

Saudi Arabia Flexible Office Space - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2020 - 2029

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Report description:

The Saudi Arabia Flexible Office Space Market size is estimated at USD 619.29 million in 2024, and is expected to reach USD 912.14 million by 2029, growing at a CAGR of 8.05% during the forecast period (2024-2029).

Key Highlights

- The pandemic resulted in the closure of several offices, which impacted the growth in 2020. Companies resuming operations and adapting to the new normal while recovering from the COVID-19 impact, which had previously resulted in restrictive containment measures such as social distancing, remote working, and the closure of commercial activities, resulting in operational challenges, are driving growth in the flexible office space market.
- The flexible office space industry is likely to grow in the coming years, and its entry into Saudi Arabia's market might have significant implications for the country as a rising number of newer firms and well-established corporations opt to employ serviced workspaces.
- With Saudi Arabia's burgeoning business sector, there has been a surge in demand for coworking spaces. These coworking spaces have also received backing from the Saudi government. SoftBank's Vision Fund, which owns a majority position in one of the most well-known coworking companies, WeWork, has received a USD 45 billion investment from the country's Public Investment Fund.
- More than half of the population in Saudi Arabia is under the age of 40, which is exactly the demographic that requires flexible office space. However, due to a scarcity of flexible office space in Saudi Arabia, key cities in the country have some of the highest rates in the world, disproportionate to their commercial real estate leasing pricing.
- Monsha'at, a government body that promotes, develops, and nurtures the SME sector, is actively engaging with public and private sector organizations to help and improve flexible office spaces on a number of fronts to address this difficulty.

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Saudi Arabia Flexible Office Space Market Trends

Strong Growth in Riyadh To Drive the Market

Infrastructure development trends over the past few years in Riyadh indicate that the capital city is growing toward the Northern areas, where the properties have the highest sale prices and experience faster absorption rates.

The Eastern region of Riyadh can be utilized for office purposes as the sale prices are lower in the East of Riyadh, along with potential absorption for new developments, thus indicating strong demand for this area.

The North of Riyadh is evaluated with the highest sale prices along with the highest absorption rates for office spaces, including government and private firms, owing to better infrastructure and the completion of a number of high-profile projects, for instance, KAFD, Rafal Tower, and PNU.

Some of the major factors influencing Riyadh office space are strong government initiatives, the emergence of international companies in Riyadh, positive economic development, an increase in women's workforce, location factors, expat exodus or Saudization, and physical conditions of office premises.

During Q1 2023, Riyadh remained the focal point for occupier activity in the Kingdom, with demand in the likes of Jeddah and the Dammam Metropolitan Area (DMA) remaining relatively limited over the period.

Demand from both existing and new occupiers has continued to grow. This is despite the fact that there are extremely limited levels of occupiable stock available across the market. In terms of occupiers, demand continues to stem mainly from government, semi-government, and global institutional occupiers, with the former two sectors accounting for the highest proportion of required space within the market.

Throughout Q1 2023, the office sector in Riyadh exhibited strong performance in both Grade A and Grade B sectors of the market. In the Grade A segment, the average rental rate saw an annual rise of 9.3%, with rents reaching SAR 1,767(USD 468.7) per square meter in Q1 2023.

In the Grade B segment of the market, rents rose by 14.0% to SAR 1,450(USD 384.84) in terms of occupancy rates; both Grade A and Grade B offices saw average occupancy rates increase, with Grade A segment reaching 99.8%, representing a 1.8 percentage point annual increase, and Grade B segment reaching 99.0%, indicating an improvement of 2.1 percentage point year-on-year.

Growth in Saudi Arabia's Office Space Market To Provide More Opportunities

Saudi Arabia's office sector saw an increase in performance in 2021, owing to a number of government mandates that drew a large number of foreign corporations to the country. In Q4 2021, average year-on-year rental rates in Riyadh and Jeddah rose by 4% and 2%, respectively, in the office segment. Grade A rates in Jeddah climbed by 8% in the fourth quarter of 2021, averaging roughly SAR 1,036 square meters per year.

This demand will most likely be the biggest in Riyadh and Jeddah, which are becoming increasingly commercialized and have some of the highest rental yields in the country. The vast bulk (90 percent) of the 480,000 square meters of office floor space delivered in Saudi Arabia in 2021 was in Riyadh, the country's capital. In 2022, 4,20,000 square meters of office space was completed in the city.

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The office sector is likely to grow substantially in the future years as Saudi Arabia pursues its ambitious aim of becoming a global hub for commerce, investment, and international trade. The overall office supply in the Kingdom is expected to reach 9,50,000 square meters by the end of 2023.

Another element driving this expansion was a new government regulation implemented last year that required foreign corporations to establish regional offices in the Kingdom of Saudi Arabia by 2024 in order to be eligible for government contracts. In October 2021, the government gave licenses to around 40 multinational enterprises to set up shop in the Kingdom, following the announcement of this strategy in February 2021.

Saudi Arabia Flexible Office Space Industry Overview

The Saudi Arabia Flexible Office Space Market is fragmented, with many players existing in the coworking office spaces market. Also, many more are entering the market to fulfill the rapid demand for casual environment offices. The competition between the players existing in the flexible office space 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:

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

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