

Special Report

# KSA Real Estate: Navigating Regulatory Changes, Capturing Value

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## Major developments in KSA real estate sector in 2025

- Saudi Arabia introduced several regulatory reforms in 2025 to strengthen the real estate sector oversight, improve affordability, and attract global capital, enhancing transparency and long-term market stability.
- The impact of these regulatory changes will vary across players. Land-heavy companies may face high holding costs, while rental-focused firms could see slow revenue growth. On the positive side, greater foreign investor access should support liquidity and overall sector attractiveness.



### White Land Tax

- Applies to undeveloped land within urban boundaries in Saudi Arabia.
- Tax rate revised from a flat 2.5% to 2.5–10% (announced May 2025).
- Rate slabs depend on municipal land priority.
- New rates are initially applied in Riyadh.



### Rent Freeze in Riyadh

- Five-year rent freeze approved by the KSA in September 2025.
- Applies to all residential and commercial properties in Riyadh.
- Aims at curbing sharp rent increases in recent years.
- Effective from September 25, 2025.



### Foreign Ownership

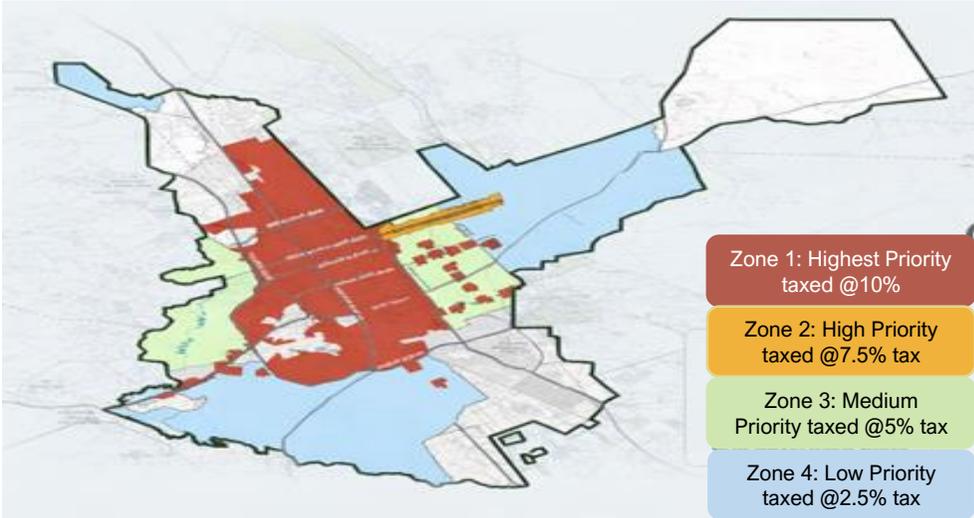
- The KSA approved foreign property ownership law in July 2025.
- Allows direct foreign ownership in designated zones in Riyadh and Jeddah.
- Special conditions apply for ownership in Makkah and Madinah.
- Effective from January 2026.

# Potential impact of Revised White Land Tax (WLT)

- The KSA government decided to implement the revised White Land Tax regime in Riyadh. Accordingly, the Riyadh municipality issued a priority-based land demarcation, categorizing land plots into four zones. Lands in the highest-priority will attract a tax of 10% of the land value, while those in the lowest-priority category will be subject to a 2.5% tax rate. **The revised White Land tax is likely to have the following implications for real estate companies.**

- Material increase in annual holding costs for undeveloped land banks.
- Higher impact on land located in high-priority urban zones.
- Encourages accelerated development, monetization, or divestment.
- Potential drag on cash and valuations if land remains idle.

**Fig: 1 Geographical map of zones subject to WLT in Riyadh**

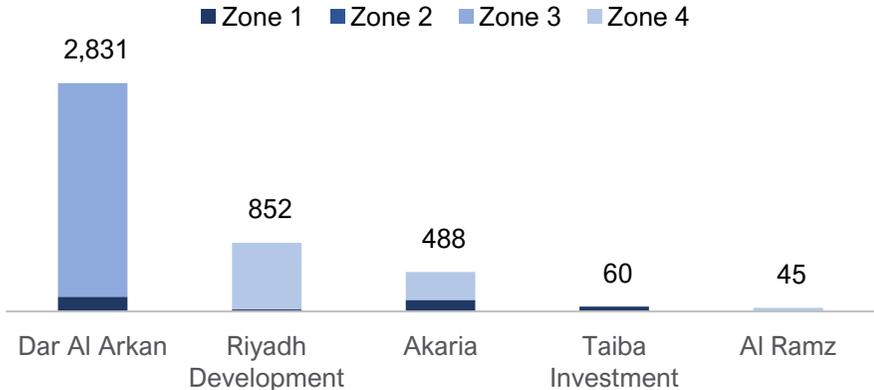


Source: Twitter Handle of Ministry of Municipalities and Housing, Saudi Arabia – July 2025

# Potential impact of Revised White Land Tax (WLT)

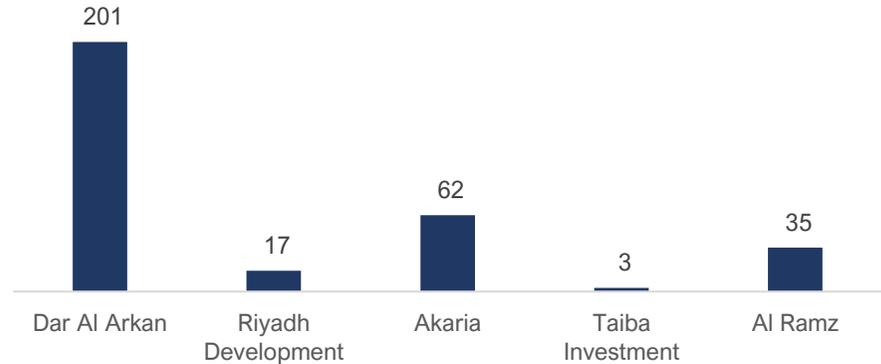
- Dar Al Arkan has the largest idle land bank in Riyadh at 2.8mn sqm. Of this, 2.6mn sqm (94%) falls in Zone 3, subject to a 5% tax, while 0.2mn sqm (6%) is in Zone 1, subject to a 10% tax. Accordingly, the company received the highest WLT invoices, totaling ~SAR201mn for FY25. However, a significant portion of this land is under development or planned to be developed within a year, which may qualify for exemptions or refunds.
- Similarly, Riyadh Development has the second-highest idle land in Riyadh at ~0.9mn sqm. However, it received lower tax invoices of ~SAR17mn compared to Akaria (~SAR62mn) because only 3% of its idle land falls in Zone 1 versus 29% for Akaria. Nevertheless, we believe final tax liability is likely to be lower than the invoices received, as they plan to appeal certain invoices given that some land parcels are either currently under development or planned to be developed within a year.

**Fig 2: Companies exposed to WLT (taxable land in '000' sqm by zones)**



Source: Argaam, Tadawul, as of FY24 (ending Dec).

**Fig 3: WLT invoices received for FY25 (SARmn)**



Source: Tadawul, Invoices received in 1Q26 (Quarter ending Mar 2026).

# Impact of five-year rent freeze in Riyadh on real estate companies and REITs

Real estate companies and their rental exposure to Riyadh				
Company	Total revenue (SARmn)	Rental revenue (SARmn)	Rental revenue % of total rev	% of rental income from Riyadh
Cenomi Centers*	2,344	2,344	100%	30%
Alandalus Property*	236	236	100%	26%
Banan Real Estate	93	67	72%	82%
Riyadh Development	322	227	71%	NA
Taiba Investment**	1,315	352	27%	NA
Akaria	1,988	338	17%	100%
Dar Al Arkan	3,759	143	4%	NA
Dar Al Majed	1,402	11	1%	NA
Al Ramz	952	3	0%	NA

Limited rental income growth leading to weak earnings

Valuations under pressure from weak cash flows

Pressure on dividend and increased credit risk

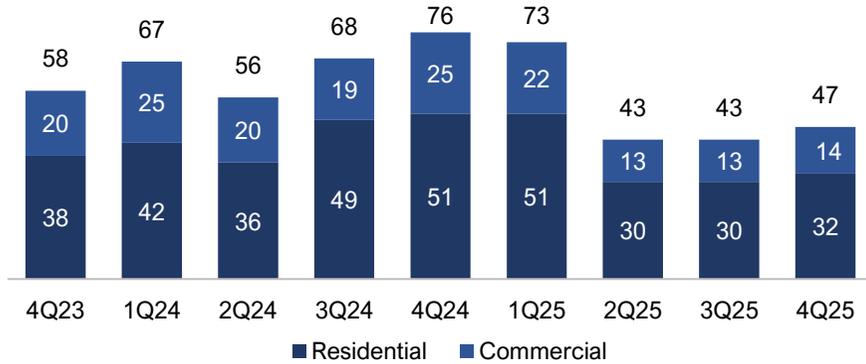
Source: Company filings, as of FY24 (ending Dec), \*Cenomi and Andalus generate 100% of revenue from rent. \*\*Rental revenue is generated from Madinah and Riyadh; breakup not available.

REIT and their rental income breakup by region				
REIT Name	Central	Western	Eastern	Others*
TALEEM REIT	97%	3%	0%	0%
AL MAATHER REIT	86%	0%	1%	13%
MEFIC REIT	86%	12%	0%	2%
MULKIA REIT	80%	5%	15%	0%
JADWA REIT SAUDI	76%	15%	9%	0%
ALINMA HOSPITALITY REIT**	76%	24%	0%	0%
ALINMA RETAIL REIT	72%	0%	28%	0%
RIYAD REIT	64%	8%	7%	21%
DERAYAH REIT	60%	11%	29%	0%
AI RAJHI REIT	57%	27%	14%	2%
ALKHABEER REIT	55%	40%	0%	5%
AL AZIZIAH (SICO) REIT	49%	51%	0%	0%
MUSHARAKA REIT	46%	0%	50%	4%
SEDCO CAPITAL REIT	34%	34%	32%	0%
BONYAN REIT	24%	19%	0%	57%
ALISTITHMAR REIT	21%	0%	49%	30%
ALAHLI REIT 1	13%	87%	0%	0%
ALJAZIRA REIT	0%	100%	0%	0%
JADWA REIT ALHARAMAIN	0%	100%	0%	0%

Source: Company filings, as of FY24 (ending Dec), \*represents other regions in KSA and outside KSA, \*\*unlikely to be impacted as it primarily operates hotels.

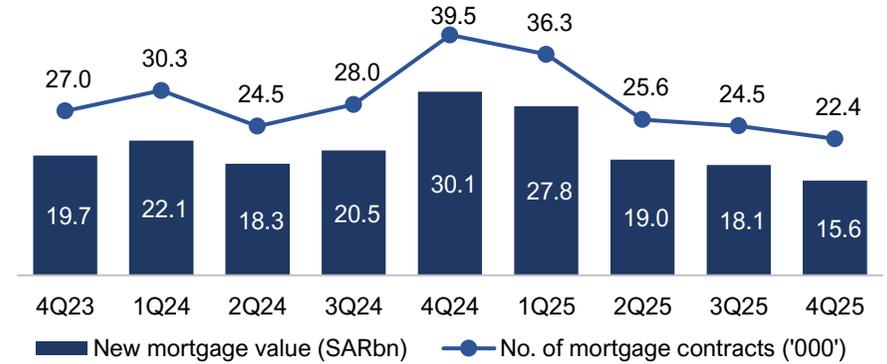
# Impact of regulatory changes reflecting in real estate macros

**Fig 4: Value of real estate transaction decline (SARbn)**



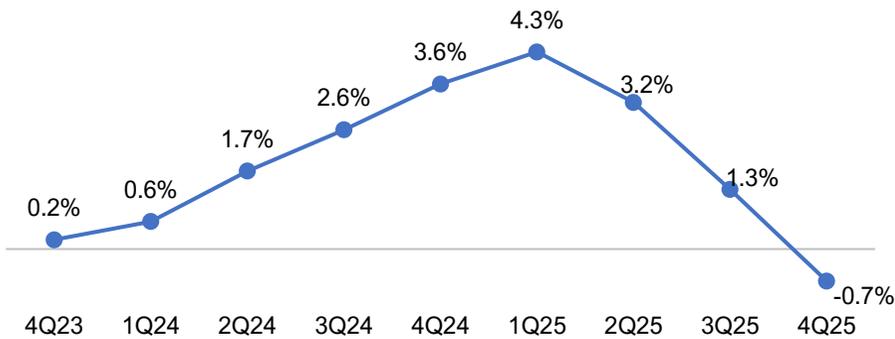
Source: Ministry of Justice, Saudi Arabia

**Fig 5: Mortgage activity slows down**



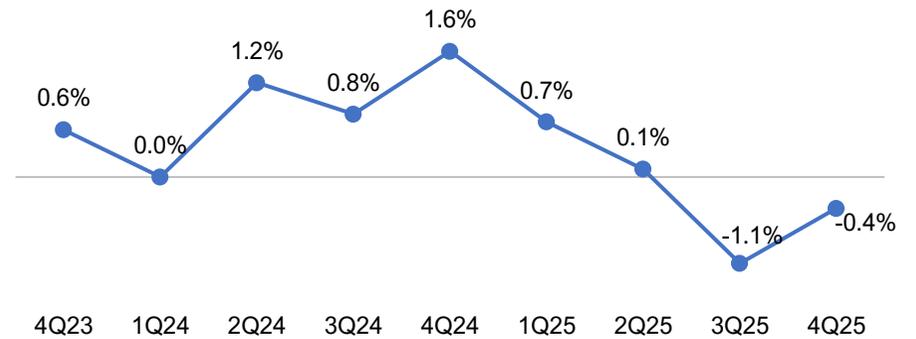
Source: SAMA Monthly bulletin

**Fig 6: KSA Real Estate Price Index on downward trend (y/y)**



Source: GASTAT, Argaam

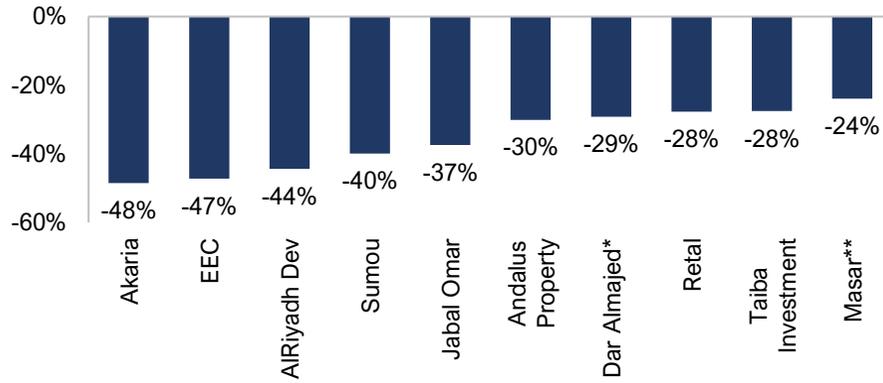
**Fig 7: KSA Real Estate Price Index (q/q)**



Source: GASTAT, Argaam

# Improving valuation likely creating selective investment opportunities

**Fig 8: 1Y price return for major real estate players**



Source: Argaam, Bloomberg as of 5 Feb 2026, \*on IPO price, \*\*6M return.

**Fig 9: Movement of Tadawul Real Estate Index (TRMI)**



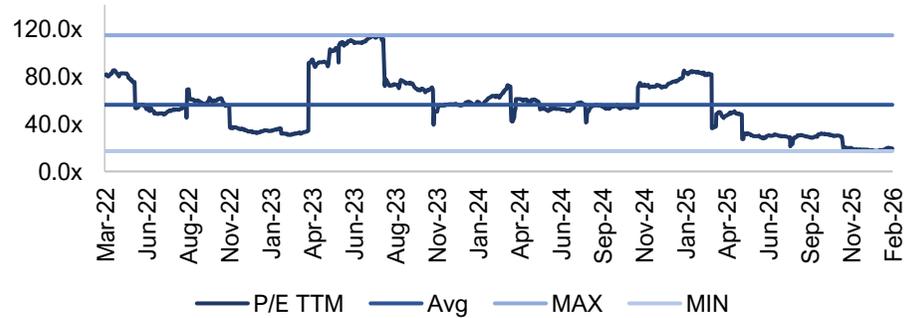
Source: Bloomberg, as of 4 Feb 2026

**Fig 10: P/B trend for TRMI**



Source: Bloomberg, as of 4 Feb 2026

**Fig 11: P/E trend of TRMI**



Source: Bloomberg, as of 4 Feb 2026

## Conclusion

Recent regulatory changes may pressure near-term fundamentals (already reflecting in real estate macros), particularly for developers and landlords with high exposure to Riyadh due to the following:

- **The revised white land tax will result in incremental cost burden** for holding land banks and potential valuation drag amid land price correction.
- **Rent freeze will slow income growth for rental-focused companies** in the medium term, pressuring cash flows and dividend outlook.

However, these reforms remain structurally positive for the real estate sector:

### Long-term positive impact of revised White Land Tax and rent freeze

- **Increased land supply:** Higher holding costs push idle landowners to sell or partner, improving availability of developable plots.
- **Healthy pricing:** Encourages a shift from land hoarding to development, supporting more sustainable pricing cycles.
- **Faster monetization:** Incentivizes quick land activation, benefiting execution-driven developers.
- **Rent freeze to improve market stability:** Containing rental inflation reduces affordability-driven slowdowns and supports steady end-user demand, resulting in a long-term equilibrium in the market.

### Allowing foreign ownership – a key positive development in long-run

- **Expands buyer pool and liquidity:** Strong structural demand, especially in designated zones ([zoning under process](#)).
- **Supports product diversification:** Higher demand for premium and mixed-use assets.
- **Attracts institutional capital:** Enables partnerships and supports large-scale execution.

Overall, we believe the recent correction in valuations among listed players has created selective investment opportunities for long-term investors.



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