Saudi Arabia Residential Market Review

Summer 2025

A biannual review of key trends and the performance of Saudi Arabia's residential market

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Market roundup

Mixed performance in the Kingdom

During the first half of 2025, Saudi Arabia's real estate market recorded a modest performance. The total number of transactions across all asset classes rose by 2.5% year-on-year to exceed 108,250 deals, signalling a steady pace of activity. However, the total transaction value declined slightly by 2.4% over the same period, settling at SAR 123.8 billion.

Residential sector leads market activity

Residential real estate remained the key driver of the market, capturing approximately 63% of the total transaction value. The number of residential transactions rose by 7% year-on-year to nearly 93,700 deals, supported by continued end-user demand. The total value of residential transactions reached SAR 77.5bn, up by 4% compared to H1 2024. This sustained momentum is underpinned by increased mortgage activity, government support schemes, and the delivery of new housing stock in key urban locations.

Government initiatives

In line with Vision 2030 objectives, the Saudi government continues to prioritise increasing homeownership among nationals, which stood at 65.4% at the end of 2024. The National Housing Company (NHC) continues to play a central role, with plans to deliver 300,000 residential units by the end of the year at a cumulative value exceeding SAR 250bn, according to Argaam. These targets form part of a broader strategy to enhance access to affordable housing. Longer-term, NHC aims to deliver 600,000 units by 2030, reinforcing its pivotal role in shaping the Kingdom's residential landscape.

Mortgage activity increases

Home financing activity continued to strengthen between January–May 2025, with the number of mortgages issued for home ownership rising by 15% compared to the same period last year. The total value of these mortgages increased by 18%, reaching SAR 44.4bn.

Initiatives such as the Facilitated Mortgage Programme, known as Musa'ir, continue to play a central role in improving access to home financing. It supports first-time buyers by reducing the upfront cost of home ownership, allowing beneficiaries to pay only a 5% down payment on properties up to SAR 800,000. In mid-2025, the programme received a three-year extension from the Saudi Cabinet, reflecting the government's commitment to housing accessibility.

Complementing this, Saudi Arabia is also investing in the long-term sustainability of housing finance. In January 2025, the Saudi Real Estate Refinance Company (SRC) signed a partnership with Hassana Investment Company to introduce residential mortgage-backed securities (RMBS). The new asset class is expected to deepen the Kingdom's capital markets, increase liquidity, and support stability in the housing finance ecosystem.

Global partnerships strengthen market confidence

Saudi Arabia's real estate sector is gaining increased attention from international investors. In the first half of the year, a number of strategic partnerships and memoranda of understanding were signed with global developers, signalling renewed confidence in the Kingdom's long-term prospects and in preparation for the opening of the market to international buyers in January 2026. Notable examples include the NHC's agreement with K. Hovnanian ME for mixed-use schemes, Seef Properties' joint venture with AWJ Real Estate, and Egypt's Madinet Masr's entry into the Saudi market through a partnership with Waheej. These collaborations are expected to elevate build quality, introduce international expertise, and inject fresh momentum into key developments.

> "The new property-ownership-linked Premium Residency Visa initiative marks a pivotal shift in the Kingdom's approach to residency and property ownership."

New foreign ownership law

One of the most significant legislative developments in 2025 has been the approval of the new Law of Real Estate Ownership by Non-Saudis. Set to come into effect in January 2026, the law will allow individuals, corporates, investment funds, and non-profit entities to purchase real estate in designated areas in Riyadh, Jeddah, Makkah and Madinah. The move aligns with Vision 2030 goals to enhance transparency, attract foreign capital, and stimulate high-quality development.

The legislation will primarily open Riyadh and Jeddah to foreign ownership, both key urban and economic centres. This is expected to increase foreign participation in the property market, improve asset quality, and boost investor confidence. Makkah and Madinah will permit ownership under certain conditions and will remain restricted to Muslim investors, reflecting the religious and cultural sensitivities of the two holy cities. This nuanced approach is designed to activate latent international demand while maintaining alignment with local priorities.

In the wake of Vision 2030 and the subsequent Giga project announcements, demand from international buyers for homes in the Kingdom has been building on the sidelines. Our research shows that this demand is strongest amongst global Muslim HNWI who are non-residential in the Kingdom. In fact, 86% of global Muslim HNWI are keen to own a home in the Kingdom, with the majority focused on the Holy Cities of Makkah and Madinah.

While we await further clarity on the law changes, it appears that the Kingdom is moving in the same direction as Abu Dhabi and Oman, with plans to permit ownership of real estate by international buyers in designated investment zones. These are tentative steps in the direction of opening the market up to international buyers and investors; something that has been long anticipated.

Riyadh

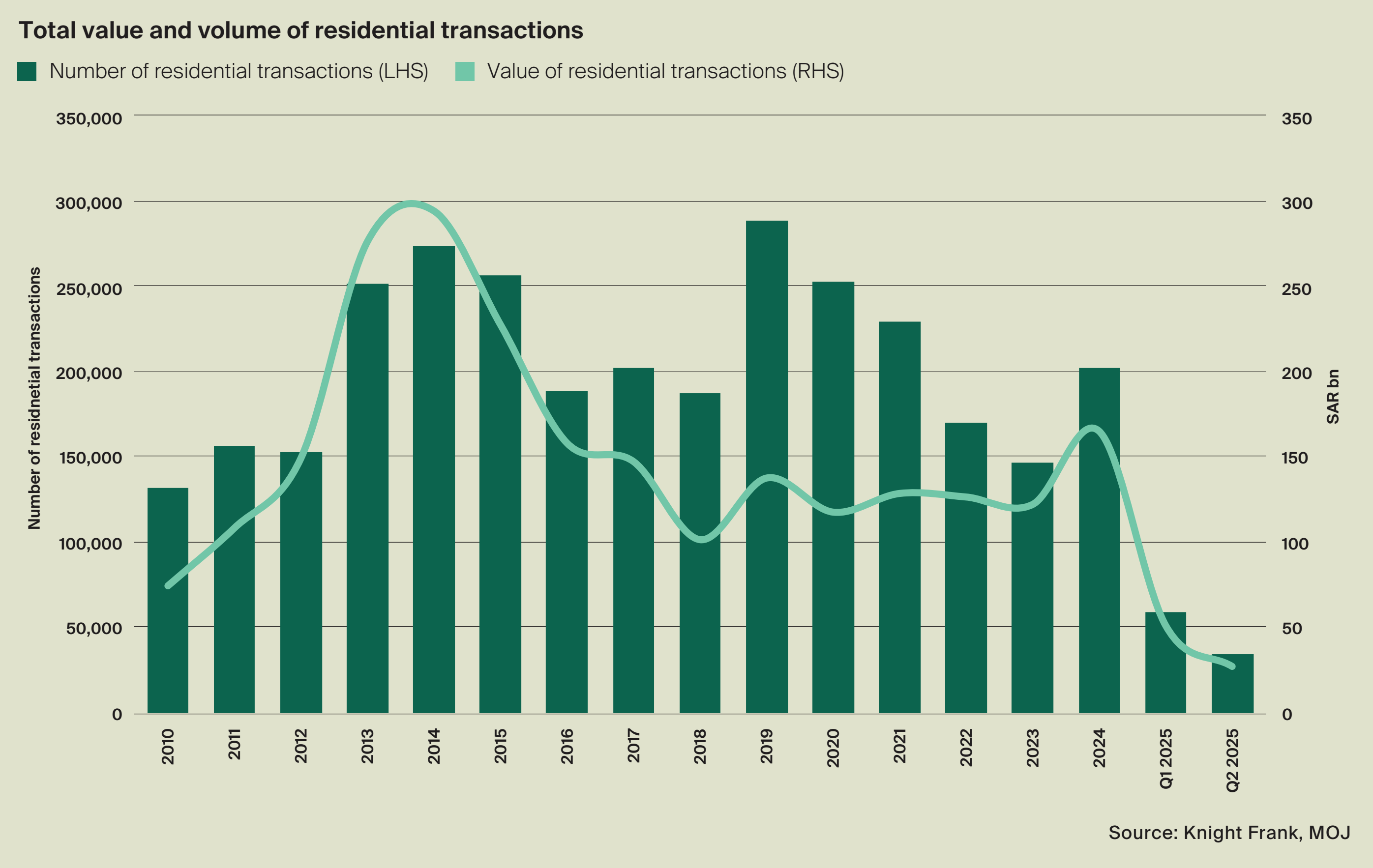
This is an exceptionally positive move and will facilitate greater international investment in the real estate market, while ensuring that Saudi nationals aspiring to own a home are not necessarily competing directly with global buyers.

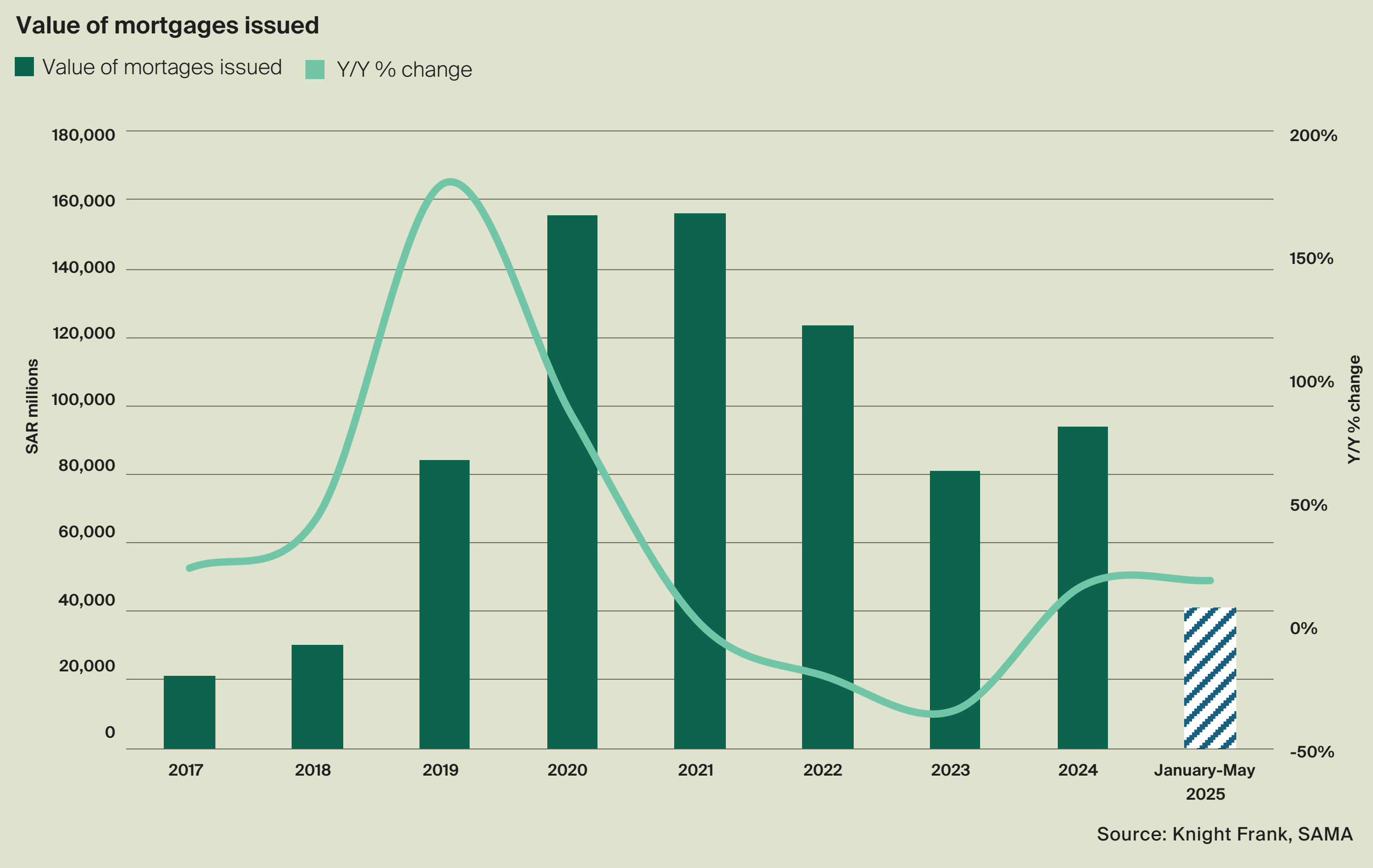
The acceleration of house prices in the Kingdom over the last 5 years has been exceptional with prices for apartments in Riyadh, for instance, up by nearly 82% since 2019, while villa sales rates have jumped by almost 50% over the same period. Salaries have not risen by a commensurate level and this, combined with rising demand for rental accommodation has begun to slow the rate of increase in home values. The decision to allow international buyers access to real estate markets in the Kingdom in specific investment zones is likely to be confined to the major Giga projects, which will have the impact of creating a two-tiered market – one for international buyers and one for domestic buyers. As a result, prices within Giga projects are likely to accelerate faster than the rest of the more mainstream market.

Outlook

The new ownership framework, coupled with accelerating residential deliveries and mortgage market reforms, is expected to deepen market liquidity and improve investor sentiment. These developments, alongside programmes such as Premium Residency and the extended Facilitated Mortgage initiative, underscore Saudi Arabia's ambition to position itself as a globally competitive real estate market.

National market performance





Riyadh

Riyadh

Riyadh market rebalances amid continued price growth

Following a prolonged period of expansion, Riyadh's residential market entered a phase of recalibration in H1 2025. Transaction volumes fell by 31% year-on-year, while total transaction value eased 20% to SAR 29bn. Although this marks the first annual decline in recent years, it reflects a cyclical market adjustment that has been catalysed by rampant house price growth. This has in turn dampened demand as buyers contend with higher house prices and ever larger deposits to transition from being tenants to homeowners.

Sale prices hold firm

While both apartment and villa prices have continued to climb, on average, underlining resilient demand in key submarkets, there are some submarkets where prices have begun to retreat.

Average apartment prices in Riyadh rose by 10.6% year-on-year in Q2 2025 to reach SAR 6,175 psm, driven by strong appetite in well-connected and centrally located districts.

The launch of the Riyadh Metro in late 2024 has further fuelled demand in areas with improved transit access. Districts such as Olaya, Al Yasmin, and Hittin have seen strong uplift over the last 12-months, with Al Taawun recording a 32% price increase to SAR 9,470 psm and King Abdullah District rising 17% to SAR 7,656 psm, for instance. Even in budget-sensitive southern Riyadh, average apartment prices edged up to SAR 3,000 psm, reflecting sustained interest from first-time buyers.

Villa prices climb, led by northern districts

The villa segment has also demonstrated price resilience. While average villa prices increased by 8.2% year-on-year in Q2 2025, reaching SAR 5,470 psm, not all of the submarkets we track have experienced price growth over the last 12-months. Northern Riyadh remains the city's most expensive area for villas, averaging SAR 8,660 psm. Al Sahafah led growth with prices up 24% to SAR 8,050 psm, while An Narjis followed with a 16.6% rise to SAR 8,750 psm. By contrast, southern districts saw a 5.5% decline, with notable contractions in Al Aziziah and Al Shifa.

Land release drive

In parallel, the Ministry of Municipal and Rural Affairs and Housing (MoMRAH), in collaboration with the National Housing Company (NHC), has been rolling out serviced land plots for Saudi nationals. This initiative is helping to improve affordability and encourage self-build development, particularly in emerging locations.

Outlook

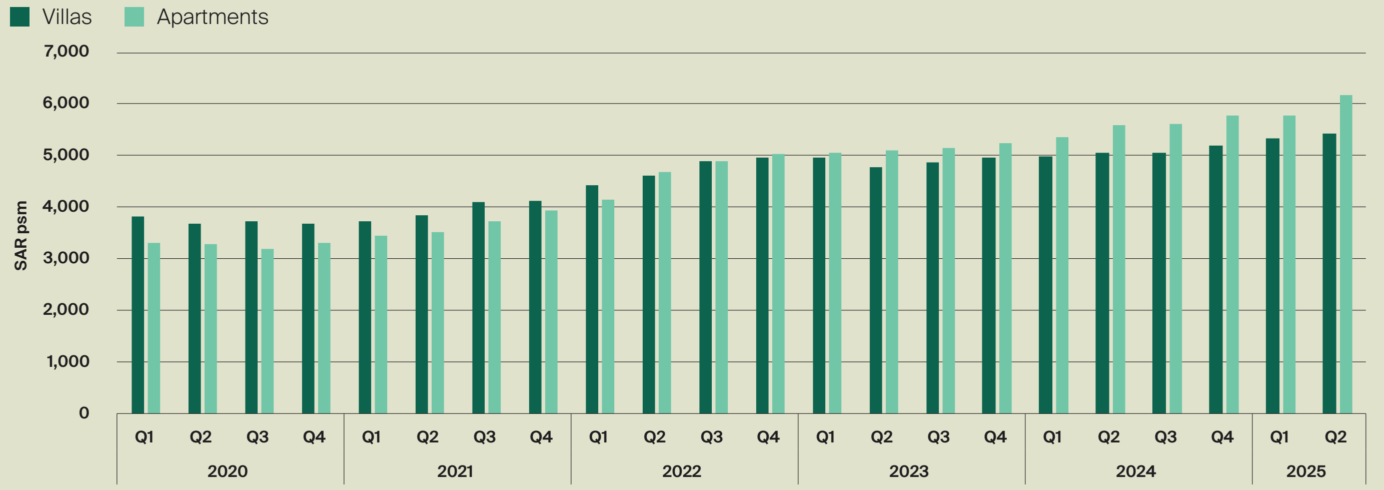
Looking ahead, Riyadh remains one of the Kingdom's most dynamic markets, supported by ongoing Vision 2030 initiatives and major infrastructure investment. The implementation of the foreign ownership law in January 2026 is set to further energise the market by boosting liquidity, attracting foreign capital, and enhancing development quality.

Together, these developments indicate that Riyadh's current market adjustment is part of a broader and healthy evolution, positioning the city for more diversified and sustainable long-term growth.

Diriyah, Riyadh

Market performance indicators

Sale prices of villas and apartments



Source: Knight Frank

Y/Y % change in villa & apartment sales prices

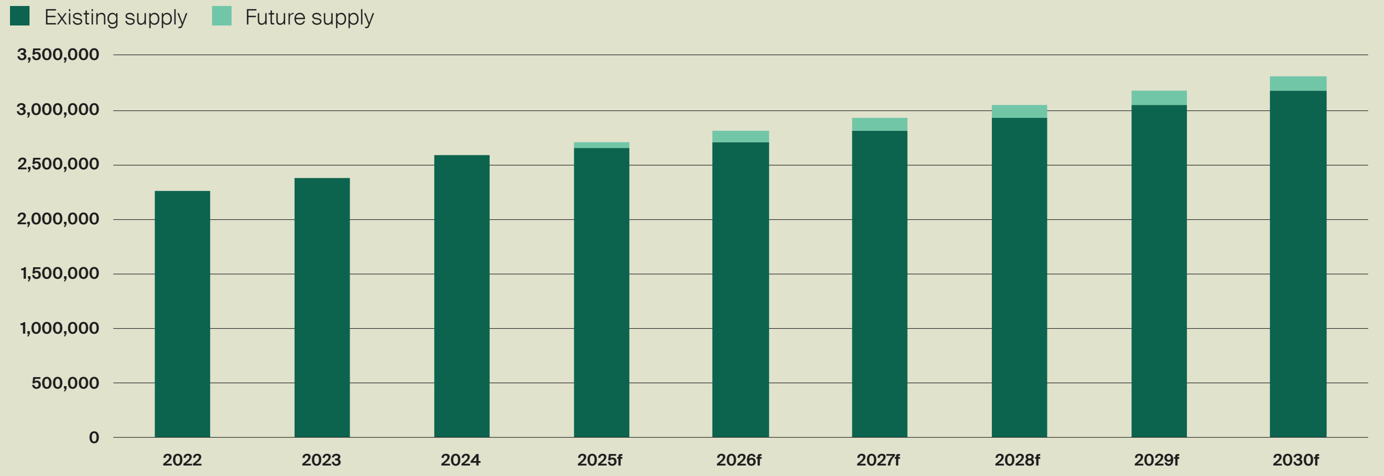
Villas	Apartments
8.2%	10.6%

H1 2025 Y/Y % Annual change in residential transactions

Volume	Value
-31%	-20%

Source: Knight Frank

Evolution of quality residential supply in Riyadh*



*Residential supply figures updated using latest population and household data from Oxford Economics

Source: Knight Frank, Oxford Economics

Jeddah

Residential market overview

Jeddah's residential market continued to gain momentum in H1 2025, with transaction volumes rising by 19% over the past 12 months and total value increasing by 28% to SAR 17.3bn. The growth is underpinned by a combination of structural and demographic factors.

Demolition works across southern districts have redirected demand toward the city's northern corridors, where new developments are driving improvements in both product quality and pricing.

The market is also being shaped by migration from nearby cities such as Makkah, Abha, and Jazan, particularly among younger households and expatriates seeking better amenities and lifestyle offerings. For some, Jeddah remains a base for seasonal stays and family visits, even if their primary residence is elsewhere, which continues to support residential demand across the city.

Northern districts lead apartment price growth

In Q2 2025, the average apartment price in Jeddah reached SAR 4,324 psm, reflecting a 0.5% quarter-on-quarter decline and a 2.7% year-on-year increase.

Price gains were most pronounced in the city's central and western districts, where the average rose by 6% to SAR 5,246 psm. Al Naim recorded the strongest growth, up 12.2% to SAR 4,885 psm, followed by Al Zahra, where values increased by 10% to SAR 6,325 psm.

In contrast, apartment prices in southern Jeddah declined by 5.6% to SAR 3,707 psm over the last 12-months, largely due to ongoing demolitions and a shift in demand northward. Bani Malik recorded the sharpest drop, down 12.8% to SAR 3,775 psm.

Villa prices edge upward

The villa market saw a moderate uplift, with average prices rising 3.2% over the past 12 months to SAR 5,040 psm. The northern districts remain the most in-demand, with average prices increasing by 5.4% to SAR 6,150 psm. Obhur Al Shamaliya led the trend with prices up 9.2% to SAR 5,800 psm, followed by An Nahdah, which rose 8.3% to SAR 5,850 psm.

By contrast, villa prices in the southern districts fell by 2.8% to SAR 3,300 psm, driven by declines in An Naseem and Al Sulaymaniyah, both down 7% to SAR 4,375 psm, as residents increasingly favour the north for its superior access to infrastructure and services.

NHC continues expanding affordable housing

The National Housing Company (NHC) remains active in expanding affordable housing across Jeddah. Major developments include Al Jawharah, comprising 7,000 units, 7 day care centres, and two health centres. In the north, the Sadayam project will deliver 8,475 units near Al Ama, alongside eight community gardens. Meanwhile, Al Sadan in the south is expected to add 7,850 units, supported by schools and parks, making it one of the most amenity-rich offerings in NHC's pipeline.

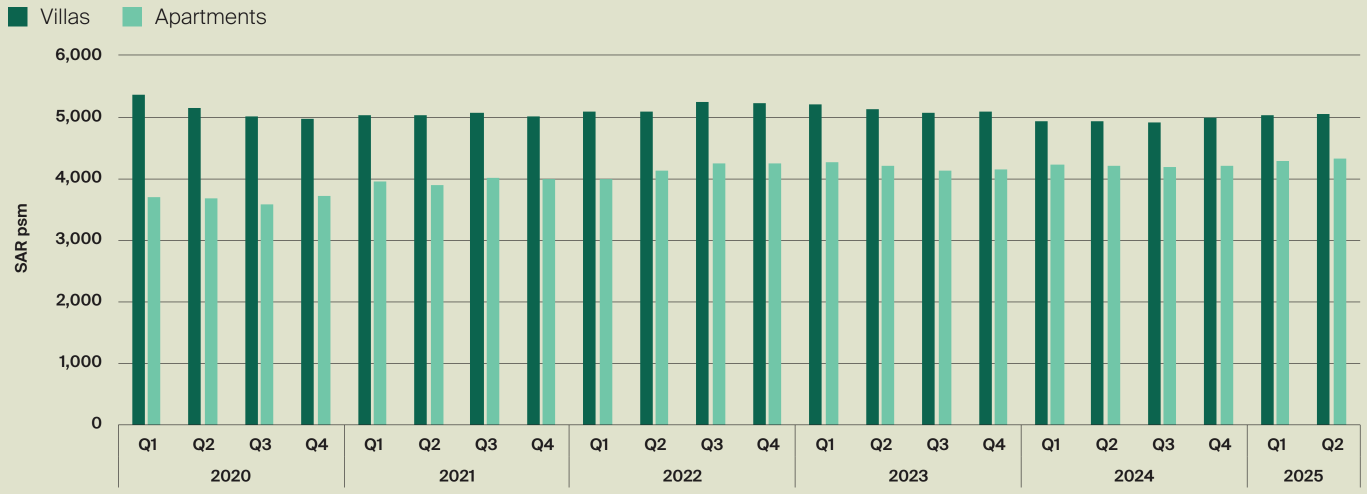
Master-planned communities gain appeal

Citywide, demand continues to shift towards gated, master-planned communities that integrate residential, retail, educational, and healthcare components. Developments such as Roshn's Al-Arous, supported by the Public Investment Fund (PIF), are drawing interest for their emphasis on lifestyle convenience, security, and comprehensive urban design. These integrated models are particularly appealing in coastal districts, where access to both community amenities and waterfront areas is increasingly in demand. This desire to live in community-centric developments is echoed in our recently published 2025 Saudi Report.

Jeddah Corniche

Market performance indicators

Sale prices of villas and apartments



Source: Knight Frank

Y/Y % change in villa & apartment sales prices

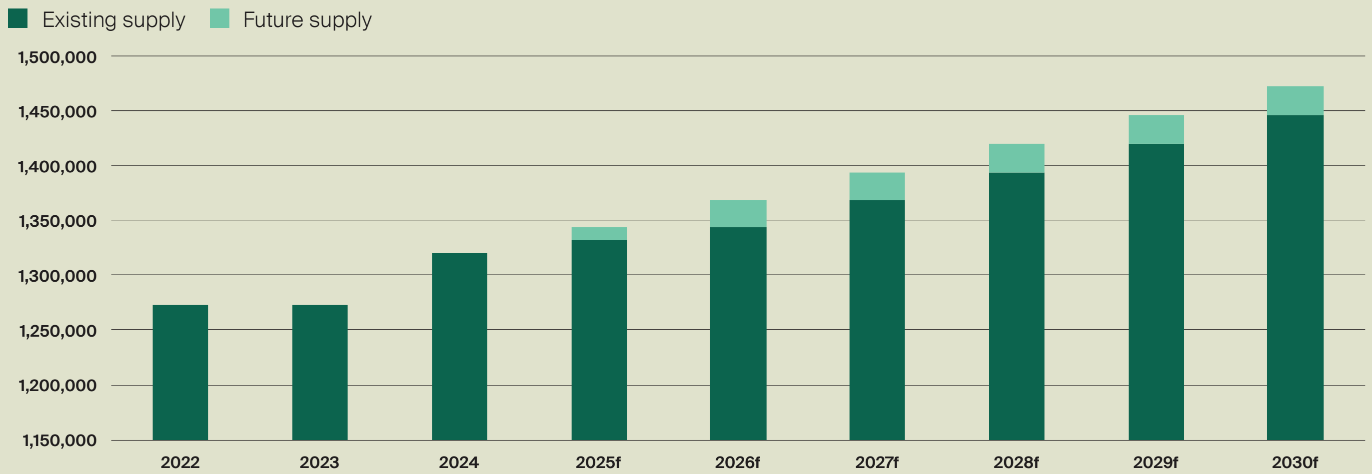
Villas	Apartments
3.2%	2.7%

H1 2025 Y/Y % Annual change in residential transactions

Volume	Value
19%	28%

Source: Knight Frank

Evolution of quality residential supply in Jeddah*



*Residential supply figures updated using latest population and household data from Oxford Economics

Source: Knight Frank, Oxford Economics

Makkah and Madinah

Residential market performance in the holy cities

In H1 2025, Madinah recorded the strongest growth in residential transaction values across the Kingdom, rising by 49% year-on-year to SAR 3.4bn. Transaction volumes also grew by 38%, indicating increasing investor and buyer confidence, as well as stronger demand from end-users.

In contrast, Makkah's residential market displayed more mixed dynamics. While the number of residential transactions increased by 11%, the total transaction value declined by 33% to SAR 4.3bn, suggesting a shift in demand toward more affordable or smaller-sized units, underpinned by affordability challenges that we have highlighted previously.

Modest price movements

Apartment prices in Madinah rose by 2.5% over the past 12 months, reaching an average of SAR 3,835 psm as of Q2 2025. Villa prices experienced a slight decrease of 0.5%, averaging SAR 3,500 psm.

In Makkah, apartment values softened by 0.5% year-on-year to SAR 3,650 psm, while villa prices edged up by 0.5%, reaching SAR 3,420 psm.

Opening the door to global Muslim buyers

The upcoming foreign ownership law, set to take effect in January 2026, will for the first time allow international Muslims to own residential property in the Holy Cities. While specific regulations for Makkah and Madinah are still to be announced, the legislation represents a historic shift in market accessibility.

Findings from our Destination Saudi Report 2024 reveal that 84% of global Muslim high-net-worth individuals interested in Saudi real estate expressed a preference for Makkah or Madinah.

This reform is expected not only to unlock previously untapped demand but also to draw foreign investors into the market, ultimately enhancing competition, innovation, and development standards in the residential sector.

Rising supply pipeline

Supply in both Holy Cities continues to grow as development accelerates to meet rising demand from residents, pilgrims, and investors. As of Q2 2025, Makkah has 750,472 residential units, and we expect the city's total stock to reach around 914,500 units by 2030. This growth is being driven by ongoing urban expansion, government-backed mega projects, and increased private sector participation in areas beyond the central Haram zone.

In Madinah, the residential stock stood at 450,700 units at the end of Q2 2025, with an additional 98,500 homes slated for delivery by 2030. Upon completion, the city's total housing inventory will rise to 549,200 units.

Mega projects reshaping urban living

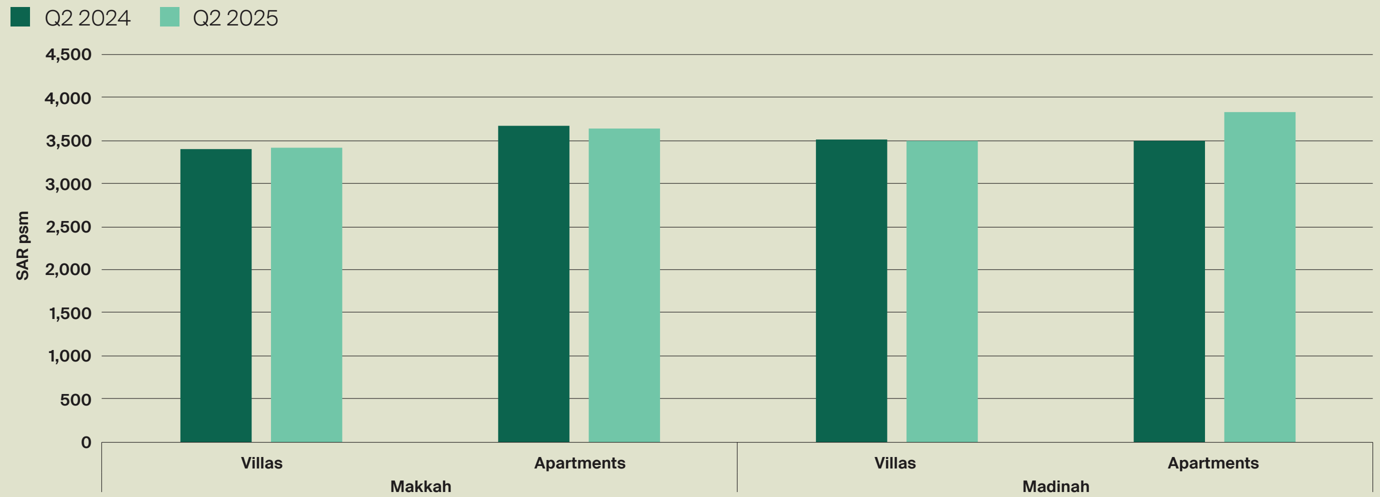
Large-scale government-backed projects are transforming the urban fabric of Makkah and Madinah. In Makkah, the Masar Destination is creating new corridors and mixed-use zones that integrate residential, commercial, and cultural spaces all within close proximity to the Haram.

In Madinah, the Rua Al Madinah and Dar Al-Hijra projects are poised to transform the city's urban landscape by introducing a range of new developments, including hotels, cultural landmarks, and enhanced transit connectivity. This large-scale initiative aims to elevate the city's infrastructure and urban experience, strengthening its appeal to both residents and visiting pilgrims while supporting broader tourism and economic development goals.

An aerial view of Makkah

Market performance indicators

Villa & apartment sales prices



Source: Knight Frank

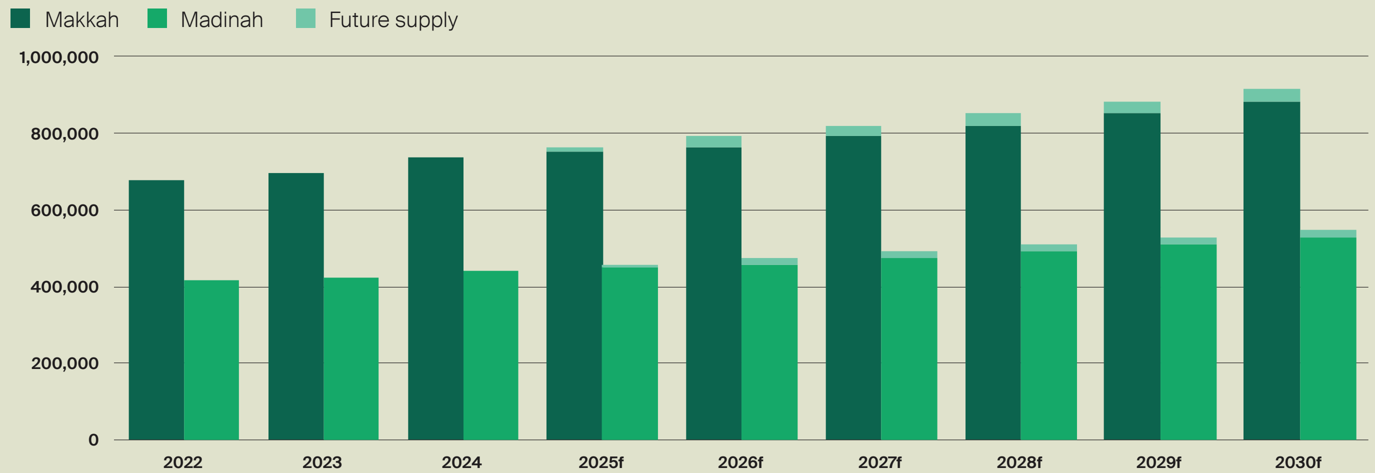
Y/Y % change in villa & apartment sales prices

H1 2025 Y/Y % Annual change in residential transactions

	Villas	Apartments	Volume	Value
Makkah	-0.5%	-0.5%	11%	-33%
Madinah	-0.5%	2.5%	38%	49%

Source: Knight Frank

Evolution of quality residential supply in Makkah and Madinah*



*Residential supply figures updated using latest population and household data from Oxford Economics

Source: Knight Frank, Oxford Economics

Dammam Metropolitan Area (DMA)

Steady growth in residential transactions

DMA's residential market has demonstrated consistent growth over recent years. In H1 2025, transaction volumes rose by 10% year-on-year, reaching approximately 5,700 deals. The total value of transactions also increased, up 13% to SAR 7bn. This steady momentum highlights continued end-user demand and growing investor interest in the region's housing market.

Apartment prices rise

Following the rise in deal volume, average apartment prices across DMA registered a 4.5% increase in Q2 2025, reaching SAR 3,700 psm.

In Dammam, apartment prices grew by 5.2% to SAR 3,450 psm, led by notable growth in Al Nur, which jumped by 17.3% to SAR 3,150 psm, and Al Muntazah, where prices climbed by 16.4% to SAR 4,710 psm.

While Khobar maintains a pricing premium of approximately 15%, it recorded a moderate decline of 2.4% in apartment values, with average prices reaching SAR 3,950 psm. This was largely driven by a sharp 14.3% drop in Al Andalus, where prices declined to SAR 4,370 psm.

Prices remain largely stable

Villa prices across the DMA market registered a year-on-year increase of 2% in Q2 2025, averaging SAR 3,530 psm.

Dammam recorded slightly stronger growth compared to Khobar, with average villa prices rising 2.5% to SAR 3,550 psm, supported by gains in select neighbourhoods. Khobar saw a more modest uplift of 1.7%, reaching SAR 3,510 psm, reflecting steady but slower growth.

Rising supply

DMA's residential stock reached 809,200 units by the end of Q2 2025, and we project this will increase by 176,900 units over the next six years, bringing the total supply to approximately 986,100 units by 2030.

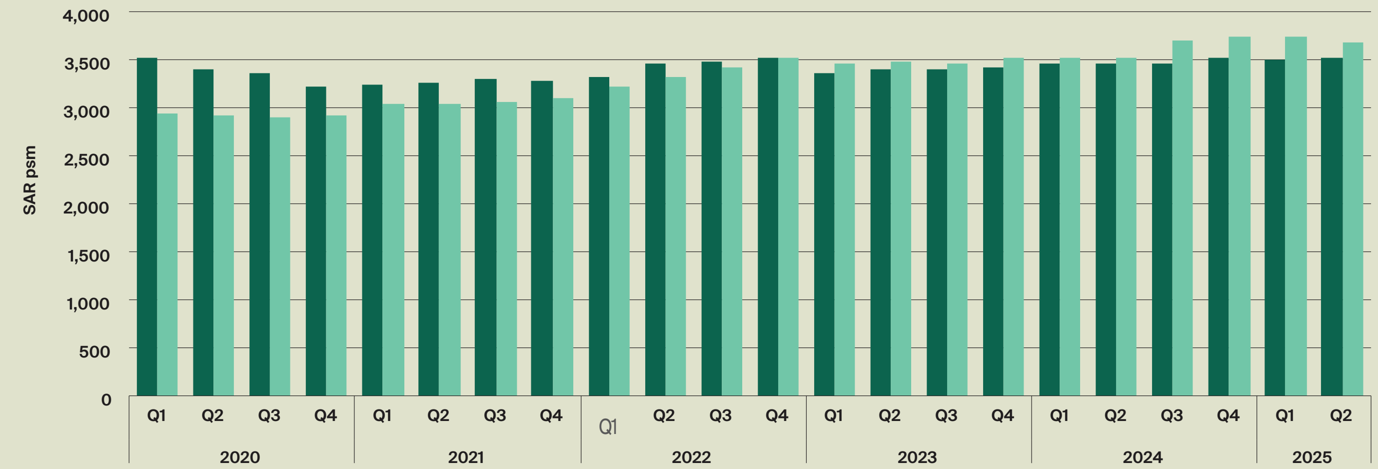
Key upcoming developments include Ajdan Waterfront in Al Khobar, set to deliver around 275 residential units by 2026, and the Al Othaim Park project in Dammam, which will add another 275 units by 2027.

In addition, the Ministry of Housing is overseeing around 34 residential projects across the Eastern Province, with plans to deliver more than 22,000 additional homes, further supporting the region's long-term urban growth and housing needs.

Al Khobar

Market performance indicators

Villa & apartment sales prices

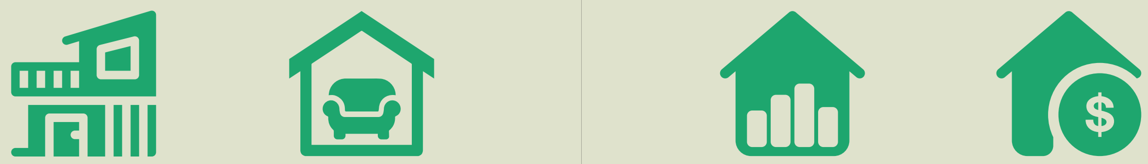


Source: Knight Frank

Y/Y % change in villa & apartment sales prices

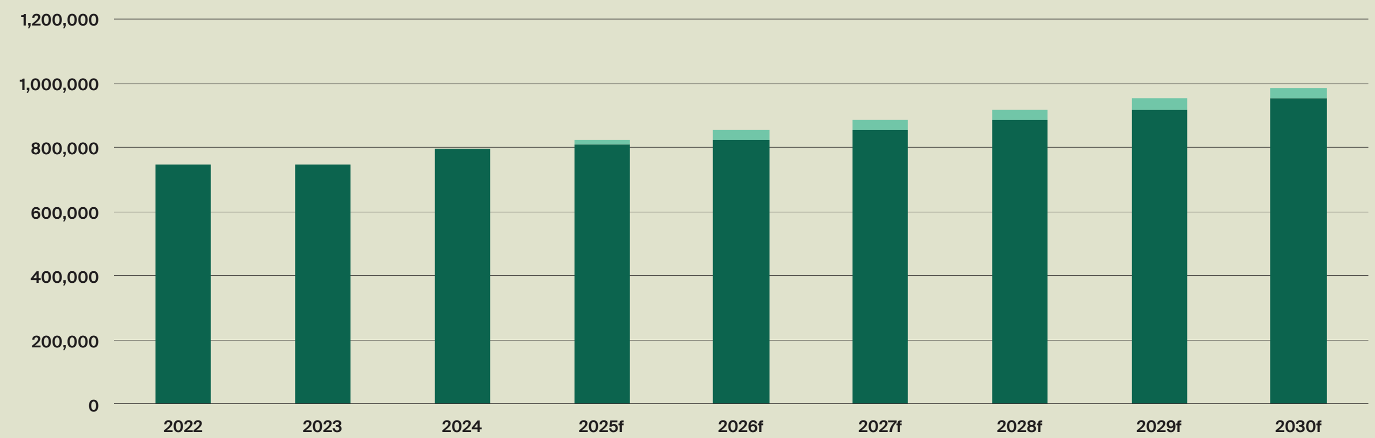
H1 2025 Y/Y % Annual change in residential transactions

Villas	Apartments	Volume	Value
2%	4.5%	10%	13%



Source: Knight Frank

Evolution of quality residential supply in DMA*



*Residential supply figures updated using latest population and household data from Oxford Economics

Source: Knight Frank, Oxford Economics

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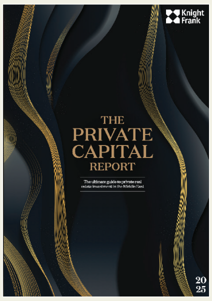
The Saudi Report - 2025



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