



Insights

# **Saudi Arabia's Real Estate Shift: What Investors and Policy Makers Need to Know**

## Introduction

Saudi Arabia's real estate market has moved to the center of public and policy debate in recent years as prices, rents, and development patterns increasingly shape economic outcomes and social expectations. While recent interventions and regulatory reforms have attracted significant attention, they are best understood not as isolated responses to short-term pressures, but as part of a longer evolution in how the Kingdom is approaching land, housing, and urban growth.

This analysis examines the business implications of three major policy and regulatory shifts reshaping the functioning of the real estate market: the White Land and Vacant Real Estate Tax Law, the Real Estate Ownership Law by Non-Saudis, and the regulatory framework for tokenized property.

### From land distribution to price pressure

Saudi Arabia pursued settlement policies between the early 1900s and 1930s that encouraged nomadic populations to transition into permanent communities to strengthen security, governance, and economic stability. Building on this legacy, housing policy in the decades following the oil boom functioned primarily as a tool of wealth distribution and social stabilization anchored by the establishment of the Ministry of Municipalities and Housing in 1975. Land grants, subsidized financing, and state-supported access to home ownership embedded land as a central store of value for Saudi households. These policies succeeded in anchoring social cohesion during a period of rapid economic transformation, but they did not produce a self-correcting housing market. Government land allocations were frequently made before supporting infrastructure or services were in place. Because there were no financial penalties for holding undeveloped land, recipients could keep plots idle for long periods or sell them once prices increased. This dynamic favored households with access to capital rather than those seeking housing, as land became an asset to trade rather than develop. As a result, prices increased less because of underlying use or rental demand and more because of limited supply and expectations of appreciation that made holding land more attractive than building on it.

Demographic expansion magnified these dynamics. Saudi Arabia's population has grown from roughly four million in 1960 to more than thirty-six million today. This growth reflects both natural increase and sustained inflows of expatriate labor tied to economic expansion. Expatriates now represent approximately forty percent of the population and are heavily concentrated in major urban centers. Their presence has created persistent baseline demand for housing, particularly in the rental market, while citizen household formation has continued to accelerate demand for ownership. Even in periods of slower growth, demographic momentum has sustained upward pressure on prices.

Early policy responses tried to ease housing pressure without changing the incentives that shaped the market. Government-backed mortgages and bank lending expanded purchasing power faster than land could be developed, which sustained upward pressure on prices. Efforts

to increase supply through public developers were limited by scale, delays, and inconsistent quality, while early fees on undeveloped land were narrow and weakly enforced. In response, the state later consolidated its delivery efforts through the creation of Roshn Group as a national master developer, seeking to professionalize large-scale housing development and accelerate delivery, even as broader market incentives remained largely unchanged.

By the mid-2020s, policymakers increasingly recognized that indirect tools were not enough. Measures such as eligibility-based land sales and rental controls signaled a move toward direct intervention in market outcomes. This period also saw the introduction of a five percent real estate transaction tax, intended to curb speculative trading by increasing the cost of buying and selling property, even as prices continued to rise due to underlying supply constraints. The 2025 rent freeze in Riyadh capped rental increases during a period of rapid price growth and provided short term relief, but it did not change the underlying structure of the market. Decades of policy had positioned land as a store of value rather than an asset with ongoing costs, and repeated credit expansion and episodic intervention reduced pressure at the margins while allowing price inflation to persist.

## Turning idle land into productive supply

The White Land Fee represented a deliberate shift away from symbolic intervention toward enforceable market discipline. Introduced by royal decree in 2015, the policy imposed an annual charge on undeveloped urban land holdings of 5,000 square meters or more to discourage speculative holding. The original rate of 2.5 percent signaled intent, but limited coverage, valuation challenges, and weak enforcement constrained behavioral impact.

This changed materially in 2025. Amendments approved by the Council of Ministers expanded the policy's scope and renamed it the White Land and Vacant Real Estate Tax Law. The revised framework applies not only to undeveloped land, but also to vacant built properties, directly targeting both speculative land banking and underutilized housing stock. Implementing regulations issued in mid-2025 introduced tiered rates of up to ten percent of land value in high priority urban zones, with differentiated treatment based on development need.

The revised law also strengthens enforcement. Thresholds for covered plots have been clarified, geographic classifications refined, and penalties for non-compliance significantly increased, including fines that may reach the full value of the land in extreme cases. In parallel, revenues from the fee are increasingly linked to housing and urban development initiatives, reinforcing the connection between enforcement and supply outcomes. Complementing these measures, the Saudi Central Bank has also directed financial institutions to dispose of real estate assets acquired through loan defaults within a defined timeframe, further encouraging the release of dormant or bank-held property into the market.

**Key Takeaway:** By internalizing the cost of inactivity, the White Land Fee alters the core calculus of land ownership. Holding undeveloped land now carries a recurring financial consequence. Owners face a clear choice between development, sale, or ongoing payment. This represents a structural break from the historical treatment of land as a costless store of value. In practice, the White Land Fee marks a transition from declarative policy to operational market discipline by directly targeting speculative retention and repositioning land as an asset, carrying costs rather than a risk-free repository of wealth.

## Opening the market to external capital

For much of its modern history, Saudi Arabia restricted foreign participation in real estate ownership. Non-Saudis accessed property primarily through indirect arrangements, special residency programs, or corporate structures tied to operating licenses. Resident non-Saudis were generally limited to owning a single property for personal residence rather than income generation, while foreign companies could own real estate for development purposes under defined regulatory conditions. This limited liquidity, constrained institutional participation, and reinforced reliance on domestic capital.

In July 2025, however, the Council of Ministers approved a new Real Estate Ownership Law by Non-Saudis, repealing earlier restrictions and establishing a formal framework for foreign ownership. The law entered into force in January 2026.

**Key Takeaway:** Under this regime, individuals, companies, and investment funds, including non-resident foreign investors, may acquire residential, commercial, industrial, and agricultural property within designated zones across the Kingdom and hold these assets for investment and revenue generation. Sensitive locations like Makkah and Madinah remain subject to tighter conditions, preserving policy space around religious and strategic assets.

This opening is not a wholesale liberalization. Geographic zoning, registration requirements, and oversight mechanisms allow the state to calibrate exposure to foreign capital. The launch of the Saudi Properties digital platform centralizes applications, eligibility checks, and approvals, reducing procedural friction while improving transparency and monitoring.

The policy rationale is twofold. External capital deepens liquidity and supports professional development of the sector. At the same time, structured access limits the risk that inflows translate into uncontrolled price escalation. The state retains tools to adjust zoning, eligibility, and sequencing as market conditions evolve.

## Tokenization as market infrastructure

Today, real estate tokenization in Saudi Arabia is being advanced as part of core market infrastructure. At the Real Estate Future Forum in early 2026, officials confirmed that a formal regulatory framework for tokenized property will be issued under the supervision of the Real Estate General Authority. This follows the completion, in late 2025, of the Kingdom's first government supervised tokenization of a real estate title deed.

The pilot transaction linked digital tokens directly to the national land registry, establishing a precedent for legally recognized fractional ownership. Under this model, large properties can be divided into small, tradable units, broadening investor access and increasing liquidity in an otherwise illiquid asset class. Regulatory sandbox arrangements under the Saudi PropTech Hub, issued formally on February 6, 2026, allow licensed firms to test issuance and secondary trading models under supervision prior to full scale rollout.

Tokenization changes how prices form. Fractional units can trade continuously, producing real time pricing signals rather than relying on infrequent bilateral transactions. When anchored to sovereign registries, this model enhances transparency, governance, and investor protection relative to unregulated digital asset structures.

As a result, tokenization constitutes a structural reform that embeds liquidity, transparency, and continuous price discovery into the real estate market, anchored in regulation and sovereign records rather than operating as a standalone technology initiative.

## Considerations for investors and regulators

Taken together, these reforms signal a decisive shift in how Saudi Arabia approaches real estate. The state is moving from facilitation and episodic intervention toward redesigning the incentive architecture of the market itself. Holding costs, controlled openness, and digital infrastructure are being deployed to convert land from a passive store of value into an active component of economic development. The success of this transition will determine whether the Kingdom can reconcile affordability, investment, and growth in one of its most socially and economically consequential sectors.

Accordingly, investors should:

- **Reassess land and asset strategies** in light of rising holding costs, enforcement, and transparency.
- **View tokenization and digital registries as essential market infrastructure** that will influence liquidity, pricing signals, and exit options over time, rather than as optional or speculative features.
- **Monitor policy implementation closely**, paying attention to enforcement patterns, fee adjustments, and transactional behaviors, and be ready to adapt investment strategies as incentives evolve.

And policy makers should:

- **Ensure clarity and consistency in implementation** to strengthen credibility, particularly regarding the enforcement of holding costs and foreign ownership regulations.
- **Continuously evaluate the market impact of reforms**, tracking effects on prices, transaction volumes, supply activation, and rental affordability, and be prepared to recalibrate tools as new evidence emerges.
- **Foster coordination among housing, taxation, investment, and municipal authorities** to prevent policy overlap.

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**Imad Al-Abdulqader**

Partner

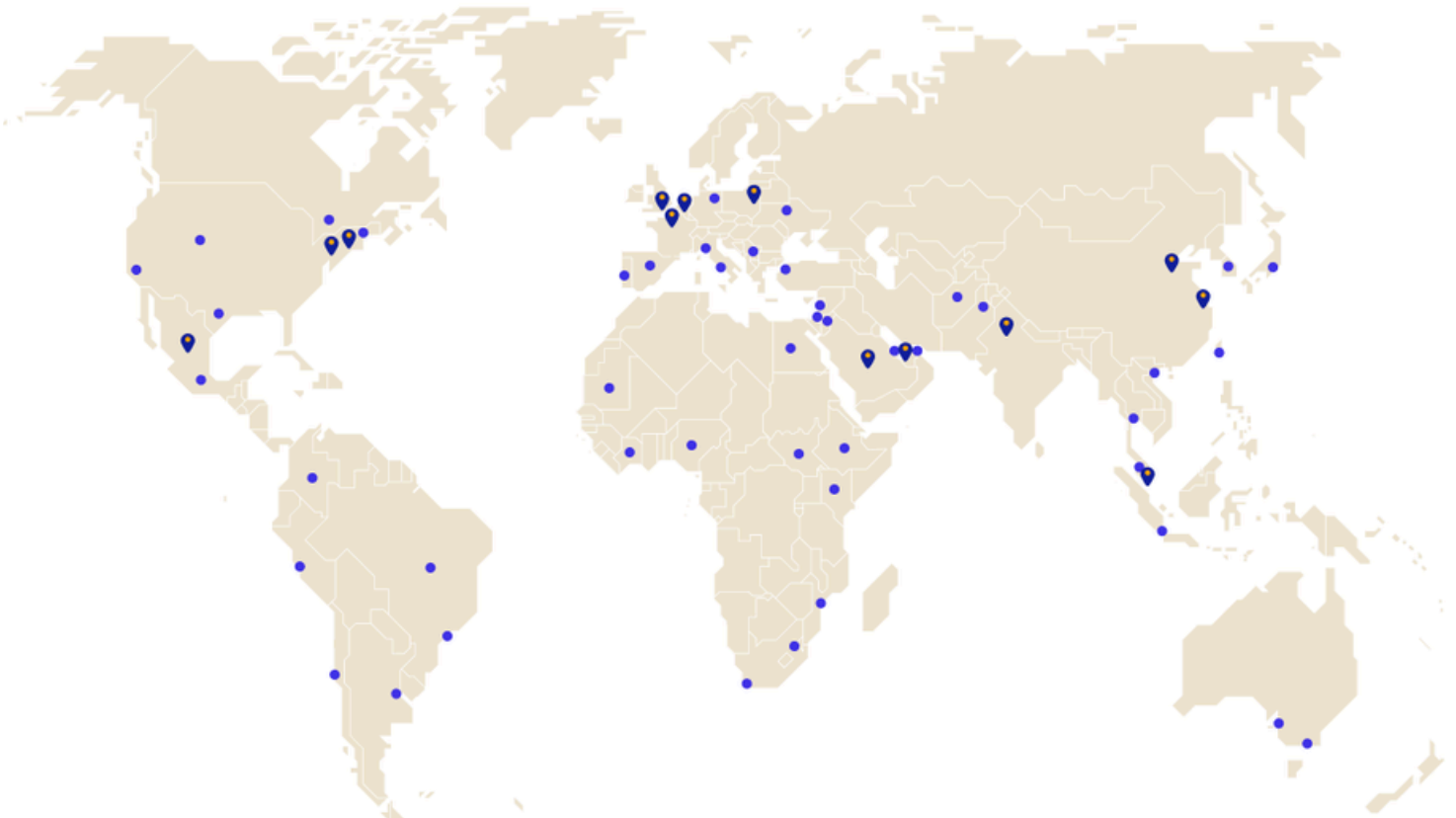
[Imad.AIAbdulqader@dgagroup.com](mailto:Imad.AIAbdulqader@dgagroup.com)



**Juliana Rordorf**

Director

[Juliana.Rordorf@dgagroup.com](mailto:Juliana.Rordorf@dgagroup.com)



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