

Saudi Arabia Retail Market Overview



Autumn - 2024

A biannual review of key trends and the performance of Saudi Arabia's retail market

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Market Roundup

RENTS UNDER PRESSURE

Despite growing interest from international retailers and investors, headline rents in super-regional and regional shopping malls remain subdued, except in Riyadh, where rents increased by 4.2% to around SAR 2,845 psm.

Looking ahead, with 7.4 million sqm of new retail space planned nationwide, including 2.6 million sqm in Riyadh, rents are expected to face downward pressure as the growth in online shopping continues to outpace in-store transactions. However, the shift toward experiential retail is helping landlords sustain footfall and increase dwell times, which is underpinning the rising focus on curating experiences centred on wellness, education or entertainment for future retail developments across the country.

Overall, Saudi Arabia's retail sector has an anticipated CAGR of 4.2% until 2028, when retail sales are expected to reach US\$ 189bn, equating to 53.4% of total GCC retail sales (Oxford Economics).

SHIFT IN CONSUMER BEHAVIOR

The convenience of online shopping, wider product selection, and competitive pricing are supporting the growth of e-commerce platforms. The pandemic accelerated this trend and has supercharged the growth of online platforms like Noon, Amazon.sa, and Jarir.

“The shift toward experiential retail is helping landlords sustain footfall and increase dwell times.”

E-COMMERCE AND ‘POS’ SPENDING HITS NEW HIGH

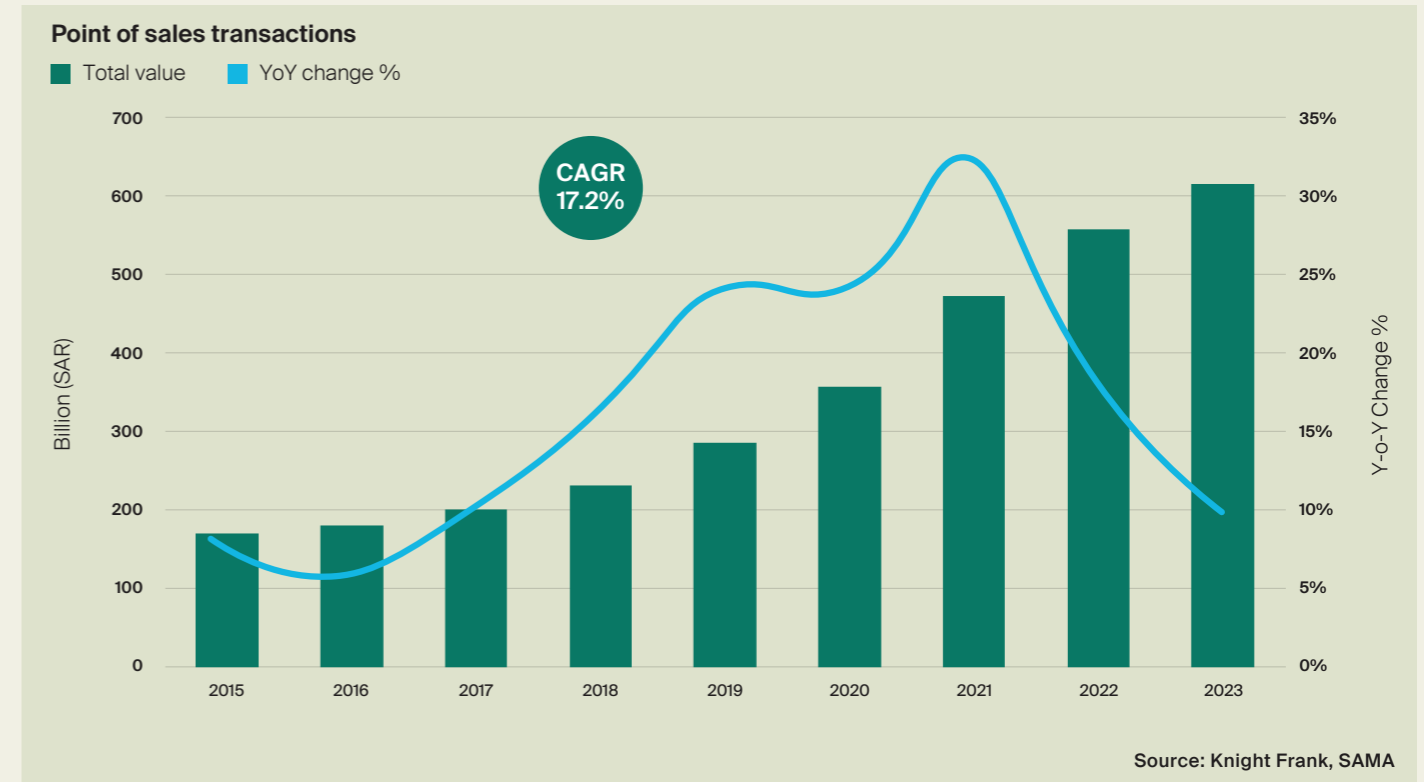
Saudi Arabia's point-of-sale (POS) spending rose to SAR 58.5bn (US\$ 15.6bn) in August 2024, reflecting a 9.67% rise on August 2023 (SAMA). Between January and August, POS transactions grew by 8.9%, totalling SAR 442bn (US\$ 117.8bn).

Notably, food & beverage (F&B) outlets accounted for 36% (SAR 16.55bn) of this spending, reflecting a 4.7% increase between January and August. This growth in F&B spending is underpinned by rising disposable incomes, urbanisation, an expanding tourism sector, and evolving consumer lifestyles. Factors such as the hospitality industry's growth, increased food delivery services, cultural events, digital payment adoption, and a young, dynamic population also contribute to this trend.

Separately, the e-commerce market in Saudi Arabia grew by 22% year-on-year to SAR 124bn (US\$ 33.2bn) during the first eight months of the year. Factors such as a high smartphone penetration rate of 97%, increased internet usage, and supportive government initiatives to enhance the digital economy are catalysing this expansion.

RIYADH DOMINATES ‘POS’ SPENDING

Riyadh maintained its position as the leading city in the Kingdom for POS transactions between January and August, accounting for 34% of total sales (SAR 20bn). Jeddah, at 14%, followed contributing SAR 8.2bn. Riyadh's dominance is underpinned by a vibrant hospitality scene as well as government initiatives to diversify the economy and promote tourism.



Via Riyadh

Riyadh

F&B VENUES RISE

Riyadh's retail market is undergoing significant growth, shaped by the development of entertainment and lifestyle retail. Over 50% of new retail developments are dedicated to experiential retail, such as cinema, and children's entertainment areas, as well as unique F&B concepts, many of which are new to the Kingdom.

According to the Saudi Central Bank, SAMA, 36% of POS spending during August 2024—amounting to SAR 16.55bn—was directed toward restaurants and cafes, highlighting the significance of this segment of the retail sector and the importance of including unique F&B outlets to support retail offerings.

RISING RENTS AND OCCUPANCY

Over the last 12 months, the retail market in Riyadh has experienced a steady rise in rental rates, particularly in well-located regional and super-regional malls. As of Q3 2024, average rents increased by 4.2% to SAR 2,845 psm.

Meanwhile, the overall occupancy rate in Riyadh has improved, rising by five percentage points to 92%. In fact, prime malls like Riyadh Park and Al Nakheel Mall have maintained near-full occupancy due to their strategic locations, diverse tenant mix, and incorporation of entertainment facilities such as cinemas and family-friendly attractions.

Key upcoming retail developments in Riyadh

| Mall Name | Location | Opening Date | GLA (sqm) |
|--------------------------------|-----------------|--------------|-----------|
| The 25 Mall Complex | Al Mohammadiyah | 2024 | 56,100 |
| Solitaire Shopping Mall | As Sahafah | 2024 | 65,000 |
| Misk Foundation City | Irqah | 2026 | 75,000 |
| Murcia Mall | Khuzam Suburb | 2025 | 45,000 |
| Al Hamra Entertainment Complex | Al Hamra | 2025 | 89,230 |
| Jawharat Arriyadh | Al Raed | 2025 | 183,000 |
| The Avenue Mall | Al Malqa | 2026 | 400,000 |

Source: Knight Frank, MEED Projects

INCREASE IN SUPPLY

In Q3 2024, approximately 22,500 sqm of new retail space was added to Riyadh's retail market. By 2026, the city's retail stock is projected to reach 4.3 million sqm, equating to a 21% rise in space. This is driven by large-scale projects such as Avenues Mall (400,000 sqm), which is expected to open in 2026, and Al Jawharat Mall (183,000 sqm), due to be completed in 2025.

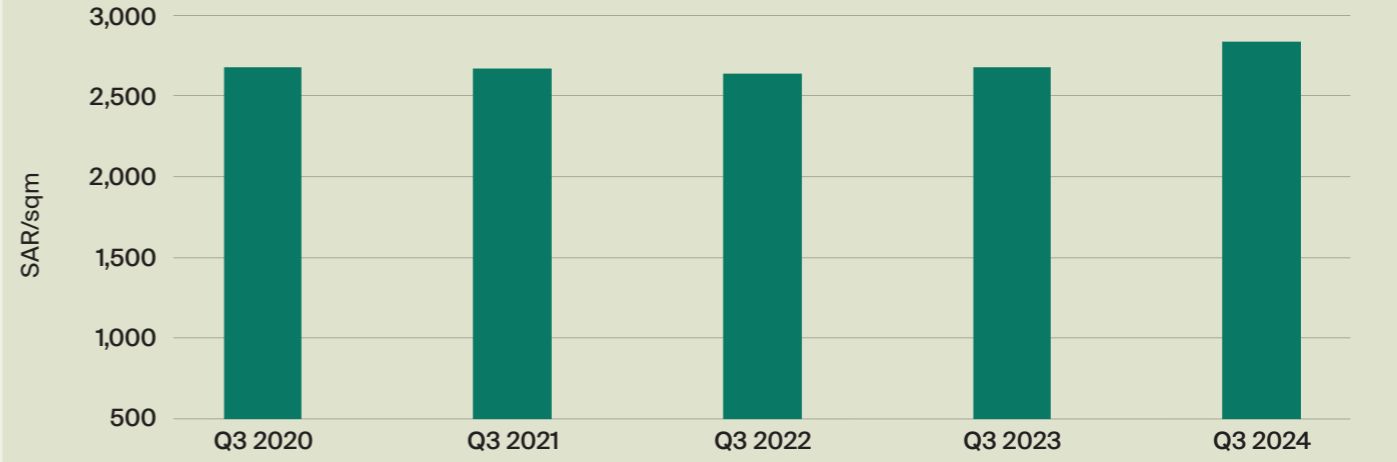
The significant increase in supply is expected to put pressure on retailers, mall operators, and developers to ensure their offerings remain relevant, trend-forward, and focused on providing unique experiences to stay attractive next to other developments.

GROWTH CORRIDORS

Riyadh's retail market is growing along key corridors like King Fahd Road, Olaya Street, and northern districts, driven by urban expansion and rising consumer spending. Vision 2030 has spurred investments in modern retail destinations, attracting global brands and boosting the city's appeal. The opening of Riyadh Metro is set to enhance access to these hubs, further driving growth.

Market Performance Indicators

Regional and super regional malls lease rates – Q3 2024



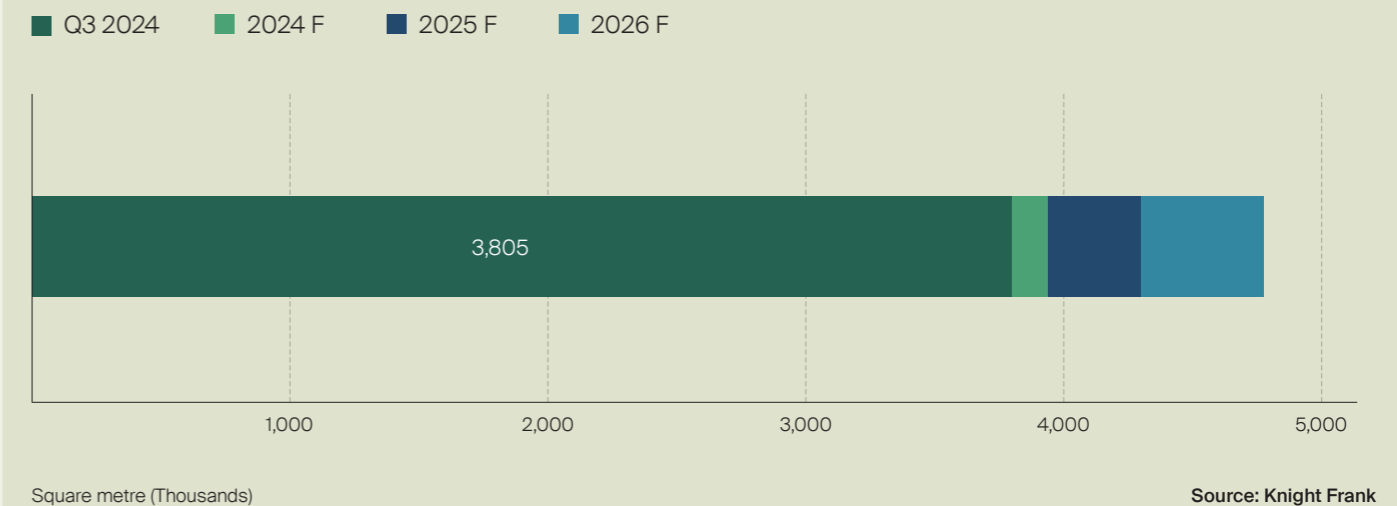
Source: Knight Frank

Market wide occupancy rates - Q3 2024



Source: Knight Frank

Evolution of retail supply and forecast



Source: Knight Frank

Jeddah

RISING SUPPLY

In the past 10 months, Jeddah's retail market has seen an influx of diverse and vibrant retail offerings, adding approximately 175,000 sqm of new space. This growth includes the addition of several zones at Souq 7 which, along with other developments such as La Paz (13,500 sqm), have added approximately 175,000 sqm of new space, bringing the total retail supply in Jeddah to 2.83 million sqm. This expansion includes a mix of high-end boutiques, contemporary brands, and unique local shops, enriching the city's shopping landscape.

HEADLINE RENTS STABILISE

Despite the growing supply, average rental rates for regional and super-regional malls have shown relative stability, rising modestly by 1.2% over the past 12 months to an average of SAR 2,525 psm. However, occupancy rates have dipped slightly by 1 percentage point, settling at 86%. These trends suggest a market adjusting to the influx of new retail space and shifting consumer behaviour.

SUPPLY FORECAST

Jeddah's retail market is experiencing notable shifts influenced by changing consumer preferences and an increased supply of new retail space.

Notably, the city's retail footprint is expected to expand considerably. We anticipate the delivery of an additional 475,000 sqm by 2026, assuming no construction delays, which will push the city's total retail stock to 3.3 million sqm.

Elsewhere, Jeddah is transforming its luxury retail scene with two upcoming major projects set for completion in early 2025. The 108,000 sq ft Jawharat Jeddah will accommodate over 300 shops and include the city's first shopping mall with a dedicated luxury brands precinct. Added to this is The Cove, spanning 127,000 sqm along the Jeddah Corniche with over 200 shops.

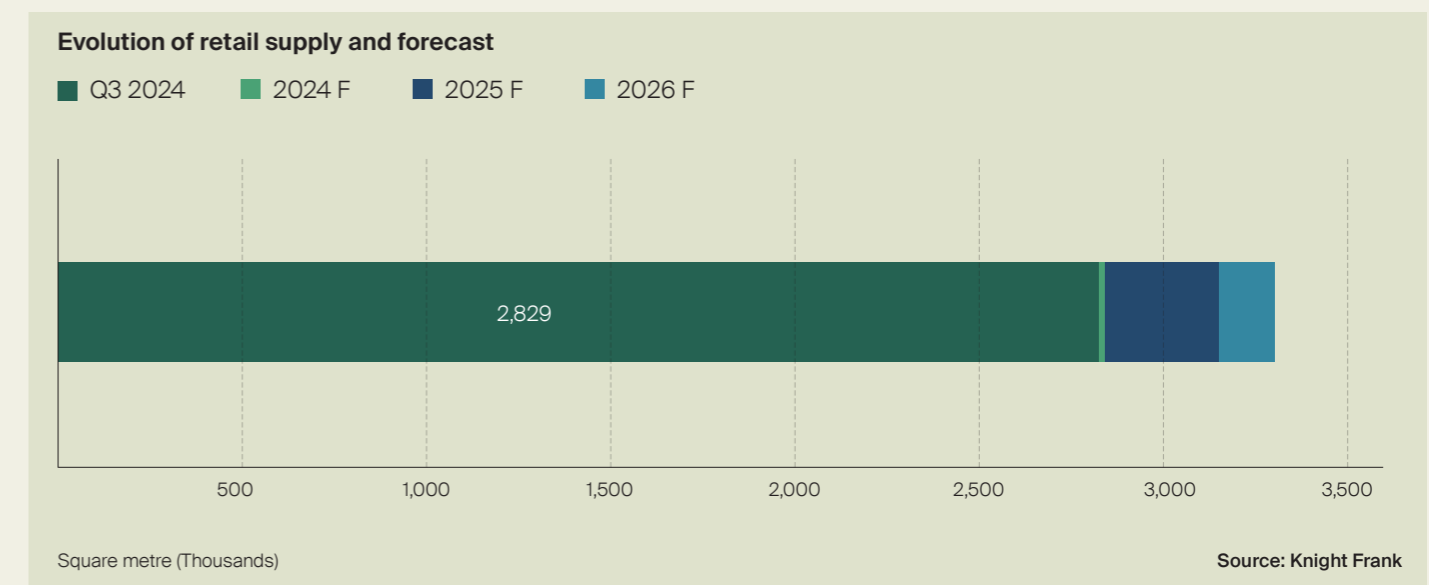
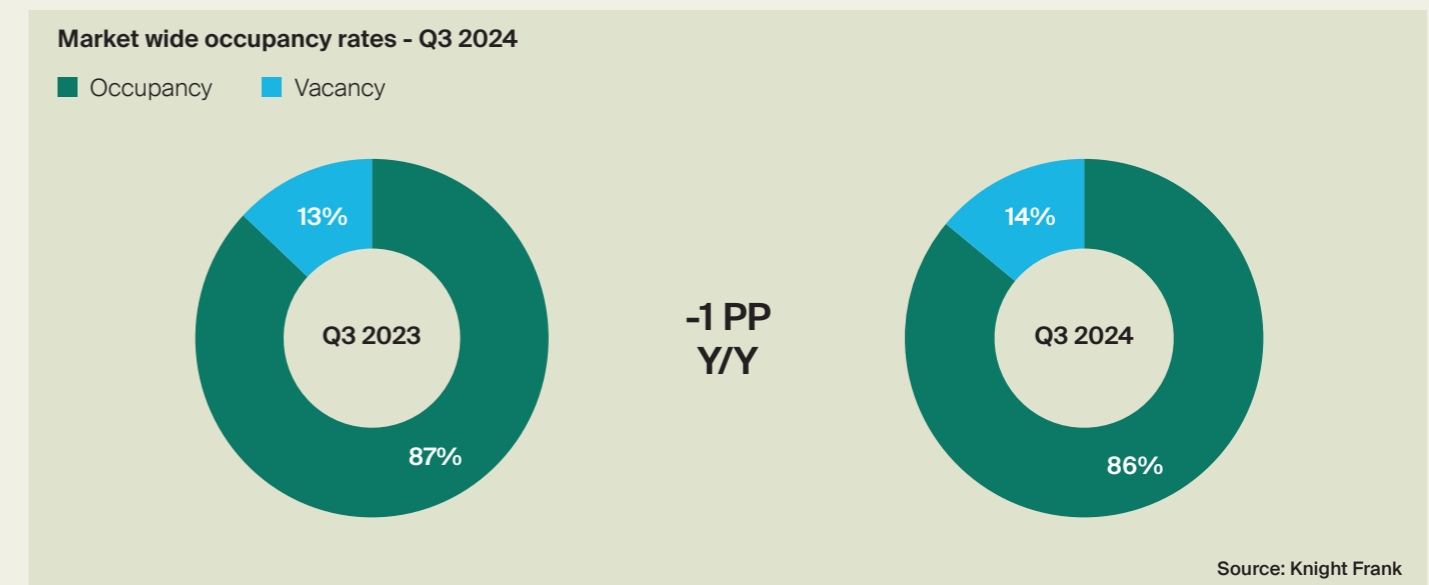
CONSUMER PREFERENCES AND E-COMMERCE

Mirroring global trends, Jeddah's consumers are demanding retail environments that offer experiential retail, integrating shopping with entertainment and dining. This shift has led to the development of lifestyle retail centres, focussed on offering leisure and social interaction opportunities, predominantly through new and unique F&B concepts.



Red Sea Mall

Market Performance Indicators



Dammam Metropolitan Area (DMA)

STABLE OCCUPANCY LEVELS

In DMA, demand from retailers for space in regional and super-regional malls remains strong, with occupancy rates holding steady at 90%. However, rental rates have experienced a slight dip over the past year, declining by 0.7% to an average of SAR 2,285 psm.

This modest decrease in rental rates suggests a slight softening in the market, even as demand for high-traffic retail locations remains consistent.

Like elsewhere in the Kingdom, consumers are seeking more than just transactional shopping and prefer retail options that offer leisure and social opportunities. As a result, shopping malls in DMA are increasingly incorporating cinemas, food and beverage outlets, and family-oriented entertainment zones to create more engaging environments driven by growing demand for experience-based shopping.

INTEGRATED SPACES RISE

Dammam and Al Khobar are seeing a rise in diverse entertainment options, reflecting not only the Kingdom's goal to create engaging, family-friendly retail that incorporates both leisure and community interaction, but also the rising demand for experiential retail.

The Dammam waterfront, for instance, now has diverse attractions including themed adventure parks, interactive play zones, and open-air leisure spaces that combine entertainment with dining.

In Al Khobar, developments like The Waves provide integrated spaces where retail and entertainment intersect, attracting visitors with options such as an adventure golf course, cinemas, and a waterfront promenade.

UPCOMING SUPPLY

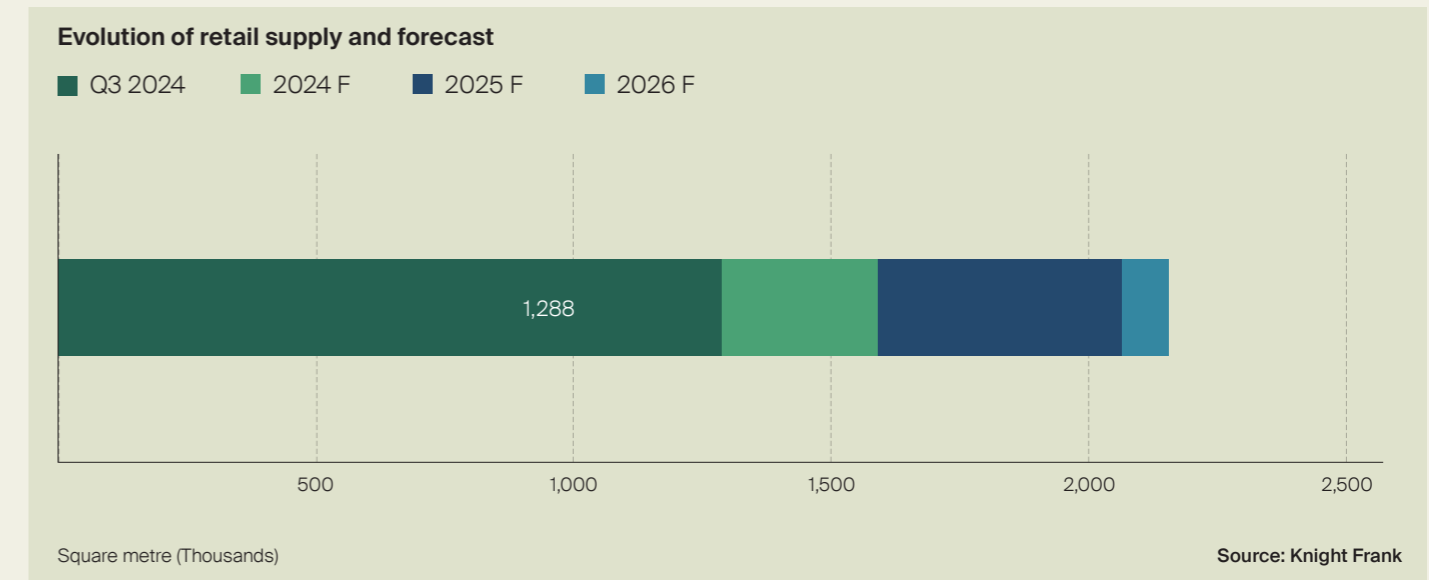
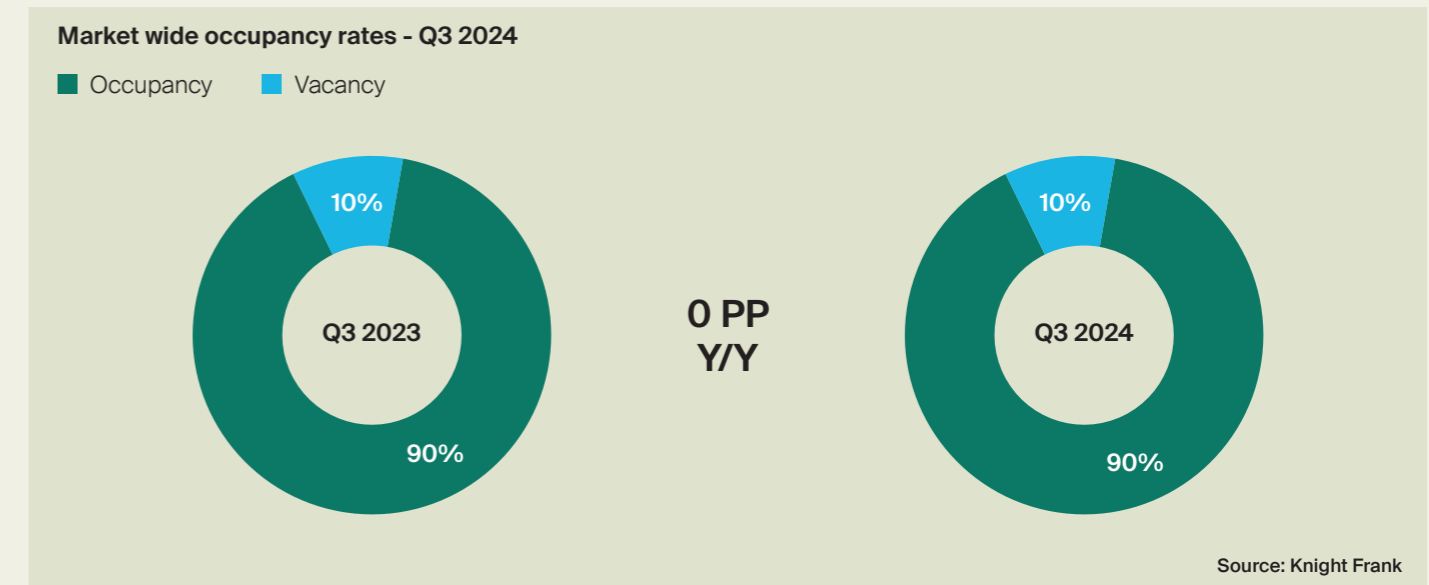
With no major completions recorded in Q3 2024, Dammam's retail stock remains stable at 1.28 million sqm. Looking ahead, an additional 867,700 sqm is anticipated to be completed by 2026.

This substantial increase in supply may exert additional downward pressure on rental rates and occupancy levels, necessitating strategic planning by developers and retailers to remain competitive.



Dammam West Avenue Mall

Market Performance Indicators



We like questions. If you've got one about our research, or would like some property advice, we would love to hear from you.

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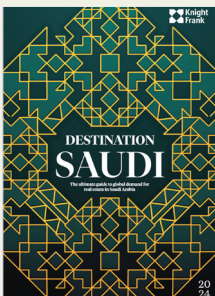
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