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Saudi Arabia & UAE Commercial Property Monitor

Q4 2025

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Momentum softens in Saudi Arabia amid regulatory interventions, while the UAE market ends 2025 at peak strength

- Headline Sentiment Indices still positive in Saudi Arabia but further signs of moderation are evident
- Investment demand growth continues to gain momentum across the UAE
- Outlook for capital values flattens noticeably in Saudi Arabia, while projections are upgraded across the UAE

The Q4 2025 RICS Global Commercial Property Monitor results point to an increasing divergence between Saudi Arabia and the UAE. After several years of broadly synchronised growth, differing policy settings and market dynamics are beginning to reshape performance. While the UAE continues to benefit from strong occupier demand and investor appetite, Saudi Arabia is entering a more measured phase following an extended period of rapid expansion. This moderation largely reflects the rent freeze introduced in late 2025, which prevents any increases in rents for existing commercial and residential leases in Riyadh for a five-year period, with rents held at their last registered level to help ease inflationary pressures..

Reflecting this shift, the headline Commercial Property Sentiment Index (CPSI) for Saudi Arabia registered +8 this quarter. Although still in expansionary territory, this represents a marked cooling from the elevated growth rates recorded over the past few years. By contrast, momentum continues to build in the UAE, with its CPSI rising to +37, reinforcing its position as one of the most robust real estate markets globally (Chart 1).

Policy influences Saudi Arabia market outlook

Chart 2 highlights tenant demand trends across both nations. In Saudi Arabia, occupier demand for industrial and office space remains expansionary (both at a +40% net balance), while retail demand has weakened, posting a net balance of -20% as the sector adjusts to new supply and evolving consumer behaviour. In the UAE, occupier conditions remain exceptionally strong, with office tenant enquiries continuing to rise, with a near-record net balance of +81% of respondents reporting increased demand.

The rent freeze in Riyadh has imposed a clear ceiling, moderating the national 12-month prime office rental projection to just 0.8%. Rental expectations across the prime industrial and retail sectors are similarly flat. In contrast, all segments of the UAE market are expected to record solid rental growth, led by an 8% rise in prime office rents, while secondary office space is also forecast to see robust growth of around 6.5%.

Investment divergence and the shift to alternatives

Investment demand in Saudi Arabia remains positive, with a net balance of +27% of respondents citing an increase in enquiries during Q4. That said, this is noticeably softer than over recent years, with investors increasingly targeting value-add opportunities that remain outside the scope of the initial freeze. For the year ahead, leisure assets lead capital value growth expectations at +4.7%, followed by data centres at +3.9%.

In the UAE, CRE investment activity remains vigorous, with +68% of respondents reporting increased demand. Supported by this momentum, twelve-month capital value growth projections have been revised upwards across most sectors. Data centres (+7.8%) and life sciences (+8.0%) stand out as displaying especially strong projections, reflecting the region's continued investment in digital infrastructure and advanced technology.

Valuation perceptions are also diverging across both nations. In the UAE, 73% of respondents view current pricing as "expensive" or "very expensive," indicating rising valuation risk despite strong market momentum. In contrast, Saudi Arabia is increasingly viewed as fairly priced, with half of respondents assessing values at "fair value." While the rent freeze has tempered short-term growth, it has also introduced greater income visibility, potentially supporting market stability following a prolonged period of rapid expansion.

Chart 1 - Commercial Property Sentiment Index

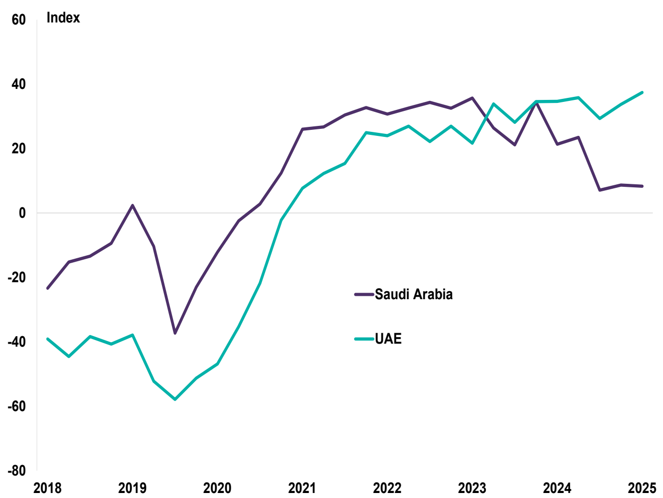


Chart 2 - Occupier demand by sector

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

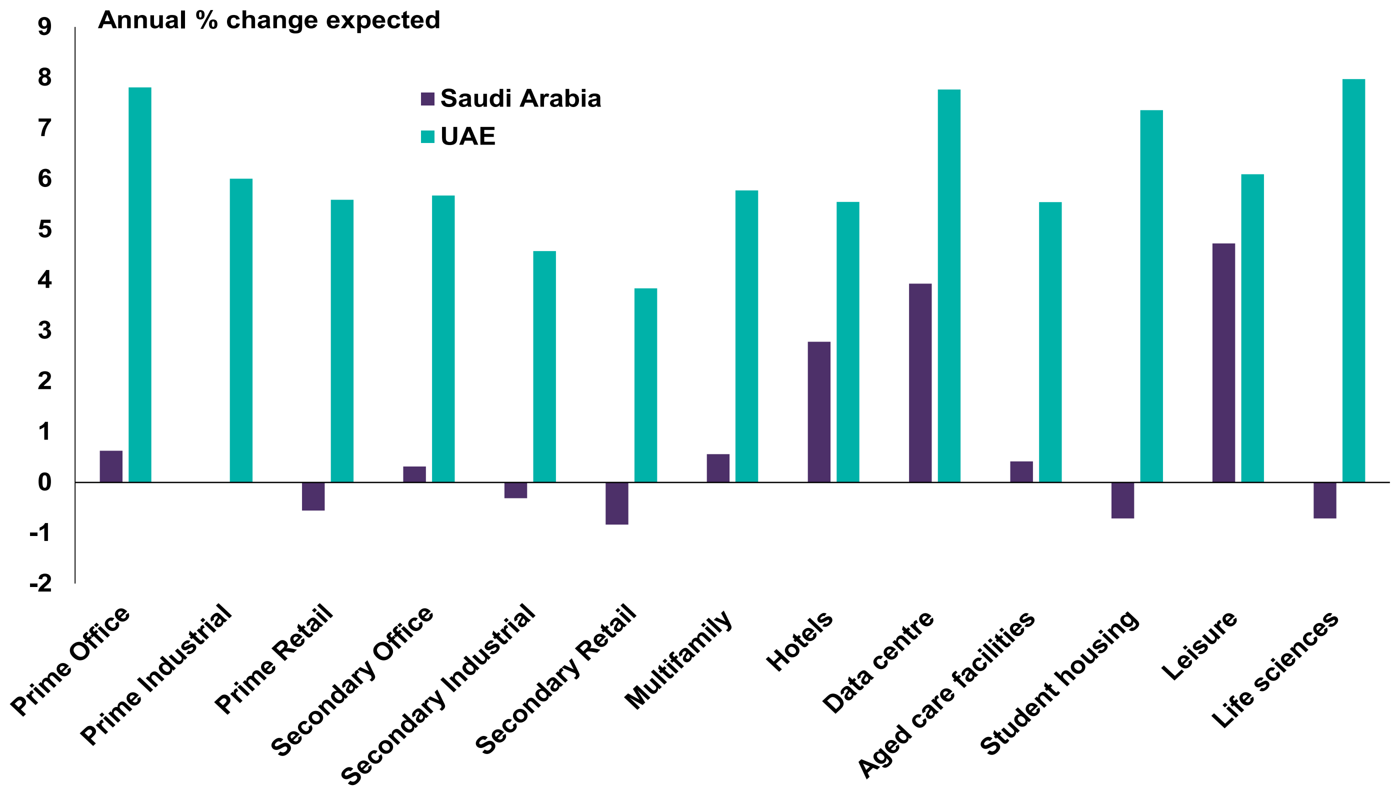
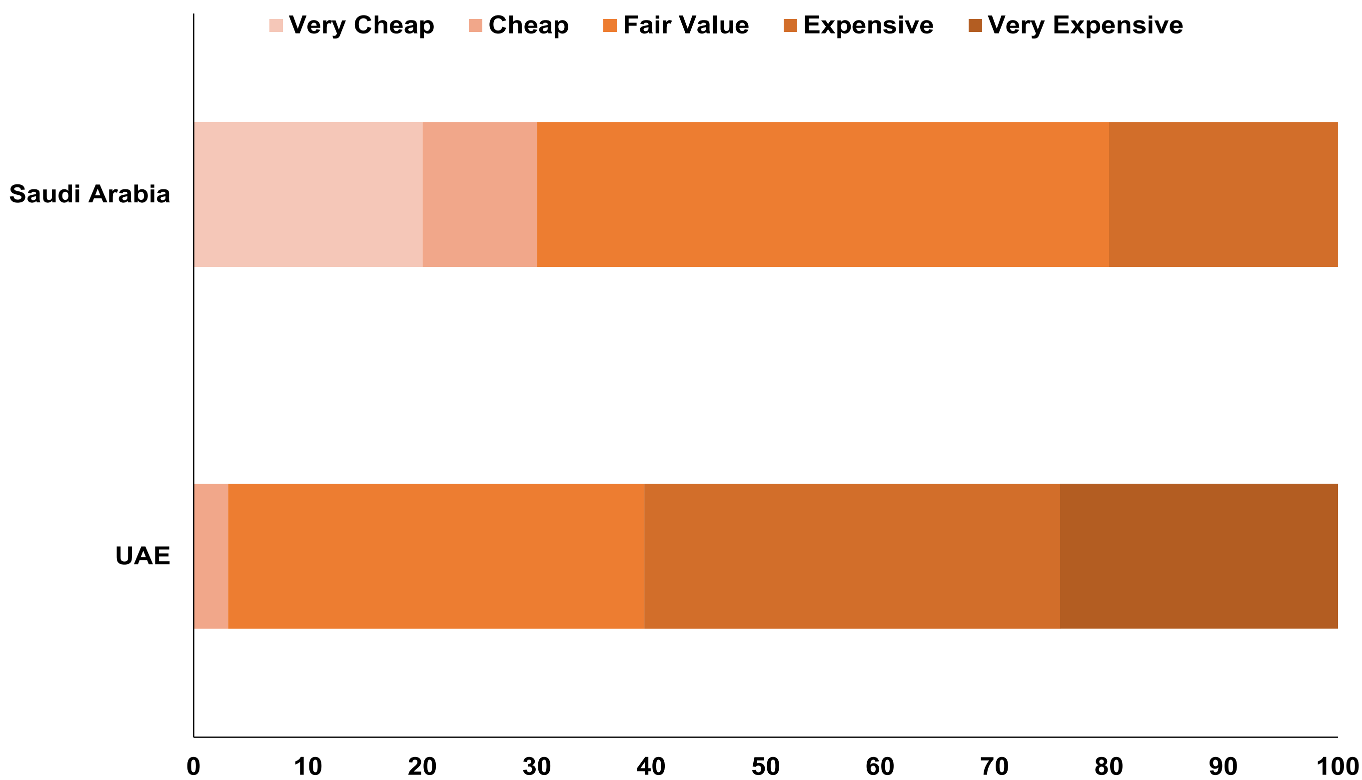


Chart 4 - Perceptions Regarding Current Valuations



Comments from survey participants across the Gulf Cooperation Council

Bahrain

Market down due to weak economy. - Manama

Kuwait

Growth in Data Centre Development. - Kuwait

Stable market. - Salmiya

Qatar

Benign demand and subdued market conditions persist in Qatar. - Doha

Saudi Arabia

Saudi markets are affected positively by the new laws of MBSou Crown Prince. Stabilizing the rent fee for 5 years in Riyadh & lots of restrictions on all kingdom of Saudi like no taxes for factories,.... etc. - Jeddah

Due to the decree for keeping the rent unchanged for 5 years and the implementation of Idle Land decree, it's most likely the market will be stable and the price will be down for next year. - Riyadh

The market has tightened on oil price low as well as optimistic budgets not realizing to the full, due to financial backing deficits. - Riyadh

There is diversity in setting goals and prioritizing short term goals. - Tabuk

United Arab Emirates

Commercial rental values in Abu Dhabi continue to perform well with retail and office rates per sqm in premium office and retail assets reflecting a finite supply of quality stock, notable developments include Galleria Mall (retail) and ADGM with 2026 seeing greater connectivity to Al Maryah Island from E11 and E10 highway. Expansion of AUH free zone district to Reem Island a residential freehold ownership area of Abu Dhabi has seen growth mixed use projects. - Abu Dhabi

Lack of quality supply is the main theme for Abu Dhabi's office and industrial sectors, driving a rapid surge in rents and capital values. The challenge will arise when rental growth outpaces occupiers' ability to absorb higher costs, potentially impacting take-up and expansion decisions. - Abu Dhabi

Upswing. - Abu Dhabi

Day by Day demand for offices and retail space is growing and values also becoming expensive. - 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 6 December 2025 with responses received until 19 January 2026. 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 1610 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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