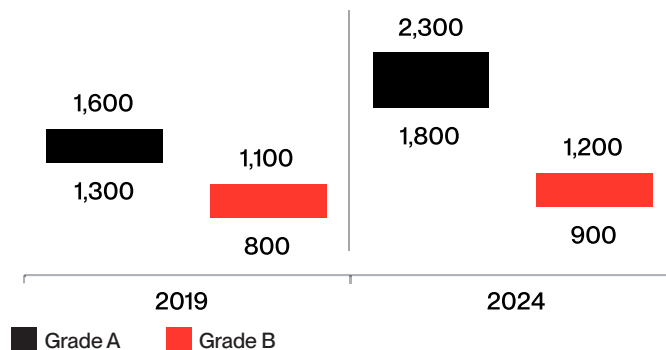
The influx of SMEs into Riyadh, driven by government programs like Monsha'at, has increased demand for flexible workspaces. These companies seek cost-effective and adaptable solutions to accommodate their budgets.



Demand for Quality Driving Strong Growth

Riyadh's office market is expected to grow sustainably in the coming years, with new supply likely to be absorbed in line with rising demand. This growth is driven by expanding economic activity, employment and the entry and expansion of multinational firms within the capital.

Office Lease Rate Range (2019 vs. 2024)¹ (in SAR per Sqm per year)

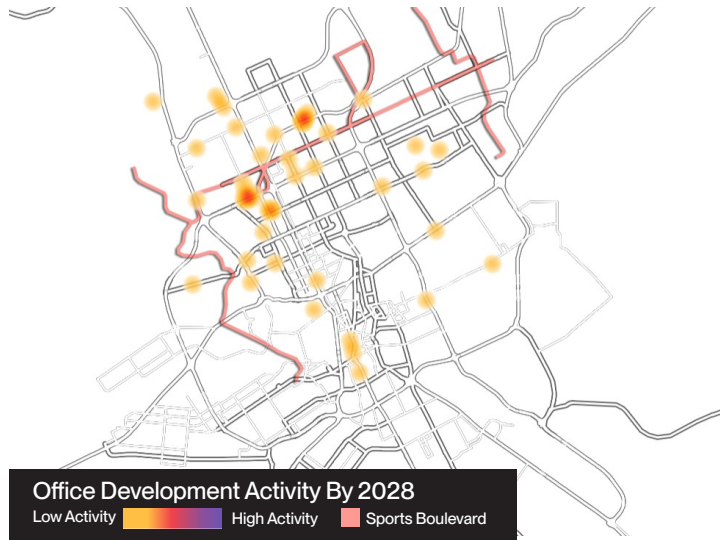


Office lease rates in Riyadh have grown in 2024 across all grades, with Grade A showcasing the largest increase in lease rates, compared to a more moderate growth in Grade B lease rates relative to 2019 levels.

The increase in Grade A performance has been driven primarily by a supply deficit coupled with rising demand for quality office spaces supported by Government initiatives.

Furthermore, the influx of multinational firms into Riyadh has fueled a flight to quality, further increasing demand for Grade A offices. As a result, Grade B properties experienced modest price increases, as many companies that traditionally occupied these spaces are now opting for more flexible workspaces.

RETAIL MARKET RIYADH



Key Trends (Summary)



Expansion of Retail in Suburban Areas

Lower-density retail developments are emerging in Riyadh's suburbs, reflecting a growing demand for community, neighborhood and convenience centers to serve the growing population outside the city center.



Retail Expansion Gravitating North

Riyadh's future retail supply is increasingly gravitating northward from KAFD and Al Olaya, with flagship destinations under development. These projects aim to transform the retail landscape through experiential offerings, entertainment and placemaking.



Expansion of Retail Along Transport Corridors

The Sports Boulevard project, along with other infrastructure projects, are driving retail growth along key routes, with developers seeking to capitalize on high- footfall locations.

Market Outlook (Summary)



Ongoing Market Growth Anticipated

While super regional malls have returned to performance levels comparable to 2019, smaller retail formats are still recovering. Demand for space in key retail hubs driven by new brands entering Abu Dhabi, is expected to improve long-term market growth.



Increased Demand for Entertainment

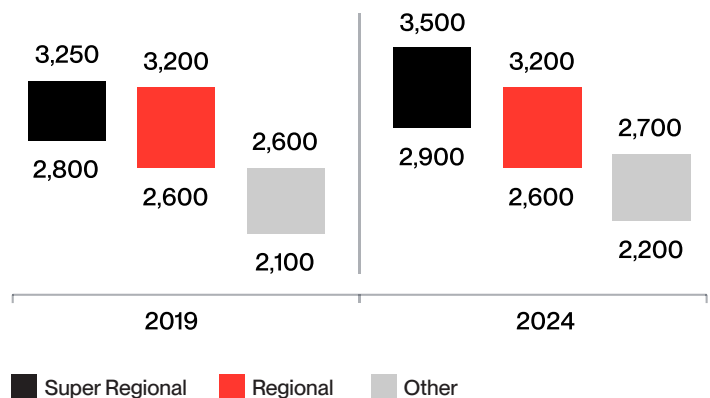
Entertainment demand in Riyadh has surged, prompting landlords to incorporate entertainment options into both existing and new retail developments. The completion of Qiddiya is also expected to enhance the city's entertainment landscape.



Expansion of International Brands & Diverse Offerings

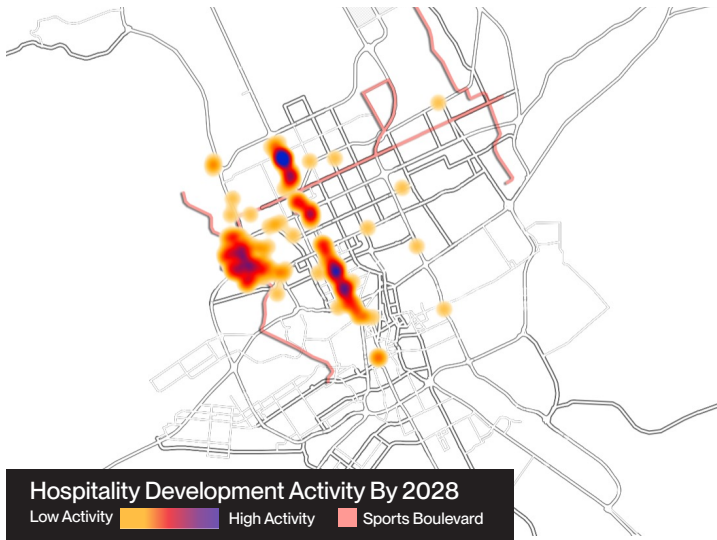
International brands are increasingly expanding into Riyadh's retail market across various formats, including luxury retail, global F&B offerings and pop-up stores. This growth is driven by Vision 2030 initiatives and the government's efforts to position Riyadh as a global commercial hub, leveraging the city's rising population and visitor numbers.

Retail Lease Rate Range (2019 vs. 2024)¹ (in SAR per Sqm per year)



- Since 2019, Riyadh's retail lease rates have remained relatively stable as a steady influx of supply has been balanced by increasing demand for prime retail locations and sustained market growth. This stability is driven by rising tourism, higher consumer spending, and the expansion of regional and global brands.
- Over the past few years, flexible rental contracts, including revenue-sharing models and performance-based agreements, have benefited both tenants and landlords. These arrangements continue to provide opportunities for maximizing footfall and optimizing profitability, further strengthening Riyadh's retail market.

HOSPITALITY MARKET RIYADH



Key Trends (Summary)



Concentration on King Fahad Road

The high concentration of hospitality projects along King Fahad Road underscores its role as a central artery in Riyadh, attracting substantial investment in the sector.



Mega Projects Driving Hospitality Growth

West Riyadh's hospitality construction is primarily driven by the expansion of Diriyah and Sports Boulevard's along Wadi Hanifah. These and other mega projects are driving a wave of new hotel offerings to the city.



KAFD Expanding Business Hospitality

Hospitality developments in and around KAFD1 are catering to the growing demand for upscale accommodations, particularly for corporate travellers, business delegations and MICE2 events. Currently, demand outpaces supply, reinforcing the need for additional hospitality options in the area.

Market Outlook (Summary)



Market Impact of Events & Exhibitions

Global and regional events, such as Riyadh Season, Expo 2030 and the World Cup 2034, are expected to boost tourism and drive higher hospitality demand. This trend will create opportunities for new hotels, restaurants and entertainment facilities to cater to an evolving and expanding tourist demographic.



Transport Infrastructure Upgrades

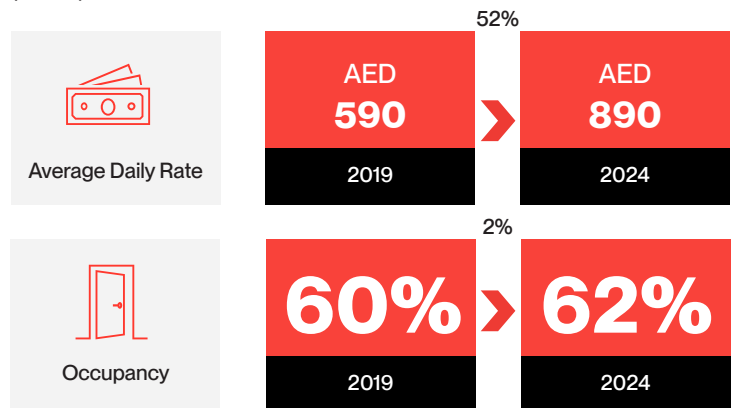
Major infrastructure projects, including the newly-launched Riyadh Metro Network and the expansion of airport capacity through King Salman International Airport, will further support tourism growth. These developments will enhance accessibility and transportation, making it easier for visitors to explore the city and its attractions.



Expanded Offerings Expected to Drive Strong Market Growth

Riyadh's hospitality market is set for strong growth, driven by ongoing mega projects, increasing event-led tourism and a more diversified accommodation offering. These factors reinforce Riyadh's position as a leading regional destination.

Hospitality Average Daily Rate (2019 vs. 2024) (in SAR)



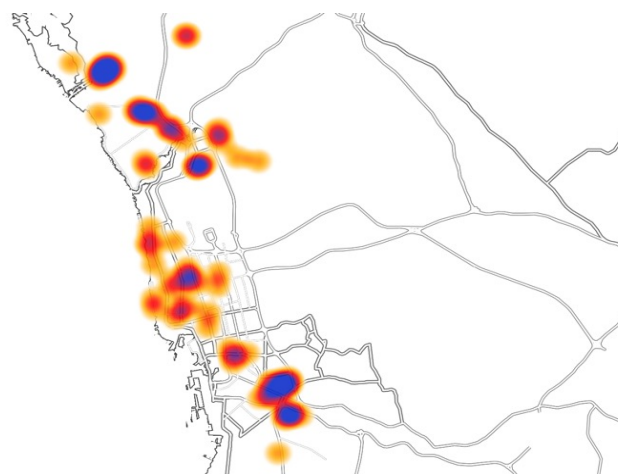
- The 51% increase in Average Daily Rate (ADR) since 2019 reflects Riyadh's growing position as a key business and tourism destination, driven by major events and expanding corporate activity.
- Despite rising ADRs, occupancy levels have remained stable, with a slight increase when compared to 2019. This trend reinforces the strength of the hospitality segment considering the large number of new hotels over the past several years.

JEDDAH MARKET EVOLUTION AND OUTLOOK

2019 - 2028



RESIDENTIAL MARKET JEDDAH



Residential Development Activity By 2028

Low Activity High Activity

Key Trends

(Summary)



Coastal Real Estate Growth & Branded Residences

Significant residential development is underway along Jeddah's waterfront, driven by rising demand for premium living options and tourism-related investments. This includes a growing number of branded residential projects in high-end waterfront locations.



Rapid Growth in Northern Jeddah

Northern Jeddah is experiencing a surge in residential development, driven by master-planned communities, infrastructure expansions and its proximity to King Abdulaziz International Airport.



Affordable Housing in Southern Jeddah

Southern Jeddah is seeing increased activity in affordable housing, with a strategic focus on meeting demand for cost-effective residential solutions. Multiple MoH¹ projects and other affordable housing projects are expected to materialize.

Market Outlook

(Summary)



Growing Demand for Affordable Units

Jeddah's residential market is seeing an increase in affordable developments, driven by growing demand for integrated communities that offer modern amenities at accessible prices. These developments attract a diverse range of residents, contributing to the city's growth and urbanization.



Revitalization of Historic Districts

Projects like Jeddah Central and Al Balad are expected to revitalize real estate supply in historical and central areas. These developments aim to provide new residential options while preserving cultural heritage, offering residents a combination of history, culture, and contemporary amenities.

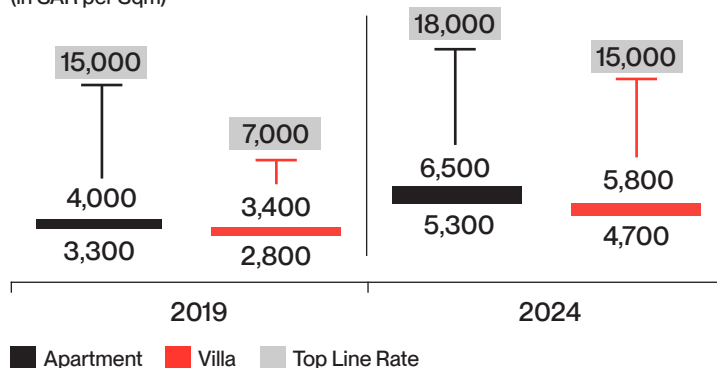


Positive Market Outlook with Sustained Growth

Jeddah's residential market is set to expand, driven by urban redevelopment, infrastructure upgrades, and increased demand for both luxury and affordable housing. Key districts are experiencing significant growth, attracting more residents and investors.

Average Sales Rate Range (2019 vs 2024)

(in SAR per Sqm)

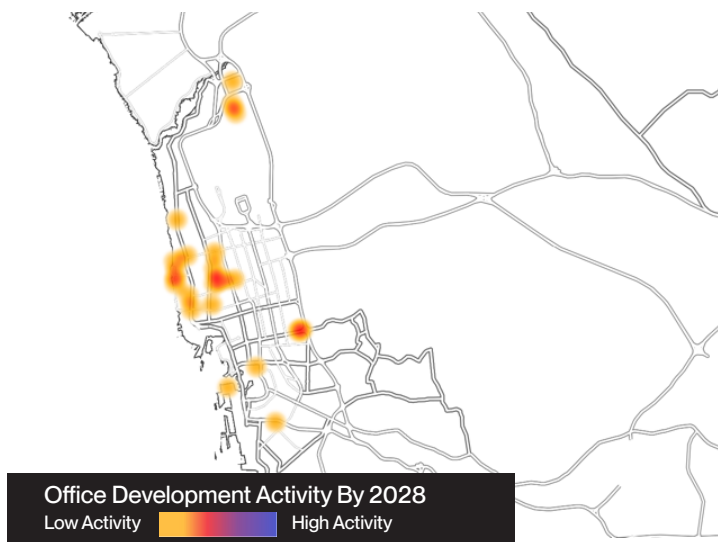


Jeddah's residential market continues to grow, with villa prices experiencing notable appreciation, particularly in Obhur and northern Jeddah. This growth is driven by rising demand for spacious homes in well-connected communities.

Apartment prices have also risen, albeit at a more moderate pace, reflecting steady demand in established urban areas. In response, developers are prioritizing branded residences, waterfront apartments and high-quality apartment communities as well as mixed-use developments, that align with evolving buyer preferences.

Source: WSP Research & Analysis, Ministry of Justice, MEED Projects.¹
MoH – Ministry of Housing.

OFFICE MARKET JEDDAH



Key Trends (Summary)



Growing Need for Grade A Supply

Jeddah's growing diversification efforts has spurred greater demand for Grade A supply. However, the city's existing stock consists of aging Grade B and C, a reflection of its historically trade- and maritime-focused economy.



Developers Favouring Smaller Formats

Upcoming projects are increasingly adopting mixed-use formats integrating retail and office spaces within campus-style commercial centers. This approach harmonizes the surrounding built environment, while catering to evolving market needs.



Emergence of Co-Working Spaces

The demand for co-working and flexible workspaces in Jeddah has grown significantly due to the integrated amenities available and its emerging startup scene. Additionally, multinational companies are leveraging flexible office spaces with satellite offices, particularly amid the Grade A supply deficit.

Market Outlook (Summary)



Large-Scale Commercial Projects Expected to Meet Future Demand

Projects such as the Jeddah Tower and Jeddah Economic City are anticipated to introduce high-quality Grade A office spaces, addressing the city's rising demand and setting new benchmarks for market standards.



Grade A Demand May Drive Stock Upgrades

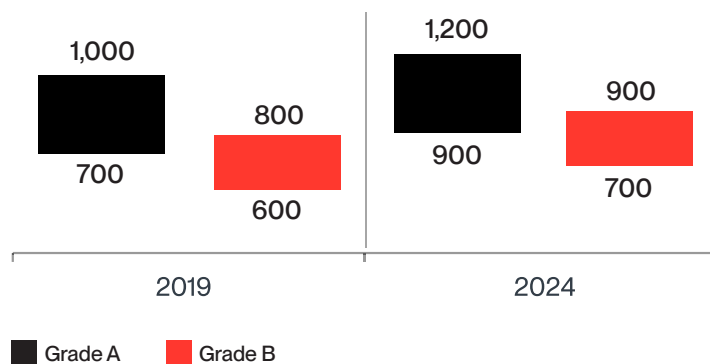
With limited Grade A supply, rising demand is expected to push lease rates higher in existing projects. This trend may encourage refurbishments of Grade B office spaces to meet short-term market needs.



Moderate to Stable Growth Expected

Jeddah's office market is set for stable growth, driven by the city's growing diversification efforts and a focus on enhancing Grade B supply. However, greater momentum is expected in the long-term as mega-projects introduce new high-quality stock to the market.

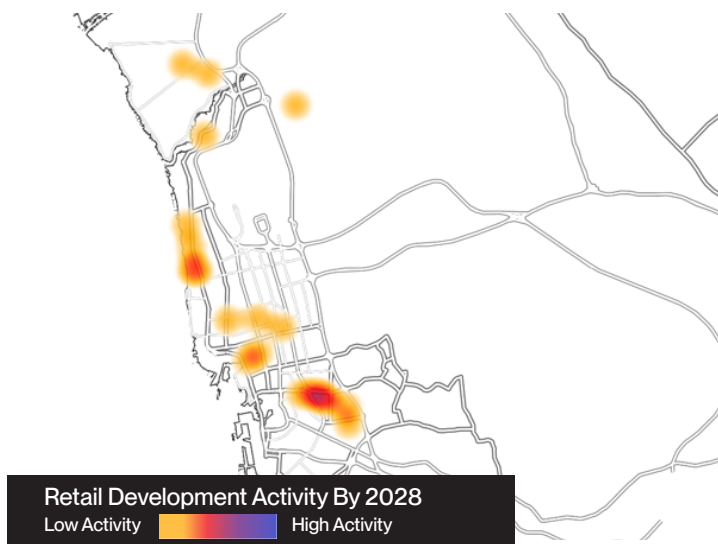
Office Lease Rate Range (2019 vs. 2024)¹ (in SAR per Sqm per year)



- Since 2019, office lease rates in Jeddah have seen modest growth, driven by steady demand across both Grade A and Grade B spaces. The limited availability of high-quality office stock, coupled with aging buildings, has contributed to rental increases.
- Looking ahead, Jeddah's office market is expected to grow, supported by upcoming projects aimed at meeting the rising demand for high-quality Grade A spaces. These developments are set to enhance market dynamics in the short to medium term.

Source: WSP Research & Analysis, MEED Projects.¹
Provided rates are based off a basket of benchmark projects by positioning.

RETAIL MARKET JEDDAH



Key Trends (Summary)



High-Density Retail Growth in Central Jeddah

Al Balad and other central districts are witnessing the highest concentration of upcoming retail developments, reflecting increased focus for lifestyle retail, community centric spaces, traditional souks, and mixed-use retail projects.



Retail Expansion Along Corniche

Several retail hotspots are emerging along Jeddah's northern coastline, highlighting potential growth in luxury retail, F&B¹, and entertainment-driven retail spaces.



Retail Growth Driven by Tourist Spending & Mega Projects

As tourist and resident retail spending increases in Jeddah, new developments along the Corniche and hospitality corridors, including premium shopping centers and waterfront hubs, are enhancing Jeddah's position as a premier shopping destination.

Market Outlook (Summary)



Increased Presence of Lifestyle Retail Facilities

Jeddah is witnessing a rise in lifestyle retail formats catering to the growing demand for comprehensive retail experiences. Consumers are increasingly favoring holistic retail formats that blend shopping with leisure and entertainment.



Demand for Community-Centric Spaces

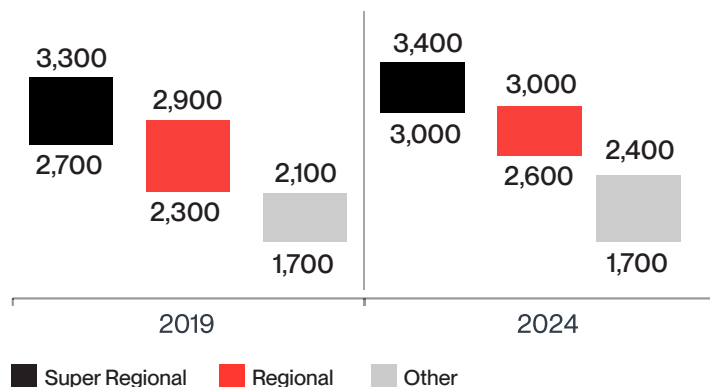
Beyond lifestyle retail, more developments are being designed as community hubs, incorporating social gathering areas, cultural events, and recreational activities. These spaces foster a sense of community while driving higher footfall for retail destinations.



Stable Market Expansion Moving Forward

Jeddah's retail market is anticipated to experience stable market growth in the coming years as the city expands its retail offerings, attracts new market entrants, and enhances shopping experiences.

Retail Lease Rate Range (2019 vs. 2024)² (in SAR per Sqm per year)



- In 2024, Jeddah's lease rates have seen slight growth compared to 2019 levels, driven by increased tourism and higher consumer spending. The demand for diverse retail options and formats has spurred new development, attracting additional retailers to the city.
- As Jeddah continues to enhance its retail landscape with lifestyle facilities, community-centric spaces, entertainment hubs, and cultural heritage integration, the market is expected to see sustained growth. However, this growth is expected to occur at a steadier pace than in Riyadh.

Source: WSP Research & Analysis, MEED Projects.¹

F&B – Food & Beverage. ² Provided rates are based off a basket of benchmark projects by positioning.

HOSPITALITY MARKET JEDDAH



Key Trends (Summary)



Heavy Concentration in Corniche

The highest concentration of hospitality projects is along Jeddah's Corniche, reinforcing its role as the city's premier waterfront destination. Developers are doubling down on luxury and lifestyle hotels to capture demand.



Hospitality Presence Near the Airport

An increasing number of projects near King Abdulaziz International Airport reflects rising demand for transit and business accommodations. This area is seeing more hospitality investment as air traffic grows, particularly from international visitors.



Northward Expansion

Hotel development is moving up Jeddah's coast, aligning with new residential and mixed-use projects. This suggests a long-term strategy to extend Jeddah's tourism footprint beyond its traditional core.

Market Outlook (Summary)



Future Impact of Large-Scale Projects

Major developments such as Jeddah Tower, Jeddah Economic City, Al Balad Development, and Jeddah Central, are expected to impact the hospitality market. These mega projects are expected to drive new hotel developments, introduce various accommodation types and support the city's growing and evolving tourist profile.



Expanding Tourist Profile and Offerings

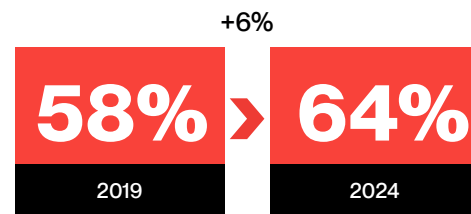
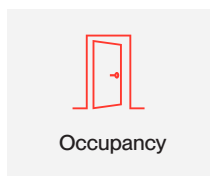
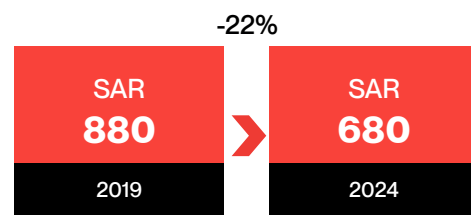
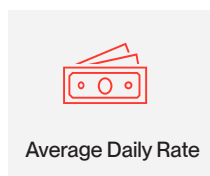
Jeddah's hospitality sector is benefiting from a broader tourist profile. Cultural and heritage tourism, highlighted by Al Balad, is complemented by world-class events like the Red Sea International Film Festival and Formula One, attracting a wider range of visitors.



Positive Outlook Amid Market Adjustments

As market dynamics shift, Jeddah's hospitality sector is adapting to shifting demand dynamics. With growing visitor numbers and infrastructure investments, the city maintains a positive long-term outlook, despite increased competition and evolving market conditions.

Hospitality Average Daily Rate (2019 vs. 2024) (in SAR)



- The 22% drop in ADRs from 2019 reflects a shift in Jeddah's hospitality market, driven by increasing competition and evolving tourism. This decline is also attributed to the growing presence of more affordable accommodations.
- Despite this decline, occupancy rates have risen over the same period, indicating a more competitive landscape where operators are adjusting pricing to capture market share.
- Historically, Jeddah has been associated with the highest ADRs in Saudi Arabia. However, increased economic activity in Riyadh and a stronger focus on the mid-market tier in Jeddah have reshaped the city's hospitality landscape, leading to a more diverse offering.

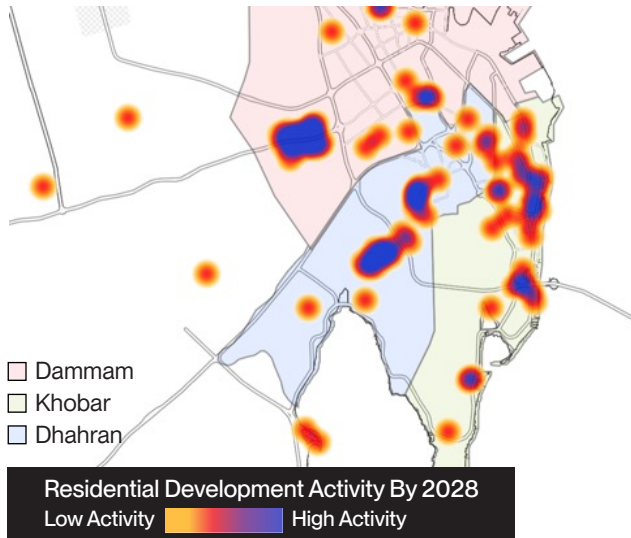
Source: WSP Research & Analysis, STR, MEED Projects.
Source: WSP Research & Analysis, Dubai Department of Economy and Tourism, MEED Projects.

DAMMAM METROPOLITAN AREA (DMA) MARKET EVOLUTION AND OUTLOOK

2019 - 2028



RESIDENTIAL MARKET DMA



Key Trends (Summary)



Gated Community Expansion

There is strong momentum in residential construction within established suburbs of Dhahran and Dammam, particularly in gated communities. Additionally, the waterfront areas of Al-Khobar are experiencing heightened development activity for premium residential projects.



Suburban Infrastructure Development

Suburban infrastructure development is concentrated in the suburbs of Dhahran and Dammam, as well as along major transportation corridors, driven by ongoing improvements of the infrastructure network.



Affordable Housing Development

NHC¹ and the Ministry of Housing are developing residential communities in the eastern DMA, with multiple projects in the pipeline. These government-backed projects are increasing the supply of affordable housing, while also complementing private sector developments to meet the needs of various market segments.

Market Outlook (Summary)



Impact of Sakani Program Activity in DMA

The Sakani and National Housing Company initiatives support home purchases through financing and subsidized housing options. With a growing focus on the DMA, these programs are making affordable housing, more accessible for low- and middle-income families, helping to balance demand and promote homeownership.



Increased Demand for Corporate & Expat Housing

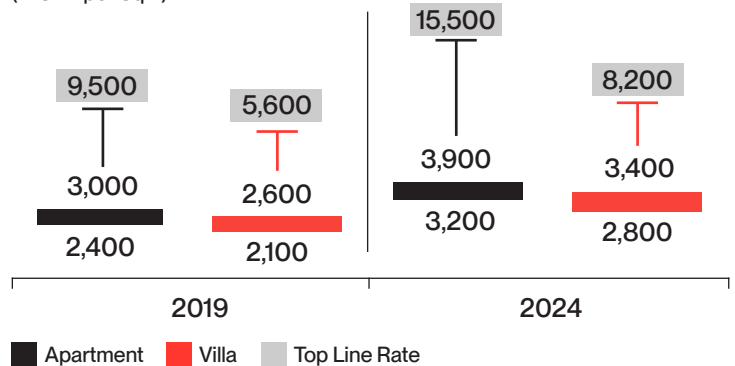
Demand for corporate and expat housing is rising in the DMA, driven by expansions of SPARK and MODON. These developments are attracting a more diverse workforce, resulting in higher demand for modern rental apartments, executive villas, and amenities.



Moderate to Stable Growth Expected

The DMA market is growing steadily, supported by government housing programs and suburban expansion. New developments near industrial and infrastructure hubs are further boosting supply, driving continued growth in the region.

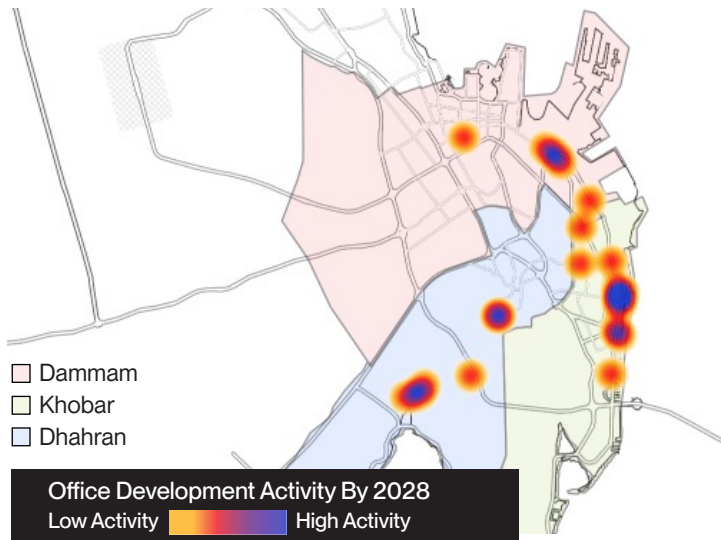
Average Sales Rate Range (2019 vs 2024)¹ (in SAR per Sqm)



- Since 2019, apartment sales have increased in Dammam, driven by urban expansion, infrastructure growth and steady demand for mid-income housing. The city's position as an industrial and logistics hub, home to key sectors like energy and manufacturing, has contributed to population growth. This growth increased demand for well-located apartments near employment zones.
- Villa prices have also increased since 2019, reflecting rising demand for larger homes in suburban communities. The expansion of master-planned developments and improved connectivity has attracted buyers seeking more space.

Source: WSP Research & Analysis, Ministry of Justice, MEED Projects.¹
NHC – National Housing Company.

OFFICE MARKET DMA



Key Trends (Summary)



Grade A Office Expansion

The concentration of office development along DMA's waterfront reflects the growing demand for high-quality office spaces. Mixed-use projects, particularly along Al-Khobar's waterfront, are introducing new Grade A office inventory to meet this demand.



Emerging Business Districts

New office clusters are emerging in Dhahran's eastern urban growth corridor. This expansion is creating secondary business districts that offer alternatives while maintaining proximity to key industrial zones like Al Khalidiyah, and Industrial Area 1.



Corporate Hub Evolution

DMA's position as the Eastern Province's business hub is strengthening, with developments tailored to local businesses and regional headquarters. The office market is benefiting from lower asking rents, making it an attractive option for local business expansions.

Market Outlook (Summary)



Secondary Office Market Potential

Despite limited Grade A office supply, occupancy levels in DMA remain lower than those in other major markets across the Kingdom. However, the area's competitive lease rates and strategic location are positioning it as an emerging secondary office market, particularly as infrastructure improvements continue and waterfront developments come to fruition.



Diversifying Tenant Base

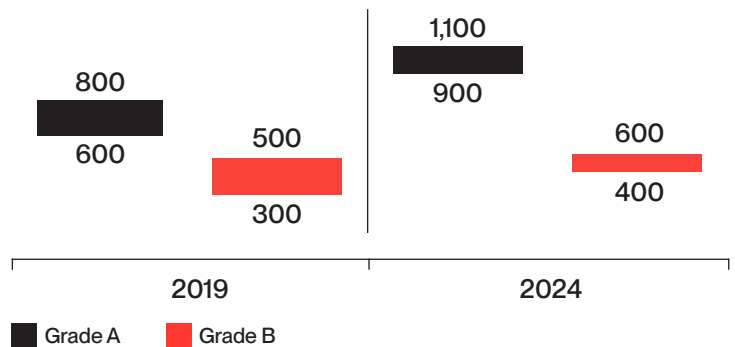
Energy sector companies, led by Saudi Aramco, continue to be the dominant occupiers in the DMA market. Additionally, there is growing interest from local businesses seeking more affordable rental options, particularly in newer developments.



Urban Growth Alignment

DMA's expanding urban footprint, particularly along the eastern Dhahran corridor and waterfront areas, is expected to create new office submarkets. Mixed-use developments and future investments, coupled with the city's industrial expansion plans, are expected to drive demand for decentralized office locations. As a result, rental rates are anticipated to strengthen, particularly in prime locations.

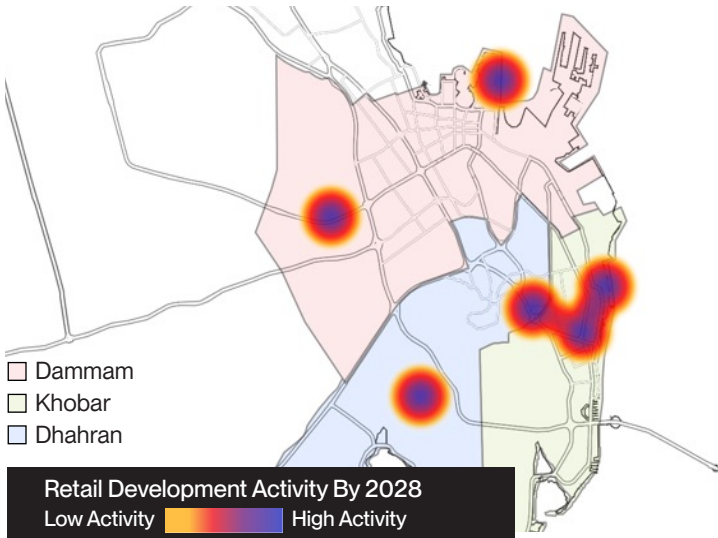
Office Lease Rate Range (2019 vs 2024)¹ (in SAR per Sqm per year)



- DMA's office lease rates have grown across both, Grade A, and Grade B spaces, between 2019 and 2024. Grade A office spaces experienced the most significant increase, driven by limited new supply and consistent demand from corporate occupiers.
- Meanwhile, Grade B rates have maintained stable growth, supported by the expansion of local businesses and the region's competitive positioning within the Kingdom.

Source: WSP Research & Analysis, MEED Projects.¹
 Provided rates are based off a basket of benchmark projects by positioning.

RETAIL MARKET DMA



Key Trends (Summary)



Strategic Asset Enhancement

Mall operators in DMA are prioritizing targeted improvements to existing retail destinations, focusing on upgrading the tenant mix and incorporating entertainment features. These improvements aim to boost asset performance and drive higher consumer spending.



Mixed-Use Development Focus

Development activity is focused on emerging mixed-use developments, particularly in prime areas of Dammam, Dhahran and Khobar. These projects are creating integrated destinations designed to serve the growing catchments within DMA.



Entertainment-Led Transformation

The landscape is evolving with a strong focus on entertainment and leisure offerings. This shift reflects changing consumer preferences and aligns with the broader trend of creating immersive retail destinations that attract visitors and encourage longer stays.

Market Outlook (Summary)



Future Impact of Large-Scale Entertainment Projects

Flagship entertainment destinations, like SEVEN complexes in Dammam and Al-Khobar, are reshaping DMA's leisure landscape. These unique attractions are expected to drive footfall and create new retail opportunities, with the entertainment anchors becoming key drivers of growth in the surrounding areas.



Experiential and F&B Offerings

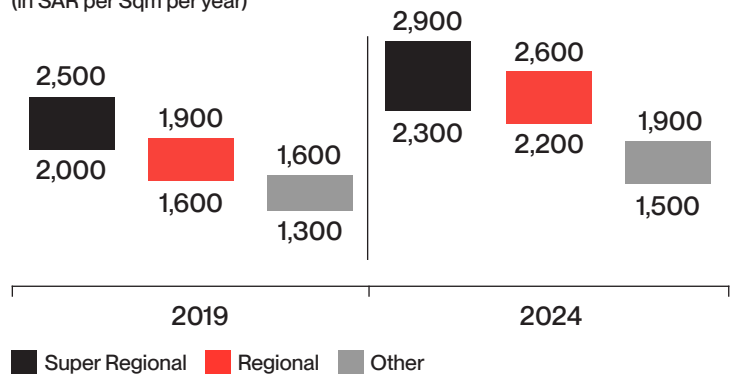
DMA's retail landscape is shifting towards experience-driven retail, particularly in Al-Khobar's Corniche area. Retail developments in the area are leveraging waterfront locations to create distinctive destinations.



Market Positioning Evolution

While DMA remains a secondary retail market compared to Riyadh and Jeddah, its growing visitor numbers and strong performance in prime locations are attracting new retail concepts. This is especially evident in super-regional malls, where occupancy rates have consistently improved.

Retail Lease Rate Range (2019 vs. 2024)¹ (in SAR per Sqm per year)

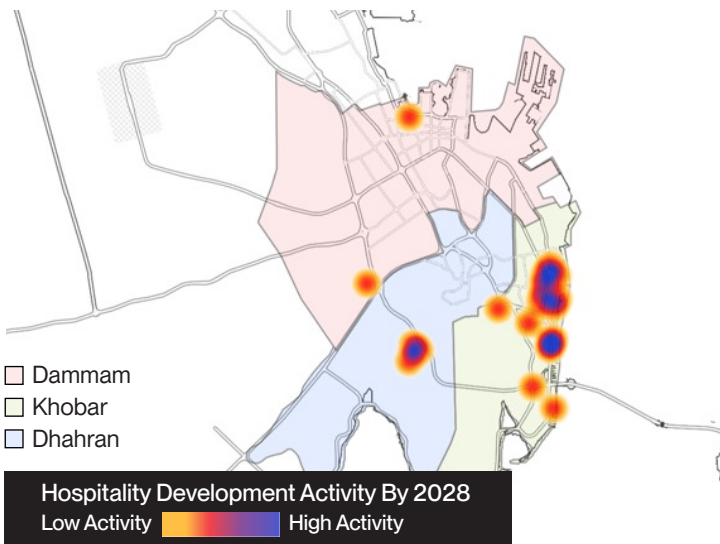


DMA's retail lease rates have demonstrated resilience in 2024, with super-regional and regional malls seeing increases driven by steady demand and limited supply resulting from key asset renovations.

Existing tenants in prime locations are maintaining their presence, while new entertainment-focused retailers are entering the market. Super-regional malls continue to command premium rates, driven by the limited new supply and a growing influx of visitors from both domestic and international markets.

Source: WSP Research & Analysis, MEED Projects. ¹ Provided rates are based off a basket of benchmark projects by positioning.

HOSPITALITY MARKET DMA



Market Outlook (Summary)



Growth in Mid-Market Segment

In line with broader market trends across Saudi Arabia, there is a growing emphasis on developing quality, mid-market hospitality projects in Damman.



Urban Expansion Fuelling Growth

Damman is experiencing significant urban development, with strategic plans highlighting its role as the economic engine of the Eastern Province. This expansion is driving greater demand for hospitality services to accommodate the growing population and increasing business activities.



Expanding Tourism Profile

Damman's hospitality market is set to gradually diversify with projects like SEVEN and The Rig off the coast of Juraid Island, alongside other planned developments aimed at enhancing the city's tourism profile. Recent trends indicate a resurgence in leisure travel, signalling a shift from the market's historical reliance on VFR1 and business travel. These initiatives are expected to sustain this momentum and drive broader demand over time.

Key Trends (Summary)



Focus On Waterfront Developments

Hospitality development activity is concentrated in prime waterfront locations along Damman's coast. Developers are prioritizing seafront areas with established demand from both leisure and domestic travelers, particularly within major mixed-use developments.



New Growth In Urban Corridors

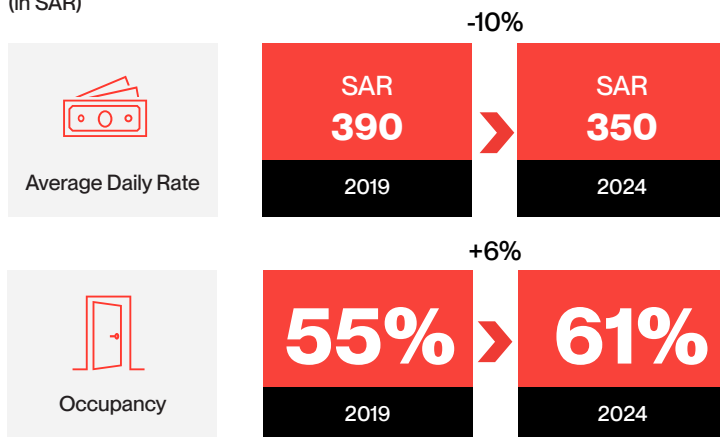
Hospitality developments are emerging along the Dhahran corridor and expanding urban districts, driven by infrastructure improvements and government initiatives aimed at diversifying the Eastern Province's economy.



Expanding Supply Will Intensify Market Competition

The introduction of new hotel properties along waterfront and urban expansion zones will intensify market competition, which will lead operators to differentiate their offerings based on location advantages.

Hospitality Average Daily Rate (2019 vs. 2024) (in SAR)



- New introductions have put pressure on ADRs, but occupancy rates remained resilient between 2019 to 2024, suggesting steady market conditions.
- Damman's hospitality market is also influenced by a high volume of day-trip visitors from neighbouring areas and Bahrain via the causeway, limiting the depth of overnight demand growth.

Source: WSP Research & Analysis, STR, MEED Projects. 1 VFR – Visiting Friends & Relatives.

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Market Volatility

We draw your attention to the fact that a combination of global inflationary pressures (leading to higher interest rates) and the recent geopolitical events, in addition to the ongoing effects of the global Covid19- pandemic in some markets, has heightened the potential for greater volatility in property markets over the short-to-medium term. Experience has shown that consumer and investor behavior can quickly change during periods of such heightened volatility. Investment decisions should reflect this heightened level of volatility and caution is advised in this regard.

You should note that the conclusions set out in this paper are current as at the date outlined only. Where appropriate, we recommend that market conditions are monitored closely, as we continue to track how market participants respond to current events.

Sources

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KSA Ministry of Tourism
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