

## **Saudi Arabia Co-Working Office Spaces Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)**

Market Report | 2023-01-23 | 120 pages | Mordor Intelligence

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### **Report description:**

The Saudi Arabian Co-Working Office Spaces Market is expected to witness a CAGR of more than 6% during the forecast period. The market is driven by increasing demand for working spaces from entrepreneurs, start-ups, and freelancers with a focus on convenience, price, and flexibility.

The growth in the coworking office spaces market is mainly due to the companies resuming their operations and adapting to the new normal while recovering from the COVID-19 impact, which had earlier led to restrictive containment measures involving social distancing, remote working, and the closure of commercial activities that resulted in operational challenges.

As Saudi Arabia's economy continues to diversify and change, workplace needs are also shifting from traditional office spaces with long-term contract commitments to a more sophisticated and flexible working environment. As such, demand is growing for coworking spaces where freelancers, entrepreneurs, and small and medium-sized enterprises (SMEs) can share offices and services in flexible, affordable ways.

An increasing number of new businesses and well-established corporates prefer to use serviced workspaces in Saudi Arabia. With the entrepreneurial community in Saudi steadily growing, there has been an increased demand for coworking spaces. The Saudi government has also shown support for these coworking spaces. To assist companies, Monsha'at, the General Authority of Small and Medium Enterprises and Saudi Arabia's regulator for coworking spaces, is cooperating with organizations in public and the private sectors to strengthen the sector.

Monsha'at is helping coworking spaces providers to improve the management of coworking spaces, their design and layout, and service quality. It is also working on many initiatives to increase general awareness of coworking spaces and their advantages,

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providing information about the requirements to start coworking spaces, and seeking different investment options to fund coworking spaces.

## Saudi Arabia Co-Working Office Space Market Trends

### Saudi Arabia's Office Spaces Market is on the Rise

Over the third quarter of 2021, Riyadh's office market saw the delivery of 330,000 sq. m. of office gross leasable area (GLA). These completions increased Riyadh's total stock to 4.8 million sq. m. In Jeddah, only 40,600 sq. m. of office stock was added in Q3 2021, bringing the total supply to 1.1 million sq. m. Demand was strongest from the government and banking sectors, which broadly targeted large floorspaces in northern Riyadh. The sustained growth in office demand was reflected in the rental trends. Indeed, Grade A rental values across the capital's key office districts were up by an average of 3% Y-o-Y to SAR 1,320 per sq. m. per annum in Q3 2021.

Meanwhile, in Jeddah, Grade A offices registered an annual increase of 4% to reach SAR 1,000 per sq. m. per annum. Office rents in the Grade B segment are expected to remain under downward pressure as there is a flight quality toward Grade A quality floor space in both cities. In the case of Riyadh, this is predicated on the oversupply situation in the Grade A segment as landlords have had to remain flexible by offering competitive commercial terms for larger occupiers on a deal-by-deal basis - such as longer rent-free periods, contribution towards fit-out costs, and increasing parking ratios, where possible. However, inquiries in the third quarter were mainly for smaller spaces, partly due to firms showing a preference for hybrid working. In the second quarter of 2021, the office stock within the office market in Riyadh amounted to 4.2 million square meters in Gross Living Area (GLA). At the same time, the office supply in Jeddah was 1.29 million square meters.

### Increase in Urbanization Boosting the Market Growth

Saudi Arabia, the second-largest Arab state, is a nation in development. In a developing country, there is a tendency for the population to move to more urban cities where the employment rates are higher. Some of the biggest cities in Saudi Arabia have witnessed the urbanization changes first-hand. The capital of Saudi Arabia and the biggest city, Ar-Riyad, is home to about five million inhabitants. However, the high number of illegal immigrants in Saudi Arabia also accounts for the total population. In 2020, Saudi Arabia's population grew by approximately 1.58% compared to the previous year. In 2020, Saudi Arabia's total population amounted to 35.01 million inhabitants.

With increasing urbanization in the country, there is an increase in new job availability and employment opportunities in the urban areas of Saudi Arabia. With the increase in new job availability and employment opportunities, there is an increase in demand for working spaces in the country. The increase in urbanization is boosting the growth of Saudi Arabia's Coworking Office Spaces Market. Urbanization is defined as the share of the urban population in the total population of a country. In 2020, about 84.29% of the total population of Saudi Arabia lived in cities.

### Saudi Arabia Co-Working Office Space Market Competitor Analysis

Saudi Arabia's Co-Working Office Spaces Market is fragmented, with many players existing in the coworking office spaces market. Also, many more players are entering the market to fulfill the rapid demand for casual environment offices. The competition between the players existing in the coworking spaces market is expected to increase during the forecast period. Companies are leveraging on strategic collaborative initiatives to increase their market share and profitability.

Additional Benefits:

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The market estimate (ME) sheet in Excel format  
3 months of analyst support

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