ECONOMICS

Saudi Arabia & UAE Commercial Property Monitor

Q3 2025

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Occupier demand growth appears to be moderating across Saudi Arabia, while the UAE maintains robust momentum

- Signs of growth cooling across Saudi Arabia's occupier market, led by retail
- Investment backdrop remains strong for both nations, albeit momentum has eased in Saudi Arabia
- Outlook for capital values remains clearly positive across virtually all sectors, with the UAE expected to outperform in terms of price returns over the year ahead

The Q3 2025 results of the RICS Global Commercial Property Monitor reveal an emerging divergence between Saudi Arabia and the UAE. As illustrated in Chart 1, the headline Commercial Property Sentiment Index (CPSI) in Saudi Arabia registered a reading of +9. Although this figure remains in expansionary territory, it is well below the 12-month average of +22, signalling an easing in market momentum. Meanwhile, the CPSI for the UAE came in at +34, broadly in line with its average over the past year, reinforcing the impression of sustained strength.

Occupier Market Drives Cooling in Saudi Arabia

The softening sentiment in Saudi Arabia is largely driven by a shift in the occupier market. As shown in Chart 2, tenant demand in the retail sector has become more uneven, with a Q3 net balance of just +8%, marking a significant slowdown from earlier in the year. At the same time, the industrial sector is experiencing more moderate growth, with the net balance easing to +23%, compared to a 12-month average of +38%. The office sector remains more resilient, posting a net balance of +50%, albeit this is slightly off recent highs.

In contrast, the UAE continues to see firmer readings across all sectors. Another key difference lies in the availability of leasable space. Indeed, across Saudi Arabia, a net balance of +60% of respondents report rising availability, significantly higher than the +14% reported in the UAE. Partly reflecting a five-year freeze on rents, brought into effect for residential and commercial properties in Riyadh, rental growth projections have been revised down across Saudi Arabia in aggregate. While the prime office sector is still expected to deliver growth of around 3%, respondents now anticipate only modest increases (just above 1%) for prime industrial and retail space. Across the secondary segments of these sectors, survey participants generally foresee little to no rental growth. In contrast, expectations in the UAE remain bullish, with strong rental increases anticipated across all sectors. Notably, prime office rents are projected to see particularly robust growth.

Investment market remains resilient

Investment conditions in Saudi Arabia remain stronger than the occupier side, with a net balance of +40% of respondents reporting increased enquiries in Q3. Growth was seen across the office, industrial, and retail sectors, though retail demand rose more modestly. Likewise, respondeonts located in the UAE continue to cite strong investor demand from both domestic and international buyers alike.

As shown in Chart 3 (next page), capital value projections over the next 12 months are positive across all sectors in both Saudi Arabia and the UAE. The UAE's prime office sector leads with the strongest forecast, followed by prime industrial, data centres, leisure, and prime retail. Overall, projections in the UAE exceed those in Saudi Arabia across most sectors. Exceptions include hotels and life sciences, where Saudi Arabia shows stronger capital value growth expectations. Respondents are also notably optimistic about the prospects for prime office and leisure assets in Saudi Arabia.

Despite continued optimism around short-term capital value growth, underlying valuation concerns are visible. Half of all respondents in both Saudi Arabia and the UAE view current market pricing as above fair value, with 20% in the UAE considering it "very expensive" (Chart 4). While this perception has not yet weighed on near-term sentiment, it raises questions about the sustainability of recent growth trends. Elevated pricing may limit future upside potential, particularly if rental growth or demand begins to moderate, suggesting a more cautious outlook may be warranted over the medium term.

Chart 1 - Commercial Property Sentiment Index

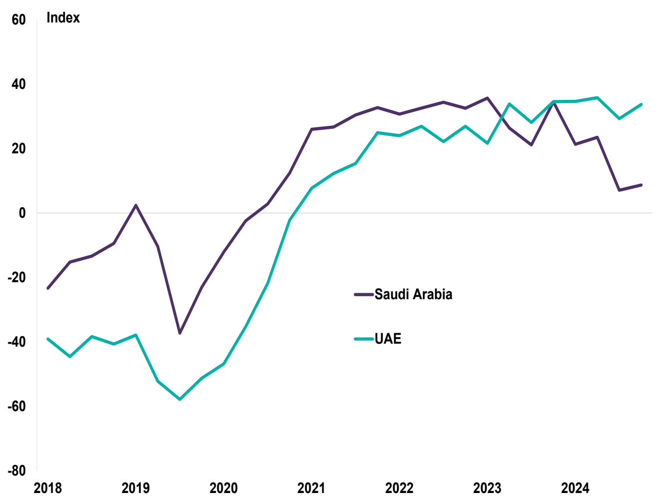


Chart 2 - Occupier demand by sector

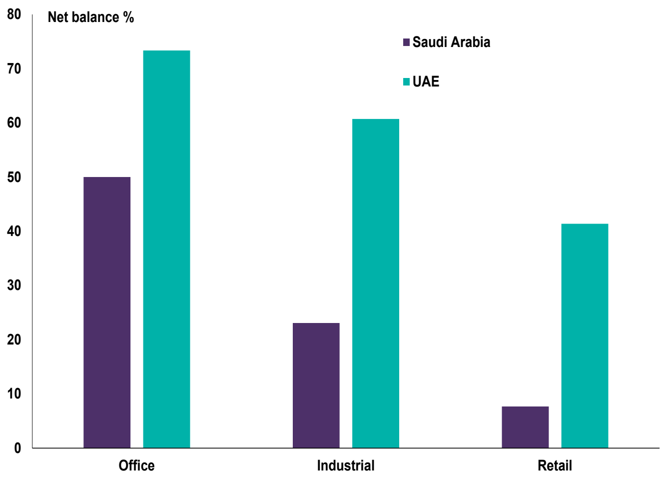


Chart 3 - Twelve-month Capital Value Growth Expectations by Sector

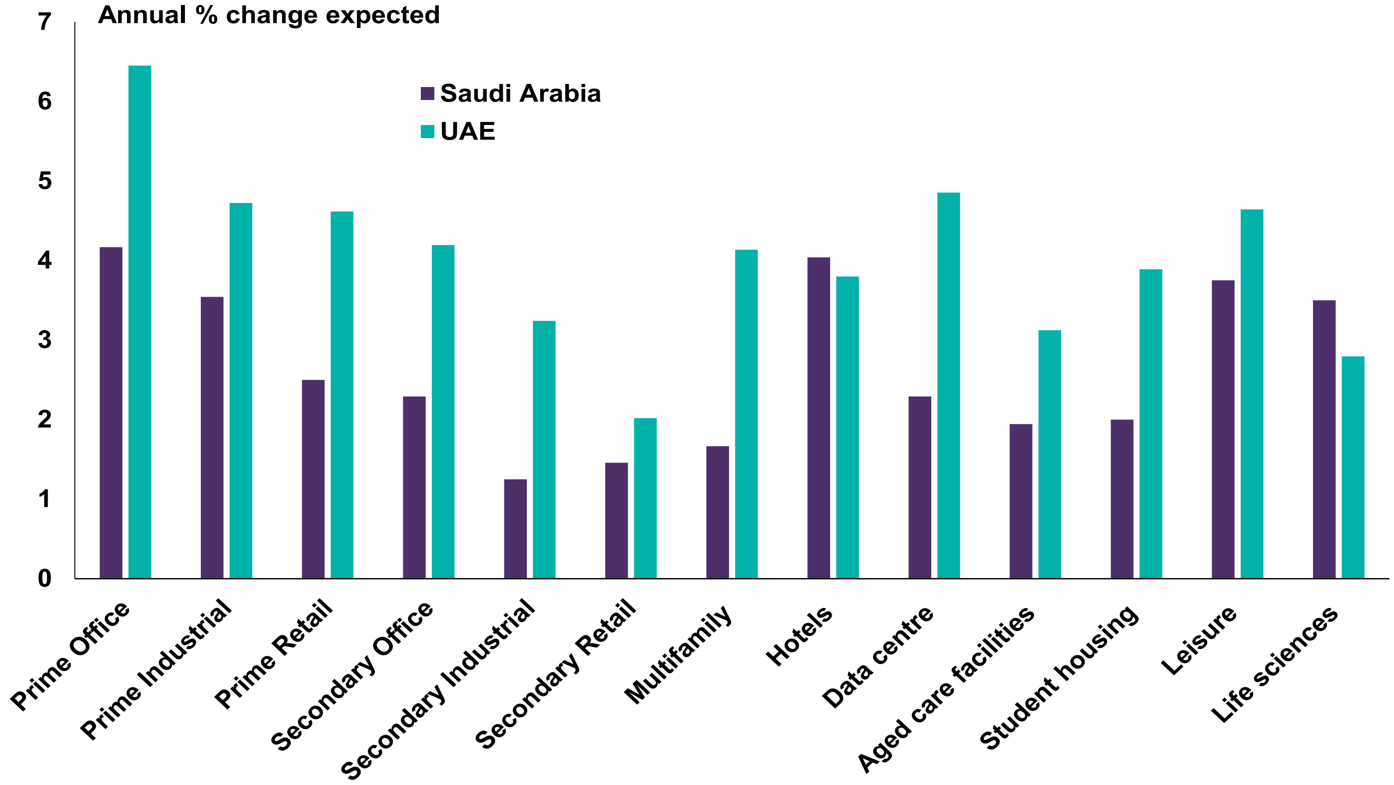
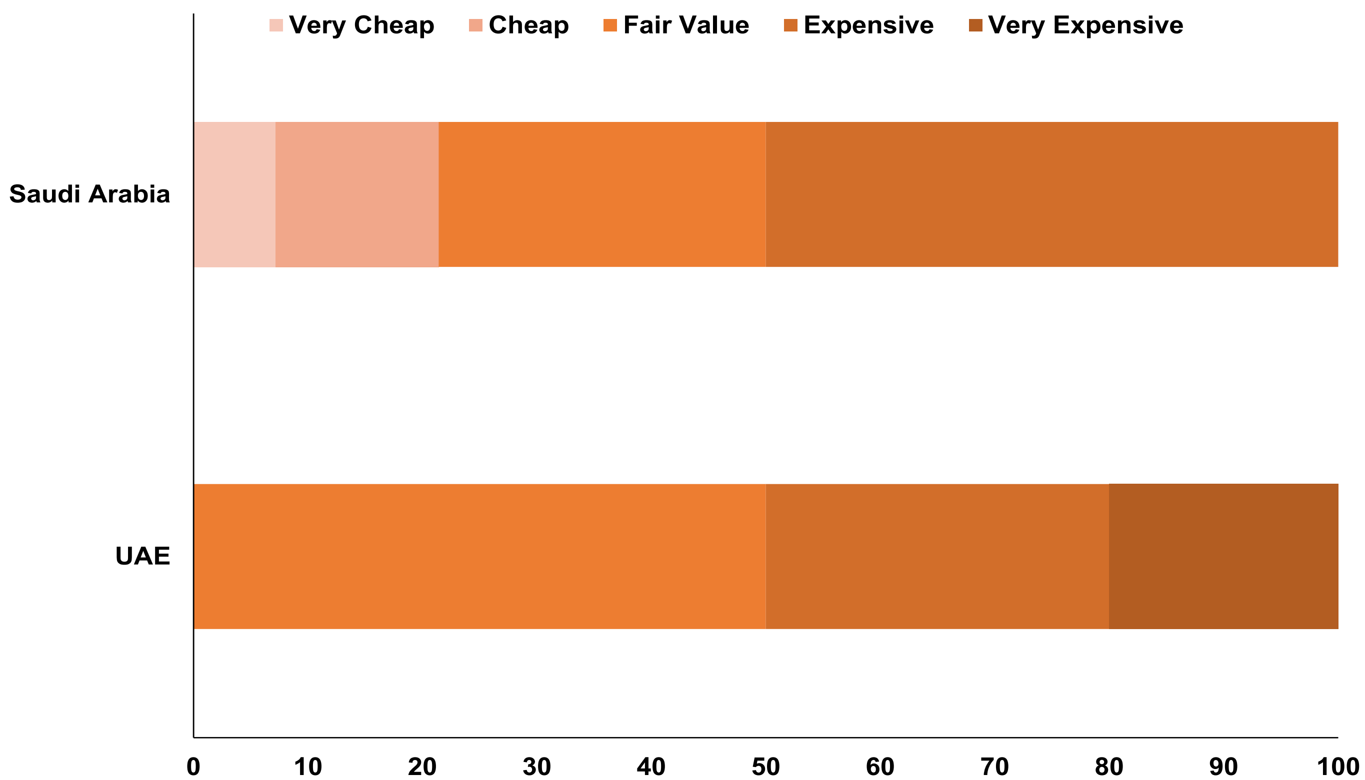


Chart 4 - Perceptions Regarding Current Valuations



Comments from survey participants across the Gulf Cooperation Council

Bahrain

The Bahraini market has seen modest contraction over time: revenue and earnings of listed companies have declined over the past few years. Valuation metrics are relatively normalized: the market is trading close to its 3-year average P/E ratio. The non-oil sector is an increasingly important driver. - Manama

Market Conditions are weak.- Manama

Qatar

Still relatively benign market condtitions. - Doha

Saudi Arabia

There will be a boom in next 12 months. - Jazan

The MBS announcements on new regulations for real estate has a big impact on property prices. - Jeddah

Access to liquidity is limited for the majority of proposed investments in the real estate sector. - Jeddah

The new decree to fix rent fees for the next 5 years in Riyadh has a significant impact on the market. - Riyadh

On September 27th 2025, a regulation came into effect for rent fees in Riyadh across all sectors for a period of 5 years, with fine and penalty for non compliance. Additionally, only leases that are documented with an electronic portal (Ejar) are considered binding contract, all others are not binding which is a huge shift to have leases documented. - Riyadh

UAE

The logistics sector demonstrated strong performance throughout the quarter, as evidenced by the expansion efforts of established players and the entry of new players into the market. - Abu Dhabi

Upswing. - Abu Dhabi

Material prices are going up. - Abu Dhabi

At the peak. - Dubai

Cost of living has increased and earnings have not been raised significantly. - Dubai

Global Commercial Property Monitor

RICS' Global Commercial Property Monitor is a quarterly guide to the trends in the commercial property investment and occupier markets. The reports are available from the RICS website www.rics.org/news-insights/market-surveys/global-commercial-property-monitorss along with other surveys covering the housing market, residential lettings, and construction activity.

Methodology

Survey questionnaires were sent out on 11 September 2025 with responses received until 15 October 2025. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 1507 company responses were received.

Responses have been amalgamated across the three real estate sub-sectors (offices, retail and industrial) at a country level, to form a net balance reading for the market as a whole.

Net balance = proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100.

A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline. The RICS Occupier Sentiment Index (OSI) is constructed by taking an unweighted average of readings for three series relating to the occupier market measured on a net balance basis; occupier demand, the level of inducements and rent expectations. The RICS Investment Sentiment Index (ISI) is constructed by taking an unweighted average of readings for three series relating to the investment market measured on a net balance basis; investment enquiries, capital value expectations and the supply of properties for sale. The Commercial Property Sentimet Index is an unweighted average of the OSI and ISI. Regional indicators are weighted using estimates of the stock of commercial property provided by LaSalle Investment Management, and are adjusted on an annual basis.

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Disclaimer

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