Opening the Kingdom: Saudi Real Estate Reforms for a New Era

Robert McNamara, Research Officer, SBJBC

Arab Lawyers Association (*coordinated by Hasan Almosoy, COO, ALA*)

1 INTRODUCTION

Saudi Arabia is entering a pivotal phase of real estate reform aligned with Vision 2030 to strengthen investment, expand homeownership, and improve market transparency.

Effective in January 2026, the new Law of Real Estate Ownership by Non-Saudis replaces the legacy purpose-based regime with a zone-based model. It widens access for non-Saudis while preserving proportionate safeguards, including special rules for Makkah and Madinah. The framework liberalises non-Saudi participation and anchors it with mandatory national registration, a disposal fee, and a stronger enforcement regime to protect market integrity.

Alongside this ownership liberalisation, rental reforms introduce a five-year rent freeze in Riyadh and automatic lease renewals nationwide. Effective from 25 September 2025, leasing moves to a more predictable and institutional footing through Ejar registration and time-bound objection rights.

Together, these measures aim to attract capital, protect tenants, and enhance contractual certainty, balancing growth with governance as the Kingdom scales its real estate ecosystem. The outcome is a more open yet disciplined market that advances Vision 2030 through diversification, investment and globally competitive urban development.

2 LAW OF REAL ESTATE OWNERSHIP BY NON-SAUDIS

2.1 What is the New Law?

Saudi Arabia has approved a comprehensive new framework governing real estate ownership by non-Saudis. The Law of Real Estate Ownership by Non-Saudis replaces the previous 2000 law and takes effect in January 2026, with implementing regulations to be issued within the same timeframe to clarify the mechanisms and procedures.

The law shifts to a zone-based model for non-Saudi ownership and real estate rights, replacing the prior threshold and purpose-based approach. Non-Saudis (defined broadly to include resident and non-resident foreign individuals, foreign companies, non-profit organisations, and other foreign entities) may acquire real estate in designated geographic areas to be set by the

Council of Ministers in coordination with the Real Estate General Authority and other relevant bodies.

Non-Saudi residents may also own one residential property for personal use outside the designated zones (excluding Makkah and Madinah). In Makkah and Madinah, ownership is strictly permitted under special conditions for Muslims and certain types of companies, according to specific regulations.

For legal effectiveness, real estate acquisitions and rights must be registered with the competent authority and recorded in the national Real Estate Registry. Real estate fees totalling 10 per cent of the property's value are expected, including the real estate disposal tax and an additional fee for real estate disposals for non-Saudis. Financial penalties of up to SAR 10 million may apply for regulatory violations, and any property acquired using false or misleading information may be sold via public auction.

The law will take effect in January 2026 and key implementation details will be set out in upcoming implementing regulations and related documentation. Overall, the law significantly liberalises real estate access for non-Saudis, including in the holy cities under strict conditions, while maintaining strong gatekeeping through zoning, registration, and enforcement.

2.2 Practical Implications for Companies and Individuals

a) **Companies**: The law opens a wider gateway for corporate real estate strategies. Companies (including non-Saudi companies (whether operating within the Kingdom or not), Saudi companies with non-Saudi shareholders, SPVs, funds, or entities with non-Saudi equity holders) will be able to own real estate across various parts of the Kingdom. However, ownership in Makkah and Madinah will be limited to Saudi companies whose capital is partially or wholly owned by non-Saudis. Unlisted companies may own in these holy cities only for housing employees and conducting their activities, while the Capital Market Authority will determine the rules governing ownership in Makkah and Madinah for listed companies.

   Property developers and other market participants are likely to see higher demand. Governance, finance, and tax planning should align with mandatory national registration and a new disposal fee that will sit alongside existing real estate transaction taxes once specified by regulation. Compliance frameworks should also be strengthened to address tougher enforcement, including potential forced sale for serious violations, and to manage the defined administrative appeal process.

b) **Individuals**: Non-Saudi individuals (both residents and, within designated zones, non-residents) will for the first time have a national-level route to own homes and hold other real estate rights in approved areas. A resident non-Saudi may own one residential property for personal use outside restricted areas while ownership in Makkah and Madinah will remain tightly conditioned, with access limited to Muslim individuals under rules to be set. Individuals should treat registration as essential to legal validity, budget for the new disposal fee where applicable, and monitor upcoming maps that will determine where they can buy.

   The law's practical effects will ultimately depend on the implementing regulations and the zone maps. Until those instruments are issued, individuals and companies should plan for a range of scenarios regarding geography, right types, holding limits, and disposal fees.

3 RENTAL REGULATORY PROVISIONS

3.1 What are the New Provisions?

The new rental regulatory provisions, effective from 25 September 2025, are designed to stabilise Saudi Arabia's rental market, protect tenants, and enhance contractual certainty. The measures are initially limited to Riyadh, where they freeze any increase in the total rental value for residential and commercial properties within Riyadh's urban areas for five years (applying to both new and existing leases). Vacant properties in Riyadh that were previously leased must be re-let at the last rental value recorded on the Ejar platform. For properties without a prior leasing history, rent is set by mutual agreement between the landlord and tenant and then effectively fixed for the five-year freeze period.

Across all cities in the Kingdom, lease contracts now renew automatically on expiry unless a party provides at least 60 days' written notice of non-renewal. In Riyadh, a landlord wishing to stop automatic renewal when the tenant wants to stay may do so only in narrow cases: non-payment of rent, verified serious structural defects that affect the safety of the property or its inhabitants, or personal use of a residential unit by the landlord or a first-degree relative (subject to any further cases designated by the Real Estate General Authority).

The provisions also move the market to a firmer legal infrastructure. All leases must be registered on Ejar, with either party able to initiate registration and the counterparty having a 60-day objection window.

Violations may attract fines of up to 12 months' rent, coupled with an obligation to cure the breach and compensate the injured party. Specialised committees established under the Real Estate Brokerage Law enforce the regime, with decisions appealable to the competent judicial authority within 30 days of notification. Whistleblowers may be awarded up to 20 per cent of collected fines if their reports culminate in a confirmed violation.

3.2 Practical Implications for Companies and Individuals

a) **Companies:** The new Rental Regulatory Provisions significantly change leasing in Saudi Arabia, with immediate impact in Riyadh. They impose a five-year rent freeze and introduce automatic lease renewals nationwide. For developers, landlords, REITs, and asset managers, this requires revised underwriting, tighter contracting standards, and Ejar-based compliance, with financial consequences for violations.

   In Riyadh, pricing is constrained for both new and existing leases. For assets with no leasing history, initial rent setting becomes a one-time strategic decision that is fixed for five years. Across the Kingdom, renewal is the default. In Riyadh, a landlord can refuse renewal only on specific grounds. The enforcement framework heightens risk and calls for strong governance and clear procedures for handling disputes.

b) **Individuals**: The five-year rent freeze in Riyadh stabilises housing and commercial occupancy costs for Saudis and expatriates, making the initial agreed rent on new contracts critical for long-term budgeting. Automatic renewal nationwide enhances security of tenure and predictability, while Riyadh's narrow exceptions tightly constrain landlords' ability to end leases when tenants wish to stay. Mandatory Ejar registration and a 60-day objection window formalise leasing and reduce disputes, imposing compliance obligations on both parties. Enforcement through specialised committees and fines of up to 12 months' rent raises the stakes for violations and incentivises whistleblowing.

Overall, individuals should expect greater contractual certainty, tighter compliance processes, and a premium on careful negotiation and documentation at the outset of any lease.

4 CONCLUSION

Saudi Arabia's twin reforms, liberalised non-Saudi ownership under a zone-based regime and a re-engineered leasing framework anchored by a five-year Riyadh rent freeze and nationwide automatic renewals, open the market while tightening discipline. Together, they advance Vision 2030 by widening access to capital and homeownership while embedding registration, disposal fees, and robust enforcement to protect market integrity and tenant rights.

For companies, the opportunity set expands but execution risk rises, demanding stronger compliance. For individuals, acquisition and tenure become more certain, provided zone designations, contract terms and mandated processes are navigated carefully.

As implementing regulations and zone maps are issued, agile planning and strict compliance will be decisive in converting the reforms into lasting value.

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The content reflects the authors' understanding of the reforms at the time of writing and is intended to highlight the main points rather than exhaustively cover every provision or detail. The legal and regulatory landscape may evolve through implementing regulations, guidance and practice, and interpretations may vary.

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Since the ALA's launch event at the UK House of Lords in 2019, the association has organised various events and built strategic partnerships, including with LexisNexis Middle East & North Africa. Most recently, the ALA set up its first international chapter in Switzerland and is now targeting expansion in the Gulf.

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7 MAIN REFERENCES

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