

QUARTERLY MARKET INDICATORS



DEMAND



VACANCY



NEW SUPPLY



MARKET SENTIMENT

Riyadh's office market remains on a stable path, underpinned by the Kingdom's steady economic outlook for 2025 and sustained business confidence. The Saudi economy is projected to expand by 3.5%, largely driven by a robust 4.9% GDP growth in the non-oil sector, reflecting the ongoing success of the country's diversification efforts.

The Purchasing Managers' Index (PMI) rose to 57.2 in June, driven by strong hiring activity, marking the sharpest increase since May 2011. This follows readings of 55.8 in May and 55.6 in April. While the highest PMI recorded in H1 2025 was 58.1 in March, the index remains firmly in expansionary territory, standing well above the neutral 50-point threshold for the 55th consecutive month. This reflects sustained business confidence and ongoing employment growth.

On the energy front, oil production increased to 9.12 million barrels per day, representing a 4.6% rise since the start of the year. This points to a strategic approach aimed at boosting output while maintaining fiscal discipline, underscoring the Kingdom's balanced management of hydrocarbon resources alongside continued non-oil sector momentum.

In line with Saudi Arabia's transformation agenda, foreign direct investment (FDI) continued to gain traction in early 2025. In Q1, FDI inflows reached SAR 22.2 billion, up from SAR 15.5 billion in the same period last year. This growth highlights improving investor sentiment and sustained capital interest across key sectors, including real estate.

Elevating Riyadh's status as a strategic business destination

Saudi Arabia's economic diversification efforts continue to deliver measurable results, reinforcing Riyadh's position as a leading regional business hub. Vision 2030 initiatives, such as streamlined licensing, improved ease of doing business, and investor-friendly tax policies, are driving non-oil sector growth and enhancing the city's commercial appeal.

The Riyadh Metro is gaining traction, with over 25 million passengers recorded in Q1 2025, underscoring the rising adoption of public transport. As additional stations open, areas like King Abdullah Financial District (KAFFD) and Olaya stand to benefit from improved accessibility, boosting their appeal to occupiers and supporting Riyadh's non-oil growth trajectory.

Momentum builds among global firms

Riyadh maintained its position as a regional business hub in Q2 2025, continuing to attract interest from multinational companies.

In February 2025, the Minister of Investment revealed that approximately 600 multinationals had secured licenses for regional headquarters in the capital. By June 2025, around 60 more multinationals had registered, surpassing the Vision 2030 target of 500.

New entrants in Q2 2025 include BNY Mellon, London Business School, ASPEN, and Globant, reinforcing Riyadh's growing global profile. Notably, 46% of leasing enquiries received by Savills during Q2 2025 originated from US and UK companies, reflecting strong international interest and the Saudi capital's increasing attractiveness to global occupiers.

Rising interest in larger spaces highlights market depth

Leasing activity remained strong in Q2 2025. The BFSI sector accounted for 50% of all transactions, with legal services and pharmaceuticals each contributing a further 25%. Notably, expansion-driven activity represented 50% of completed deals, suggesting that larger space requirements may be linked to the recent PMI increase. This underscores Riyadh's continued appeal to existing occupiers and investors.

The enquiry pipeline also remained robust, with BFSI, TMT, and engineering & manufacturing sectors comprising 45% of demand. Importantly, 50% of Q2 2025 leasing enquiries targeted spaces above 1,000 sqm, up from 28% last quarter, including 30% requesting areas over 4,000 sqm. This trend reflects occupiers' need for larger footprints, aligned with ongoing workforce growth and business expansion.

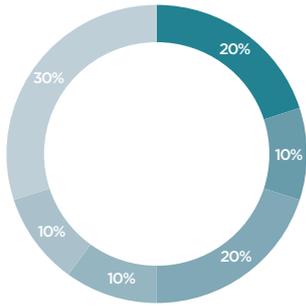
Prime Office Market Shows Resilience with Rising Rents

Grade A office occupancy remained strong at 98% in Q2 2025, supported by continued business confidence, steady demand, and limited prime supply. Rents maintained their upward trajectory, rising by 0.75% quarter-on-quarter and a notable 10% year-on-year. Zone C stood out, recording a 15% annual increase, followed by Zone A with nearly 11%, reflecting robust demand and tight availability in prime locations. These figures highlight the strength and stability of Riyadh's office market.

Outlook: Steady Demand, Supply on Track

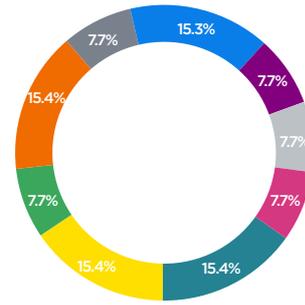
Robust demand and tight occupancy continue to support upward rental pressure, sustaining strong growth in the office market. However, this trajectory may ease by end-2026, with over 900,000 sqm of Grade A space expected to come online, driven by major projects such as Diriyah Gate and Prince Mohammed bin Salman Nonprofit City (Misk).

AVERAGE INQUIRY SIZE
Q2 2025



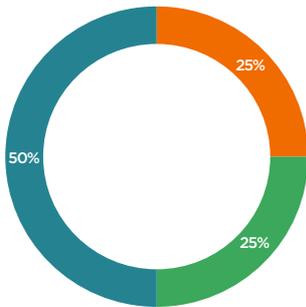
- LESS THAN 250 SQ. M.
- 250 - 500 SQ. M.
- 500 - 1,000 SQ. M.
- 1,000 - 2,000 SQ. M.
- 2,000 - 4,000 SQ. M.
- 4,000 SQ.M. AND ABOVE

SECTOR-LEVEL SPLIT OF INQUIRY
Q2 2025



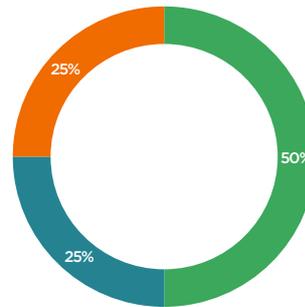
- ENGINEERING AND MANUFACTURING
- LEGAL SERVICES
- SHIPPING, OIL & ENERGY
- OTHERS
- IT/ITES
- BFSI
- PHARMACEUTICAL
- TMT
- CONSULTING

TRANSACTION TYPE
Q2 2025



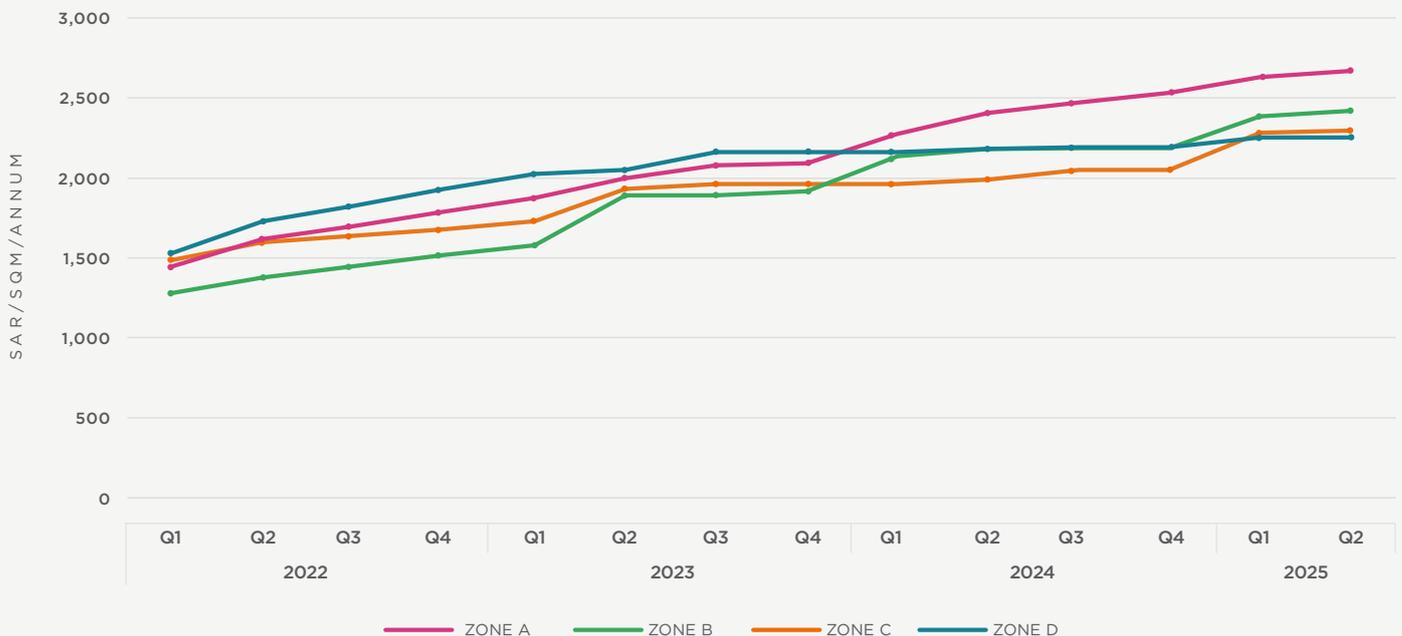
- NEW ENTRY
- RELOCATION
- EXPANSION

SECTOR LEVEL SPLIT OF TRANSACTIONS
Q2 2025

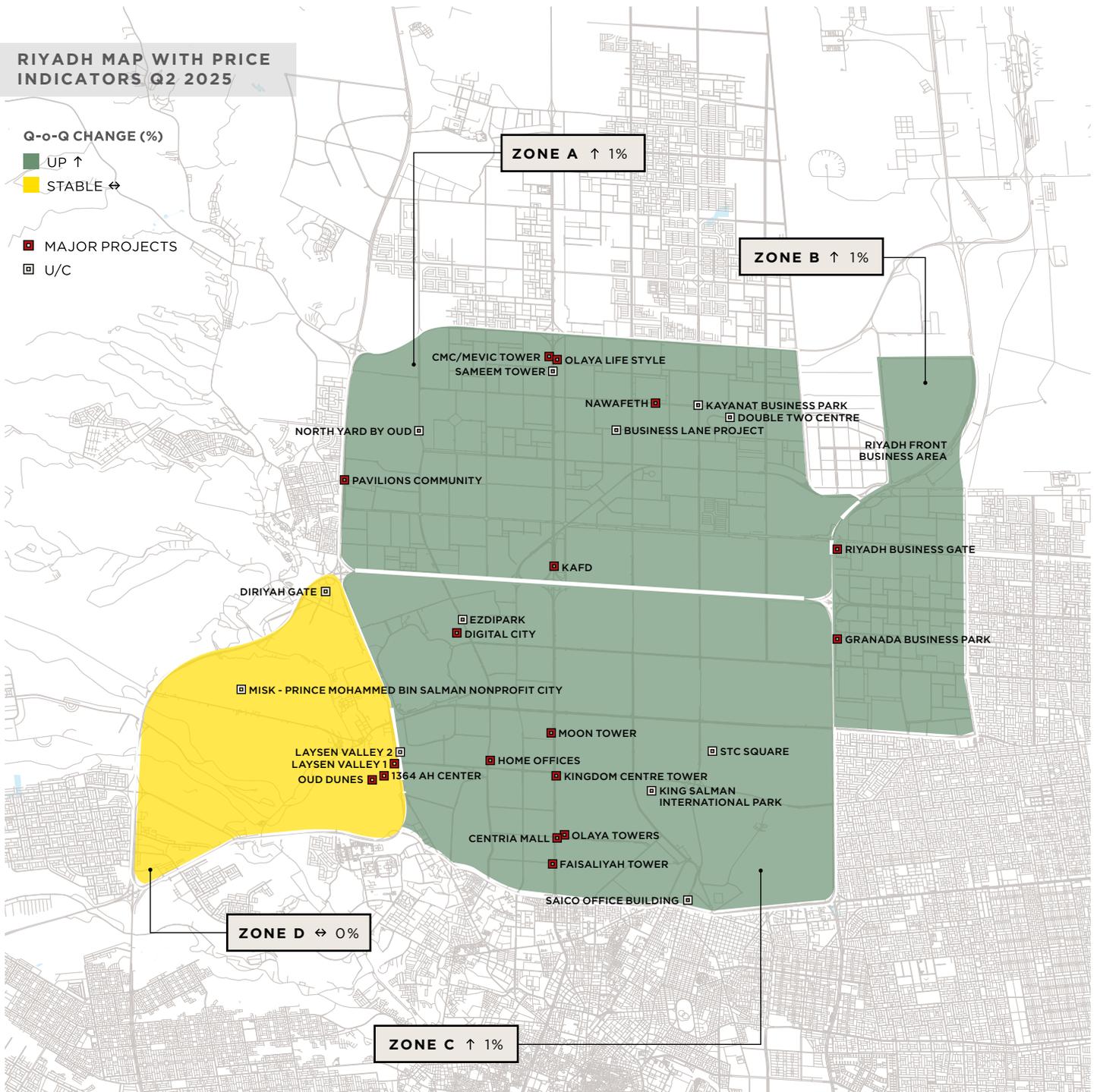


- PHARMACEUTICALS
- LEGAL SERVICES
- BFSI

RENTAL TREND - Q2 2025



Riyadh Office Market Q2 2025



Working alongside investors, developers, operators and owners, we inject market insight and provide evidence-based advice at every stage of an asset's lifecycle. We have unrivalled reach across the Middle East with extensive market experience in UAE, Bahrain, Oman, Egypt and KSA.

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