Cavendish Maxwell

Unlocking the Kingdom: Housing Markets and Foreign Ownership Rules

OPINION

Where and what can investors buy?

To date, certain countries have attracted the lion's share of overseas investment into their residential markets: Australia, Canada, the United Kingdom, the UAE and the United States. These countries are all characterised by remarkably lenient regulations for foreign nationals wishing to buy real estate in their domestic markets. In the UK, for example, there are virtually no restrictions at all, neither geographic, nor residency, not sectoral, nor value. Controls exist only to confirm identity and to prevent money laundering.[1] The USA, Australia and Canada are somewhat more restrictive – Canada even imposed a freeze on overseas purchases of residential real estate altogether in 2023.[2]

The UAE is similarly open although regulations differ between Emirates. For example, in Dubai the noticeable difference with Western jurisdictions is that – similar to the practice in Singapore – freehold ownership is only permitted to foreign nationals in designated areas.[3]

With its recent change in regulations, Saudi Arabia has now joined this select group of investment market destinations. The previous 2000 law allowed only nationals of the Gulf Cooperation Council and residents with work permits to buy on their own, and only residential property. The new 2025 law sweeps away these restrictions: all foreigners can now buy, even without residence, and all types of property.[4] Many more locations are now open to foreign ownership, the monetary threshold for residency is likely to be reduced, and the approval process has been made much clearer and easier to navigate.

This is an unmistakeable signal that foreign capital is welcome in the kingdom. At the same time, an important measure of protection for citizens has been retained through designated reserved zones, as in the UAE. Safeguards against speculation have also been strengthened through capital thresholds and development regulations that set a minimum level of investment (currently SAR30m) and a timeline for completion of five years. International investors, law firms and commentators alike have all welcomed this new move. But what are the economic effects likely to be? How will the Saudi real estate market react?

The impact of foreign investment

The obvious hypothesis to test is the extent to which foreign investment affects domestic real estate markets. This could be through a one-off price effect, greater resilience to the effects of domestic economic downturns, or increased development. Studies in other markets have pointed the way to what might now happen in Riyadh. A recent study of the UK using administrative data found that foreign investment increases house prices, especially in high-end segments. It reduces affordability and does not stimulate construction, even in areas with flexible planning laws.[5] This study, however, relied on overseas companies' purchases as a proxy for all overseas investment; if it were possible to include purchases by individuals, the already high correlation observed between the level of foreign investment and house prices (0.7) might be even higher.

Facing similar difficulties in finding reliable data, other studies have used proxy measures – for example, using web traffic[6] or name-matching techniques[7] – to reach similar conclusions. A consultancy study made of house prices in Perth in Australia[8] found that their trajectory was much smoother when measured in sterling rather than in Australian dollars, suggesting that imported capital was driving house price growth and that this growth faltered when the domestic currency appreciated against sterling.

What is really happening?

In fact, these studies and the political reaction to them may be confusing correlations with cause. They may even have the direction of causality the wrong way round, as some have already suggested: has foreign investment caused house prices in these countries to rise, or do rising house prices cause an increase in demand from foreign buyers?[9]

In Dubai, the foreign ownership percentage has been estimated at 43%[10] and there can be no doubt of its importance in that market. Elsewhere, however, headlines, housing research and hype all conceal the fact that total foreign ownership percentages remain in single digits. In Australia, for example, combining publicly available datasets[11] [12] suggests that it is only around 2.5% overall. This percentage is no doubt much higher in specific areas, such as inner Sydney, and in new builds for which it is easier to obtain permits,[13] so the percentage of total value owned by foreign nationals is likely to be much higher. Adding in dual citizens and permanent residents who spend most of their time outside the country would add to this percentage too. But, except in those localised areas, foreign ownership is very far from being at a level capable of moving the market on its own.

Moreover, all the focus of research has been on jurisdictions and markets where prices have been rising, often dramatically. Much less attention has focused on the stabilising effect of foreign investment when markets trend downwards. This is an important factor that Saudi decision-makers will probably have considered. For example, Greeks expressed great concern about foreign ownership of real estate when Greece joined the EU; with the benefit of hindsight, after several decades they were profoundly grateful for the influx of foreign capital – and spending – that richer Western Europeans brought to those same islands.[14]

The UAE market likewise has been buoyed by foreign buyers at times when domestic demand has been lacking, most notably during the global financial crisis[15] and even – as Cavendish Maxwell briefings noted – during the pandemic as well. The potential benefits of foreign investment for Saudi commercial real estate are even clearer. Rapid expansion across the board brings a demand for funding which requires both debt and equity. The point has also been made that attracting foreign direct investment (FDI) into public–private partnership projects and other joint ventures – priorities for Vision 2030 – is greatly assisted by permitting foreign ownership of commercial real estate.[16]

Even so, some jurisdictions have introduced foreign-buyer taxes, as in Australia, Canada, the UK and even Singapore.[17] These have been largely demonstrative, raising little money – and hence largely ineffectual – as the level of tax that would be required to reduce foreign participation in these markets would send hugely negative signals. FDI would be affected overall, and punitive tax would likely generate systems of evasion. For example, people who are already citizens or permanent residents might buy and hold property on behalf of other family members. Even at these current levels, foreign-buyer taxes have been frequently cited as reasons to invest in jurisdictions that do not do this, such as the UAE.

Conclusions

No official data yet exists on the percentage of Saudi real estate owned by foreigners but, given the previous legal restrictions, it is almost certainly negligible. Even in jurisdictions where the percentage is significantly larger, the evidence suggests that domestic demand far outweighs foreign buyers as the source of house price growth. Over the next decade or even longer, the risk that foreign investors will be responsible for increased house prices in Saudi Arabia is therefore very low. Perhaps at the margin, investors in high-end residential properties will add to the domestic demand that is already propelling price growth in Riyadh in particular. Even this risk is counterbalanced by the benefit of future market stabilisation, and it is absent for commercial property, where the relaxation of foreign ownership is uniformly beneficial and supports the goals of Vision 2030 and beyond.

The challenge for the Saudi Government in the short to medium term is therefore to encourage foreign investment in the domestic real estate market, not to manage any potential adverse consequences for Saudis themselves. In any event, any such potential effects must already have been taken account of through regulatory vigilance. In meeting this challenge, the growing presence of professional advisers – qualified through the Royal Institution of Chartered Surveyors – who are capable of providing effective investment advice to foreign nationals will play an important role.

The Kingdom of Saudi Arabia's housing market is poised to become a strategic engine for economic growth. Under Vision 2030, initiatives such as Sakani and PIF-backed developers like ROSHN, combined with urban redevelopment and shifting demographics, are creating a diversified, sustainable, and investor-friendly real estate ecosystem. With plans to open up foreign ownership more broadly in the coming years, Saudi Arabia is sending a clear signal to international investors, positioning itself as a dynamic market on par with mature regional hubs like Dubai.

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