MARKET PULSE

ANNUAL REVIEW 2025

Saudi Arabia Real Estate - the year the cycle turned

SAR 80.4B
2025 mortgage lending

(0.7%) YoY
REPI, Q4 2025

66.24%
homeownership rate

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2025 at a Glance

Housing finance normalised, prices followed, the stock market had its worst year in a decade - and the regulator kept building.

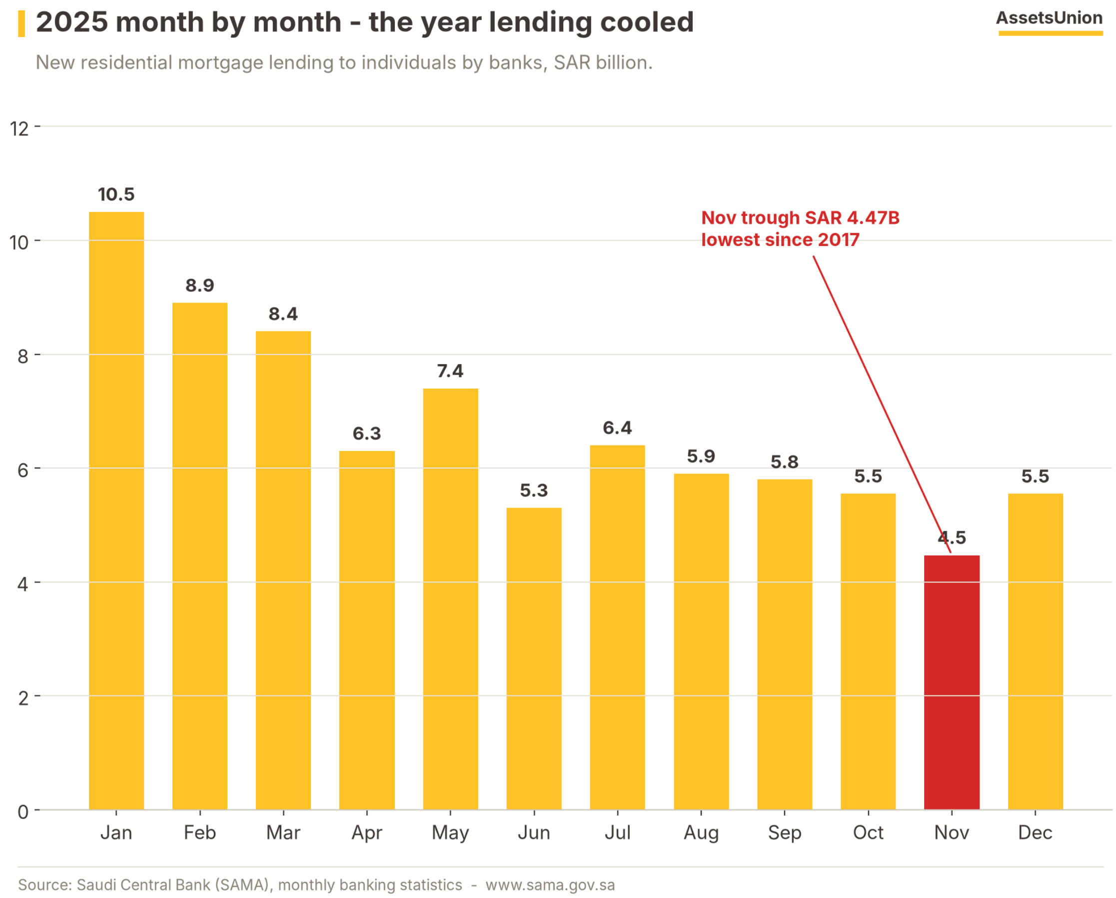
SAR 80.4B New mortgage lending **(12%)** YoY, 108,800 contracts	**SAR 739K** Average mortgage **(1%)** YoY	**(2.24%)** REPI residential, Q4 prices rolled over in H2
66.24% Homeownership Vision 2030 target: 70%	**SAR 2.49B** Non-bank lending weakest year in seven	**10%** White Land fee ceiling escalated Aug 2025
10,490.69 TASI, 2025 close **(12.84%)** - steepest fall in a decade	**4.25%** SAMA repo rate reverse repo 3.75%, after Dec cut	**SAR 8.82T** Tadawul market cap **(13.55%)** YoY at year end

The Year in One Paragraph

2025 was the year Saudi housing finance normalised and prices followed. Bank mortgage origination fell **12%** to **SAR 80.4 billion**, cooling from a strong Q1 to a November trough of **SAR 4.47 billion**. The official price index swung from **+5.12%** residential growth in Q1 to **(2.24%)** by Q4, and the equity market told the same tightening story: TASI closed at **10,490.69**, down **(12.84%)** - its steepest annual fall in a decade, with **17 of the 19 listed REITs** finishing lower - while SAMA ended the year easing, its repo rate at **4.25%** after December's quarter-point cut. Against that, the structural story held: homeownership reached **66.24%**, non-bank origination consolidated into the banking system, and the regulator escalated **White Land** fees to a **10%** ceiling while the **foreign-ownership law** was readied for its January 2026 start.

Lending: The Twelve-Month Path

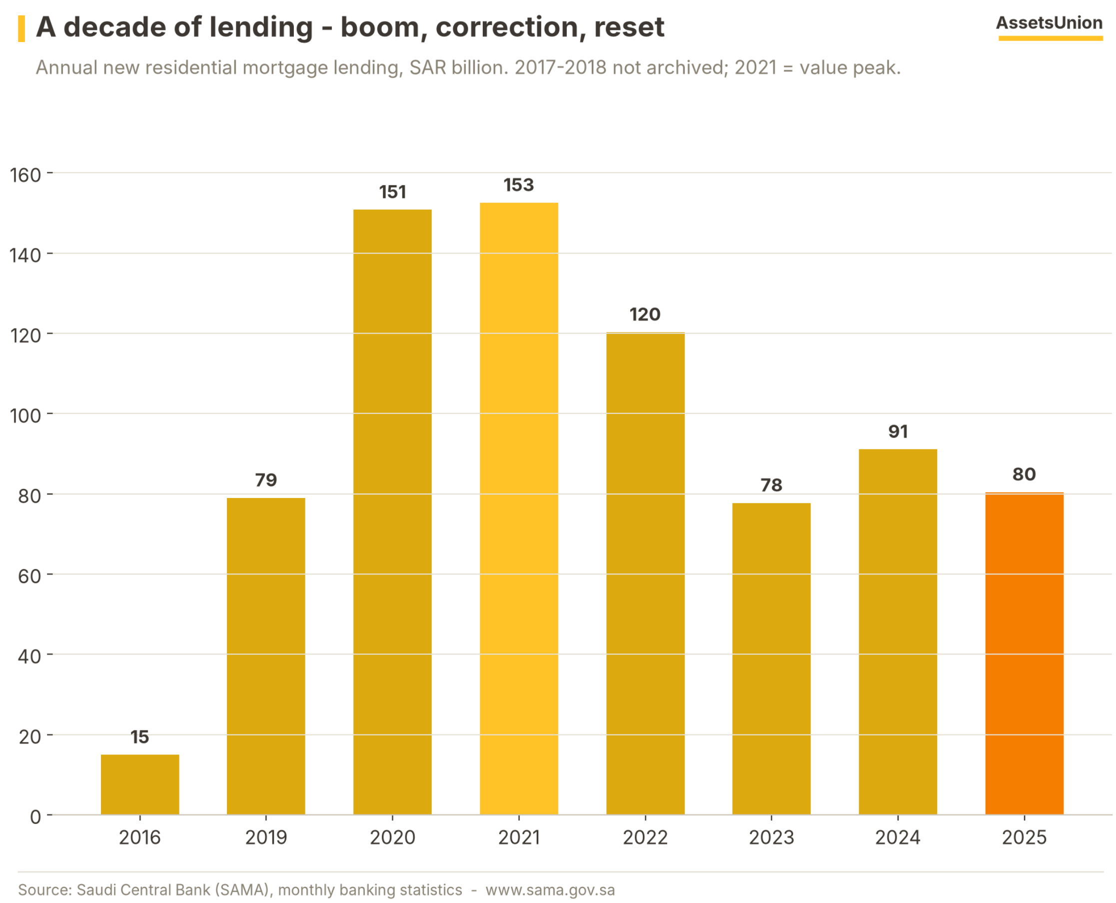
From SAR 10.5 billion in January to a SAR 4.47 billion November trough - the cooling was progressive, not a shock.



January opened at **SAR 10.5 billion** (**+39%** year on year) on the tail of the 2024 re-acceleration; by November origination had more than halved to **SAR 4.47 billion**, before a **24%** month-on-month December bounce to **SAR 5.55 billion**. Year-on-year growth flipped negative in **May** and deepened every month through **November** - a full-year descent in which no single month broke the trend.

The Decade Context

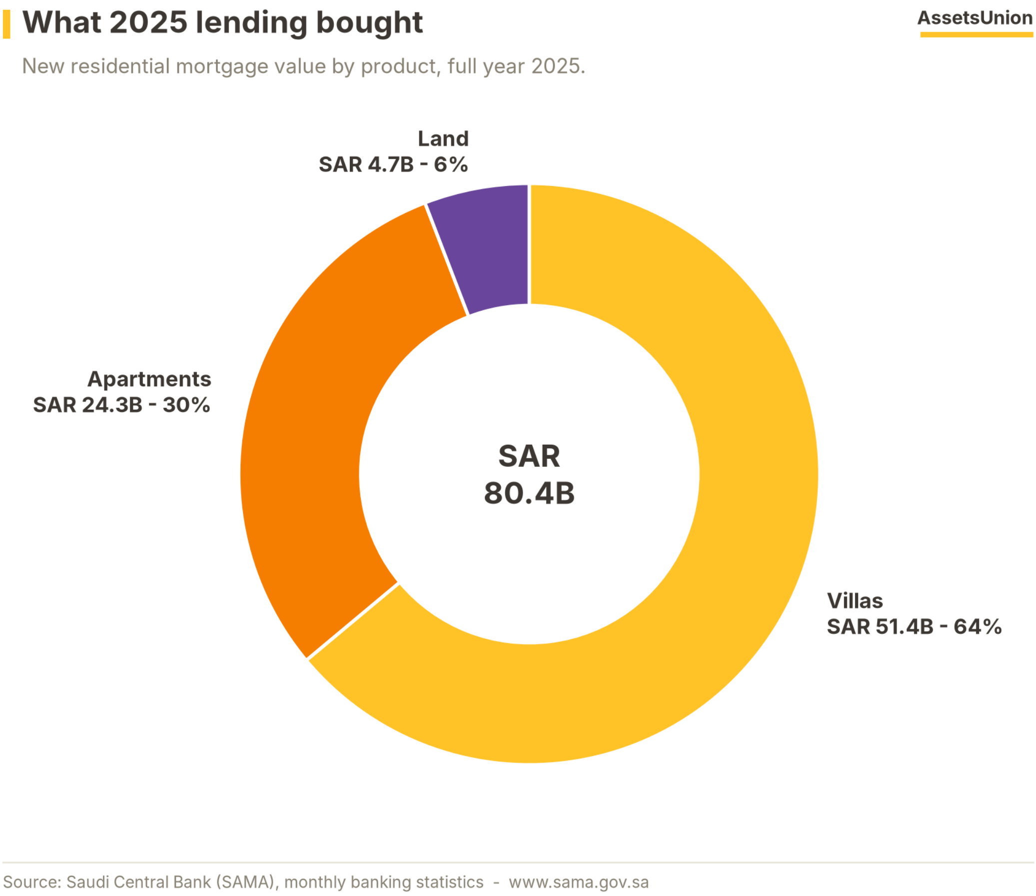
2025 lands almost exactly on the 2019 level - a full round trip from the subsidised-mortgage boom.



The boom peaked at **SAR 152.5 billion** of origination in **2021** - the value peak; **2020** holds the contract-count peak at **225,073**. The 2023 trough, 2024 rebound and 2025 fade define a market now driven by **affordability and rates** rather than program-led catch-up. On the official series, the decade reads as one arc: ignition (2016-2019), boom (2020-2022), and a search for the new normal (2023-2025).

What the Money Bought

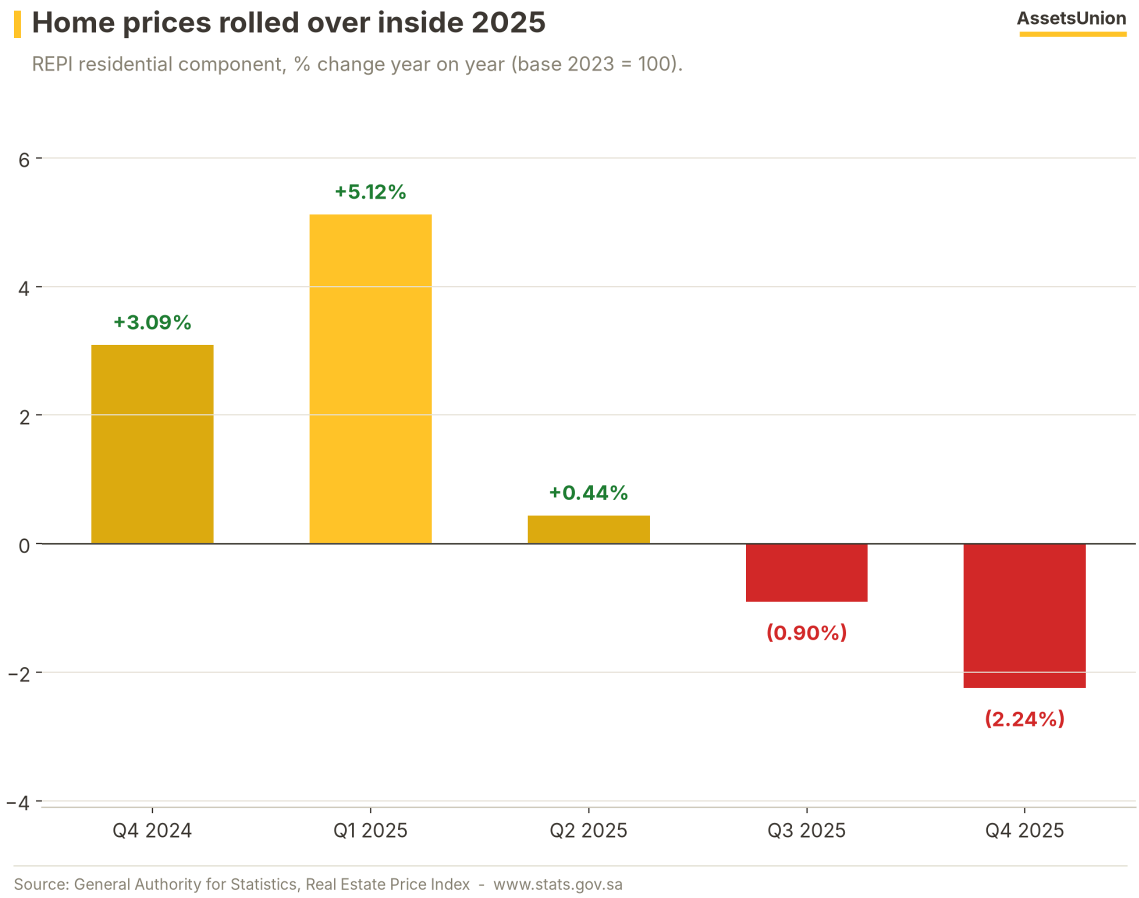
Villas kept nearly two thirds of lending value; land plots fell below 6%.



Villas took **SAR 51.4 billion** of 2025 lending value, apartments **SAR 24.3 billion** and land plots **SAR 4.7 billion**. The average mortgage slipped **1%** to **SAR 739,000**. Non-bank financing companies wrote just **SAR 2.49 billion** - **(3%)** year on year - their weakest year in seven: consolidation of origination inside the banking system is effectively complete.

Prices: From +5 to -2 in Four Quarters

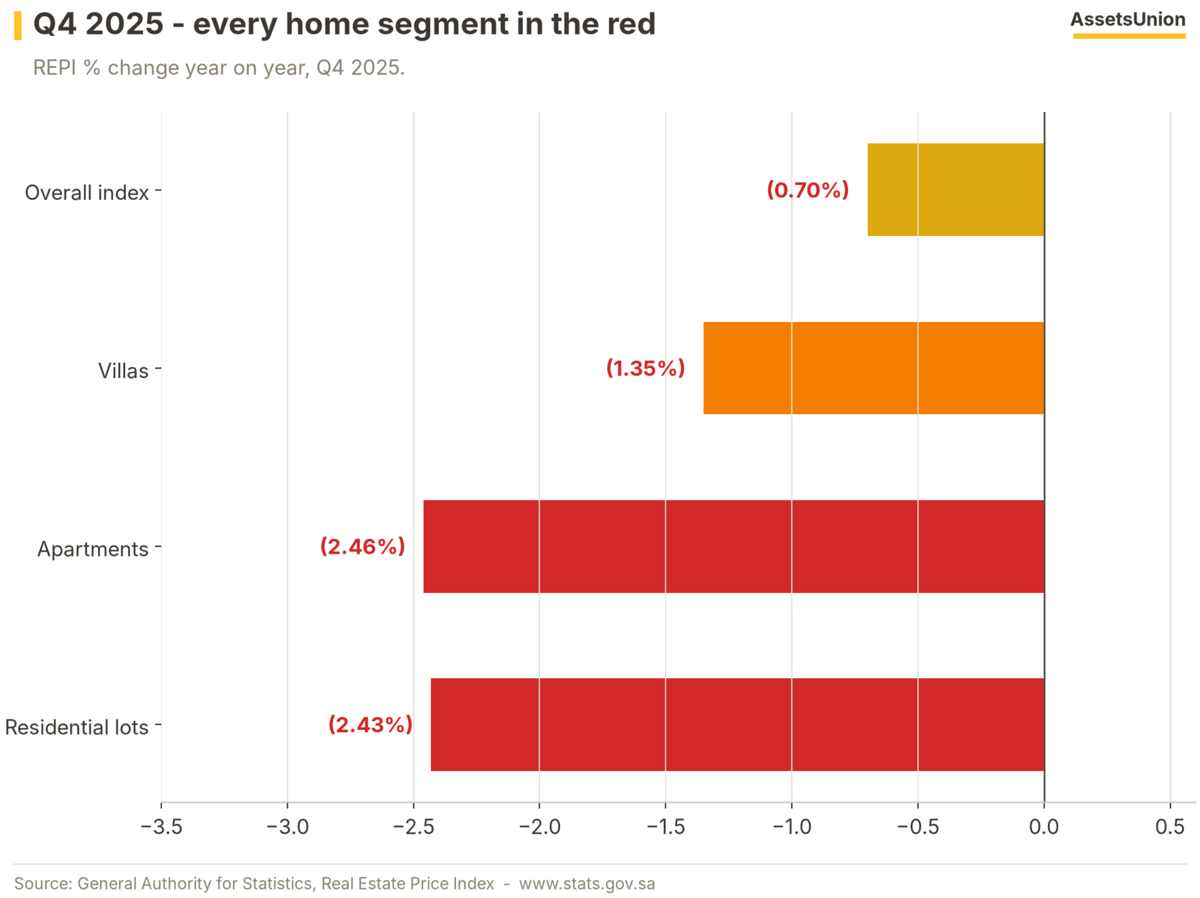
The official index tells a clean rollover story - positive momentum spent by mid-year, negative by Q3.



Residential inflation of **+5.12%** year on year in Q1 2025 faded to **+0.44%** by Q2, went negative in Q3 and ended the year at **(2.24%)**. Note the series break: **GaStat rebased the REPI at Q3 2024** with a geospatial methodology (base 2023 = 100), so pre-2024 prints are a different vintage and are not spliced into this chart.

Inside the Q4 Print

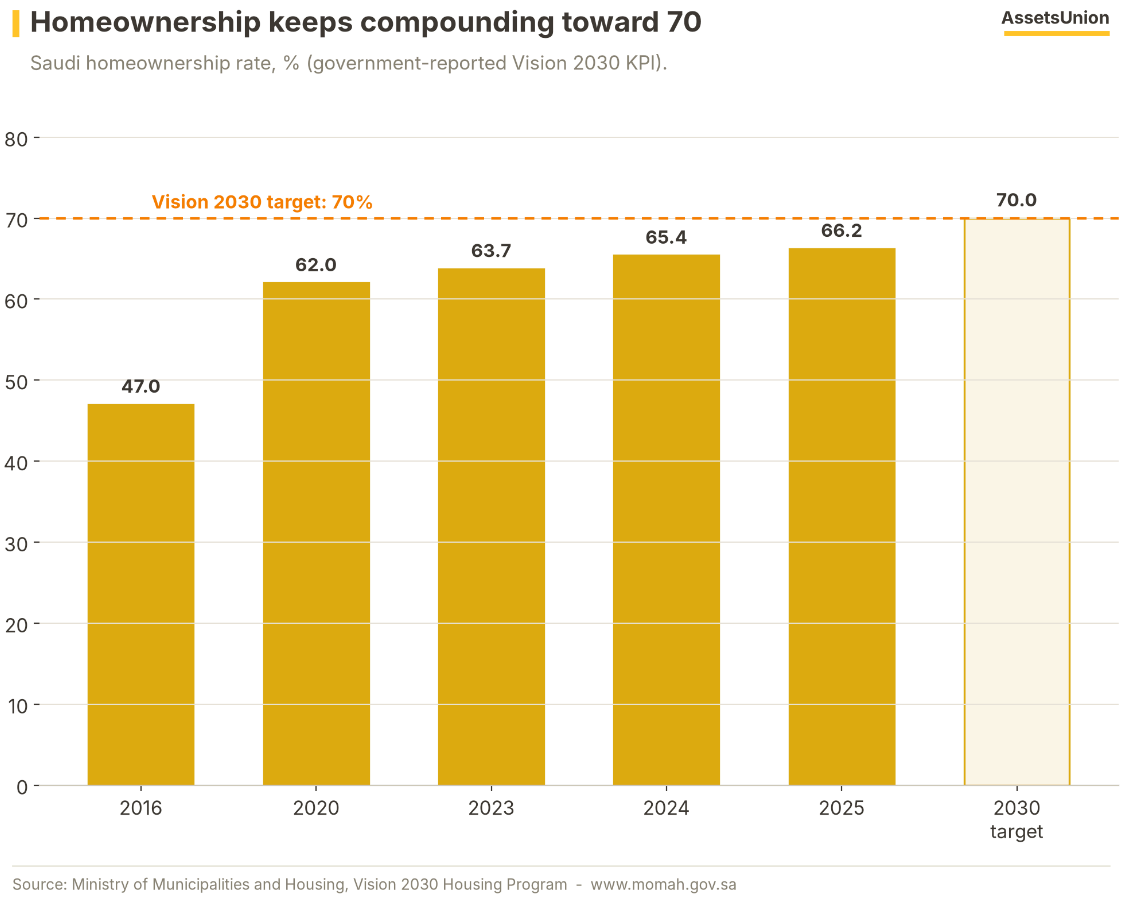
Every residential segment closed 2025 in decline - the first broad national correction of the rebased-index era.



Apartments fell **(2.46%)**, residential lots **(2.43%)** and villas **(1.35%)**. The overall index, at **(0.7%)**, was cushioned by non-residential components. The softness is **broad-based** rather than a single-city event - a genuine **national price correction**, arriving exactly as lending volumes found their floor.

The Structural Engine

Homeownership advanced again to 66.24% - four points from the Vision 2030 target.



Homeownership - the **Vision 2030** flagship housing KPI - has climbed from a **47%** baseline in 2016 to **66.24%** in 2025. These figures are government-reported program KPIs, best read as policy milestones rather than independent market measurements. Their **direction**, not their decimal, is the signal: the structural demand engine behind Saudi housing remains fully in place through the cyclical cooling.

Regulation: The Busiest Year Yet

Three structural rule changes landed in 2025 alone - tax, land-holding cost, and market access.

Ten years of rule-making, one direction

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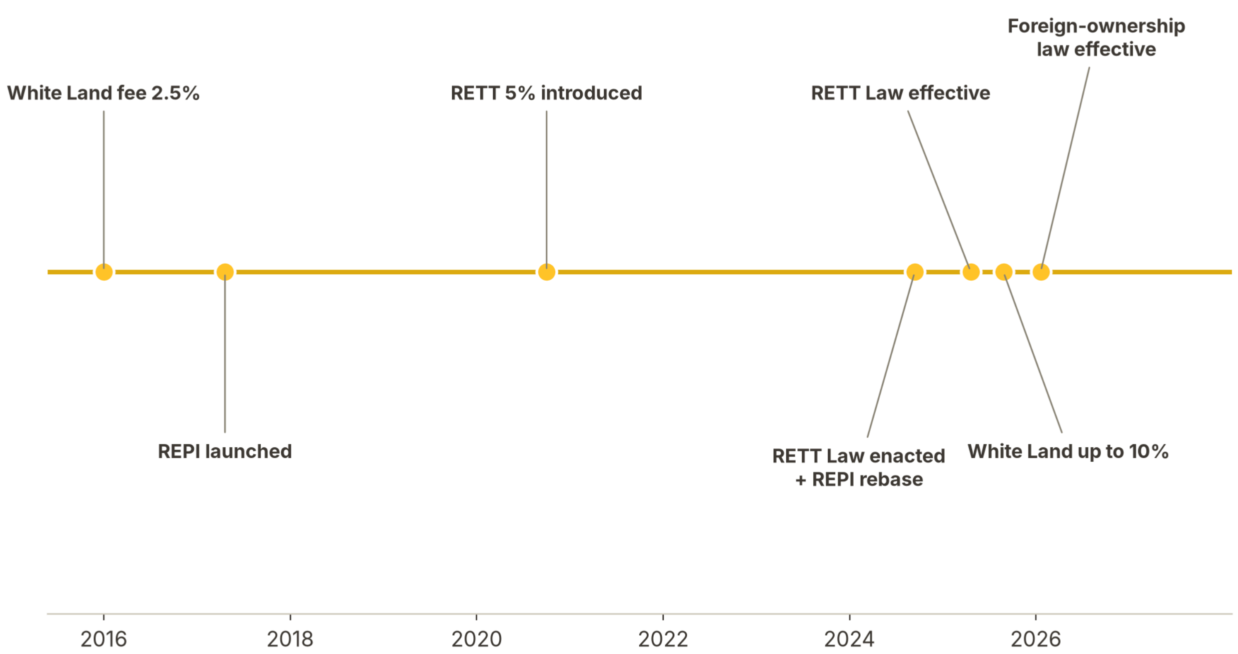
Key Saudi real-estate regulation milestones, 2016-2026.



Sources: Council of Ministers; ZATCA (www.zatca.gov.sa); MOMAH (www.momah.gov.sa); GaStat (www.stats.gov.sa)

RETT Law effective 10 April 2025 - the 2020 **5%** transaction tax moved onto a standalone statute with codified exemptions (inheritance, family gifts, mergers, court-ordered sales). **White Land fees escalated 22 August 2025** - up to **10%** annually in four tiers, ownership threshold tightened to **5,000 sqm** aggregated per city. **Foreign-ownership law approved July 2025, in force January 2026** - designated-zone regulations roll out through 2026.

The Cost of Money

Twelve months of easing: from a two-decade-high 6% to 4.25% - and the mortgage market has yet to feel it.

The cost of money is finally falling

SAMA policy rates, % - steps at official decision dates.

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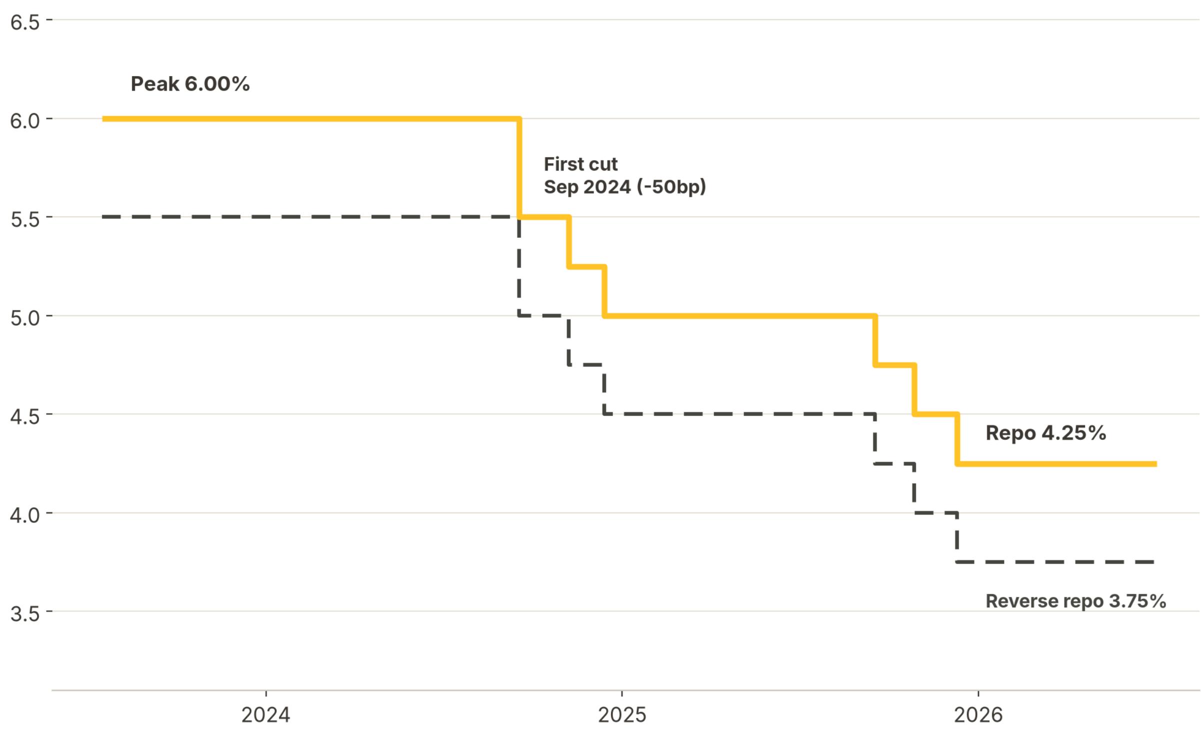
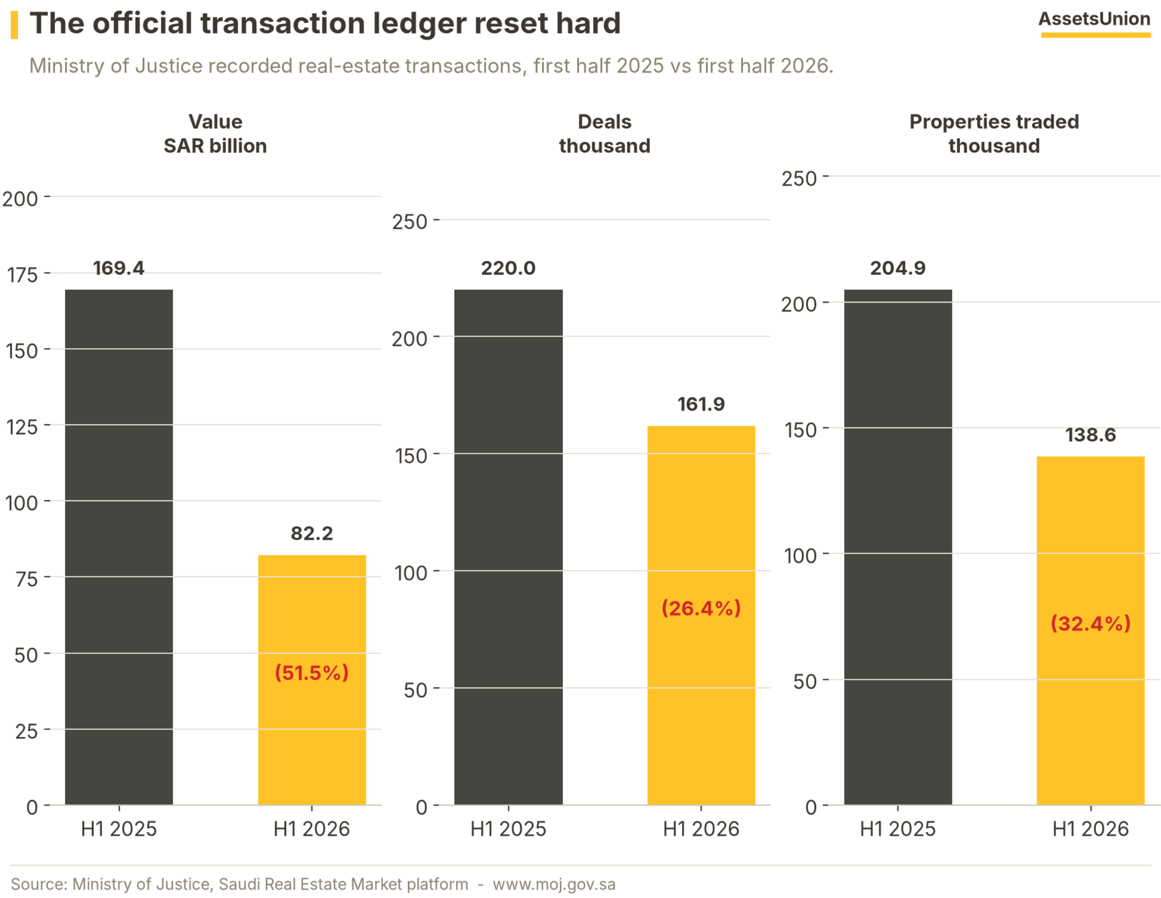


Source: Saudi Central Bank (SAMA), repo and reverse repo decisions - www.sama.gov.sa

SAMA's repo rate sat at **6.00%** from **July 2023** through **September 2024**, when the easing cycle opened with a **half-point cut**. Three quarter-point steps followed in 2025 - September, October and December - taking the repo rate to **4.25%** and the reverse repo rate to **3.75%**, in step with the US Federal Reserve under the riyal's dollar peg. The **transmission gap** is the story of the year: lending kept cooling through 2025 even as policy eased, a reminder that affordability and price expectations, not the policy rate alone, are the market's binding constraints.

The Transaction Ledger

The Ministry of Justice ledger shows the reset extending into 2026 - value halved, volumes down a quarter.



Recorded transaction value fell **51.5%** to **SAR 82.2 billion** in the first half of 2026, against **SAR 169.4 billion** a year earlier; deal count fell **26.4%** and traded properties **32.4%**. Value falling twice as fast as volume implies the mix shifted toward **smaller-ticket deals** - consistent with the mortgage data, where villas' share held but average ticket sizes edged down.

How 2026 Opened

Residential prices down, commercial up, and a sharp regional divergence - the correction is uneven by design.

2026 prices - residential down, commercial up

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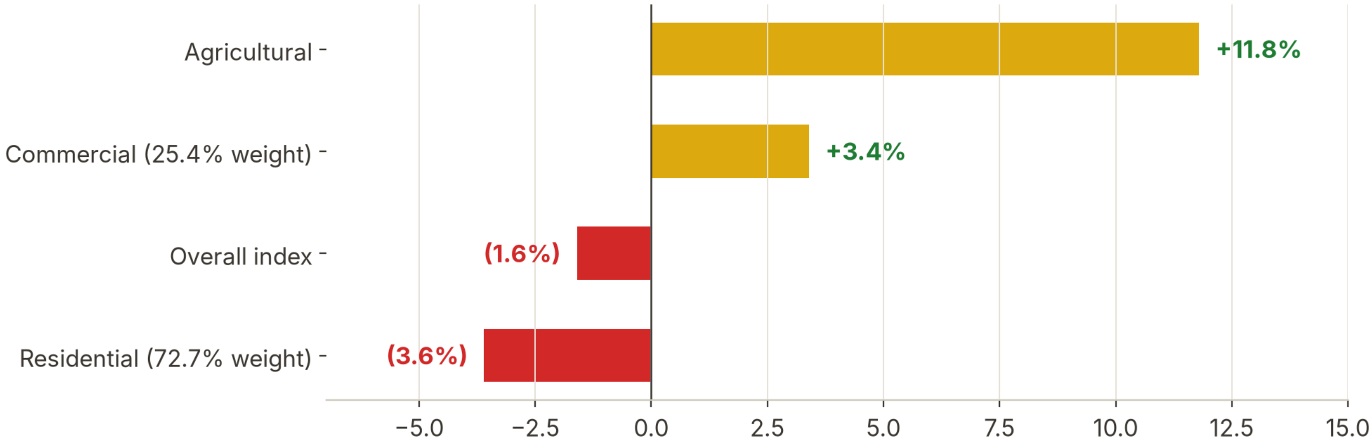
REPI % change year on year by segment, Q1 2026.



Source: General Authority for Statistics, Real Estate Price Index - www.stats.gov.sa

The regional map diverged in early 2026

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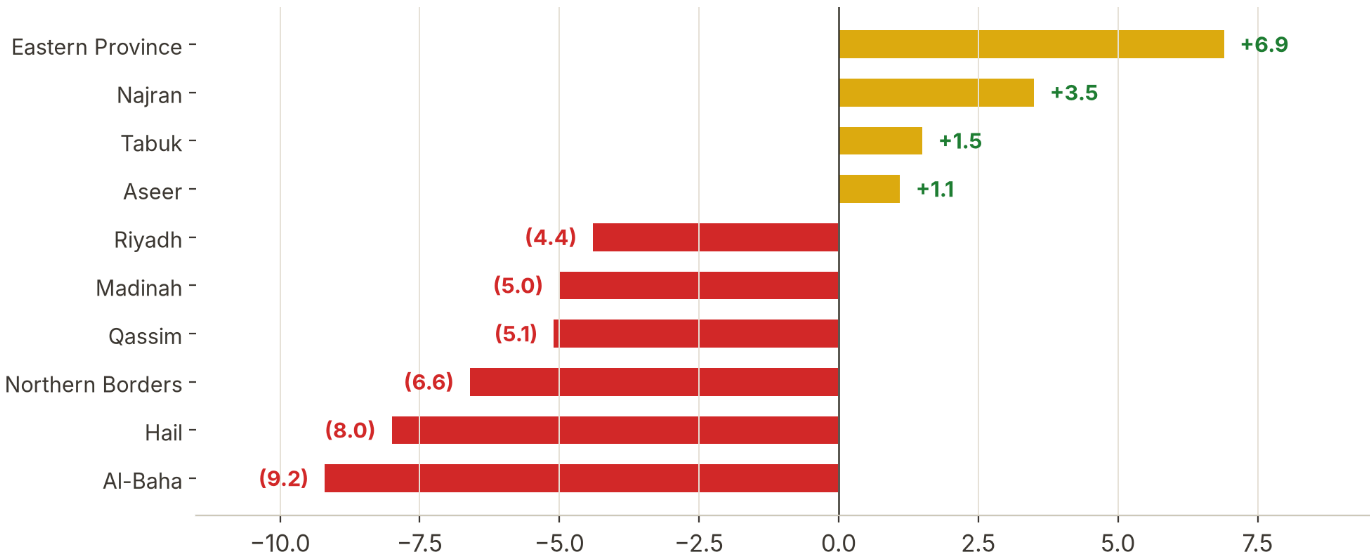
REPI % change year on year by region, Q1 2026.



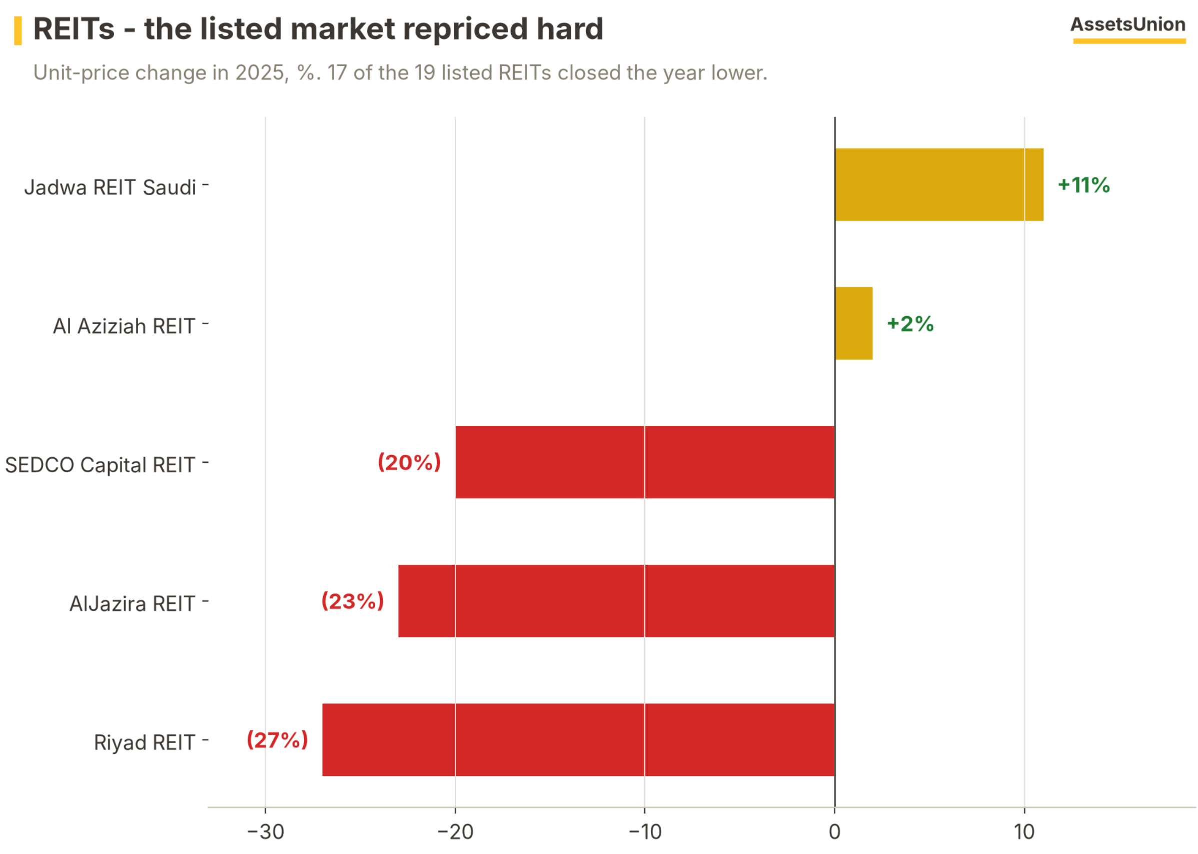
Source: General Authority for Statistics, Real Estate Price Index - www.stats.gov.sa

The Q1 2026 REPI put the overall index at **(1.6%)** with residential at **(3.6%)** while commercial rose **+3.4%**. Regionally the **Eastern Province** gained **+6.9%** while **Riyadh** fell **(4.4%)** and Al-Baha **(9.2%)**. On the SAMA series, first-quarter mortgage lending of **SAR**

15.75 billion was **(43%)** below Q1 2025 - the leading indicators point to a slow first half before the **foreign-ownership regime** can add a new demand channel.

Listed Real Estate Repriced

The equity market marked real estate down long before the ledgers did - 17 of the 19 listed REITs closed 2025 lower.



Source: Saudi Exchange (Tadawul), REITs market data - www.saudiexchange.sa

Riyad REIT led the declines at **(27%)**, followed by **AlJazira REIT** at **(23%)** and **SEDCO Capital REIT** at **(20%)**; only **Jadwa REIT Saudi** (**+11%**) and **Al Aziziah REIT** (**+2%**) finished higher. A REIT trades daily while appraisal-based valuations move quarterly at best - the listed market is the sector's **fastest price-discovery mechanism**, and through 2025 it priced exactly the tightening that the mortgage and transaction ledgers recorded. Unit prices falling also lifts **distribution yields** mechanically, which makes the sector one of the cleanest expressions of SAMA's easing path into 2026.

What We Are Watching

A monitoring framework for 2026 - the conditions tracked in every issue and what would change the picture. A framework, not a forecast.

	Base path	What would improve it	What would worsen it
Lending	H1 2026 stays soft; YoY comparisons ease from May onto the weak 2025 base	Monthly prints back above SAR 8B	Renewed sub-SAR 5B months
Prices	Residential REPI negative into mid-2026; regions stay split	Eastern Province strength broadening toward Riyadh	Riyadh declines deepening past **(5%)**
Policy	Designated-zone maps and implementing rules land during 2026	Early activation of Riyadh and Jeddah zones	Implementing rules slipping toward 2027
Rates	Repo holds at 4.25% until the US Federal Reserve moves	Further cuts restoring affordability	A long hold with no lending pass-through

Sources & Disclaimer

Sources

Saudi Central Bank (SAMA) policy rates, monthly banking statistics	**www.sama.gov.sa**
General Authority for Statistics (GaStat) Real Estate Price Index	**www.stats.gov.sa**
Ministry of Justice recorded transactions ledger	**www.moj.gov.sa**
Saudi Exchange (Tadawul) TASI and REITs market data	**www.saudiexchange.sa**
Ministry of Municipalities and Housing White Land program	**www.momah.gov.sa**
Zakat, Tax and Customs Authority Real Estate Transaction Tax	**www.zatca.gov.sa**
Vision 2030 Housing Program homeownership KPI	**www.vision2030.gov.sa**

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