VALUE EXPERTS®

FAIRNESS IS OUR VALUE



REAL ESTATE | ESG | VALUATION

THE ROLE OF ESG IN REAL ESTATE VALUATION IN SAUDI ARABIA

How sustainability is reshaping asset value, risk, investment, and financing decisions.

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WRITTEN FOR

Sovereign wealth funds, banks, government entities, developers, investors, valuers and asset managers.

INSTITUTIONAL WHITEPAPER

ABOUT THIS PAPER

INTRODUCTION

How ESG is becoming increasingly relevant to real estate value in Saudi Arabia.

Saudi Arabia is undertaking urban development at significant scale and pace, at a time when sustainability is becoming increasingly relevant to real estate value.

For owners, lenders, developers and valuers across the Kingdom, this convergence has significant implications for real estate decision-making. Environmental, Social and Governance (ESG) performance is no longer considered solely as a reporting consideration alongside valuation; it is increasingly becoming an input to valuation itself, influencing operating costs, rents, occupancy, cap rates and the cost of capital. Valuation standards now require relevant and material ESG factors to be considered, lenders are increasingly incorporating ESG considerations into their assessments, and the market is beginning to reflect these factors in pricing.

This white paper sets out three key areas: the evolving role of ESG in Saudi Arabia's real estate sector, how ESG factors translate into value in practice, and the implications for real estate decision-making. It reflects our approach to valuation grounded in international standards, informed by Saudi market evidence, and focused on the factors that materially influence value.

OUR CENTRAL FINDING

ESG is becoming an increasingly relevant input to real estate value in Saudi Arabia. The policy and capital framework is evolving, and owners and advisers who integrate material ESG factors into valuation will be better positioned to assess their implications as the market develops.

ABOUT THE DATA

Evidence for the UK, Australia and the United States is drawn from published research by Knight Frank, MSCI, CBRE, UBS Asset Management, the Australian Property Institute and peer-reviewed studies (e.g. Fuerst & McAllister, Ecological Economics, 2011).

Saudi market data is drawn from CBRE and Knight Frank market reviews, PIF disclosures (Green Finance Framework and Allocation & Impact Reports), the Saudi Green Initiative, MOMRAH (Mostadam), the Saudi Building Code National Committee and the IVSC / RICS standards.

KSA-specific premiums, cap-rate differentials and 2028–2030 outlooks are Value Experts' indicative professional estimates, not observed transaction evidence, and are flagged as such where they appear. Every figure is footnoted on its page; a consolidated reference list appears on page 17.

SUMMARY

EXECUTIVE SUMMARY

The headline findings for owners, lenders, developers and valuers in the Kingdom.

ESG has shifted from a peripheral consideration to an increasingly material consideration in real estate value, arriving just as Saudi Arabia delivers one of the largest pipelines of institutional-grade real estate globally under a newly crystallized international framework.

In the Kingdom the shift is being driven from the top down. Vision 2030, the Saudi Green Initiative and the Net Zero by 2060 commitment1, the Mostadam green-building rating system and the energy provisions of the Saudi Building Code are converting sustainability from aspiration into an increasingly relevant consideration in real estate performance and value.

In parallel, the International Valuation Standards (IVS 2025) and the RICS Red Book (January 2025) now require valuers – including those accredited by the Saudi Authority for Accredited Valuers (Taqeem), which mandates IVS – to consider significant ESG factors where relevant to value, applying professional judgement, and to document how they are treated.

THE SIGNAL FROM MATURE MARKETS | CERTIFIED VS. NON-CERTIFIED OFFICES

12.3%

RENTAL PREMIUM
for BREEAM Outstanding prime Central London offices vs. unrated. *2*

+9%

VALUE PREMIUM
for 5-star NABERS offices; 88% vs 76% occupancy (5.5–6-star vs 4-star). *3*

28 - 29%

SALE PRICE PREMIUM
for dual LEED / ENERGY STAR certified US offices. *4*

Similar signals are beginning to emerge in Riyadh, Jeddah and the Eastern Province; however, transaction evidence remains limited. In Value Experts' base case, these factors could increasingly influence Saudi institutional underwriting over the next 24–36 months (see risks in Section 4.4). Material ESG factors can influence cap rates, discount rates, terminal values and exit liquidity where supported by market evidence.

SOURCES & NOTES[1] *Saudi Green Initiative (sgi.gov.sa).* [2] *Knight Frank, The Sustainability Series (Sept 2021), prime Central London offices Q1 2010–Q1 2021.* [3] *Australian Property Institute / Newell, MacFarlane & Kok (2011); CBRE, NABERhood Watch (2024).* [4] *Fuerst & McAllister, Ecological Economics 70(6), 2011.*

SUMMARY

THE STRATEGIC IMPLICATION

Evidence of green premiums and brown discounts is emerging across real estate markets.

Assets without a credible ESG pathway may face increasing exposure to obsolescence and stranding risk. Assets with verified ESG performance may improve access to green financing and broaden the institutional investor base.

THIS PAPER SETS OUT THREE THINGS

01

What is happening

ESG and real estate across Saudi Arabia – the policy, capital and construction agenda that is increasing the relevance of sustainability to real estate performance and value.

02

How ESG flows to value

The three channels – operating cost, income durability and risk – and how each enters the Income, Market and Cost approaches.

03

What it means in practice

The implications for the decisions owners, lenders, developers and valuers are taking now, sector by sector.

WHERE TO START | BY READER



ESG Valuation

ESG-integrated valuation aligned to IVS 2025, RICS, and Taqeem.



Investors & Developers

Saudi policy landscape, sector materiality and the green premium.



Banks & Lenders

Green-finance eligibility, cost of capital and stranding risk.

SECTION 01 | SCENARIO

01 THE CURRENT SCENARIO: ESG in Saudi real estate

The question for Saudi underwriters is increasingly how ESG factors may influence value and how quickly these considerations may be reflected in asset pricing.

1.8×

Riyadh office stock: 5.5M sqm (Q1 2025) to 9.8M sqm forecast by 2027.

362K

New hotel keys: scheduled under the USD 110 billion hospitality expansion plan.

2.2M+

Residents: to live in ROSHN communities by 2030, alongside Sakani and giga-project housing.

Saudi Arabia is delivering one of the largest institutional-grade real estate pipelines of any single market this decade- and doing so under a national sustainability agenda. The Saudi Green Initiative targets net zero by 2060, 50% renewable power and a cut of 278 million tonnes of CO_2-equivalent a year by 20304. New institutional-grade assets are increasingly assessed against evolving standards of sustainability and institutional quality.

1.1

A state-led ESG agenda

Saudi ESG is distinctive: state-led, capital-backed and integrated across regulation, finance and the built environment. The Public Investment Fund (PIF) – the first sovereign wealth fund to issue a green bond (2022) – anchors green finance, while the Mostadam rating system and the Saudi Building Code translate the agenda into building-level requirements. Section 2 sets these out and connects each to value.

1.2

The IVS 2025 / RICS inflection point

IVS 2025 requires valuers to consider significant ESG factors where relevant to value, applying professional judgement, and the RICS Red Book takes the same approach.6 This matters in KSA because Taqeem mandates IVS for valuations in the Kingdom, and RICS-regulated firms must also follow the Red Book: valuations for banks, funds and financial statements should address significant ESG factors where relevant to value.

In practice, valuers must record ESG data points – energy and water intensity, certification status, climate resilience, governance – assess their materiality, and explain their treatment. Relevant and significant ESG factors should be appropriately considered and documented where applicable.

SOURCES & NOTES[1] *Knight Frank, Saudi Arabia Commercial Market Overview (Spring 2025).* [2] *Future Hospitality Summit Saudi Arabia data release (Mar 2025).* [3] *PIF newswire, ROSHN (2023).* [4] *Saudi Green Initiative targets.* [5] *London Stock Exchange (Oct 2022): first green bond issued by a sovereign wealth fund.* [6] *IVSC, IVS 104 Data & Inputs, ESG appendix (effective 31 Jan 2025); RICS Red Book Global Standards (effective 31 Jan 2025).*

SECTION 02 | POLICY

02 GOVERNMENT INITIATIVES SHAPING VALUE

Five interlocking frameworks turn the national agenda into building-level requirements – and each one maps to a specific valuation input.

EXHIBIT 1 | KSA'S ESG FRAMEWORKS AND THEIR DIRECT VALUATION RELEVANCE

Five frameworks translate national policy into specific valuation inputs

FRAMEWORK	WHAT IT IS	DIRECT VALUATION RELEVANCE
Vision 2030 & Quality of Life Program	Strategic framework integrating environmental and quality-of-life targets across the economy.	Contributes to the institutional benchmarks against which new stock may be assessed.
Saudi Green Initiative & Net Zero 2060	Net zero by 2060; 50% renewable power and a 278 Mt CO_2e/yr cut targeted by 2030.1	Provides relevant context for assessing transition risk in long-hold assets.
Mostadam Rating System	KSA's national green-building rating system (MOMRAH). Five levels – Green, Bronze, Silver, Gold, Diamond – scored to 100 points.	The default certification reference; rating level may increasingly influence rent, absorption and exit liquidity.
Saudi Building Code 2024 SBC 601 / 602, 1001	Energy codes for non-residential (SBC 601) and residential (SBC 602) buildings, plus the Green Building Code (SBC 1001); mandatory from 30 June 2025.2	A regulatory floor: assets requiring compliance upgrades may face additional capex and potential value implications.
PIF Green Finance & CMA Green Sukuk	PIF: first SWF to issue a green bond (2022); USD 19.4B future green-eligible capex identified across 91 projects (2024 report), incl. USD 6.3B for three green-building projects.3 CMA green-sukuk guidance.	Defines eligibility for green-labelled financing, which may provide financing and investor-access benefits (c.5–20 bps pricing benefit in green bond markets).[4]

2.1

Giga-projects as an emerging ESG reference set

NEOM, Red Sea Global, Diriyah, Qiddiya and ROSHN are setting the institutional ESG reference set for the Kingdom. Red Sea Global has been named a Global Real Estate Sustainability Benchmark (GRESB) Regional Sector Leader (ESG score of 91) and Six Senses Southern Dunes was the Kingdom's first hotel to achieve LEED Platinum6. Together they may contribute to future institutional benchmarks against which the Kingdom›s wider stock is assessed.



KSA'S FIRST LEED PLATINUM HOTEL

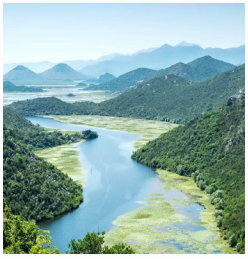
Six Senses Southern Dunes

SOURCES & NOTES' *Saudi Green Initiative. ² Saudi Building Code National Committee – SBC 2024 edition; IEA Policies Database (SBC 1001). ³ PIF, Second Allocation & Impact Report (2024). ⁴ Pietsch & Salakhova, ECB Working Paper 2728 (2022): average greenium c.4 bps, higher for credible issuers. ⁵ Red Sea Global, Sustainability Report 2022. ⁶ Red Sea Global LEED announcement (Sept 2024): LEED v4 BD+C Hospitality Platinum.*

SECTION 03 | FRAMEWORK

03 THE ESG FRAMEWORK: COMPONENTS & BUILDING ATTRIBUTES

ESG is not an abstraction. Each pillar maps to measurable building attributes that flow directly into income, cost and risk – and therefore into value.



Environmental

→ OPERATING COST

Operational carbon footprint (Scope 1 and 2), embodied carbon, energy and water intensity, waste management, on-site renewables readiness, and certification status (Mostadam, LEED, BREEAM, EDGE). **In the Saudi climate, cooling load and water scarcity dominate the operating-cost profile – making energy and water performance important controllable drivers of operating costs and NOI**. Climate resilience (heat, dust, flash-flood and coastal exposure) can influence insurance costs and long-term capex requirements.



Social

→ INCOME DURABILITY

Occupier wellbeing (indoor air quality, daylight, thermal comfort), accessibility, community impact, labour standards across the construction supply chain, and housing affordability contribution. In KSA these factors are amplified by Vision 2030's Quality of Life Program and by giga-project social-impact mandates – **they may influence occupier requirements and asset selection**; these factors may support income durability.



Governance

→ RISK & LIQUIDITY

Ownership transparency, anti-bribery controls, data integrity in disclosures, alignment with the ISSB standards (IFRS S1/S2, which absorbed the TCFD recommendations), and board-level oversight of sustainability commitments. Governance quality determines whether the E and S claims of an asset can be verified – and therefore the ability of institutional investors to assess and transact with confidence. **Under IVS 2025, the valuer must consider the reliability of ESG data used; limitations in ESG data should be reflected in the valuer's assessment of reliability, uncertainty and risk where relevant.**

Together, the three ESG pillars translate into three key value channels **(operating costs, income durability and risk)** (including exit liquidity). The next section examines how each channel influences value.

SECTION 04 | VALUE

04 THE VALUE BRIDGE: HOW ESG PERFORMANCE CREATES VALUE

A certified, energy-efficient building is not worth more by assertion. ESG performance can influence value through three measurable channels - and the same channels work in reverse for non-compliant stock.

EXHIBIT 2 | THE ESG VALUE BRIDGE

ESG can influence value through three channels – and the same channels can run in reverse

Lower operating costs ↑ NOI

Efficient cooling, envelope, water and on-site solar.

Higher, more durable income ↑ Income

Rent premium, faster absorption, stronger covenants.

Lower risk ↓ Cap rate / WACC

Less obsolescence and green-finance eligibility.

IN REVERSE

For non-compliant assets the same mechanics run backwards – lower NOI, wider cap rate, higher WACC – potentially contributing to a brown discount and increased stranding risk.

Potential Valuation Effects

POTENTIALLY HIGHER CAPITAL VALUE

Potentially higher NOI
Potentially lower cap rate
Potentially lower discount rate



4.1

Lower operating costs → higher NOI

Efficient cooling, building envelope, lighting and water systems – plus on-site renewables – cut the largest controllable expenses in the Saudi climate, where cooling and water dominate the operating-cost profile. Depending on lease structure and cost recoverability, lower operating expenses (OpEx) can support higher net operating income (NOI) – often the most tangible source of value.

4.2

Higher, more durable income

Certified space has demonstrated rental premiums across several mature markets – roughly 1–12%1 – alongside faster absorption, lower vacancy and shorter rent-free periods, and can attract longer leases from occupiers with ESG requirements, such as regional-headquarters (RHQ) occupiers, multinationals and government tenants. These characteristics may support both income level and durability.

4.3 SECTION 04 | VALUE

Lower risk → tighter cap rates and potentially cheaper capital

Compliant assets may have lower exposure to obsolescence, regulatory and stranding risks, which the market can reflect in tighter cap rates and lower discount rates – mature-market evidence shows material price premiums for top-rated offices – more than 25% in London (MSCI, 2022) and 19–28% in London and New York (UBS, 2024) – part of which reflects tighter yields.[2]

Green-finance eligibility can lower the cost of debt modestly – c.5–20 bps in green bond markets.[3] – and widen the lender pool, potentially contributing to a lower weighted average cost of capital (WACC) and higher present value.

>25%

Price premium, sustainability-rated London offices (MSCI, 2022).

19–28%

Price premium, London and New York top-rated offices (UBS, 2024).

5–20 bps

Lower cost of debt observed in green bond markets (ECB, 2022).

4.4

Risks to this outlook – what could slow it

The case above is Value Experts` base case, not a certainty. Four factors could slow the pricing-in of ESG in Saudi Arabia:

Macro

Changes in macroeconomic conditions, including oil prices and interest rates, could affect the pace of investment and project delivery, potentially extending the timeframe over which ESG-related pricing differentials become observable.

Adoption

The pace of certification across existing stock may lag new-build adoption, slowing the development of comparable market evidence.

Evidence

Thin paired-sales data means Saudi premiums may take longer to become observable and defensible.

Supply

Where Grade A supply remains constrained, occupiers may accept non-certified space for longer, potentially delaying observable differentiation.

Valuers should therefore treat KSA-specific adjustments as indicative, test them through sensitivity analysis, and avoid hard-coding them.

SOURCES & NOTES[1] *Knight Frank (2021); CBRE NABERhood Watch (2024); Fuerst & McAllister (2011).* [2] *MSCI, London and Paris Offices: Green Premium Emerges (2022); UBS Asset Management green premium study (2024).* [3] *ECB Working Paper 2728 (2022).*

SECTION 05 | APPROACH

05 THE VALUATION APPROACH: ESG ACROSS THE THREE METHODS

ESG does not require a new valuation methodology; relevant and significant ESG factors may require adjustments to inputs within established valuation approaches – Income, Market and Cost.

EXHIBIT 3 | ESG INTEGRATION ACROSS THE THREE VALUATION APPROACHES – KSA APPLICATION

Each valuation approach has a defined entry point for ESG

VALUATION APPROACH	WHERE ESG ENTERS THE CALCULATION	KSA INDICATIVE SENSITIVITY (VALUE EXPERTS)
INCOME Direct Capitalisation	NOI uplift (rent premium, lower voids, lower opex on energy/water); cap rate compression for certified assets; expansion for non-certified or stranded assets.	Illustrative sensitivity: +5% to +15% NOI uplift and 25–50 bps cap-rate compression for Mostadam Gold/Diamond or LEED Gold+ assets in Riyadh/ Jeddah Grade A.
INCOME Discounted Cash Flow (DCF)	Explicit cash-flow modelling of ESG capex over the hold; carbon pricing or efficiency mandates; retrofit cycles; terminal cap rate differentiation for future stranding.	Model SBC 2024 compliance capex on existing stock; illustrative sensitivity: terminal cap-rate spread of 50–100 bps between green and brown exit assumptions.
MARKET Comparable	Adjustments for certification level, energy rating, climate resilience and ESG governance differences between subject and comparables.	Limited paired-sales evidence in KSA today; use relevant Saudi transaction evidence where available, with international evidence used as contextual reference.
COST Depreciated Replacement Cost (DRC)	Replacement cost should reflect a modern equivalent specification, including Mostadam-aligned requirements where appropriate. Potential economic obsolescence should be considered where performance falls below relevant market benchmarks.	Indicative assumption: 3–8% green build-cost premium where the modern equivalent asset would be Mostadam-rated. Recognise economic obsolescence on legacy stock.
DISCOUNT RATE WACC	ESG-aligned assets may access green finance at a lower cost of debt; potential additional risk where stranding exposure is material.	Illustrative sensitivity: c.5–20 bps lower cost of debt (a smaller WACC effect)1 for assets eligible under the PIF Green Finance Framework or CMA-aligned green sukuk.

Note: KSA ranges are Value Experts' indicative professional assumptions for analytical and sensitivity-testing purposes. They are not market-derived valuation benchmarks and should be supported by asset-specific evidence and professional judgement when applied in valuation.

THE METHODOLOGICAL PRINCIPLE

ESG changes the inputs, not the method

Every adjustment in Exhibit 3 flows through familiar, IVS-recognised mechanics – NOI, cap rate, terminal value, replacement cost and WACC. Under IVS 2025 the valuer's task is to make those inputs explicit, evidenced and clearly reported.

SOURCES & NOTES[1] *ECB Working Paper 2728 (2022); PIF Green Finance Framework. KSA sensitivities are Value Experts' indicative professional assumptions, not market-derived evidence.*

SECTION 06 | CAP RATE

06 THE CAP-RATE TRANSMISSION: HOW ESG QUALITY MAY INFLUENCE VALUE

Cap-rate differentiation by ESG quality is an important potential transmission mechanism from sustainability to asset price.

MSCI found sustainability-rated offices trading at price premiums of more than 25% in London and 35% in Paris (2022); UBS Asset Management measured 19% (London) and 28% (New York) across 1,453 transactions (2024).[1] Tightening minimum standards – in England and Wales, the UK Government intends to introduce EPC B from 2031 for private rented buildings over 1,000 sqm, where cost-effective and subject to secondary legislation.[2] – may increase the downside risk associated with poorly rated stock.

6.5–7.5%
Indicative Riyadh Grade A office yields, 2025 (Value Experts estimate)

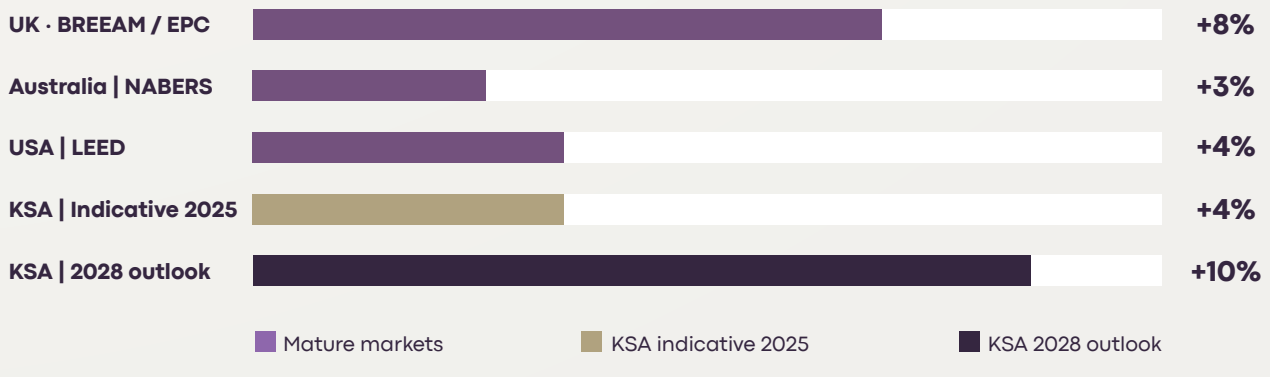
3.4–4.0%
Value swing implied by a illustrative **25 bps** cap-rate differential

SAR 17–20M
Illustrative value impact on a **SAR 500 million** asset

That is before considering rent premium, vacancy differential, or financing cost. This illustrates the potentially material valuation impact of relatively small changes in cap-rate assumptions.

EXHIBIT 4 | CERTIFIED RENT PREMIUM BY MARKET, MIDPOINT OF OBSERVED RANGE

KSA certified rent premiums could widen by 2028



VALUER'S TAKEAWAY

Document the ESG basis of every cap rate and discount rate selection. Where the subject asset lacks certification or verifiable performance data, record the assumption explicitly and consider a risk-adjusted spread – IVS 2025 requires significant ESG factors to be considered where relevant to value, applying professional judgement.

SOURCES & NOTES[1] *MSCI (2022); UBS Asset Management (2024).* [2] *UK Government written statement on non-domestic MEES (18 June 2026). Exhibit 4: Knight Frank (2021) BREEAM, 3.7–12.3%; CBRE (2024), 1–5%; Fuerst & McAllister (2011), 3–5%; KSA bars are Value Experts estimates. Value swing: 25 bps on a 6.5–7.5% yield = 3.4–4.0% of value; on SAR 500M = SAR 17–20M (Value Experts calculation).*

SECTION 07 | EVIDENCE

07 THE EVIDENCE: GREEN PREMIUMS AND BROWN DISCOUNTS

The empirical evidence from the UK, Australia and the United States provides useful reference evidence for considering how ESG-related value differentials could develop in Saudi Arabia.

EXHIBIT 5 | GREEN PREMIUM / BROWN DISCOUNT BENCHMARK VS. KSA TRAJECTORY

In the evidence reviewed, the capital value premium has generally exceeded the rent premium

METRIC	UK BREEAM / EPC	AUSTRALIA NABERS	USA LEED / E-STAR	KSA 2025 INDICATIVE (VE)	KSA 24–36 MO. OUTLOOK (VE)
Rent premium	+3.7% (Very Good) to +12.3% (Outstanding), prime Central London.[1]	+1% to +5% (CBD, 5.5–6.0-star vs. lower rated). [2]	+3% to +5% (LEED / ENERGY STAR); +9% dual-labelled.[3]	Emerging in Riyadh ITCC, KAFD, Diriyah, **+3% to +5%**	**+8% to +12%** Grade A by 2028
Capital value / sale price premium	+10.5% (BREEAM Excellent), London rated offices >25%.[4]	+9% value premium (5-star NABERS).[5]	+18% ENERGY STAR; +25% LEED; +28–29% dual.[3]	Limited paired-sales evidence	**+10% to +18%** institutional Grade A
Cap rate / yield differential	Not separately published, premium evident in price	Slight cap-rate compression for 6-star; minor expansion for 4–4.5-star.[2]	Premium evident mainly in price and rent	**15–30 bps** indicative	**25–50 bps** compression Grade A; **50–100 bps** expansion brown
Brown discount / vacancy spread	Letting below EPC E unlawful since 2023, EPC B from 2031 proposed for >1,000 sqm, subject to secondary legislation.[6]	4-star NABERS: 76% occupancy vs. 88% for 5.5–6-star.[2]	Non-certified stock losing tenant mandates	VE market observation: indications of weaker rental performance in selected legacy stock	Potential brown discount on less efficient legacy Grade B/C stock
Mandatory disclosure regime	MEES (EPC ≥ E since 2023; EPC B from 2031 proposed for >1,000 sqm)	Commercial Building Disclosure (NABERS)	Local benchmarking laws (NYC LL97 etc.)	SBC 2024 (SBC 601/602, 1001); CMA green sukuk guidance	Potential further development of rating and disclosure requirements

Shaded columns are Value Experts' indicative estimates based on market observation; they are not published transaction evidence.

SOURCES & NOTES[1] *Knight Frank (2021).* [2] *CBRE, NABERhood Watch (2024).* [3] *Fuerst & McAllister (2011).* [4] *Knight Frank via Bisnow (2022); MSCI (2022).* [5] *Australian Property Institute (2011).* [6] *UK Government MEES statement (June 2026).*

7.1

TRANSLATING THE BENCHMARKS INTO KSA PRICING

Three observations follow from the mature-market evidence.

First

The evidence reviewed indicates rental premiums of **approximately 1–12%** across selected mature-market studies.

Second

In the evidence reviewed, capital value premiums have generally exceeded rental premiums.

Third

Brown discounts are becoming increasingly relevant in some mature markets – differences in occupancy may emerge before clear rental differentiation and may subsequently influence valuation.

FOR SAUDI ARABIA

Early value differentiation could emerge among older, less efficient stock before a clearly measurable premium is established for highly rated assets.

Valuers and lenders should consider this potential asymmetry where supported by market evidence.

GLOSSARY

Certification & rating standards

The rating systems referenced in Exhibit 5 and throughout this paper.

BREEAM
Building Research Establishment Environmental Assessment Method.

ENERGY STAR
US energy-efficiency label.

MEES
Minimum Energy Efficiency Standards (UK).

NABERS
National Australian Built Environment Rating System.

EDGE
Excellence in Design for Greater Efficiencies.

MOSTADAM
KSA national green-building rating system (MOMRAH).

SOURCES & NOTES[1] *KSA columns in Exhibit 5 are Value Experts' indicative estimates based on market observation; they are not published transaction evidence.*

SECTION 08 | SECTORS

08 SECTOR-BY-SECTOR ESG MATERIALITY

ESG materiality is not uniform across asset classes – tenant profile, regulatory exposure, capital intensity and stranding risk drive very different value sensitivities.

EXHIBIT 6 | ESG MATERIALITY HEATMAP BY SECTOR – DARKER = HIGHER VALUE SENSITIVITY

Office, hospitality and giga-projects carry the highest ESG value sensitivity

SECTOR	TENANT ESG PULL	ENERGY / CARBON	PHYSICAL RISK	STRANDING RISK	GREEN FINANCE FIT	OVERALL
OFFICE Grade A	High	High	Medium	High	High	Very High
HOSPITALITY Upper-upscale & luxury	High	High	High	Medium	High	Very High
LOGISTICS & INDUSTRIAL	Very High	Medium	Medium	Medium	High	High
RETAIL Prime malls	Medium	High	Medium	Medium	Medium	Medium
RESIDENTIAL Institutional	Medium	High	Medium	Low	High	Medium/High
MIXED-USE / GIGA-PROJECT	Very High	High	High	Low	Very High	Very High

SECTOR COMMENTARY

Office

Riyadh Grade A: 98% occupancy, +15% YoY rental growth (Q3 2025)1. Multinational, RHQ and ESG-mandated occupiers increasingly seek certified, energy-efficient space. This could contribute to greater differentiation between higher- and lower-performing stock over time.

Hospitality

362,000 new keys by 20302. Marriott, Accor, IHG, Hilton and Hyatt operate net-zero commitments that flow into pre-opening requirements. LEED and Mostadam increasingly feature in operator and developer requirements.

Logistics & Industrial

Third-party logistics (3PL) and e-commerce tenants carry Scope-3 reporting obligations. Solar-ready roofs, EV-ready bays and certification are increasingly relevant to institutional leasing requirements.

Retail | Residential | Mixed-use

Mall cooling-load intensity makes refurbishment a defensive capex programme. Value Experts has observed emerging indications of differentiation associated with sustainability features; further transaction evidence is required to establish a measurable premium. In giga-projects, ESG forms an important component of the institutional investment proposition.

SOURCES & NOTES[1] *CBRE, Saudi Arabia Real Estate Market Review Q3 2025; Knight Frank, GCC Office Market Review 2025 (Grade A rents SAR 2,750/sqm, +15.1% YoY).*
[2] Future Hospitality Summit (Mar 2025). Exhibit 6 ratings are Value Experts' qualitative assessment.

SECTION 09 | OWNER CASE

09 WHAT ESG-CERTIFIED, COMPLIANT BUILDINGS DELIVER FOR OWNERS

For developers and investors, an ESG-certified and code-compliant building can offer a stronger commercial proposition: it can support operating efficiency, alignment with applicable policy objectives and potentially stronger income resilience.

Lower operating costs

Energy-, water- and cooling-efficient design – with on-site renewables – cuts the largest controllable expenses in the Saudi climate. Lower OpEx improves net income and reduces tenants' occupancy costs, supporting retention and renewals.

Alignment with national policy

Meeting Mostadam and the Saudi Building Code supports compliance with applicable requirements and alignment with national sustainability objectives, including Vision 2030 and the Saudi Green Initiative, and may support eligibility for green financing – helping to manage future capex and obsolescence risk.

Premium rents & stronger demand

Certified, efficient space is increasingly sought by ESG-mandated occupiers – RHQ, multinationals and government tenants. It may achieve rental, leasing and occupancy benefits, depending on market and asset characteristics.

WHAT THE EVIDENCE SHOWS

1–12%
rent premium for certified buildings across mature markets.[1]

5–20 bps
lower pricing on credible green bonds (average c.4 bps).[2]

88% vs 76%
occupancy – 5.5–6-star vs 4-star NABERS offices.[3]

Evidence across selected mature markets indicates similar directional benefits, with early signals emerging in Riyadh, Jeddah and the Eastern Province. Early adoption may position owners to benefit as the market develops.

PRACTICAL TAKEAWAYS FOR OWNERS

01
Build to – or upgrade toward – Mostadam certification and beyond Saudi Building Code minimums; higher-rated stock has demonstrated stronger premiums in some mature-market studies.

02
Use certification to support green-finance eligibility and assess potential financing benefits.

03
Treat ESG as part of the demand strategy: efficient, certified space may strengthen appeal to occupiers with ESG requirements and support occupancy.

SOURCES & NOTES[1] *Knight Frank (2021); CBRE (2024); Fuerst & McAllister (2011).* [2] *ECB Working Paper 2728 (2022).* [3] *CBRE, NABERhood Watch (2024).*

CONCLUSION

CONCLUSION & THE ROAD TO 2030

The role of ESG in Saudi real estate valuation is increasingly extending beyond compliance to considerations of pricing and risk.

The convergence of Vision 2030, the Saudi Green Initiative, Mostadam, the Saudi Building Code, PIF green finance and IVS 2025 / the RICS Red Book increases the relevance of material ESG factors to valuation where they influence income, costs, risk and market-participant behaviour.

THE ROAD TO 2030 | VALUE EXPERTS BASE CASE

2026

ESG data capture becomes increasingly relevant to valuation and lender assessments.

2028

Saudi transaction evidence could become more developed, supporting clearer assessment of financing and pricing differentials.

2030

Giga-project and other institutional transaction evidence could provide an increasingly relevant reference set for parts of the Saudi market.

WHAT THIS MEANS, BY AUDIENCE

Sovereign wealth funds & institutional investors	ESG provides an additional lens through which long-duration Saudi real estate exposure can be assessed.
Banks	ESG factors can inform real estate loan portfolio risk assessment and stress testing.
Developers	ESG can support Grade A positioning, occupier appeal and access to green financing.
Valuers	A required consideration, where material, in every IVS / Red Book engagement.
Asset managers	The operating discipline that can influence long-term asset performance and obsolescence risk.

VALUE EXPERTS®

The opportunity is emerging now, while the Kingdom's institutional reference set is still forming.
Value Experts helps clients assess its implications for real estate value and investment decisions.

SOURCES

SOURCES & REFERENCES

Published research, professional standards, regulatory materials and public disclosures referenced in this paper.

A. EXTERNAL EVIDENCE & STANDARDS

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20	MOMRAH – Mostadam rating system; Saudi Building Code 2024 (SBC 601/602, 1001); CMA green-sukuk guidance.

B. VALUE EXPERTS ESTIMATES & OUTLOOKS

KSA-specific premiums, cap-rate differentials, practical sensitivities and 2028–2030 outlooks presented in this paper are indicative Value Experts professional estimates for analytical purposes. They are not observed transaction evidence or prescribed valuation adjustments and should be considered alongside asset-specific market evidence and professional judgement.

C. DISCLAIMER

Thought leadership of Value Experts; not a valuation report or investment advice. Formal valuations are issued only under a signed engagement in accordance with IVS and Taqeem standards.

LET'S TALK

TALK TO US ABOUT PRICING ESG INTO YOUR ASSETS

Valuation, advisory and asset services for sovereign wealth funds, banks, government entities, developers and investors across the Kingdom.

A MESSAGE FROM OUR CHIEF EXECUTIVE

Saudi Arabia is rebuilding its cities at a scale and speed few markets have seen – at the moment sustainability has moved from a matter of principle to a matter of price. For everyone who owns, finances, develops or values real estate in the Kingdom, that convergence is an increasingly important consideration for real estate decision-making.

Our conclusion is that ESG is becoming an increasingly relevant consideration in real estate value, and the owners and advisers who integrate ESG into valuation today will be better positioned to assess its implications as the market develops. We look forward to working with you on it.

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