

DESTINATION SAUDI

Branded Residences In Focus

FHS Saudi Arabia Special Edition
OFFICIAL KNOWLEDGE PARTNER

2024/25

BRANDED RESIDENCES: EXPAT DEMAND

Survey 2

As an asset class, the popularity of branded residences is rising across the Kingdom. Luxury vacation destinations are rapidly incorporating branded residences as part of their plans, with the Red Sea Project, for instance, expected to add up to 1,000 branded residential units by 2030. The likelihood of buying a branded residence is closely correlated with income and social status. As income rises, so does the probability of buying a branded residence among our expat respondents. Indeed, nearly half (48%) of those earning over SAR 40,000 a month say they are ‘very likely’ to purchase a branded residence in the Kingdom.

High demand levels

68% of our expat respondents are likely to purchase a branded residence in Saudi, with nearly a third (27%) ‘very likely’ to buy.

The greatest appetite comes from the expat Millennial cohort, with 31% ‘very likely’ to purchase a branded residence. 76% of under 35s are likely to buy a branded unit.

45% of respondents would be interested in purchasing within the next two years, with a further 34% interested in purchasing within the next 2-5 years.

Family first

When it comes to the intended use of a potential branded residential acquisition, 38% of expats are interested in purchasing a residence for their family or dependents, 29% are interested in making the property their main residence, and 26% are keen to treat it as an investment property.

Millennials (37%) are more interested in using their branded residence as an investment asset when compared to 35–45-year-olds (22%) and those aged over 45 (18%). Overall, 61% of our expat respondents are likely to rent out their branded residential purchase most of the time. Just 1% said they would never lease out the property.

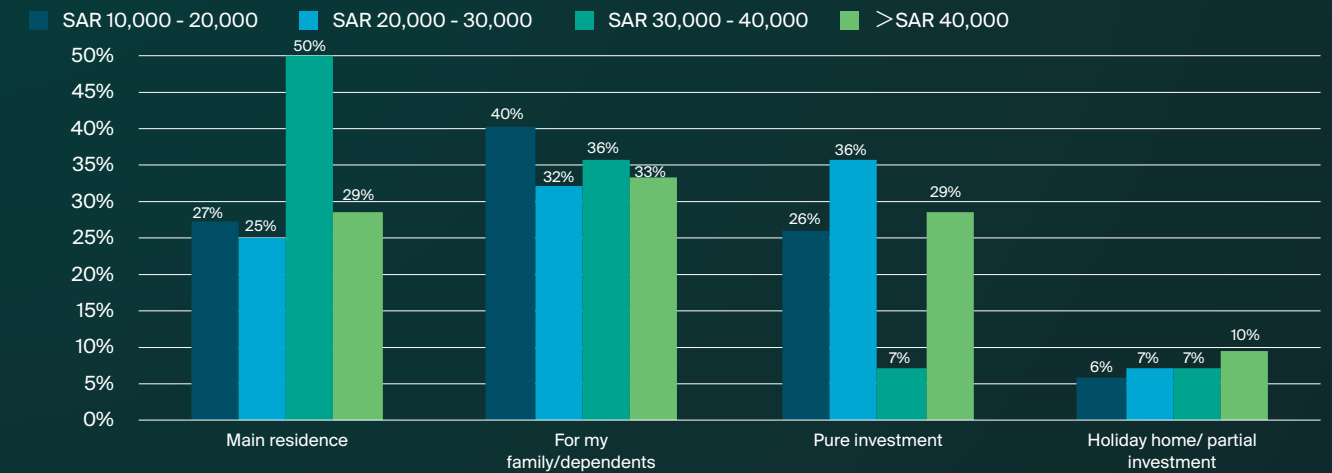
Re-examining the data by monthly salary levels reveals that 50% of those earning between SAR 30,000–40,000 are most likely to use the property as a main residence compared to other income bracket levels.

Completed stock preferred

47% of respondents prefer a completed property to an off-plan or shell and core property. This view is perhaps linked to developers’ lack of track records in this space.

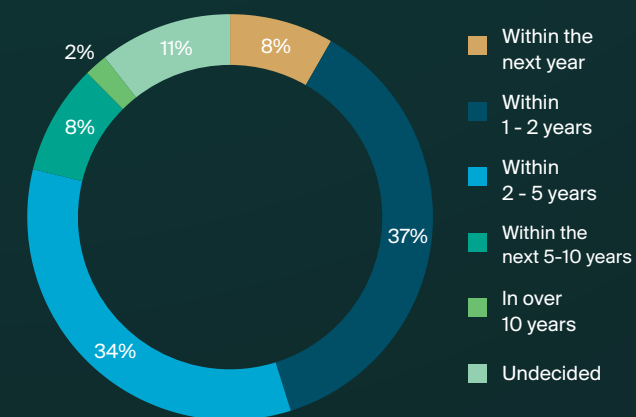
That said, 56% of Millennial expat respondents prefer an unfinished property (56%) when it comes to branded residences, with 33% happy to buy off-plan property and a further 23% preferring a shell and core option.

Expats’ planned use of a branded residential purchase (by monthly income)



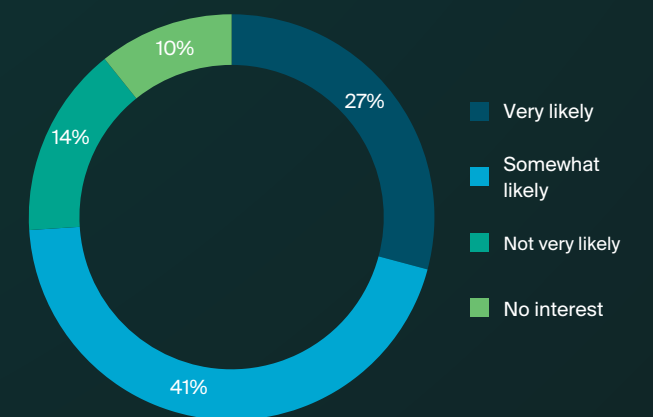
Source: Knight Frank, YouGov

Timeline to purchase a branded residence



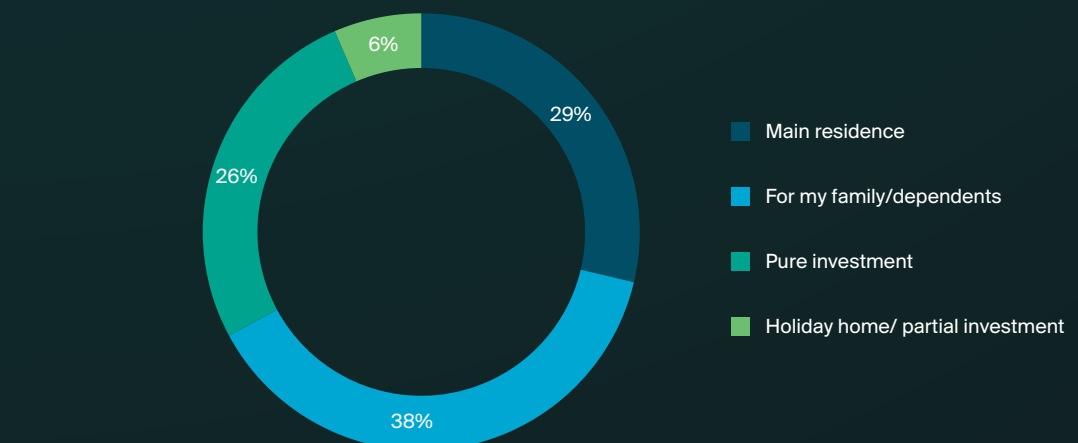
Source: Knight Frank, YouGov

Likelihood of buying a property in a branded residence



Source: Knight Frank, YouGov

Expats’ likely use of a branded residence



Source: Knight Frank, YouGov

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Financing concerns

To tip the balance in favour of buying a branded property, 42% of expats say they would be more likely to make the purchase if financing was offered by local banks, a sentiment echoed by GCC HNWI in [our 2023 Saudi Report](#).

The second most significant consideration for 35% of expats is the lack of more unit types/sizes as well as branded beachfront villas, in particular.

SAR 630 million budget

In terms of budgets, nearly a third (30%) would be willing to consider spending less than SAR 750,000. However, this highlights a disconnect between market pricing and expat buyer expectations, as budgets of less than SAR 750,000 make it unlikely that a branded residential product will be secured in the market today. 24% say they would pay between SAR 750,000-1.5 million for a branded residence, while 21% would be prepared to commit between SAR 1.5-2.5 million.

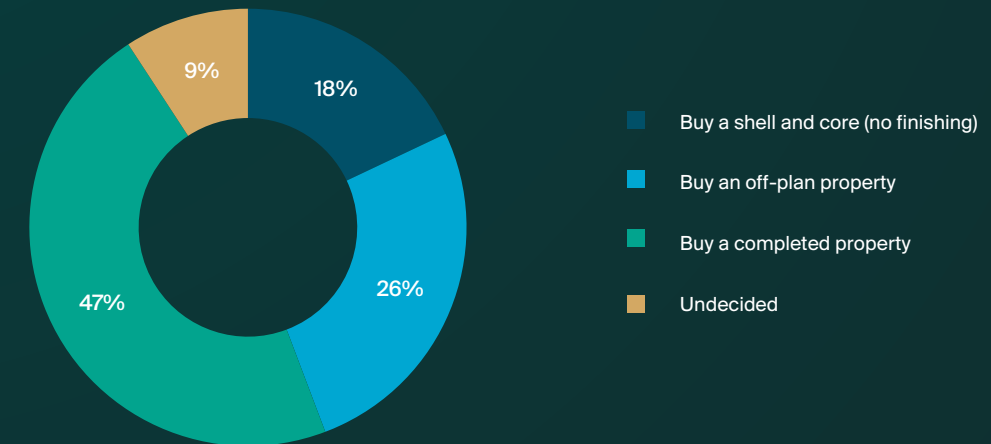
The average budget amongst our respondents for a branded residence in Saudi stands at SAR 3.1 million, rising to SAR 4.5 million for Millennials.

Between them, our 241 expat respondents have a combined budget of SAR 630 million to spend on branded residences.

Notably, 60% would seek a sale that included a payment plan, while 52% of those aged under 35 said they would be prepared to pay in full at the time of purchase without the need for a payment plan.

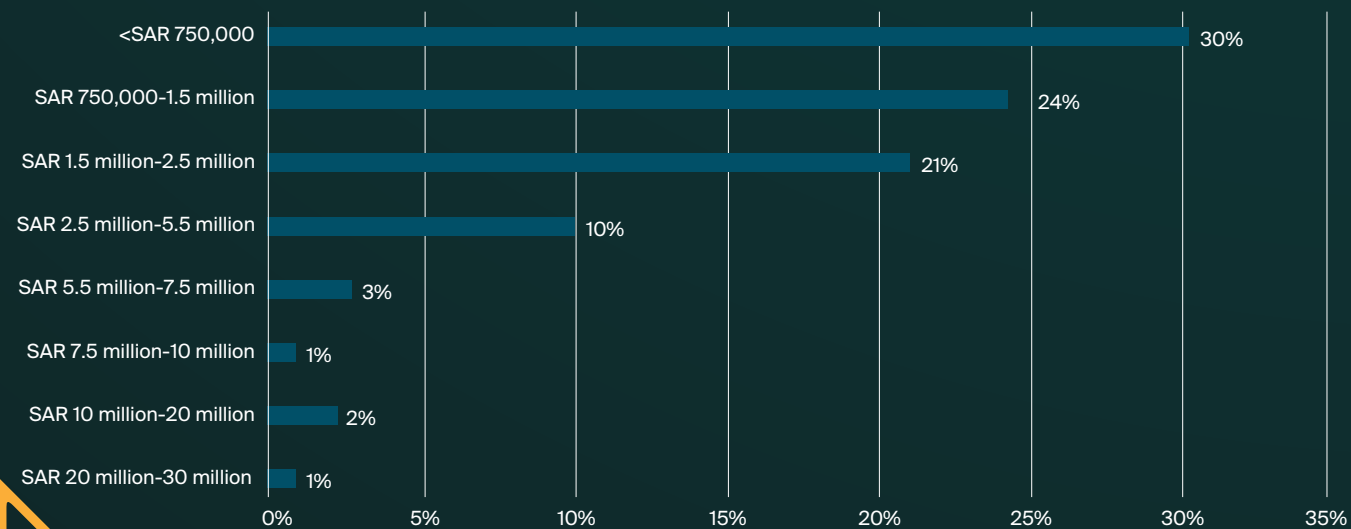
“The average expat budget for a branded residence in the Kingdom is SAR 3.1 million.”

Preference of property purchase (by property status)



Source: Knight Frank, YouGov

Expat budgets for branded residential purchases



Source: Knight Frank, YouGov

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Survey 2

Property size preferences

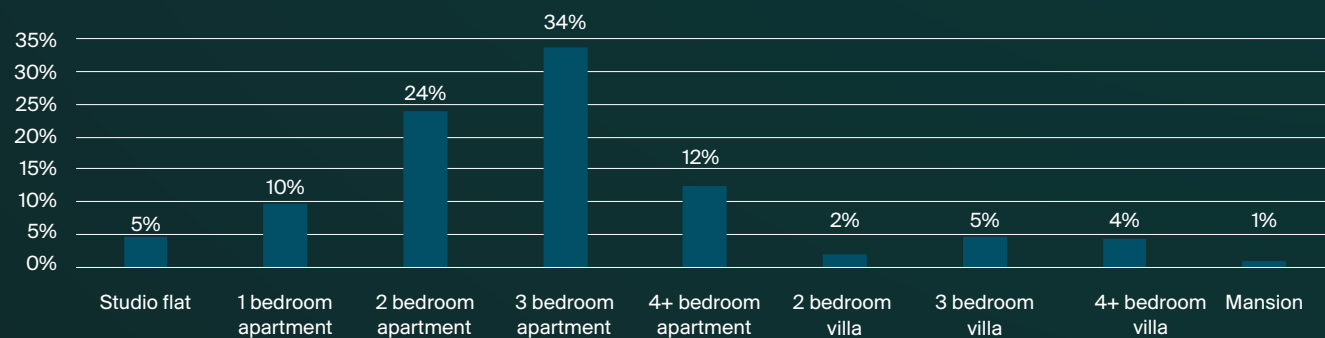
68% of the expats we polled would be interested in 1-3 bedroom branded residential properties, with the most popular size being 3-bedroom apartments (34%), closely followed by 2-bedroom homes (24%).

55% of respondents are interested in hotel-based branded residences, climbing to 67% amongst Millennial expats. By far, the strongest preference for hotel-based brands is from the highest earners (>SAR 40,000 per month) at 86%.

Hotel brands versus luxury brands

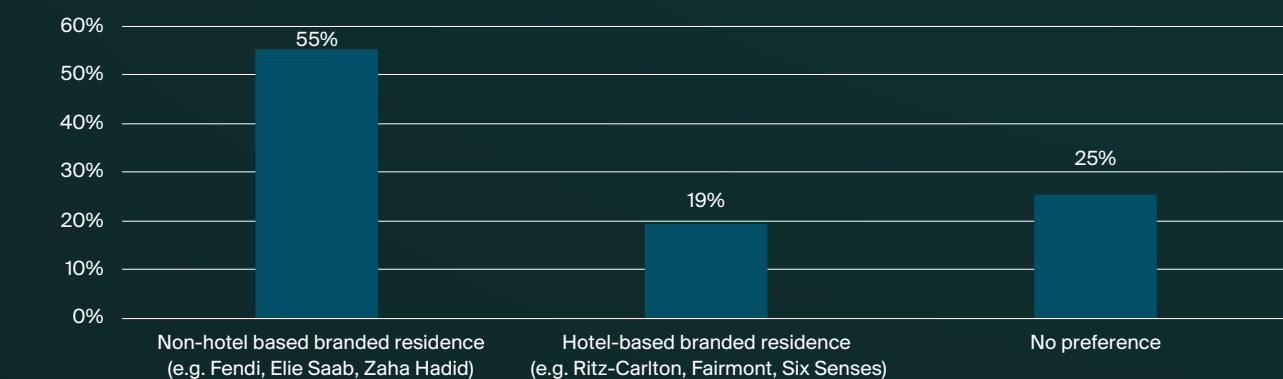
By definition, branded residences often fall into two broad categories: hotel and non-hotel based residences. The former forms a branch of a well-known luxury hotel brand, and the latter is where the residence is managed and operated by other luxury brands, often with an established name in fashion, architecture, retail, or the automotive industry.

Preferred branded residence size



Source: Knight Frank, YouGov

Hotel vs luxury brand preferences among expats



Source: Knight Frank, YouGov



Jabal Omar, Makkah

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The appeal of a branded residence

The services and amenities offered by branded residential operators have emerged as the number one draw for expat buyers (35%). A further 27% of expat respondents say the investment return is their main driver to purchase a property in a branded residence.

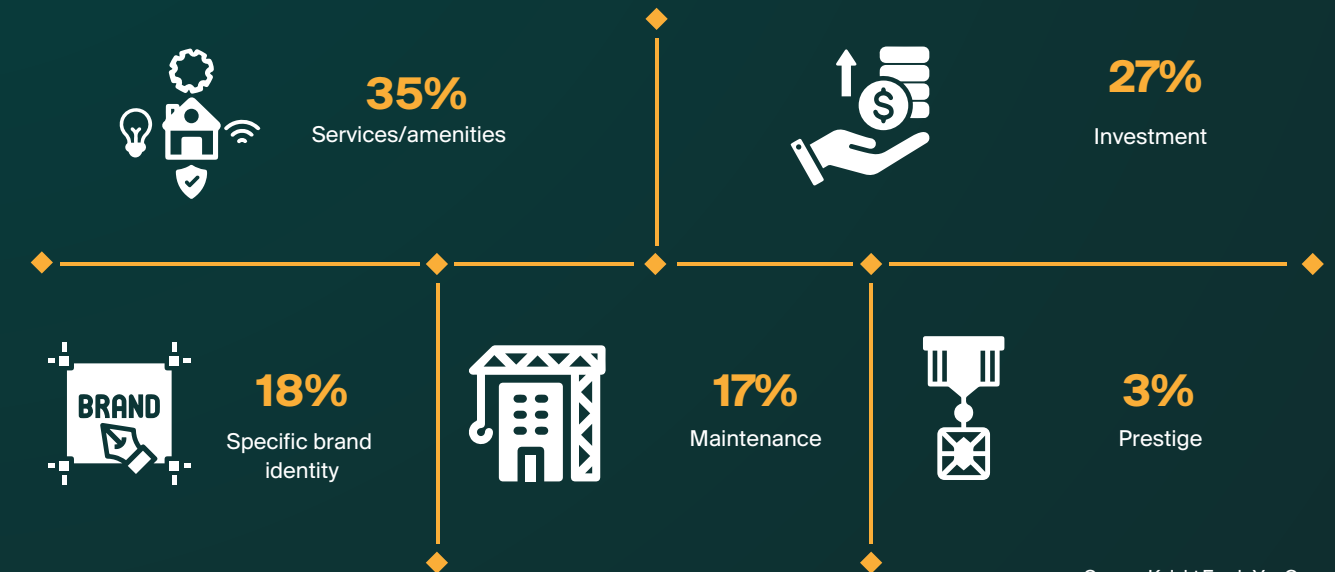
SAR 630 million budget

For Millennials, the assumed high level of maintenance that comes with a branded residential property ranks as the third most significant consideration (20%), behind 'services/amenities' and investment returns (27%), when compared to their older counterparts - only 10% of those over 45 value maintenance.



Our Habitas Hotel Resort, AlUla

Most important factors to expats when purchasing branded residences



Source: Knight Frank, YouGov

NEED TO KNOW:

- ❖ 68% of Saudi-based expats would like to purchase a branded residence in the Kingdom.
- ❖ 45% of respondents would be interested in making a purchase within the next two years.
- ❖ 38% of expats are interested in purchasing a residence for their family, or dependents.
- ❖ Expats have an average budget of SAR 3.1 million to purchase a branded residence.
- ❖ 55% of respondents are interested in hotel based branded residences.

EXPERT INSIGHT

Understanding hotel- and non-hotel branded residences

The obvious difference is that a hotel residence gives you the feeling of “owning a part of a hotel” and having full access to its amenities while being in your own private environment.

Most major global hotel brands already have branded residential schemes in the MENA region, which means developers are now looking for something new - the next point of differentiation. Many are exploring options to offer residential property linked to a non-hospitality brand. This would typically be a fashion, jewellery, or automotive brand.

Buyers of non-hospitality branded residences can ‘live the brand’ 24/7 with everything from the furniture to the decor and amenities designed by the brand.

These non-hotel-linked brands also often provide access to exciting amenities and hospitality partnerships with the same positioning as the brand and usually include tailor-made services and member-only benefits.

Non-hospitality brands are also usually more experimental with design and architecture, whereas hospitality brands follow the established look and feel of a hotel, with the former therefore very often seen as more exclusive.

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Buyers of non-hospitality branded residences can ‘live the brand’ 24/7 with everything from the furniture to the decor and amenities designed by the brand.

Many interesting luxury brands, including the likes of Mercedes and Bugatti, are extending their footprint into markets such as Dubai, taking the opportunity to secure potentially high license fees in branded property and hospitality formats.

I expect to see similar and new brands racing to access the Saudi market, particularly given the high level of demand from both domestic and international buyers for luxury branded residences in the Kingdom, which has already prompted a spike in new operators such as the Four Seasons and Ritz Carlton.

Indeed, in 2022, PIF, along with Cain, acquired a US\$ 900 million stake in Aman, whose 34-brand stable includes the Waldorf Astoria and is perhaps amongst the best-known globally, so it is likely the Saudi market will soon see a host of new branded residential properties appearing.



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