

Riyadh Office Market



QUARTERLY MARKET INDICATORS



Riyadh's office market continued its strong performance in Q2 2024, reflecting the strength of the non-oil sector. This sector, a key driver of the economy, grew by a solid 3.4% y-o-y in Q1, exceeding initial estimates. Continued non-oil activity is expected to propel GDP growth to a projected 5% this year. Low inflation, currently at a moderate 1.6% y-o-y for a third straight month in May 2024, is another positive sign. The business environment is positive, with the Purchasing Managers' Index (PMI) remaining steady and in the expansionary zone at 56.4 in May. This marked the 45th consecutive month above the neutral 50 mark that indicates expansion. A surge of corporate interest is propelling Riyadh to the forefront of the region, with foreign direct investment (FDI) increasing by 5.6% y-o-y in Q1 2024.

The positive trajectory of foreign investment in Saudi Arabia is expected to persist throughout 2024. This momentum is driven by several factors, including the strategic focus of Saudi Vision 2030 on attracting foreign capital. The Saudi government's investment incentives, including tax breaks, are proving highly attractive to international corporations seeking to establish regional headquarters within the Kingdom. According to the latest news, this strategy has yielded demonstrably positive results, with over 120 foreign firms relocating their regional bases to Riyadh in Q1 2024. This represents a remarkable 477% increase compared to the same period last year. This sentiment is further bolstered by the recent establishment of regional headquarters in Riyadh by prominent entities such as PayerMax and Ernst & Young. The city's expanding market and promising economic prospects are attracting leading businesses across diverse industries, solidifying Riyadh's position as a vital hub for global commerce. Additionally, the Kingdom's ongoing efforts to diversify its revenue streams and create an attractive business environment are proving successful, as evidenced by the high volume of international inquiries. Notably, in the

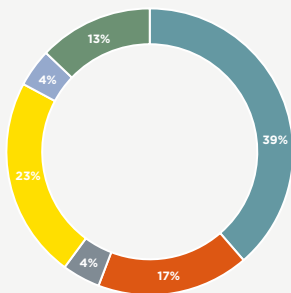
second quarter of 2024, nearly 70% of inquiries received by Savills originated from outside Saudi Arabia, with a significant portion of 50% coming specifically from US and UK corporations.

Savills observed a significant increase in leasing activity during the second quarter of 2024. This growth was driven by a variety of sectors, including Technology, Media & Telecommunications (TMT), Consulting & Engineering, Manufacturing, and IT/ITes. Notably, 50% of these completed transactions involved new entrant companies, indicating a positive market sentiment for business expansion. The momentum is expected to continue, with a robust pipeline of inquiries for future quarters. Engineering & Manufacturing, Legal Services, and pharmaceutical companies are at the forefront of this interest, collectively representing nearly 50% of all inquiries received by Savills. Interestingly, a significant portion (60%) of these inquiries focused on office spaces under 1,000 square metres, suggesting a growing preference for agile and efficient work environments.

Limited prime office space in Riyadh, coupled with strong business confidence, has driven Grade A occupancy as high as 98%. Rents have climbed steadily, rising 3% q-o-q, while there was a significant increase of 13% y-o-y. Specific areas like North and North-East Riyadh witnessed even steeper rent increases, reaching 23% and 20% annual growth, respectively. This trend reflects a thriving office market in the Saudi capital.

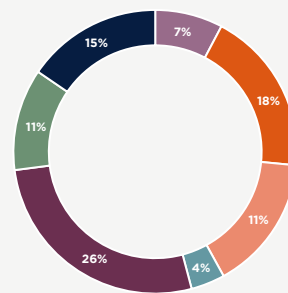
Fuelled by robust demand, a significant increase in Grade A office space supply is anticipated by the end of 2025. This anticipated influx of over 650,000+ square metres of new space is expected to enhance tenant choice and mitigate the potential for substantial rental increases, even in a scenario of sustained demand.

AVERAGE INQUIRY SIZE
 Q2 2024



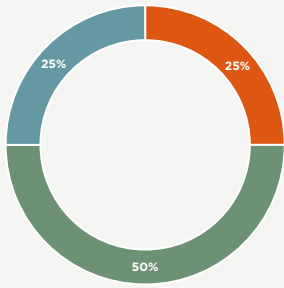
- LESS THAN 250 SQ. M.
- 500 - 1,000 SQ. M.
- 2,000 - 4,000 SQ.M.
- 250 - 500 SQ. M.
- 1,000 - 2,000 SQ. M.
- 4,000 SQ.M. AND ABOVE

SECTOR-LEVEL SPLIT OF INQUIRIES
 Q2 2024



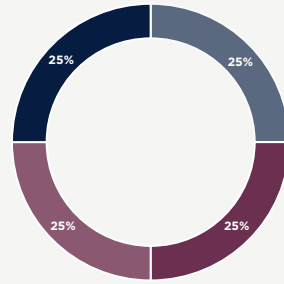
- ENGINEERING AND MANUFACTURING
- CONSULTING
- LEGAL SERVICES
- FMCG
- OTHERS
- IT/ITES
- PHARMACEUTICAL

TRANSACTION TYPE
Q2 2024



■ NEW ENTRY ■ RENEWAL ■ RELOCATION

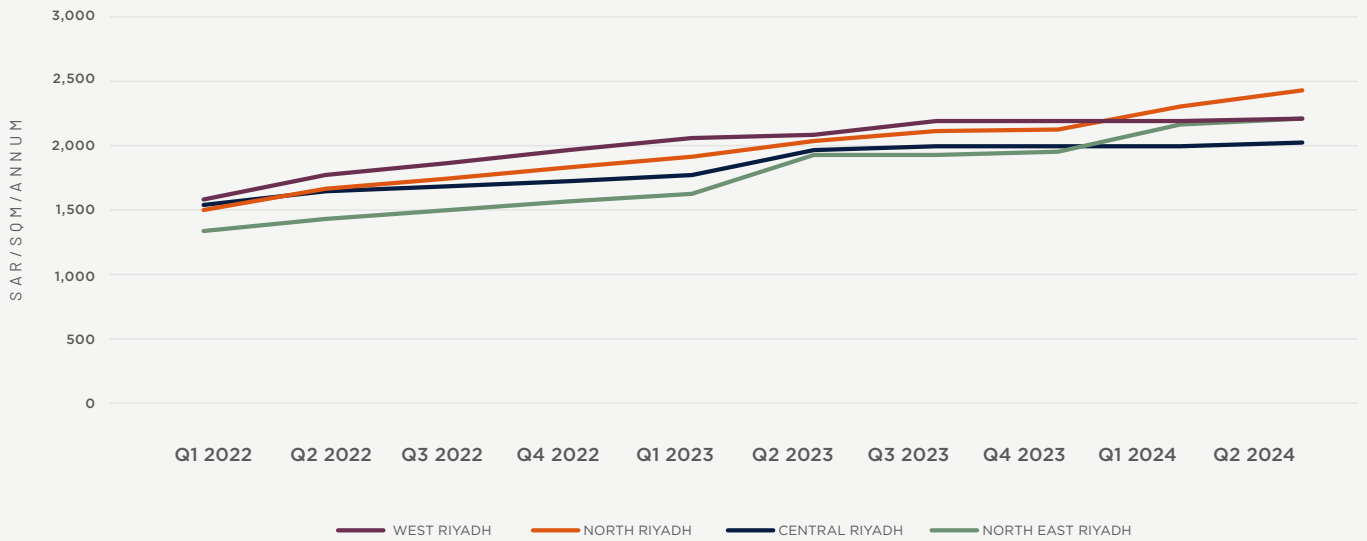
SECTOR LEVEL SPLIT OF TRANSACTIONS
Q2 2024



■ IT/ITES ■ CONSULTING
■ TMT ■ ENGINEERING AND MANUFACTURING

SOURCE SAVILLS RESEARCH

RENTAL TREND



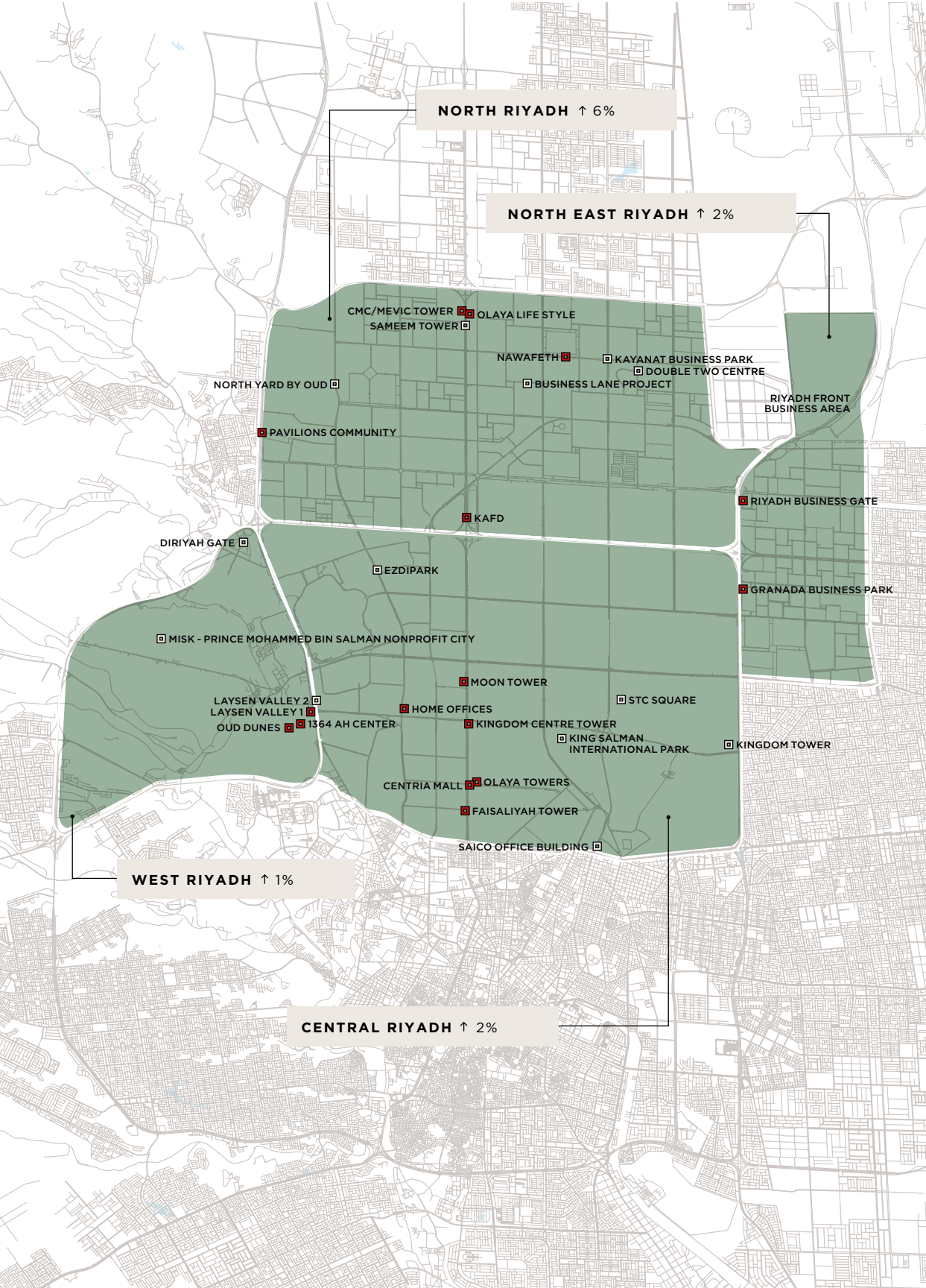
RIYADH MAP WITH PRICE INDICATORS

Q2 2024

Q-o-Q CHANGE (%)

- UP ↑
- STABLE ↔

- MAJOR PROJECTS
- U/C



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