LOGIC CONSULTING

2025 IN REVIEW (KSA)

RESILIENCE IN A TRANSFORMING ECONOMY

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Saudi Arabia's economy in 2025 is demonstrating renewed momentum, with growth projections strengthening as both oil and non-oil sectors expand under the Vision 2030 diversification agenda. Real GDP grew by approximately **5.0% year-on-year** in the third quarter of 2025, up from prior estimates for Q2, according to official flash estimates by the General Authority for Statistics (GASTAT).

The oil sector posted robust growth of **8.2%** in Q3 2025, while non-oil activities grew by **4.5%**, and government activities by **1.8%**. Seasonally adjusted growth from Q2 to Q3 was around **1.4%**, with oil activities up 3.1% and non-oil up 0.6% in that period[1].

The Kingdom's GDP per capita is estimated at approximately **US $35,230,** reflecting continued improvements in productivity and private-sector participation. Inflation has remained contained at roughly **2.1%** (forecast level)2, maintaining price stability despite global supply fluctuations.

In the labor market, the latest available data for Q2 2025 show the unemployment rate among Saudi nationals at 6.8%, with male unemployment at 4.3% and female unemployment at 11.3%. The female labor force participation rate among Saudi nationals was **34.5%** in Q2.[3]

Fiscal performance, however, continues to face headwinds: in Q3 2025 the budget posted a **SAR 88.5 billion deficit**, with revenues of SAR 269.9 billion and expenditures of SAR 358.4 billion. Within that, non-oil revenues rose by only 1% year-on-year to **SAR 119.1 billion**, while oil revenues declined by 21% to **SAR 150.8 billion** in Q3.

Overall, the Kingdom's economic performance in 2025 highlights both resilience and transition. **The government's diversification policies are strengthening the non-oil base, private investment is accelerating, and fiscal consolidation efforts are balancing growth ambitions with sustainability.** With inflation stable, employment rising and non-oil activity accelerating, Saudi Arabia enters 2026 on a trajectory of stable expansion and greater economic maturity supported by continued reforms.

[1] Real Gross Domestic Product Third Quarter of 2025 – General Authority for Statistics
[2] Saudi Arabia – IMF
[3] GASTAT publishes Labor Market Statistics for Q2 of 2025 – General Authority for Statistics

I. CULTURE & TOURISM

The Culture & Tourism sector in Saudi Arabia is exhibiting strong momentum as part of the broader economic diversification agenda. According to the World Travel & Tourism Council (WTTC), the Travel & Tourism sector is expected in 2025 to contribute **SAR 447.2 billion** to the economy—crossing the 10% of GDP threshold—and support approximately **2.7 million jobs.**

In the first quarter of 2025 alone: international visitor spending hit **SAR 49.4 billion** (USD 13.2 billion), up nearly **10%** year-on-year[4]. Tourist arrivals increased by around **102%** in Q1 2025 compared to Q1 2019[5], placing Saudi Arabia first in global growth rate for that period. The hospitality market reflects this surge: in Q1 2025 hotel-room occupancy reached **63%** (up 2.1 percentage points from Q1 2024) and the number of licensed tourism/hospitality facilities reached 4,988 (including 2,414 hotels), an increase of 67.5% (hotels) compared with the prior year[6]. Additionally, official statements project the tourism sector to grow by 8% in 2025 (direct spending basis) following a 14% rise in 2024 (from SAR 256 billion in 2023)[7].

A. Key Opportunities

Heritage & Cultural Tourism

Culture and heritage remain central to the Kingdom's diversification strategy. Since Vision 2030's launch, Saudi Arabia has invested over **USD 21 billion** in cultural assets, including restoration of heritage sites, museum development, and new creative-economy districts. Flagship projects such as **Diriyah (USD 62 billion)** showcase the potential to transform historic areas into globally competitive cultural destinations that balance authenticity with modern visitor experiences.

Hospitality & Resort Development

The hospitality sector is one of Saudi Arabia's fastest-growing investment domains. As of early 2025, hotel-room supply and serviced-apartment capacity increased by **67% and 89% year-on-year[8]**, reflecting strong investor appetite and streamlined licensing. Mega-projects like **NEOM, Red Sea Global,** and mountain and island retreats are redefining the Kingdom's luxury and experiential tourism landscape.

[4] Saudi Arabia tops global tourism spending growth in Q1 2025: UN report – AlArabiya
[5] Saudi Arabia ranks first globally in tourism revenue growth – IntelliNews
[6] Tourism Establishment Statistics – General Authority for Statistics
[7] Saudi Arabia projects 8% tourism growth in 2025 as sector overhaul gains pace – Arab News
[8] Tourism Establishments Statistics – Q1 of 2025 – General Authority for Statistics

Events, Sports Tourism & Experiential Travel

Saudi Arabia's expanding portfolio of global events is reshaping its tourism mix. Preparations for **Expo 2030** (Riyadh) are accelerating development in venues, entertainment districts, and visitor infrastructure. The sports sector—projected to reach **USD 22 billion by 2030**—continues to drive high-impact tourism through motorsports, golf, combat sports, and esports. Major milestones such as the **Esports World Cup (Riyadh 2025)** reflect this momentum.

Domestic Tourism

Domestic tourism has become a major engine of sector resilience. In 2024, domestic trips reached **86 million** (a 5% increase year-on-year)[9], with expenditure exceeding **SAR 115 billion.** As regional development advances, opportunities are emerging across family-oriented leisure, local entertainment, nature experiences, and heritage circuits tailored to Saudi youth and household preferences.

Creative Economy & Localization

The convergence of cultural programming, creative industries, and tourism is opening new investment horizons. Initiatives such as **Riyadh Art**—aiming to install more than **1,000 public artworks**—underscore the Kingdom's commitment to embedding creativity into the visitor experience. Growth opportunities span film production, performing arts, digital-experience platforms, cultural exhibitions, and arts education.

Mobility & Connectivity

Tourism expansion is supported by major improvements in mobility and infrastructure. Investments in airports, ports, regional highways, and smart mobility systems are enhancing access to destinations such as **AlUla, the Red Sea,** and mountain regions. **National Development Fund** (NDF) and **Public Investment Fund** (PIF) initiatives are creating entry points for private investment in transport, eco-mobility, heritage restoration, and tourism-enabling infrastructure.

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[9] Data Saudi Tourism – Ministry of Economy & Planning

B. Constraints

1. Seasonality & Concentration Risk

Saudi Arabia's tourism economy still experiences pronounced peaks and troughs due to its heavy reliance on religious travel (Hajj and Umrah) and major event-driven visitation. While the sector is diversifying into cultural, heritage, and leisure tourism, religious tourism continues to dominate inbound volumes, with **41.5% citing religious reasons as their purpose for travel**, limiting year-round stability and making the sector sensitive to seasonal swings.

2. Human Capital Readiness and Localization Pressures

Meeting Vision 2030's ambitious expansion in hospitality, culture, and entertainment requires significant improvements in human-capital readiness. The **Tourism & Hospitality Sector Skills Framework** (2025) highlights persistent capability gaps in service quality, operations, and management. At the same time, the Ministry of Tourism has intensified localization requirements across **40+ tourism professions.** Without accelerated vocational training, standardized service protocols, and workforce upskilling, talent shortages risk constraining visitor experience and sector competitiveness.

3. Global Competition & Brand-Perception

Positioning Saudi Arabia as a global tourism destination requires the Kingdom to differentiate itself amid strong international competition and to address legacy perception challenges. Although Saudi Arabia achieved its 100-million-visitor milestone ahead of schedule, most were domestic or religious visitors. Sustaining momentum will depend on attracting **repeat and higher-value leisure travelers,** supported by streamlined visa processes, harmonized visitor communication, and alignment between cultural norms and international expectations.

II. TRANSPORT & LOGISTICS

Saudi Arabia's Transport & Logistics sector continued accelerating in 2025, supported by the National Transport and Logistics Strategy (NTLS) and Vision 2030's goal of positioning the Kingdom as a global logistics hub. The logistics market generated **USD 136.3 billion in 2024** and is projected to grow at a **6.5% CAGR (2025–2030)**[10]. Delivery activity remains strong, with 1**01 million orders processed in Q2 2025**, reflecting rapid e-commerce adoption and last-mile expansion. Industrial and logistics real estate-maintained momentum, with Q2 2025 rental growth of **9.3% in Riyadh and Jeddah** and **10.8% in Dammam**[11]. On the infrastructure side, the market is valued at **USD 63.84 billion (2025)**[12], projected to grow **~5.0% annually** through 2030. Aviation logistics remains a key driver, with air-cargo throughput reaching **866,000 tons (Jan–Sept 2025)**.

This momentum in logistics is closely tied to the evolution of the industrial base, as manufacturing scale, localization, and export orientation increasingly drive demand for integrated freight, warehousing, and multimodal connectivity across the Kingdom. Industrial production in Saudi Arabia gained strong traction in 2025, with the General Authority for Statistics (GASTAT) reporting a **9.3% year-on-year increase in the Industrial Production Index (IPI) for September 2025**, with the manufacturing sub-index rising by **6.3%**, mining and quarrying by **11.0%**, utilities (electricity, gas, steam and air-conditioning supply) by **12.6%**, and water, sewerage and waste-management services by **9.2%**[13].

A. Key Opportunities

Logistics Real Estate as a High-Yield Asset Class

Tight supply and strong rental growth across logistics corridors—particularly in Riyadh and Dammam—continue to reinforce the attractiveness of industrial real estate as an income-generating asset class. With warehouse occupancy in Riyadh reaching **98%**, and significant rental growth in Grade-A logistics space, creating opportunities for build-to-suit warehouses, **3PL campuses,** and **REIT-backed portfolios.**

[10] Saudi Arabia Logistics Market Size & Outlook, 2024-2030 – Grand View Horizon
[11] KSA Industrial Market Dynamics, Q2 2025 - JLL
[12] Saudi Arabia Infrastructure Sector Market Size & Share Analysis - Growth Trends & Forecasts (2025 - 2030) – Mordor Intelligence
[13] SNG: Saudi Arabia's industrial production rises 9.3% in September - Zawya

Digitalization & Value-Added Logistics Services	Saudi Arabia's logistics ecosystem is rapidly evolving toward advanced, technology-enabled services. The contract logistics market is projected to reach **USD 1.23 billion** in 2025, driven by e-commerce expansion and supply-chain modernization. This enables investment in higher-margin services such as reverse logistics, kitting, value-added packaging, IoT-enabled tracking, and analytics-driven fulfillment
Infrastructure Development (Transport, Ports, Airports, Rail)	Saudi Arabia's **USD 63.84 billion** infrastructure pipeline spans air-cargo expansion, port upgrades, high-speed rail, and integrated transport corridors. Hosting the **UN Global Supply Chain Forum in 2026** reinforces the Kingdom's ambition to serve as a regional transshipment, re-export, and distribution hub.
Sustainability, Green Logistics & Smart Infrastructure	The transition toward sustainable logistics—aligned with national climate goals—creates demand for energy-efficient warehouses, solar-powered logistics parks, low-emission transport fleets, and smart-mobility systems. Global occupiers are increasingly prioritizing ESG-certified assets. **Saudi Arabia's green logistics market is already valued at around USD 15 billion and is projected to grow at a ~6.3 % CAGR through 2032** as Vision 2030 drives decarbonization and digital enhancements across the logistics value chain.
Logistics PPPs in Industrial Infrastructure	Saudi Arabia is expanding the use of **Public-Private Partnerships (PPPs), concessions, and joint-venture structures** to develop **logistics-enabled industrial infrastructure,** including logistics parks, bonded zones, intermodal hubs, warehousing clusters, and last-mile distribution platforms within industrial cities and special economic zones. **The National Center for Privatization & PPP (NCP)** continues to drive private-sector participation, with a pipeline of more than **200 approved PPP and privatization projects across 17 sectors,** many of which create direct opportunities for **logistics infrastructure, freight handling, cold-chain facilities, and industrial warehousing.**
Logistics-Driven Supply-Chain Localization	The rapid expansion of domestic manufacturing and industrial diversification is driving strong demand for localized logistics and supply-chain infrastructure, including storage, distribution, packaging, and value-added logistics services. With more than **12,700 industrial facilities** in operation as of late 2025, the Kingdom's industrial base increasingly relies on **efficient, locally anchored logistics networks** to support inbound materials, intermediate goods, and outbound distribution. This trend creates significant PPP opportunities in **logistics hubs, 3PL platforms, and supplier-integration zones,** aligned with the **National Industrial Strategy and Vision 2030.**

B. Constraints

1. Uneven Maturity Across Logistics Sub-Markets

Logistics sub-markets vary widely in maturity, demand, and infrastructure quality. Riyadh's inland position anchors distribution and e-commerce fulfillment (e.g., **Riyadh Dry Port** serves as the largest inland logistics hub), while Jeddah functions as a port-centric gateway handling roughly **65% of the Kingdom's sea imports** and large container vessels up to **~19,800 TEU**, and Dammam's Eastern Province logistics is closely tied to industrial and energy supply chains serviced by rail and Gulf ports. Official planning documents under the **National Transport and Logistics Strategy (NTLS)** explicitly recognize these geographic differences and promote region-specific logistics roles rather than a single national model.

2. Multimodal Connectivity and Infrastructure Integration Challenges

While Saudi Arabia is investing heavily in ports, airports, rail networks, industrial corridors, and freight infrastructure, multimodal integration remains incomplete. The **NTLS** envisions expanding rail infrastructure to **~8,000 km from current levels (~3,650 km) to link industrial hubs and ports**—yet connectivity between sea, rail, air, and road continues to evolve and faces coordination and timing challenges. Major projects such as the **Saudi Landbridge** (intended to link Jeddah to Riyadh freight corridors) remain in development, and **Sinaiyah al-Jadidah (Second Industrial City in Riyadh)** and **Jubail Industrial City** face differing levels of road/logistics integration and utilities capacity relative to coastal hubs.

3. Logistics Workforce and Capability Gaps

As the logistics industry shifts from traditional transport toward value-added, technology-enabled services, gaps in talent, operational skills, and regulatory readiness have become more visible. The **Saudi Logistics Services and Transportation Sector Skills Framework (2025)** underscores the need for technical skills aligned with modern logistics competencies, highlighting shortages in multimodal operations, digital-logistics technologies, and advanced fulfillment capabilities needed to support the Kingdom's strategic expansion.

[11] Q3 2025 | UAE | Dubai | Retail - Nikoliers
[12] UAE retail rents surge in Abu Dhabi and Dubai as demand outpaces supply – Arabian Business
[13] How Earth Day 2025 Is Driving Sustainable Consumer Choices In The UAE And GCC - Sapience

III. RETAIL

Saudi Arabia's retail sector is undergoing accelerated transformation in 2025, driven by economic diversification, evolving consumer expectations, and the rise of integrated digital–physical retail models. Market indicators show strong momentum: Knight Frank's 2025 Retail Market Overview points to active mall development and modern retail expansion, while the Saudi retail market—valued at **USD 268.56 million in 2024**—is projected to reach **USD 398.45 million by 2030** (CAGR **6.8**%)[14]. Additional forecasts show the sector expanding by **USD 64.6 billion between 2025–2029** at a CAGR of 7.1%[15]. Consumer behavior is shifting notably as cost-of-living pressures rise, making value, pricing, and convenience increasingly central to purchasing decisions—particularly among Saudi consumers.

A. Key Opportunities

Multi-Format Retail & Experiential Retail (Retailtainment)	Experiential retail has been in demand in Saudi Arabia for years, as consumers consistently favored destinations combining dining, entertainment, and social experiences. **The scale of retail development is matching this long-standing demand**, with a larger share of new supply dedicated to lifestyle, F&B, leisure, and entertainment formats. In Riyadh, **lifestyle-oriented retail space is projected to expand from approximately 485,000 sqm to around 870,000 sqm by 2027**, reflecting a shift from incremental experiential add-ons within malls toward **larger, destination-led experiential clusters** developed at scale rather than as secondary components.
Modern Retail Chain Expansion & Regional Roll-Out	Rising urbanization, increasing incomes and modern infrastructure are driving demand for supermarkets, hypermarkets, convenience-store chains, specialty retailers, and expansion into emerging cities such as **Al-Ula, Abha, and Tabuk** which are identified as **underserved locations with potential for further retail investment** as part of broader regional economic diversification and development initiatives. As the network of malls and retail parks expands, the infrastructure is in place for next-wave growth.

[14] Saudi Arabia Retail Market Analysis Report 2025-2030 – Research and Markets
[15] Saudi Arabia Retail Market Analysis - Size and Forecast 2025-2029 - Technavio

Digital-First & Hybrid Retail Models

The accelerating adoption of mobile commerce, digital payments, click-and-collect, home delivery and micro-fulfilment centers offers opportunities for retailers to **reinvent their channel strategy,** lower cost-to-serve and capture younger, digitally native consumers, particularly as **fintech solutions lower payment friction and expand consumer purchasing power.** Saudi Arabia's fintech ecosystem, led by platforms such as **STC Pay**, a widely adopted digital wallet now serving millions of users and thousands of merchants, is embedding digital payments into everyday retail experiences, simplifying checkout both online and in-store. **Buy-Now-Pay-Later** solutions like **Tamara** and **Tabby** are also becoming increasingly integrated at checkout across retail and e-commerce.

Premium, Luxury & Tourism-Driven Retail

Growth in tourism, mega-events, and cultural districts is expanding demand for luxury goods, duty-free retail, and destination-led shopping. Saudi Arabia's young, brand-aware consumers, with about **69.4%**[16] of the total Saudi population under the age of 35, and rising tourist flows—around **116 million total tourists in 2024**—create high-yield opportunities in premium formats and city-center flagship and destination retail formats like Via Riyadh, Diriyah Gate retail districts, and new luxury-oriented developments in central Riyadh.

Smaller-Format Retail & Neighborhood Expansion

Continued urban expansion , toward the **north and northeast districts** (Al-Narjis, Al-Qirawan, Al-Yasmin, Al-Malqa) for example, redevelopment of city-fringe zones and growth in population outside the primary cities open opportunity for convenience stores, neighborhood retail hubs, pop-ups and micro-fulfilment-plus-store formats. **Diriyah Gate** has been explicitly positioned as a city-shaping project that expands Riyadh's urban footprint. Its retail streets and lifestyle districts are designed to anchor new neighborhoods, attract population and tourism, and drive urban expansion.

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[16] GASTAT: Nearly 70% of Saudis under age of 35 – Saudi Gazette

B. Constraints

1. Omnichannel Transition & Operational Complexity

Retailers face mounting pressure to keep pace with consumers who expect seamless mobile-first journeys, unified online–offline inventory, and personalized engagement. This transition requires significant investment in digital infrastructure, fulfillment systems, analytics, and unified commerce platforms. In Saudi Arabia, **Panda Retail Company** illustrates this shift in practice: the retailer has integrated its nationwide physical store network with an online platform and mobile app, supported by enhanced fulfillment and logistics capabilities, including collaboration with **Ocado Solutions**, to enable online grocery ordering and home delivery at scale.

2. Consumer Cost-Sensitivity & Macro Pressures

With Saudi consumers ranking **cost of living among the top threats they expect to impact their country in 2025**, retailers face ongoing pressure to optimize pricing, deliver stronger value propositions, and strengthen their loyalty, discounting, and private-label strategies.

3. Retail Growth Concentration and Scalability Challenges

Saudi Arabia's retail market shows **uneven performance across regions and categories,** rather than a uniform growth profile. **Riyadh captures more than 46% of national POS (point of sale) retail spending**[17], allowing higher sales densities that are harder to replicate in secondary cities. **Luxury and premium fashion demand remains concentrated in a limited number of prime malls in Riyadh and parts of Jeddah**, while food, essentials, and value retail consistently outperform discretionary categories outside these core markets. **E-commerce and omnichannel operations are similarly concentrated in major cities**, with weaker unit economics in secondary locations due to lower order density and higher last-mile cost.

[17] اتجاهات قطاع المطاعم والمقاهي – Jahez

V. REAL ESTATE & CONSTRUCTION

Real estate remains one of the most influential sectors in Saudi Arabia's economic landscape, closely tied to demographic shifts, urban expansion, institutional investment, and Vision 2030 implementation. In 2025, the construction sector is projected to grow by **~4.0% in real terms**[1], supported by public investment in housing, energy, transport and major infrastructure projects. The construction market is estimated at **USD 78.6 billion in 2025**, forecast to reach **~USD 98.0 billion by 2030 (CAGR 4.5%)**[2], while residential construction is expected to grow from USD 19.6 billion to ~USD 25.2 billion over the same period **(CAGR ~5.2%%)**[3]**.** The national real-estate price index rose by **4.3%** year-on-year in Q1 2025, with residential prices up 5.1% and commercial prices up 2.5%[4]. In Q2 2025, growth moderated to **3.2%** y/y, but the commercial segment recorded strong growth of **11.7%** (commercial land plot prices up 12.7%), while residential real estate showed limited growth of 0.4%, with some segment declines (e.g., apartments -0.7%)[5]. Transaction activity remained strong, with **Q1 2025 sales reaching SAR 108.8 billion (USD 29 billion), up ~37% y/y,** including **SAR 50.9 billion in residential transactions (+21%)**[6], indicating continued liquidity despite moderating prices.

A. Residential Sector

The residential market reflects population growth, shifting household structures, affordability dynamics, and increased government support for homeownership (rising to 64% in 2023). Housing demand is projected to increase from ~112k units in 2024 to ~124k by 2030 **(+1.8% per annum)**. Riyadh and Jeddah remain the most active markets, together requiring approximately **435,000 new units** between 2025 and 2030. The current supply gap is estimated at **55,000 units**, driven primarily by Jeddah's shortage of nearly **50,000 units**.

In 2025, price trends stabilized after years of rapid appreciation. Riyadh recorded modest positive pricing with apartment and villa prices averaging **SAR 6,073/sqm** and **SAR 6,567/sqm**, respectively. Jeddah saw mild declines in apartment prices to **SAR 4,740/sqm**, while villas increased to **SAR 6,050/sqm,** reflecting increased price sensitivity. Transaction volumes softened slightly in Riyadh **(-1.5% y/y)** but surged in Jeddah **(+46.1%)**. Supply continues to expand, with Riyadh expected to reach **2,370 units by 2030**, and Jeddah **1,309 units** over the same period. Demand is shifting toward integrated communities, mixed-use developments, and amenity-rich environments, supporting stronger momentum for **master-planned communities, mid-market apartments, and build-to-rent models.**

[18] Saudi Arabia Construction Industry Report 2025: Output to Grow by 4% This Year, Supported by Investments in Housing, Energy, and Transport and Investments in Preparation for the FIFA World Cup 2034 – Yahoo Finance
[19] Saudi Arabia Construction Market Size & Share Analysis - Growth Trends and Forecast (2025-2030) – Mordor Intelligence
[20] Saudi Arabia Residential Construction Market Size & Share Analysis - Growth Trends and Forecast (2025-2030) – Mordor Intelligence
[21] Real Estate Price Index, Q1 2025 - General Authority for Statistics
[22] Real Estate Price Index, Q2 2025 - General Authority for Statistics
[23] KSA Real Estate Report - Markaz

B. Retail Sector

Saudi Arabia's retail sector displayed uneven but active performance across cities and asset types, influenced by rapid supply growth, shifting consumer behaviors, and entertainment-led retail expansion. Riyadh remains the strongest market, benefitting from income growth, higher consumer spending, and its position as the national commercial hub. The city added **114,100 sqm of new GLA in H1 2025**, taking total supply to **4.35 million sqm**, with nearly **200,000 sqm expected by year-end.**

Vacancy patterns highlight divergence between cities and formats. In Riyadh, super-regional malls maintained **exceptionally tight vacancy at 2.5%**, supported by strong footfall and retailer demand. By contrast, Jeddah continues to face weaker fundamentals, with regional mall vacancy above 20%, and community centers challenged as supply outpaces current absorption.

Rental trends reflect this segmentation. Community centers in Riyadh posted the **strongest rental growth at over 6% year-on-year**, whereas Jeddah saw declines across super-regional mall formats. As new GLA enters both markets between 2024 and 2027, competition for high-quality tenants is intensifying, placing pressure on older, less differentiated assets. Entertainment, food and beverage anchors, and hybrid retail-lifestyle destinations continue to shape retailer mix and leasing strategies.

C. Offices Sector

The office market expansion remains in Saudi Arabia, driven by regional headquarters relocation, private-sector expansion, and new employment clusters. Riyadh's office environment continues to experience exceptionally tight conditions, with **prime vacancy at 0.5%, Grade A at 3.8%,** and **Grade B at 2.9%**. The city delivered more than **312,000 sqm of new office space** in H1 2025, increasing total stock to **8.1 million sqm,** yet demand continues to exceed availability, particularly for premium and well-connected buildings. Jeddah shows a more moderate but healthy trend, with vacancies remaining low across most grades and new supply concentrated in modern developments. Rents rose across both cities, led by Riyadh where prime rents increased by more than **7% y/y to SAR 3,630/sqm/year.**

Tenant preferences are shifting toward higher-quality workplaces offering flexible layouts, collaborative spaces, and integrated retail, entertainment, and wellness amenities. Growth of northern Riyadh, corridor transformation, and the RHQ program reinforce sustained demand for new Grade A supply, alongside asset repositioning and adaptive reuse to meet evolving occupier expectations.

D. Hospitality Sector

Hospitality maintained its strong recovery trajectory in 2025, supported by growth in both international and domestic tourism. In 2024, inbound visitors reached 29.7 million, while domestic tourism recorded 86.2 million trips, generating SAR 168 billion and SAR 115 billion in spending respectively, reinforcing the importance of hospitality in the national economy.

Performance varied by city:

- **Nationwide** occupancy declined to 62.3%, with the Average Daily Rate (ADR) and Revenue Per Available Room (RevPAR) rising modestly.
- **Riyadh** posted the weakest RevPAR results due to a temporary softening in demand, although ADR remained high.
- **Jeddah** showed improving performance, driven by leisure tourism and events.
- **Makkah and Madinah** remained highly resilient, supported by year-round religious tourism and expanding hotel inventories.

The supply pipeline remains substantial. Riyadh added 690 keys in H1 2025 and will deliver more than 1,080 keys through H2 2025. Jeddah added 750 keys, with further 1,300 deliveries expected. Makkah and Madinah recorded some of the largest national pipelines, underpinning their long-term positioning as global religious destinations. Demand continues to shift toward leisure, events, waterfront destinations, and mixed-use hospitality assets that cater to both international and domestic travelers.

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Exploring the future of Pilgrimage, Hospitality and Real Estate in Saudi Arabia

In an interview, Amr AbdelWahab, Senior Partner and Jeddah Managing Partner at LOGIC Consulting, shared insights on the rapidly evolving Hajj and Umrah ecosystem in Saudi Arabia, alongside the transformation of hospitality and real estate across the Western Region. The discussion explored how new regulations are reshaping operator models, how rising pilgrim expectations are elevating service standards, and how large-scale developments in Makkah, Madinah, and Jeddah are redefining the competitive landscape for hotels, serviced apartments, and mixed-use assets. Together, these insights highlight the key trends, challenges, and investment opportunities shaping the next phase of growth across pilgrimage services, hospitality, and regional real estate.

Interview with Amr AbdelWahab

Senior Partner at LOGIC Consulting and Jeddah Managing Partner

Q1 How does the Pilgrim Experience Program (PEP) objective and regulatory changes affect the way private operators design and deliver the pilgrim journey?

The Hajj and Umrah ecosystem is undergoing a structural shift as Vision 2030 opens the market to new operators competing on differentiated, value-added pilgrim services rather than simple volume handling. This competitive landscape is being reshaped by the Ministry of Hajj and Umrah, which is actively redesigning service-provision models through initiatives such as launching **accreditation programs for seasonal service providers**, ensuring that temporary teams are selected based on clear criteria, trained in standardized protocols, and evaluated against performance metrics—ultimately raising the consistency and quality of on-the-ground services. At the same time, the Ministry is **redefining the scope of licensed operators**, requiring them to integrate expanded service components directly into their packages, thereby introducing stronger quality controls and more transparent accountability across the pilgrim journey.

Q2 What capabilities are required for hospitality providers in Makkah and Madinah to compete in an experience-led pilgrim market?

Hospitality operators in Makkah and Madinah are simultaneously repositioning their offerings—from secured, transactional to value-added, relationship-driven experiences designed to build long-term loyalty among pilgrims. This includes personalized journey planning and enhanced long-term engagement—all aimed at elevating service quality and differentiating operators in an increasingly competitive market. Collectively, these shifts show that future success in the Hajj and Umrah sector will depend on **delivering integrated, high-quality service chains that attract customers not only for a single pilgrimage, but for repeated, lifelong journeys.**

Q3 How is real estate development in the Western Region adapting to rising pilgrim demand, and how are hotel capacity expansion and regulatory reforms shaping this evolution?

Real estate activity in the Western Region is accelerating significantly, driven primarily by the Kingdom's commitment under Vision 2030 to accommodate a rapidly growing number of pilgrims. With Hajj and Umrah targets set to reach **30 million+ annual pilgrims,** planning efforts now anticipate substantial increases in hotel capacity—**doubling room inventory in Madinah** and expanding supply in **Jeddah by nearly 75% by 2030**. This expected growth is pushing operators and developers to diversify offerings, including mid-market hotels, serviced apartments, and budget accommodation that align with the evolving visitor profile.

At the same time, **regulatory tightening around building standards, safety compliance, and minimum hospitality quality—particularly for facilities serving pilgrims**—is exerting pressure on an already aging supply base. Many existing assets no longer meet new municipal and Ministry of Tourism requirements, widening the gap between surging demand and compliant stock. This regulatory environment is accelerating the need for new developments, while also reshaping investor expectations around future asset value and operational viability.

Q4

In what ways are urban redevelopment initiatives, mega projects, and foreign ownership policies shaping investor confidence and the long-term dynamics of residential, hospitality, and mixed-use projects in the Western Region?

Supporting these shifts, the Western Region is undergoing one of the Kingdom's largest waves of urban redevelopment and mega-project investment. Major developments—including **Masar (Makkah), Rua Al Madinah, Jeddah Central, Thakher Makkah, KAEC expansions, and Jeddah Waterfront upgrades**—are reshaping the urban and hospitality landscape through large-scale mixed-use, mobility, and public-realm interventions. In parallel, **urban renewal programs in Jeddah and Makkah** are targeting older districts for redevelopment, upgrading infrastructure, utilities, streets, and public spaces to enable compliant residential, hospitality, and commercial projects. Together, this dual approach ensures new supply aligns with regulatory standards and Vision 2030 objectives.

Investment momentum is further reinforced by the **recent regulatory change allowing foreign ownership of real estate in Makkah, Madinah, and Jeddah**, a significant departure from past restrictions. This shift is expected to boost demand for high-quality hospitality, serviced apartments, and prime residential assets near key religious and economic zones, positioning the Western Region as one of Saudi Arabia's most dynamic real estate markets.

Major developments—including Masar (Makkah), Rua Al Madinah, Jeddah Central, Thakher Makkah, KAEC expansions, and Jeddah Waterfront upgrades—are reshaping the urban and hospitality landscape through large-scale mixed-use, mobility, and public-realm interventions.

In an interview with Nihal Ghannam, partner at LOGIC Consulting, the conversation shifts from the Western Region's transformation to the national real estate landscape. It becomes clear that Saudi Arabia's regulatory reforms are now playing a defining role in how markets function, influencing everything from demand patterns to developer behavior and reshaping how projects are planned, financed, and delivered.

Interview with Nihal Ghannam

Partner at LOGIC Consulting and Head of the Real Estate Sector

Q5 How is Saudi Arabia's evolving regulatory landscape shaping new patterns in real estate demand, supply, and investor behavior across major cities?

The 2025 regulatory cycle is reshaping how demand materializes and how capital is allocated across Saudi Arabia's real estate market. **The Foreign Real Estate Ownership Law (2025)** is progressively expanding the investor base by allowing foreign individuals and companies to participate in designated urban zones. This shift is drawing new attention to high-quality residential, office, and mixed-use assets, particularly in Riyadh, where sustained price appreciation and strong economic fundamentals already differentiate the city from the national market.

The introduction of the Rental Market Regulation (2025) adds further stability by limiting rent adjustments and strengthening tenant protections.

These measures are moderating rental volatility and improving confidence in long-term leasing products at a time of rapid population and employment growth. Complementing this is the rollout of Transparency and Digital Registry Initiatives, which reduce information gaps, make transactional data visible in real time, and bring the sector closer to international norms for disclosure and governance.

Q6 How should developers adjust long-term strategies to align with Saudi Arabia's 2025 structural reforms?

Developers are now operating in a more predictable regulatory environment, where policy provides clearer strategic direction and reduces investment ambiguity. The **White Land & Vacant Property Tax Amendments (2025)** are accelerating land activation by expanding coverage, taxing smaller plots, and limiting avoidance, redirecting development toward serviced corridors such as **Riyadh's northern and western growth zones** and supporting city-level objectives, including **Jeddah's urban core revitalization and mixed-use waterfront development.**

At the same time, the **Foreign Real Estate Ownership Law (2025)** expands the investor base for high-quality assets, pushing developers to enhance design, amenities, and property management. **The Rental Market Regulation (2025)** reinforces income-generating models such as build-to-rent and serviced apartments, while updated **Group Housing Standards** raise expectations around density, safety, and on-site services, encouraging stronger compliance and more professional operations.

Together with **transparency and digital registry reforms**, these measures provide developers with more accurate, real-time data on pricing, demand, and supply pipelines—supporting better-informed planning and long-term value creation.

Exploring What's Powering the Next Phase of Vision 2030

In an interview, Hussein Osman, Director at LOGIC Consulting and Head of the Public Sector, and Nadine Mousa, Director at LOGIC Consulting and Head of the Tourism and Culture Sector, shared their insights on how the focus is expanding beyond real estate to the broader transformation underway across Saudi Arabia's public services, tourism ecosystem, and public-private partnerships. The discussion highlighted how Vision 2030 is reshaping the institutional and operational frameworks that underpin economic growth across the Kingdom.

Interview with Hussein Osman

Director at LOGIC Consulting and Head of Public Sector

Interview with Nadine Mousa

Director at LOGIC Consulting and Head of Tourism and Culture Sector

Q7 How is Saudi Arabia redefining citizen experience and service delivery?

Saudi Arabia is moving from digitizing individual services **to fundamentally redesigning how the state delivers value**, combining national digital platforms with structural and operating-model reforms across government. Saudi Arabia has moved from digitization to **operating-model transformation.**

Value creation now depends on journey-first service design, governance aligned with digital delivery, and partners that integrate with national platforms and CX metrics.

In 2025, the **Digital Experience Maturity Index placed government services at an advanced level** after assessing 50 platforms. This reflects a shift toward standardized user experience, integrated journeys, and proactive service delivery, supported by the Digital Transformation Measurement Framework. A **flagship reform is the five-year Resident ID**, which replaces annual iqama renewals and is expected to eliminate ~65 million in-person visits, easing access for over 13 million residents.

At the municipal level, **Riyadh Municipality aligned its digital strategy with DGA standards and restructured governance by consolidating 16 sub-municipalities into five zones**, improving responsiveness and service alignment. These reforms translated into results: Riyadh ranked first among regional municipalities in 2024 and reached the Innovation Stage nationally in 2025.

Q8 How did tourism and entertainment evolve in 2025—and what does that signal?

By 2025, tourism and entertainment have become **core non-oil growth engines**, scaling across religious tourism, leisure travel, and events. Tourism is now a **segmented, system-level sector**. Growth depends on differentiated strategies, infrastructure capacity, and tighter integration with real estate, logistics, culture, and municipal services. **Religious tourism** remained the volume anchor, with **~15.2 million Umrah pilgrims in Q1 2025,** including **~6.5 million international visitors**, supported by the Pilgrim Experience Program and platforms such as **Nusuk. Leisure tourism** accelerated, with **Q1 2025 international visitor spending at SAR 49.4 billion.** Saudi Arabia ranked **first globally in tourism-receipt growth** and **third in arrivals growth** versus 2019, prompting a new **150 million visitors by 2030** target. Strategy is shifting beyond ultra-luxury toward **mid-market offerings**, supported by enablers such as **King Salman International Airport. Entertainment and events** continue to scale. In 2024, **76.9 million attendees** participated in events nationwide, while **Riyadh Season 2024–25 exceeded 16 million visitors by January 2025.**

Q9

9. How is Saudi Arabia's public–private cooperation model evolving?

Saudi Arabia's PPP model has matured into a **scaled, diversified delivery mechanism**. The **NCP oversees ~200 PPP and privatization projects across 17 sectors**, valued at **~USD 190 billion**. PPPs now represent **over a quarter of total project value.** In **infrastructure and utilities**, projects such as **Jubail 3B IWP** and the **Juranah Strategic Water Reservoir** show how PPPs are expanding from production into resilience and sustainability. In **education and healthcare**, PPPs are moving beyond pilots toward **service-based and outcome-linked models**. The model is also extending into **sports and lifestyle sectors**, including football-club privatization. PPPs are becoming the **default delivery model**. Success will hinge on execution discipline, sector specialization, and embedding PPPs into service-transformation agendas, not just financing structures.

Q10

How is Saudi Arabia transforming culture into a scalable economic engine while strengthening national identity and global soft power under Vision 2030?

Saudi Arabia is repositioning culture from a heritage-preservation function into a **strategic economic, social, and soft-power engine**. By 2024, the cultural sector contributed an estimated **SAR 90+ billion to GDP**, with the National Culture Strategy targeting **3% of GDP contribution by 2030** and the creation of more than **100,000 cultural jobs.**

Flagship initiatives demonstrate the scale of transformation. The **Film Commission** has supported over **40 international productions** filmed in Saudi Arabia since 2020, supported by rebates of up to **40%**, positioning locations such as AlUla and NEOM as global filming hubs. The **Museums Commission** is developing a national museum network, including the **Diriyah Museum of the Arabian Peninsula**, while the **Fashion Commission** has launched the Saudi 100 Brands program to integrate local designers into global value chains.

Cultural transformation is also deeply integrated with **tourism and placemaking**. Cultural destinations such as **AlUla, Diriyah, and Jeddah Historic District (Al-Balad)** are being developed as mixed-use cultural economies, combining heritage conservation with hospitality, retail, and creative industries. AlUla alone is expected to attract **2 million visitors annually by 2030**, with culture-led development acting as the anchor for private investment.

From a societal perspective, culture has become a vehicle for **citizen engagement and identity-building**. Attendance at cultural events increased from fewer than **5 million visits in 2019 to over 30 million visits by 2023**, driven by festivals, exhibitions, and performing arts.

This shift reflects a broader Vision 2030 logic: diversifying the economy while reshaping how citizens, residents, and visitors experience the Kingdom.

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