

Saudi Arabia's New Law on Foreign Ownership of Real Estate: A Major Development in the Saudi Real Estate Sector

On 14 July 2025, the Kingdom of Saudi Arabia issued Royal Decree No. M/14, approving a new law regarding foreign ownership of real property in the Kingdom titled “Law on Non-Saudis Ownership of Real Estate” (the “**2025 Real Estate Law**”). The 2025 Real Estate Law, which has been published in the Saudi Official Gazette (*Umm Al-Qura*), will become effective in January 2026. Within the same period, an Implementing Regulation is expected to be issued, following its publication on the *Istitlaa* platform—an online platform affiliated with the Saudi National Competitiveness Center, on which rules and regulations are published to allow for a period of public consultation before their official issuance.

The 2025 Real Estate Law represents a significant shift in the rules governing foreign ownership of real estate in Saudi Arabia. Such ownership has already been allowed for decades under a previous law, the “Law on Non-Saudi Ownership of Real Estate and Its Investment” of 2000 (the “**2000 Real Estate Law**”), which has been amended multiple times and has now been repealed. The 2025 Real Estate Law expands the possibility for non-Saudis to own and benefit from other rights *in rem* over real estate in Saudi Arabia, including in the holy cities of Makkah and Madinah, which was not permitted under the 2000 Real Estate Law.

How the 2025 Real Estate Law Differs from Its Predecessor

Foreign property ownership is not new in Saudi Arabia. It has already been permitted for decades under the 2000 Real Estate Law. However, the 2025 Real Estate Law has now expanded foreign ownership of real property in Saudi Arabia. We summarize below the main differences between the two laws regarding (i) who may own property in Saudi Arabia; (ii) the types of property that can be owned under the two laws; (iii) the geographical limits of foreign property ownership under the two laws; and (iv) the possibility for foreigners to own property in Makkah and Madinah.

Who May Own Real Estate Under the Two Laws?

The 2000 Real Estate Law limited foreign property ownership in Saudi Arabia to investors, whether individuals or companies, residents, and diplomatic missions and organizations. To own a property, investors must have had authorization to carry out a professional or commercial activity in Saudi Arabia. They must also have had a special license from the authority that approved the investor’s activity in Saudi Arabia. If the

investor was purchasing property to sell or lease it, the 2000 Real Estate Law required that the investment be valued at no less than SAR 30 million, and that the investor sell or rent the property within five years of ownership. Additionally, residents of Saudi Arabia could only own a personal residence after obtaining special approval from the Saudi Ministry of Interior.

In contrast, as explained further below, the 2025 Real Estate Law permits individuals, non-profit organizations, foreign companies, and Saudi companies that are wholly or partially owned by non-Saudis to own property and enjoy other real property rights in Saudi Arabia. Like the 2000 Real Estate Law, the 2025 Real Estate Law also allows diplomatic missions and regional and international organizations to own property in Saudi Arabia (Article 7).

Types of Properties that Can Be Owned Under the Two Laws

Because the 2000 Real Estate Law limited foreign property ownership for non-residents and non-diplomats to foreign investors, it required that the investor's ownership be restricted to a specific purpose related to the investment. Therefore, it mandated that the property be necessary for the investor's authorized activity in Saudi Arabia, including residences for the investor and its employees and staff. Similarly, as noted above, a resident of Saudi Arabia could only own a personal residence. In contrast, the 2025 Real Estate Law does not restrict foreign property ownership to a specific purpose.

The Geographical Limits of Foreign Property Ownership Under the Two Laws

The 2000 Real Estate Law permitted foreign investors and residents to own property throughout Saudi Arabia, except in Makkah and Madinah (subject to narrow exceptions, discussed below). In contrast, while the 2025 Real Estate Law broadens the scope of foreign property ownership, it geographically restricts such ownership to specific zones in each city of Saudi Arabia that the Saudi Council of Ministers will determine (the “**Designated Zones**”), subject to exceptions discussed below.

Whether Foreigners Can Own Property in Makkah and Madinah Under the Two Laws

The 2000 Real Estate Law prohibited foreign property ownership in Makkah and Madinah, with only two exceptions: it permitted non-Saudis to own property and benefit from other real property rights in the two cities through inheritance or if the foreigner acquired property as an endowment for a Saudi entity. However, the 2000 Real Estate Law allowed non-Saudi Muslims to rent property in the two cities. In contrast, the 2025 Real Estate Law permits foreign shareholders, as well as non-Saudi Muslims, to own and benefit from other rights *in rem* over properties in Makkah and Madinah, subject to certain conditions and limitations, as explained below.

Scope of Foreign Property Ownership Under the New Law

The 2025 Real Estate Law defines a non-Saudi as any of the following: (i) natural persons who are non-citizens of Saudi Arabia; (ii) foreign companies; (iii) foreign non-profit organizations; and (iv) any other entity identified by the Saudi Council of Ministers (Article 1).

Articles 2 to 4 of the 2025 Real Estate Law outline the conditions under which non-Saudis may own property and benefit from other rights *in rem* in Saudi Arabia. The application of these conditions depends on the following factors: (i) whether the non-Saudi is an individual or a legal entity; (ii) whether the person is a resident or non-resident; (iii) whether a company is incorporated in Saudi Arabia or is a foreign company; (iv) whether the property is located in Makkah or Madinah or any other city in Saudi Arabia; and (v) whether the property is located within or outside the Designated Zones.

Special Zones for Non-Saudis

Article 2 states that non-Saudis may own and benefit from other rights *in rem* over real property in Saudi Arabia within special zones that will be identified in a future decision by the Council of Ministers, *i.e.*, the Designated Zones. Under the same Article, the Saudi Real Estate General Authority is responsible for recommending these Zones to the Council, which must also be approved by the Council for Economic and Development Affairs.

Under the 2025 Real Estate Law, non-Saudis may also own and hold other real property rights outside the Designated Zones, subject to certain limits and conditions, discussed below.

Special Rights for Residents of Saudi Arabia

In addition to the above, the 2025 Real Estate Law grants non-Saudi residents (including those living in Saudi Arabia under premium residency) a special right to own a personal residence outside the Designated Zones. However, residents cannot own a personal residence outside the Designated Zones in Makkah and Madinah (Article 2(3)). Non-residents, on the other hand, can only own properties within the Designated Zones.

Foreign Companies and Saudi Companies that are Wholly or Partially Owned by Non-Saudis

The 2025 Real Estate Law also allows foreign companies and non-profit organizations to own and benefit from other real property rights in the Designated Zones (Article 2(1)). However, foreign companies are prohibited from owning property or benefiting from

other rights in Makkah and Madinah (Article 2(4)). In addition, foreign companies and organizations must register with the designated authorities before they can own or benefit from other real property rights (Article 8(1)).

For Saudi companies with foreign ownership, the 2025 Real Estate Law distinguishes between those listed on the Saudi Stock Exchange (*Tadawul*) and those that are not. Listed companies may own and hold other rights over real property in Saudi Arabia, including in Makkah and Madinah, in accordance with the rules and regulations of the Saudi Capital Market Authority (Article 4).

Companies not listed on the Stock Exchange may still own and benefit from other rights *in rem* within the Designated Zones in Saudi Arabia, including those in Makkah and Madinah. These companies may also hold and benefit from other real property rights outside the Designated Zones, including in Makkah and Madinah, if necessary for conducting their operations and providing housing for their employees and staff (Article 3).

Special Rules for Makkah and Madinah

As shown above, the 2025 Real Estate Law contains special rules for Makkah and Madinah. First, non-Saudis, regardless of their residency status in Saudi Arabia, cannot own real estate in these two cities unless they are Muslims (Article 2(4)). The ban on non-Muslims owning property in Makkah and Madinah applies even if the property is located within the cities' Designated Zones. Additionally, the 2025 Real Estate Law does not permit foreign individuals, even if they are Muslims, to own property outside the cities' Designated Zones. It also prohibits foreign companies from owning any property within the two cities (Article 2(4)).

Finally, as discussed above, Saudi companies listed on the Stock Exchange may own and benefit from other real property rights in Makkah and Madinah, subject to the rules and regulations of the Saudi Capital Market Authority (Article 4). Non-listed companies may own and benefit from other rights *in rem* in Makkah and Madinah. However, these companies may only enjoy the same rights outside the cities' Designated Zones if this is necessary for exercising their activities and providing housing for their employees and staff (Article 3).

Next Steps

While the 2025 Real Estate Law has outlined the main contours for foreign property ownership in Saudi Arabia, it stopped short of providing necessary details regarding how the Law will be implemented and the procedures that non-Saudis must follow to own a property and benefit from other rights in Saudi Arabia. These details and procedures will

be provided in the Implementing Regulation, which is expected by January 2026 (Article 13). The regulation is also expected to specify the exact percentage of a transfer fee that will be imposed on non-Saudis when selling their properties—currently, the 2025 Real Estate Law only states that this fee should not exceed 5% of the property's value (Article 9).

Furthermore, as mentioned above, the Council of Ministers is expected to issue a decision identifying the Designated Zones in Saudi Arabia. The same decision will specify the types of rights *in rem* that non-Saudis can benefit from in each Zone (e.g., ownership rights, usufruct rights, leasehold, or other rights *in rem*), the maximum percentage of foreign ownership allowed in each Zone, the maximum duration of usufruct rights for non-Saudis, and the conditions under which non-Saudis can own and benefit from real property rights in Saudi Arabia (Article 2).

Concluding Remarks

The 2025 Real Estate Law marks a major shift in policy regarding foreign property ownership in Saudi Arabia. It is expected to help diversify the Saudi economy, consistent with the goals of the Saudi 2030 Vision.

The anticipated Implementing Regulation and Council of Ministers' decision are expected to provide further clarity on how non-Saudis can own property in Saudi Arabia and how the Saudi Arabian authorities will implement the Law.

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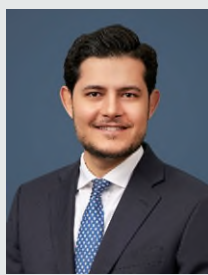
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For further information on how the 2025 Real Estate Law will be implemented in view of existing rules, please feel free to contact any of the persons listed below:



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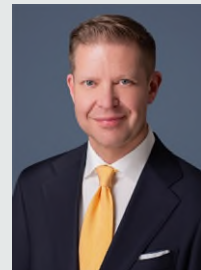
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