

Riyadh Office Market



QUARTERLY MARKET INDICATORS

↑
DEMAND

↓
VACANCY

↑
NEW SUPPLY

☀️
MARKET SENTIMENT

The non-oil sector continues to drive the Saudi economy towards growth, despite a projected dip in GDP to -0.5% in 2023 due to strategic oil adjustments. It also remained robust at 4.1%, paving the way for a swift rebound in overall economic growth at 5% in 2024 as oil production normalises. The Kingdom's Purchasing Managers' Index (PMI) held firm at 57.5 in December 2023, staying solidly above 50, reflecting a robust non-oil sector driven by increasing demand, investment, and exports. Saudi Arabia's ambitious Vision 2030 target of boosting foreign direct investment (FDI) to 5.7% of GDP by 2030, continues to fuel strong investor confidence, particularly among foreign companies.

Riyadh's office market remains strong in Q4 2023, showcasing remarkable agility. Ejar data further underscores this momentum, due to a 31% surge in office rent transactions in 2023 compared to 2022. Whilst rental values remained stable in Q4 2023, the overall upward trend is expected to continue in 2024, driven by factors like Vision 2030's FDI goals and sustained economic growth.

Riyadh is witnessing a surge in corporate interest, fuelled by the Kingdom's ambitious economic diversification plan. As per recent estimates, over 180 foreign firms, exceeding the initial target of 160, have secured licences to establish their regional headquarters in Riyadh, demonstrating their confidence in the region's robust potential. Among these, some of the prominent names like TUV Rheinland, Tarjama, IHG Hotels & Resorts, and GE Healthcare have established their regional headquarters in Q4 2023. Riyadh's expanding market and opportunities are attracting international companies that are taking a longer-term view of the market. This vote of confidence fuels the city's rise as a magnet for leading players across industries.

Leasing activity tracked by Savills in Q4 2023 was led by legal firms dominating 40% of completed transactions, followed by tech companies, Telecommunication, Media and Technology (TMT) firms, and engineering and manufacturing companies at 20% each.

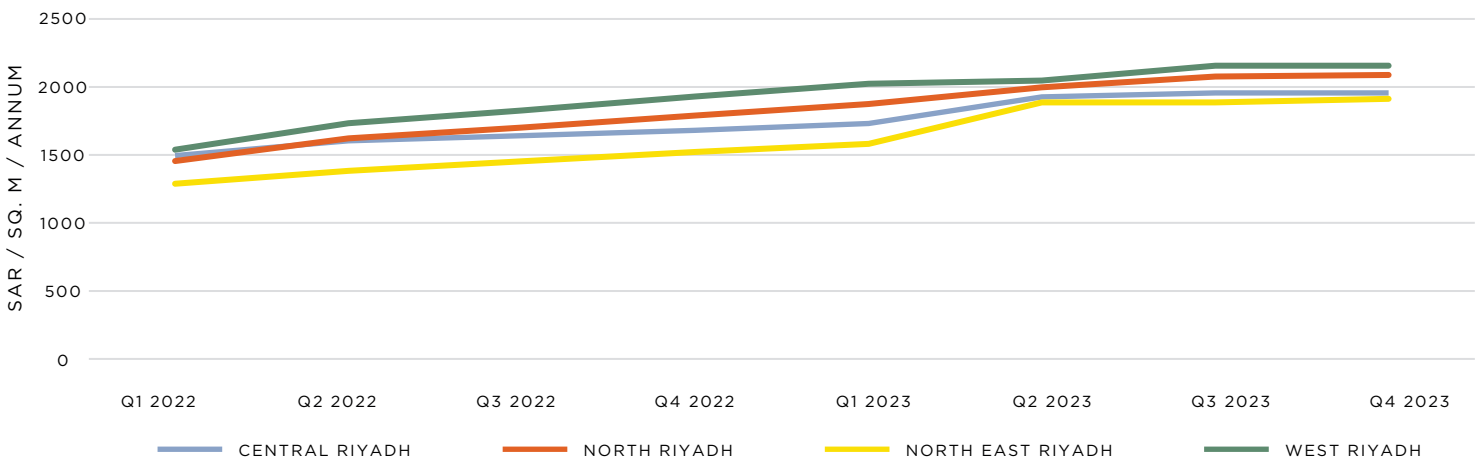
This robust momentum extends beyond completed deals, with a healthy inquiry pipeline for the coming months. Notably, companies from the pharmaceutical, IT/ITES, and BFSI sectors dominated occupier inquiries, accounting for 57% of the total inquiries received by Savills. Of particular interest, 70% of inquiries' demand focuses on office units smaller than 1,000 sqm, indicating a preference for agile, efficient workspaces.

Nearly 78% of Q4 2023 inquiries stemmed from international companies. Corporates from the US-led demand with 40% share of the total inquiries, reflecting the growing international interest in Riyadh's economic potential. Along with the economic opportunities on offer, the recently announced 30-year tax relief for regional headquarters (RHQs) is acting as an incentive to attract international companies, which aligns with Vision 2030 goals and incentivises global players to establish a strong presence in Riyadh. Additionally, government spending on infrastructure projects is creating significant opportunities for both established and new players.

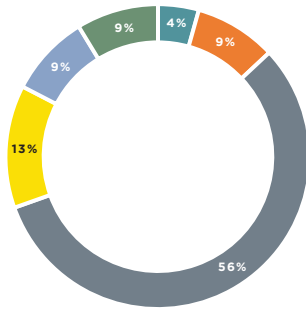
Limited prime office space in Riyadh has led to an increase in the Grade A occupancy rate, which is currently estimated at 98%. Whilst rents remained stable q-o-q in Q4 2023, this stability was observed after a significant y-o-y increase of 18%. North-East Riyadh stands out, experiencing the highest rental increase in Q4 2023 at 26% y-o-y, followed by Central and Northern Riyadh increasing each by 17% y-o-y, highlighting its prime location and limited availability.

Driven by a strong increase in demand, a surge in supply of nearly 800,000+ sqm of new Grade A office space is likely to be completed by 2025. Because of the anticipated new supply, there will be more options for tenants to consider going forward, which may help restrict any dramatic increases in prices whilst catering to the sustained demand levels.

RIYADH OFFICE RENTAL TREND Q4 2023

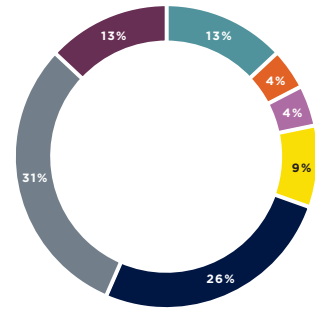


AVERAGE INQUIRY SIZE Q4 2023



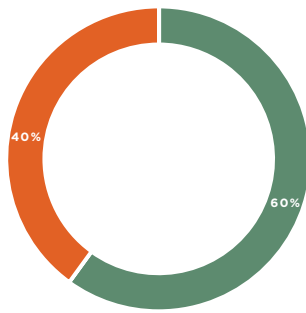
■ LESS THAN 250 SQ. M. ■ 250 - 500 SQ. M.
■ 500 - 1,000 SQ. M. ■ 1,000 - 2,000 SQ. M.
■ 2,000 - 4,000 SQ. M. ■ 4,000 SQ. M. AND ABOVE

SECTOR-LEVEL SPLIT OF INQUIRIES Q4 2023



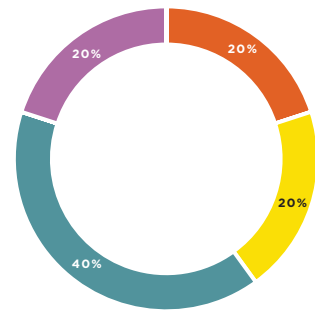
■ BFSI ■ TMT
■ CONSULTING ■ ENGINEERING & MANUFACTURING
■ OTHERS ■ PHARMACEUTICAL
■ IT/ITES

TRANSACTION TYPE Q4 2023



■ RENEWAL ■ NEW ENTRY

SECTOR LEVEL SPLIT OF TRANSACTIONS Q4 2023



■ BFSI ■ TMT
■ CONSULTING ■ ENGINEERING & MANUFACTURING



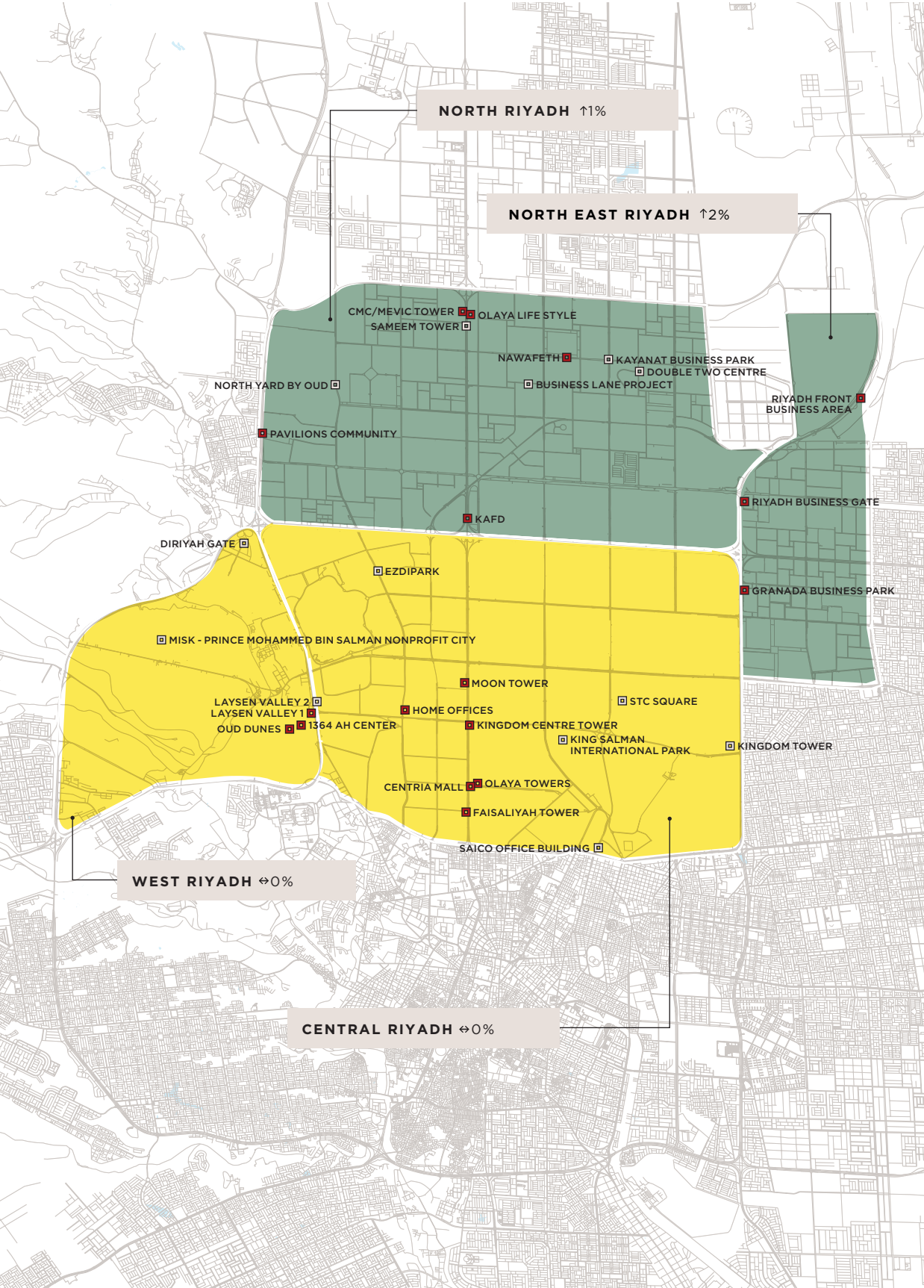
RIYADH MAP WITH PRICE INDICATORS

Q4 2023

Q-o-Q CHANGE (%)

- UP ↑
- STABLE ↔

- MAJOR PROJECTS
- U/C



Savills Team

Please contact us for further information

Swapnil Pillai

Associate Director
Research
+971 4 365 7700
swapnil.pillai@savills.me

Cladia Jose

Research Analyst
+971 4 365 7700
cladia.jose@savills.me

Rayan Alajrafi

Research Analyst
+966 55 079 8846
Rayan.Alajrafi@savills.sa

Ramzi Darwish

Head of
Saudi Arabia
+966 53 666 2374
Ramzi.Darwish@savills.sa

Paula Walshe

Director, Transactional
Services Middle East
+971 4 365 7700
paula.walshe@savills.me

Amjad Saif

Head of Transactional
Services KSA
+966 53 382 3350
amjad.saif@savills.sa

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