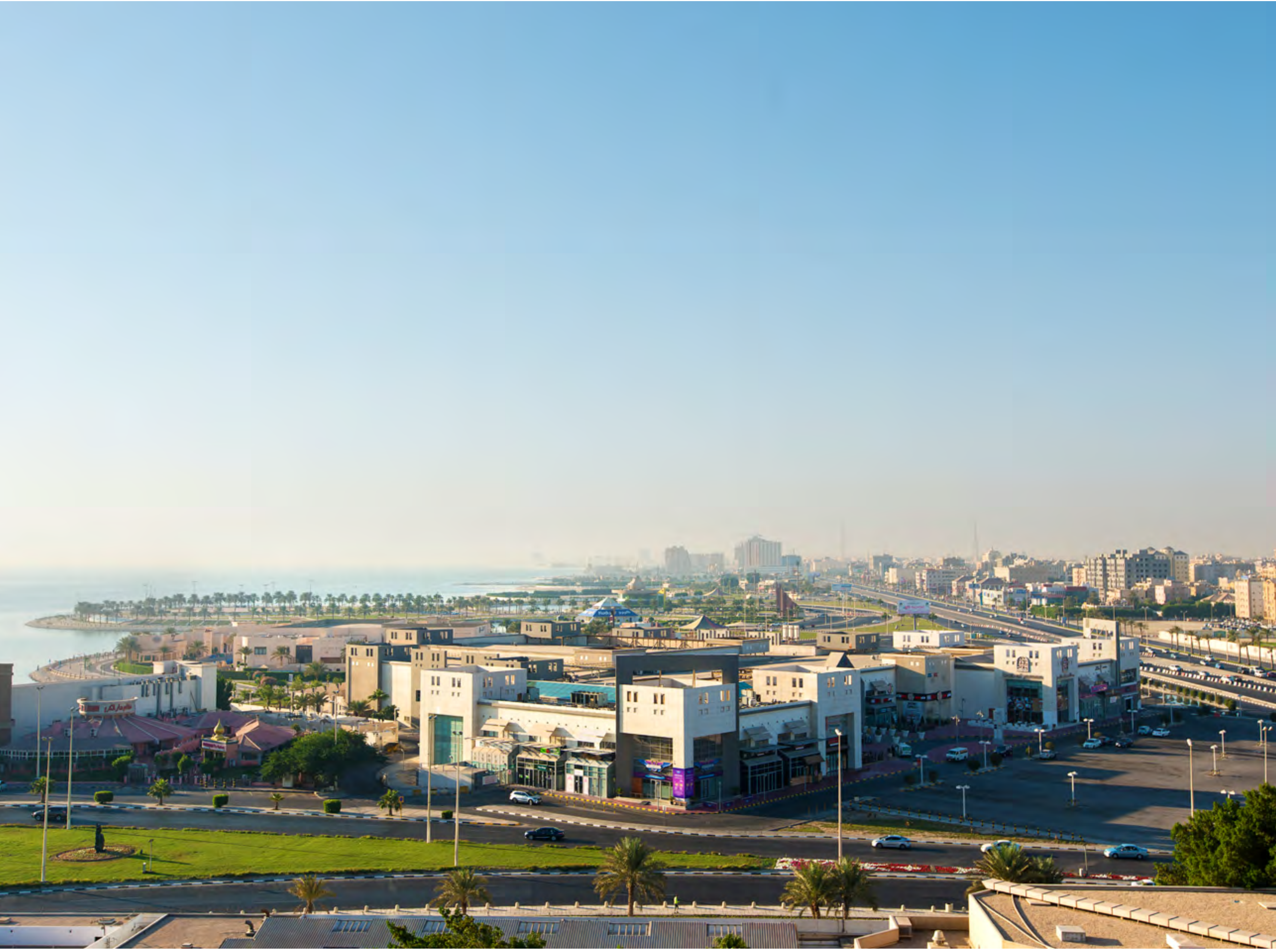

The KSA Real Estate Market overview

Research | A Year in Review 2022

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Office

Riyadh

4.9m sq m GLA
Total stock

629k sq m GLA
2023 planned deliveries

Y-o-Y **16%**
Average Grade A & B rents

Jeddah

1.2m sq m GLA
Total stock

78k sq m GLA
2023 planned deliveries

Y-o-Y **10%**
Average Grade A & B rents

In 2022, office completions were limited across Saudi Arabia's two largest cities. Only 14,200 sq. m. and 25,600 sq. m. of gross leasable area (GLA) was delivered in Riyadh and Jeddah, respectively. It's also worth highlighting that there were no notable additions recorded in either market in the final quarter. But the future supply pipeline for 2023 is relatively healthy if built as scheduled, with around 629,000 sq. m. of floorspace planned to be completed in the capital and 78,000 sq. m. in Jeddah.

The limited availability of good quality office space and robust demand has served to further strengthen landlords' negotiating position in the capital. The scarcity of Grade A floorspace in Riyadh has led to demand spilling over into well-located secondary buildings – some of which are now also registering 100% occupancy rates. As a result of these dynamics, owners of under-construction projects are seeing success in pre-leasing their space. Good quality offices in Jeddah also experienced robust demand in Q4, with a majority of enquiries coming in for fitted space.

In the final three months of 2022, Riyadh's market-wide vacancy rate stood at 2% and the figure for Jeddah at 7%. Moreover, healthy market fundamentals pushed up average Grade A lease rates in the capital by 16% year-on-year to SAR 1,680 per sq. m. per annum. On the same basis, average Grade A office rents in Jeddah increased by 12% to nearly SAR 1,160 per sq. m. per annum.

Demand is also growing for co-working and serviced offices across Saudi Arabia, with start-ups and other small companies largely driving take-up. Although this segment has historically accounted for a relatively small proportion of overall office stock, its share is increasing as international operators expand their footprints in the kingdom.

Residential

Riyadh

1.4m units
Total stock

32k units
2023 planned deliveries

4% Y-o-Y
Average sale prices

1% Y-o-Y
Average rents

Source: MOJ

Jeddah

853k units
Total stock

35k units
2023 planned deliveries

4% Y-o-Y
Average sale prices

5% Y-o-Y
Average rents

Around 31,300 units were delivered in Riyadh over the course of 2022, increasing its total stock to 1.4 million residential units. Over the same period, Jeddah saw the completion of around 8,300 units to bring the city's total inventory to 853,000 units. In 2023, approximately 32,000 units are scheduled to be completed in the capital and 35,000 in Jeddah. The majority of this upcoming supply is coming through master-planned projects.

Demand for apartments continued to grow strongly in Q4 2022, with prices registering growth of 8% year-on-year in both cities. On the same basis, rents for apartments grew by 10% in Riyadh and by 3% in Jeddah. Generally, demand for apartments & small units has been rising across the kingdom's two largest cities due to a combination of affordability, an influx of expatriates (as a growing number of firms establish their presence in the kingdom) and Saudi nationals re-locating from other parts of the country.

Across Riyadh's residential sector as a whole, average prices increased by 4% year-on-year and average rents rose by 1% in the last three months of 2022. Over the same period, in Jeddah, average prices and rents recorded increases of 4% and 5%, respectively.

Positive momentum in residential performance has largely been driven by strong pent-up demand and the government introducing various measures to facilitate home-ownership among Saudi nationals.

Furthermore, the launch of over 2,000 units in Riyadh by ROSHN in November (after the roll-out and absorption of the first phase of the Sedra project) points to upbeat sentiment in the market. In the long run, demand for residential dwellings is expected to continue to trend-up in Riyadh as the rising population equates to higher levels of household formation.

Retail

Riyadh

3.3m sq m GLA — Total stock → **199k** sq m GLA — 2023 planned deliveries

2% Y-o-Y — Average rental rates in super regional malls

2% Y-o-Y — Average rental rates in regional malls

Jeddah

1.8m sq m GLA — Total stock → **530k** sq m GLA — 2023 planned deliveries

0% Y-o-Y — Average rental rates in super regional malls

0% Y-o-Y — Average rental rates in regional malls

Over the course of last year, approximately 78,000 sq. m. of retail GLA was delivered in Riyadh – pushing up the capital's total stock to 3.3 million sq. m. Over the same period, Jeddah's retail stock increased by 25,000 sq. m. to 1.8 million sq. m. Assuming no further delays, around 729,000 sq. m. of retail floorspace is scheduled to be completed across the kingdom's two largest cities in 2023; approximately 73% of this is planned to be added in Jeddah.

Helped by their growing popularity among a younger demographic, strip retail and smaller shopping centers in the capital have been performing well. Built-to-suit retail schemes leased to large anchors are also beginning to gain traction as they provide owners with steady long-term income and as tenants benefit from space which meets their requirements. The F&B and entertainment segments have been doing particularly well since the easing of COVID-19 restrictions, with some large mall owners reporting that footfall is approaching pre-pandemic levels. Average rents for super-regional and regional malls in Riyadh grew by 2% annually in Q4.

Like Riyadh, F&B and entertainment in Jeddah has been outperforming. Similarly, retailers catering to the wellness segment have been reporting healthy levels of activity. Generally though, players in Jeddah's retail sector have been more cautious – but an exception is landlords seeking to attract international brands which do not currently have a presence in the kingdom. In Q4 2022, average rents for super-regional and regional malls in the city were flat when compared to the same period of last year.

In-line with other parts of the region, malls in KSA are introducing more experiential retail concepts and are seeking to broaden the variety of outlets within their properties to attract consumers. Sentiment appears to be improving, with weekly data on points of sale transactions to mid-December suggesting that Q4 2022 will see a healthy annual increase across the two major cities.

Hospitality

Riyadh

21k keys — Total stock → **4k** keys — 2023 planned deliveries

Jan to Nov 2022

Occupancy Rate	61%
ADR's	USD178
RevPar's	USD109

Source: STR

Jeddah

16k keys — Total stock → **2k** keys — 2023 planned deliveries

Jan to Nov 2022

Occupancy Rate	53%
ADR's	USD209
RevPar's	USD111

Source: STR

Riyadh and Jeddah's hospitality markets saw the delivery of 1,800 keys in aggregate last year. Of this, around 1,000 keys were added to the capital's stock (which stood at around 21,000 keys in Q4) and the remaining in the latter city. As a result, Jeddah's total inventory rose to 16,000 keys. In 2023, there are approximately 4,000 keys expected to be delivered in Riyadh and around 2,000 keys in Saudi Arabia's second largest city.

As part of the kingdom's ambition to become a regional hub for trade and business, Riyadh has been hosting various international events and forums – for example, the Future Investment Initiative (FII) in October. The relocation or expansion of corporates to the capital also provided a boost to business travel. Other events held in Q4 include the Riyadh International Book and Riyadh Season 2022, which provided a further uplift to occupancy rates across the city's hotel market.

Meanwhile, since Jeddah is a gateway to the holy city of Mecca, the relaxation of COVID-19 restrictions and other rule changes have bolstered the number of Umrah pilgrims passing through it.

These factors largely underpinned the strong performance across both cities' hospitality markets last year. The latest available data shows that Riyadh's occupancy rate jumped to 61% and the average daily rate (ADR) climbed to USD 178 in the first 11 months of 2022, which led to revenue per available room rising by 35% year-on-year to USD 109.

Although Jeddah's occupancy rate also increased over the same period, its outturn was lower (at 53%) when compared to the capital. However, the former city's ADR rose significantly to reach USD 209 – up 20% year-on-year. Consequently, the RevPAR jumped by 36% to USD 111 between January and November 2022.

Definitions and methodology

Future Supply
JLL estimates of future supply is updated on a quarterly basis and is based on primary research (physical inspections) and secondary research (discussions with developers). The future supply is reflective of projects actively under construction. It excludes projects that have been announced, where ground works have not started. We remain cautious of the ability of some projects to meet their stated completion deadlines, with significant delays in project delivery leading to a low materialization rate.

Office

Supply
The current supply of completed office GLA is based on a comprehensive list of office buildings that have been handed over for immediate occupation. This includes standalone office buildings and office space within mixed-use buildings: In Riyadh, the areas covered include: CBD, North and East Ring Roads, Khurais, Mazer, and Sitteen Streets. In Jeddah, the areas covered include: Prince Sultan, Tahlia, King Road, Ibrahim Al Jaffali, Amanah Street, Madinah, King Abdullah and Rawdah Streets.

Performance
The weighted average rent (WAR) is based on estimates from the JLL Offices and Business Space team. It reflects the WAR across a basket of Grade A buildings in the CBD.
Grade A buildings are defined as high quality office spaces, well located, with good access to infrastructure (metro) and amenities including F&B and retail.
The WAR of Grade A buildings represents the top open-market, net rent (exclusive of service charge and incentives) for a new lease that could be expected for a notional office unit.
Vacancy rate is based on estimates from the JLL Offices and Business Space team. It reflects the weighted average rate across a basket of buildings.

Residential

Supply
The current supply of completed residential buildings is based on the National Housing Census 2010, and quarterly surveys of major projects and standalone developments in Riyadh and Jeddah. It is reflecting residential units that have been handed over for immediate occupation. Our definition of residential units includes apartments and villas.

Performance
Residential performance is based on two separate baskets, one for rental rates and the other for sale prices of villas and apartments. The two baskets cover properties in selected locations across the cities.

Retail

Supply
The classification of retail centers is based on the **Urban Land Institute (ULI)** definition and based on their **Gross Leasable Area (GLA)**:

Super Regional Malls have a GLA of above 90,000 sq m
Regional Malls have a GLA of 30,000 - 90,000 sq m
Community Malls have a GLA of 10,000 - 30,000 sq m
Neighborhood Malls have a GLA of 3,000 - 10,000 sq m
Convenience Malls have a GLA of less than 3,000 sq m

The current supply of completed retail GLA is based on a comprehensive list of mall-based retail that have been handed over for immediate occupation. Our project list excludes street retail and retail within mixed-use buildings.

Performance
Average rents are based on estimates from the JLL Retail team. It reflects the rents across a basket of primary and secondary retail centers.
Primary and secondary retail centers are identified based on their turnover levels. **Primary Malls** are the best performing malls with highest levels of turnover. **Secondary Malls** are the average performing malls with lower levels of turnover.
Average rents represent the top open market net rent expected for a standard in line unit shop of 100 sq m in a basket of regional and super regional centers. Given the variation in rentals, we quote percentage change for retail rents rather than actual figures.
Vacancy rate is based on estimates from the JLL Retail team. It reflects the average rate across a basket of super regional and regional centers.

Hotels

Supply
The current supply of hotel rooms is based on data from our quarterly surveys, reflecting hotel rooms that have been handed over for immediate occupation. Our project list includes all graded supply and includes serviced apartments.

Performance
STR performance data is based on a monthly survey conducted by **STR Global** on a sample of international standard midscale and upscale hotels. **Average Daily Rates (ADR)** and **Revenue Per Available Room (Rev Par)** are the key performance metrics.

SEE A BRIGHTER WAY

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