

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are arranged in a way that they seem to converge towards the top of the frame. The sky is a mix of soft pinks, oranges, and purples, suggesting a sunset or sunrise. The overall composition is dynamic and emphasizes the height and modernity of the architecture.

**Hogan  
Lovells**

**KSA Real Estate  
Legal Landscape**

**January 2026**

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# 1. KSA REAL ESTATE LEGAL LANDSCAPE – HOW IT ALL BEGAN AND WHERE WE ARE TODAY

## 1.1 HISTORICAL CONTEXT: HOW IT ALL BEGAN

- (a) **Historically**  
Saudi Arabia maintained **strict restrictions on foreign ownership of real estate**. Non-Saudis were generally prohibited from owning property, with only limited exceptions for diplomatic missions and indirect ownership through shares in listed companies or real estate funds.
- (b) The approach was rooted in cultural and sovereignty considerations, particularly safeguarding land ownership for Saudi citizens and preserving control over strategic assets.
- (c) **Position regarding Non-Saudis**  
Previously there were **controlled mechanism for foreign participation**, allowing ownership under specific conditions such as requiring individuals to hold Premium Residency Visas or, in the case of foreign entities, requiring them to be licensed foreign developers. The process for obtaining approvals were complex, and foreign ownership remained highly restricted.

## 1.2 KEY REFORMS LEADING TO TODAY

- (a) **Vision 2030 as a Catalyst**  
Saudi Arabia's **Vision 2030** economic diversification plan drove major reforms to attract foreign investment, expand housing supply, and modernise urban development. Real estate was identified as a strategic sector for growth.
- (b) **Regulatory Milestones in 2025**
  - (i) **July 2025:** The Council of Ministers approved the **Law of Real Estate Ownership by Non-Saudis**, repealing the old position.
  - (ii) **September 2025:** Introduction of rental regulations, including a **five-year freeze on rent increases in Riyadh**, and mandatory electronic registration of leases via an online platform (known as the Ejari platform (see section 2.3 below)) to enhance transparency.
  - (iii) Amendments to **White Land Fees** aimed at accelerating urban land development and curbing speculation.

## 1.3 THE NEW LEGAL FRAMEWORK (EFFECTIVE JANUARY 2026)

- (a) **Designated-Zone Model**  
Foreign individuals and entities can now **own real estate in designated geographic zones**, which will be defined by the Council of Ministers in coordination with the Real Estate General Authority (REGA), without the need for a Premium Residency Visa. These zones are expected to include major urban centres such as **Riyadh, Jeddah, and the Eastern Province**.

(b) **Ownership Rights**

- (i) **Foreign Individuals:** Foreign Individuals residential property for personal use outside designated zones (excluding Makkah and Madinah) without the need for a Premium Residency Visa. Foreign individuals with a Premium Residency Visa may own multiple residential properties outside designated zones.
- (ii) **Foreign Entities:** Can acquire for land development purposes assets for investment or operational purposes through a Saudi registered vehicle. Foreign entities may still require a Ministry of Investment for Saudi Arabia (MISA) license depending on their activities and investment structure.<sup>1</sup>
- (iii) **Restrictions:** Ownership in **Makkah and Madinah** remains highly regulated, permitted only under strict conditions for Muslims and with respect to foreign ownership, Saudi companies with foreign participation may also own real estate in Makkah and Madinah in accordance with the relevant regulations to be set out under the implementing regulations (when issued) of the Law of Real Estate Ownership by Non-Saudis and in certain geographic zones.

(c) **Regulatory Safeguards**

- (i) Mandatory registration through the **National Real Estate Registration Services Company platform**.
- (ii) Disposal fees and penalties for violations (up to SAR 10 million (USD 2.6m)).
- (iii) Compliance with zoning, urban planning, and development timelines (e.g., SAR 30 million (USD c.8m) minimum investment for commercial projects, completion within five years).

1.4 **CURRENT LANDSCAPE AND MARKET IMPACT**

(a) **Opening to Foreign Investment**

The law represents a **historic liberalisation**, positioning Saudi Arabia alongside other Gulf markets in allowing foreign ownership. It is expected to **boost liquidity, attract global capital, and stimulate urban development**, particularly in mixed-use and commercial sectors.

(b) **Complementary Measures**

- (i) Housing support programmes and mortgage facilitation schemes to increase homeownership among citizens.
- (ii) Digitalisation of real estate transactions and licensing for off-plan sales to improve efficiency and transparency.

1.5 **Strategic Outlook**

These reforms are anticipated to **drive demand for high-quality housing, commercial**

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<sup>1</sup> By way of new law, non-developers are allowed to own land, though it is currently untested.

**hubs, and logistics infrastructure**, while embedding sustainability and compliance into development practices.

### **In Summary**

Saudi Arabia's real estate legal framework has evolved from **near-total restriction on foreign ownership** to a **structured, zone-based model aligned with Vision 2030**. The new law effective January 2026 marks a **turning point**, creating opportunities for international investors while maintaining cultural and regulatory safeguards.



## 2. OWNERSHIP RIGHTS AND SALE AND LEASE BACK

### 2.1 OWNERSHIP RIGHTS

- (a) Freehold vs. Leasehold Distinction:
  - (i) Ownership of a freehold is typically absolute in Saudi Arabia (the same as in the UK).
  - (ii) A lease grants an interest in property. It is not purely contractual. Except for the distinction allowing foreign companies to hold leases, it is, in effect, equivalent to holding the freehold but limited in time (and subject to the other terms of the lease).
- (b) Electronic Registration:
  - (i) Saudi Arabia is transitioning to a centralized digital system, but verification through a local lawyer is recommended.
- (c) Freehold:
  - (i) Foreign companies may own real estate (freehold) in KSA which gives similar rights of ownership to the UK.
  - (ii) Freehold title must be registered on an electronic 'Torrens' title system (see below), which conclusively (and exclusively) evidences title as well as third party interests and rights.
  - (iii) Real Estate Investment Funds, regulated by the Capital Markets Authority, are increasingly used by foreign investors as the vehicle for inward investment. There may be regulatory benefits to this (depending on the activities and the structure).
  - (iv) There is a 5% transfer tax on sales (calculated on the sale price).
- (d) Title in KSA operates a 'Torrens' title system, insofar as:
  - (i) the registered owner shown on the title at the land register is conclusively held as the owner of the land;
  - (ii) the registered owner of land owns the land and buildings on the land;
  - (iii) the title records the owners' interest (and any third party interests);
  - (iv) if an interest is not recorded on the title, and the purchaser is not bound by it; and
  - (v) the legal boundaries of properties are shown (on survey plans) attached to the title
- (e) Leasing:

- (i) In general terms, leasing property in KSA operates in much the same way as the UK.
- (ii) The form of lease used in commercial real estate tends to be shorter than what you may expect to see in the UK. This is both a market custom and also because some of the covenants are addressed in the Civil Transactions Law (CTL).
- (iii) This can also be because if the parties are operating under Ejar (described below) the form is prescribed.
- (iv) Parties enter into leases in much the same way as the UK. First, they would enter into an agreement to lease, and once the prerequisite conditions precedent are satisfied, the parties would enter into the formal lease.
- (v) In general, the legal and commercial framework for leasing property in KSA is relatively straightforward and shares broad similarities with international leasing practices (subject to important nuances under KSA law).
- (vi) The term of a commercial lease of industrial and/or office space lease is typically around 1-3 years, renewable. Longer term leases are also possible although not common.
- (vii) Enforcement is generally a digital mediation via Ejar and the Ministry of Justice.
- (viii) Long term ground leases are also common. These can be for 99 years, although 30 years is more common. A ground lease of 50 years or more attracts a 5% transfer tax (the same as a freehold).

## 2.2 Conveyancing involving Foreign Entities

- (a) The conveyancing process for foreign companies requires additional documentation, including:
  - (i) valid foreign investment license from the MISA;
  - (ii) commercial registration certificate from the Ministry of Commerce; and
  - (iii) such other licenses from relevant regulators relating to the activities conducted on the land.

## 2.3 **EJAR PLATFORM**

- (a) All lease agreements (including a long term ground lease) must be registered using the electronic platform known as the Ejar system.
- (b) Registration through the Ejar system is a legal requirement in KSA for a lease to be enforceable. Without such registration, the lease may not be recognized by KSA courts, regardless of the parties' agreement.
- (c) The Ejar system is maintained by the Ministry of Municipal, Rural Affairs, and Housing and serves as the official platform for registering lease agreements in KSA.

- (d) This registration requirement may present challenges for complex commercial lease arrangements, as such agreements often need to be simplified to meet Ejar's standardized format requirements.
- (e) While the Ejar system is primarily designed for residential and basic commercial leases, all lease agreements, including industrial leases, must be registered on the Ejar system to be legally enforceable in Saudi Arabia.
- (f) However, Ejar's system standardized format may not readily accommodate sophisticated terms common in commercial or specialized lease agreements.
- (g) Practically speaking, enforcing lease agreements that have not been recorded through the Ejar system tends to be considerably more difficult. While KSA courts may accept such leases, their enforceability is significantly weakened, and both tenants and landlords may face procedural obstacles in asserting their rights or seeking remedies.
- (h) To proactively address these challenges, companies often incorporate protective language in their lease agreements to anticipate and mitigate potential limitations arising from the Ejar system, which includes:
  - (i) language ensuring all the terms and conditions of the original lease are incorporated into the form approved by the Ejar system – while stipulating that the terms of the original lease shall prevail in the event of any inconsistency, to the extent permitted by applicable law;
  - (ii) wording stipulating that the original lease may be annexed to the approved form as an integral part of the Ejar system form;
  - (iii) wording stipulating that specific references may be included in the Ejar system form indicating that the original lease is incorporated by reference and forms an integral part of the Ejar system version; or
  - (iv) declaration that, notwithstanding any simplified terms recorded in the Ejar system, the complete terms and conditions of the original lease shall govern the legal relationship between the parties to the maximum extent permissible under KSA laws.
- (i) These provisions basically aim to address the risks associated with registering the lease with the Ejar system and to ensure that such simplification – and other issues associated with Ejar registration – does not affect the enforceability of the full terms agreed between the parties.
- (j) It should be noted that there is an inherent risk with this approach. In the event of a relevant dispute over the lease, there is a possibility that a KSA court may only consider the registered lease agreement in Ejar rather than the complete commercial terms contained in the full lease agreement. However, based on our market experience, the inclusion of the above provisions is standard practice and is generally considered an effective way to safeguard the parties' commercial arrangements under the constraints of the Ejar system.

## 2.4 CIVIL TRANSACTIONS LAW



- (a) Lease agreements in KSA are primarily governed by the CTL, which generally provides parties with contractual freedom in structuring their leasing arrangements. There are nuances however which are outside the scope of this note.

## 2.5 SALE AND LEASEBACK AND BUILD TO SUIT

- (a) Sale and lease back is permitted and common in Saudi, as is built to suit.

### Comparative Table: Sale Leaseback vs Build-to-Suit Leaseback

Aspect	Sale Leaseback	Build-to-Suit Leaseback
Definition	Owner sells an existing property and leases it back from the buyer.	Investor constructs a property to tenant's specifications and leases it back upon completion.
Purpose	Unlock capital tied in existing assets while retaining operational use.	Obtain customised premises without upfront capital expenditure.
Timing	Immediate – property already exists.	Longer – involves design and construction phase before lease commencement.
Ownership Transfer	Occurs at sale; buyer becomes landlord.	Occurs upon completion of construction and handover.
Capital Outlay	Seller receives lump sum; lessee pays rent thereafter.	Investor funds construction; tenant commits to lease payments post-completion.
Risk Profile	Low – asset already operational and income-generating.	Higher – construction risk and potential delays.
Legal Framework	Governed by Civil Transactions Law, and relevant foreign ownership rules; Sharia compliance required.	Same laws apply; additional obligations under construction contracts and pre-lease agreements.
Foreign Investor Feasibility	Permitted under new ownership laws in designated zones; subject to RETT and registration.	Permitted; requires compliance with zoning and foreign ownership regulations.
Advantages	Quick liquidity; predictable lease terms; minimal disruption.	Customised facility; long-term operational efficiency; off-balance-sheet financing.
Challenges	RETT (5%) on sale; valuation disputes.	Longer lead time; construction risk; complex documentation.

### Sale Leaseback vs Build-to-Suit Leaseback: Benefits & Challenges

Aspect	Sale Leaseback	Build-to-Suit Leaseback
Key Benefits	<ul style="list-style-type: none"><li>- Immediate liquidity from asset sale.</li><li>- Operational continuity under lease.</li><li>- Predictable lease costs.</li><li>- Improves balance sheet ratios.</li></ul>	<ul style="list-style-type: none"><li>- Customised facility tailored to tenant needs.</li><li>- Avoids upfront capital expenditure.</li><li>- Secures long-term occupancy.</li><li>- Transfers construction risk to investor.</li></ul>

<b>Key Challenges</b>	<ul style="list-style-type: none"><li>- 5% Real Estate Transaction Tax (RETT) on sale.</li><li>- Valuation disputes on property price.</li><li>- Sharia compliance requirements.</li><li>- Foreign ownership restrictions in certain zones.</li></ul>	<ul style="list-style-type: none"><li>- Construction delays and cost overruns.</li><li>- Longer lead time before occupancy.</li><li>- Complex documentation (pre-lease &amp; construction contracts).</li><li>- Regulatory and zoning compliance.</li></ul>
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## 2.6 COMPLIANCE & PENALTIES

- (a) **Registration:** All transactions must be recorded digitally; ownership is valid only after formal registration.
- (b) **Fees:** Real estate transfer tax up to **5%** for foreign transactions pursuant.
- (c) **Penalties:** Violations can attract fines up to **SAR 10 million**, with severe breaches leading to forced sale.

## 2.7 INVESTMENT CONDITIONS

- (a) For commercial projects:
  - (i) A [MISA license and a] minimum investment threshold of **SAR 30 million/USD 8 million**.
  - (ii) Development completion within **five years** of acquisition.

## 2.8 STRATEGIC IMPLICATIONS

- (a) **Market Impact:**
  - (i) Liberalisation expected to boost liquidity and attract global investors.
  - (ii) Supports urban development and mega-projects under Vision 2030.
- (b) **Safeguards:**
  - (i) Cultural and religious sensitivities preserved through zoning and restrictions in holy cities.

**Comparative Table: Old vs New Ownership Rules in KSA**

Aspect	Old Regime	New Regime (2026 Law)
<b>Foreign Individual Ownership</b>	Not prohibited, except for Premium Residency holders	Allowed: One residential property outside designated zones (excluding Makkah & Madinah)
<b>Foreign Entity Ownership</b>	Highly restricted; approvals complex and rare, Permitted for developers	Permitted for developers + and non-developers though untested.
<b>Designated Zones</b>	Not applicable	Introduced; Council of Ministers defines zones (e.g., Riyadh, Jeddah, Eastern Province)
<b>Holy Cities</b>	Strict prohibition	Still restricted; limited rights for Muslim foreigners under conditions
<b>Ownership Rights</b>	Limited (leasehold, indirect)	Full ownership and real rights (usufruct, easements, long-term leases)
<b>Registration</b>	Manual, notary public	Mandatory digital registration via national platforms.
<b>Investment Conditions</b>	No clear thresholds	Minimum SAR 30 million for commercial projects; completion within 5 years
<b>Penalties</b>	Undefined or minimal	Fines up to SAR 10 million; forced sale for violations

## Compliance Checklist for Foreign Investors

### Pre-Acquisition

- ☒ Confirm eligibility (individual vs entity; residency status) as detailed under sections 1.3(b) and 2.1 above in respect of ownership.<sup>2</sup>
- ☒ Identify designated zones approved by the Council of Ministers.
- ☒ Verify restrictions for Makkah and Madinah if applicable.
- ☒ Ensure project meets minimum investment threshold (SAR 30 million/USD 8 million for commercial).

### Transaction Stage

- ☒ Register property digitally with the National Real Estate Registration Services Company platform.
- ☒ Pay applicable real estate transfer tax (up to 5%).
- ☒ Obtain necessary permits for development and zoning compliance.

### Post-Acquisition

- ☒ Adhere to development timeline (completion within 5 years).
- ☒ Maintain compliance with urban planning and sustainability standards.
- ☒ Monitor for regulatory updates and renewals.
- ☒ Avoid violations to prevent fines (up to SAR 10 million/USD 8 million) or forced sale.

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<sup>2</sup> Foreign investors can acquire real estate in Saudi Arabia through a legal entity, subject to specific conditions and zoning regulations. Foreign natural persons (individuals) who are legally residing in Saudi Arabia (e.g., Premium Residency holders or long-term residents) may acquire property in their personal name — typically one residential property outside designated zones (excluding Makkah and Madinah), or multiple properties within designated investment zones. Foreign legal entities — such as offshore companies, investment vehicles, funds, are not permitted to acquire real estate.

### 3. HOGAN LOVELLS' REAL ESTATE HISTORY IN SAUDI ARABIA (KSA)

#### 3.1 EARLY PRESENCE AND STRATEGIC FOCUS

- (a) Hogan Lovells has maintained a **long-term commitment to the Saudi market**, aligning its services with **Vision 2030** and the Kingdom's economic diversification goals.
- (b) The firm's Riyadh office provides **fully integrated legal services**, leveraging deep knowledge of Saudi laws and commercial practices to support cross-border transactions and real estate investments.

#### 3.2 KEY MILESTONES

- (a) **2018 Association with ZS&R Law Firm**  
Hogan Lovells entered into a formal association with **Riyadh-based ZS&R Law Firm**, a boutique practice specialising in projects, dispute resolution, banking, finance, and corporate/M&A.
  - (i) This partnership strengthened Hogan Lovells' ability to deliver **full-service solutions** for clients investing in Saudi Arabia.
  - (ii) The association was driven by growing demand for legal expertise in **real estate, infrastructure, and capital markets**, particularly in light of major privatisations and mega-projects under Vision 2030.
- (b) **Expansion of Real Estate Advisory**  
Hogan Lovells has advised on **land acquisition, development projects, and regulatory compliance** for foreign investors entering the Saudi market.
  - (i) The firm played a role in guiding clients through **new ownership laws** and foreign investment frameworks introduced in 2025–2026.

#### 3.3 PRACTICE STRENGTHS IN KSA REAL ESTATE

- (a) **Integrated Expertise:** Combines real estate with finance, tax, and regulatory advisory to support complex transactions.
- (b) **Sector Coverage:** Hotels, mixed-use developments, logistics hubs, and mega-projects like NEOM and Qiddiya.
- (c) **Regulatory Navigation:** Advises on compliance with the **Real Estate General Authority (REGA)** and foreign ownership restrictions, including designated zones and holy city limitations.

#### 3.4 RECENT DEVELOPMENTS

- (a) Hogan Lovells (via a combination of our London and Riyadh offices) is acting for the Qiddiya Development Company in connection with a large-scale retail development.

- (b) Hogan Lovells has been actively involved in **educating clients on the new Saudi real estate law**, which liberalises foreign ownership and introduces compliance requirements such as digital registration and investment thresholds.
- (c) The firm continues to support **international investors and developers** in structuring deals aligned with Saudi regulations and Vision 2030 objectives.



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