

# SULTANATE OF OMAN

## Market Research Report

H1 2025 with H2 2025 Outlook



## EXECUTIVE SUMMARY

### H1 2025 PERFORMANCE

The first half of 2025 demonstrated steady performance across Oman's real estate market, despite global economic uncertainties. The country's resilience was underpinned by continued infrastructure investments, Vision 2040-aligned reforms, and a strong emphasis on sustainability and economic diversification. These strategic initiatives have been pivotal in maintaining investor confidence and market stability and contributed to the gradual recovery of key submarkets. And sustaining momentum across logistics, tourism, and mixed-use assets.

This report highlights sector-specific performance, outlook trends, and forward-looking opportunities in the evolving landscape.

### SUBMARKET PERFORMANCE

Major real estate hubs such as Muscat, Duqm, Sohar, and Salalah experienced varying levels of demand recovery, with mixed-use developments, industrial properties, and logistics assets emerging as the strongest-performing segments. Muscat remained the most active market, benefiting from government-backed urban development projects and growing interest in high-end residential and commercial properties. Duqm continued to attract industrial and logistics investments, leveraging its strategic location and ongoing expansion of the Duqm Special Economic Zone. Sohar saw steady demand for warehousing and manufacturing spaces, while Salalah's real estate sector was boosted by tourism-related developments.

REAL ESTATE ACTIVITY IN THE SULTANATE OF OMAN



## ECONOMIC GROWTH & MARKET

Oman's economy expanded by an estimated 2.3% in H1 2025, driven by growth in the logistics, manufacturing, and tourism sectors. The logistics sector benefited from enhanced trade routes and port expansion, while manufacturing saw an increased foreign direct investment (FDI) in industrial zones. Tourism remained a key pillar of economic diversification, with new hospitality projects and government-led initiatives promoting Oman as a regional travel destination.

Brent Crude Oil prices stabilised at an average of \$62 per barrel (at time of printing), providing fiscal stability and supporting government revenues. Meanwhile, Oman's diversification efforts continued to gain traction, with non-oil GDP contribution rising above 35%, signaling progress in reducing reliance on hydrocarbons. Inflation remained moderate at 1.8%, ensuring stable purchasing power and consumer confidence. Employment indicators also showed positive momentum, driven by rising private sector activity and job creation in emerging industries.

## APPROXIMATE GRADE A FIT-OUT COSTS (MUSCAT)

- Basic Fit-Out (Partitions, Flooring, Lighting): OMR 100 - 150 per sq. m.
- High-End Corporate Fit-Out (Grade A premium finishes, smart office tech): OMR 200 - 300 per sq. m.
- ESG-Compliant Fit-Out (Sustainable materials, energy-efficient systems): OMR 250 - 350 per sq. m, reflecting the growing demand for green-certified spaces.





## OFFICE MARKET OVERVIEW

The office market in Muscat remained tenant-favourable, although Grade A absorption increased by 7% YoY. Al Mouj and Madinat Al Irfan are increasingly establishing themselves as the most sought-after office market destinations for Grade A office space in Muscat. This has been reflected in the rental rates at OMR 12 per sq m per month and OMR 7 per sq m per month compared to other office destinations such as Al Khuwair and Al Ghubrah, reflecting OMR 5 per sq m per month for both locations for fitted out offices. This reflects broader shifts in demand driven by economic diversification, urban planning, and evolving occupier preferences.

Duqm and Sohar saw increased government and logistics-related leasing activity. New supply in central Muscat exerted slight downward pressure on rents. ESG-certified buildings began gaining traction, particularly among financial institutions and international tenants.

H2 2025 Outlook: Demand from finance, tech, ESG-compliant spaces

AVERAGE ASKING RENTS FOR GRADE A OFFICE (FITTED OUT)



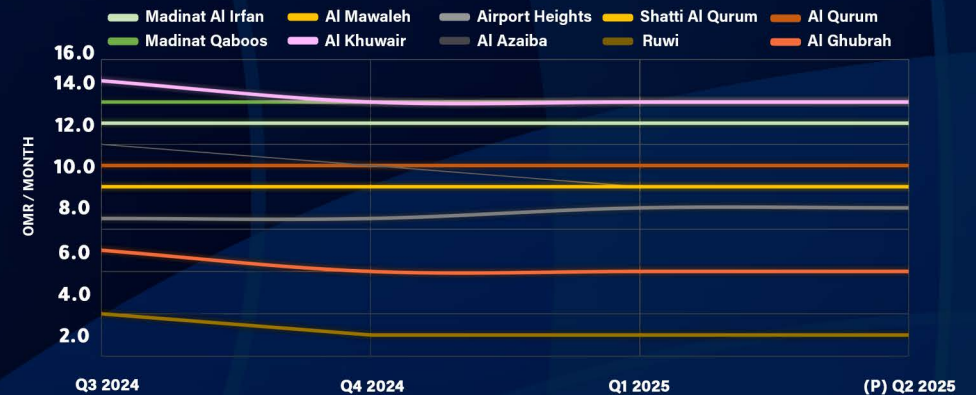
## RETAIL MARKET OVERVIEW

Retail performance stabilised, particularly in well-located urban malls and destination centres. Mall of Oman, anchored by VOX, Hypermax and Snow Oman and The Avenues, anchored by Lulu and IKEA maintained high occupancy rates. There is a clear trend towards F&B and experiential retail creating different experiences. Fitted space rents reflect a growing premium due to cost inflation in fit-out works and increased demand for turnkey solutions.

Mall of Oman leads the way as the main retail destination in Muscat followed by The Avenues. Landlords are recognising the benefits of hybrid leasing models offering turnover-low based rent models for new F&B and entertainment tenants, especially in emerging lifestyle centres.

H2 2025 Outlook: Rise of F&B and community-led retail and remains cautiously optimistic, particularly in tourist-heavy submarkets.

AVERAGE ASKING RENTS FOR THE RETAIL





## RESIDENTIAL MARKET OVERVIEW

The residential sector saw stable demand in mid-income apartments and villas. Rents rose slightly in core Muscat districts such as Al Mouj and Qurum. Off-plan sales remained limited outside integrated tourism complexes. New affordable housing initiatives aligned with Vision 2040 gained traction. Higher rents in locations such as Al Mouj, Madinat Sultan Qaboos correlate with new smart buildings with gym, pools, efficient design, elevators and better parking design. Professionally managed gated communities are commanding 10-15% premium over standalone properties.

H2 2025 Outlook: Affordable housing schemes, ESG-led build-to-rent. Demand outpacing affordable supply in key areas.

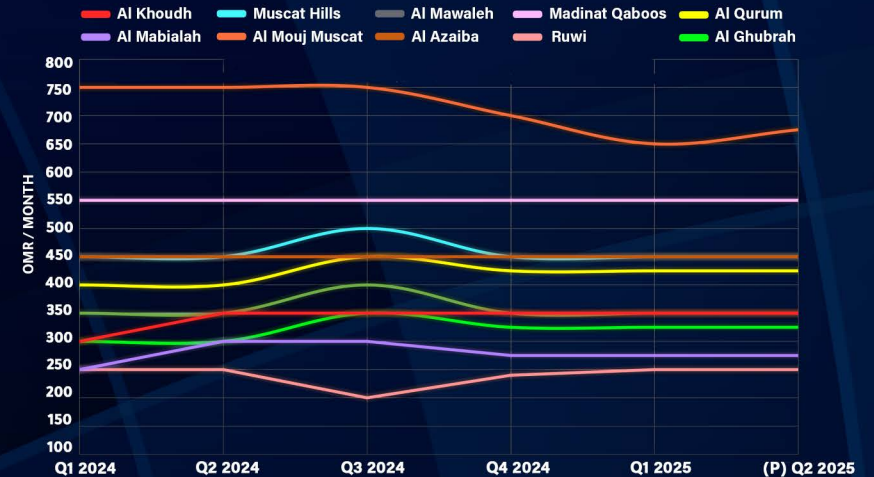
## INDUSTRIAL AND LOGISTICS OVERVIEW

Demand for warehousing and logistics space remained robust in Sohar, Duqm, and Rusayl. Sohar Freezone maintained its lead as the most active industrial zone and continues to attract tenants in food processing and light manufacturing. Duqm witnessed increased enquiries from Chinese and Indian logistics firms due to growing GCC-Asia trade routes and the Middle Corridor supply chain realignments.

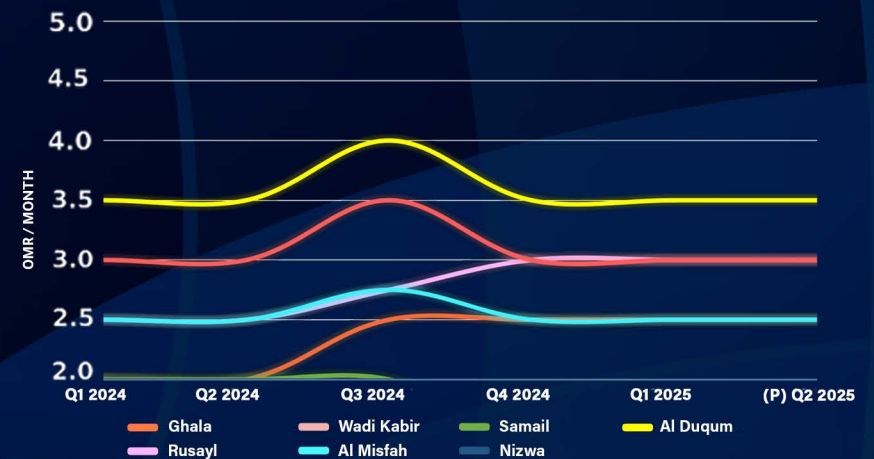
ESG led facilities including solar-powered warehouses, green building certifications, and waste recycling provisions are gaining traction with international investors, though Oman still lags regional peers like the UAE in ESG-compliant industrial stock.

H2 2025 Outlook: Growing infrastructure, limited ESG stock. Onshoring supply chains, smart AI powered inventory systems in warehousing will become a key differentiator. Supply & demand and build to suit projects (BTS) for cold storage and turnkey units will play a dominant role also for tenants in this growing market towards the end of 2025.

AVERAGE ASKING RENTS 2 BEDROOM UNFURNISHED APARTMENT  
(WITH FACILITIES)



SULTANATE OF OMAN - AVERAGE RATES - WAREHOUSE & LOGISTICS



## HOSPITALITY AND TOURISM OVERVIEW

Hotel occupancy in Muscat averaged 59% across the board in H1 2025, supported by a rebound in business travel and regional tourism. Boutique and eco-resorts gained popularity in Dhofar and Al Jabal Al Akhdar.

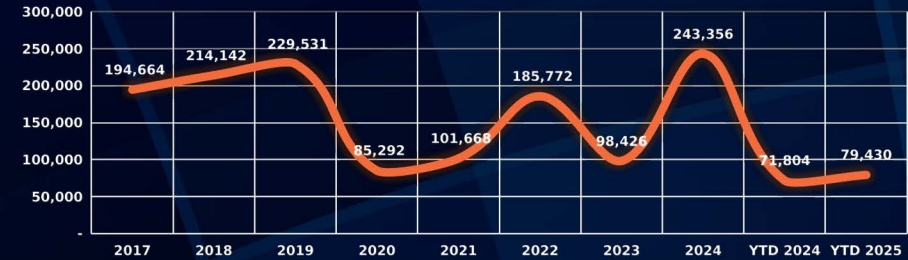
The government's focus on sustainable tourism and eco-tourism directly supports Vision 2040 goals

The number of guests increased by 2.3% in Q1 2025 compared to Q1 2024, accompanied by a 10.6% rise in revenue during the same period.

The Average Daily Rate for the 4- to 5-star segment grew by 7%, while luxury and eco-tourism hotels reported above-average occupancy rates

H2 2025 Outlook: 2025 is expected to benefit from planned festivals and international events. Eco-tourism and luxury coastal developments expansion. Increased ADR in Salalah due to Salalah Tourism Festival July- August 2025.

Hotels Revenue Classified (3 - 5 ) Stars ('000)



Hotel guests (million)





# GROSS INVESTMENT YIELDS BY REAL ESTATE SECTOR IN OMAN (MUSCAT - OMAN H1 2025 - FREEHOLD)

| SECTOR   | YIELD RANGE  | MARKET INSIGHTS  |
|--|--------------|--|
| Grade A Office Buildings   | 8.25% - 8.5% | Yields remain stable, supported by long-term government and financial services tenants. Supply remains moderate in core areas like Al Khuwair, Azaiba, Ghala Heights and Madinat Al Irfan (Airport Heights). Tenant incentives persist (fit-out, rent-free). |
| Shopping malls   | 8.5% - 10%   | Strong yields but risks tied to evolving consumer habits and e-commerce. Institutional-grade malls with local brands are more resilient. Regional malls in secondary locations carry higher yield expectations.  |
| Modern Industrial & Logistics  | 9.5% - 11%   | Among the most attractive assets for long-term investors. Cold storage, e-commerce fulfillment, and facilities near free zones (e.g., Sohar, Duqm) are in high demand. Strong linkage to infrastructure and trade growth under Vision 2040.                  |
| Hotel & Hospitality Resorts  | 8.25% - 10%  | Yield compression in branded and well-performing resorts, particularly in Salalah and Muscat. Seasonality and tourist inflow sensitivity remain key risk factors. Boutique resorts underpinned by high ADR (average daily rates) in premium zones.           |
| Residential 2BHK apartment unfurnished with facilities (in core commercial/retail areas) | 8% - 9%      | Yields remain steady due to stable expat demand and low new delivery in prime zones. Rental growth driven by proximity to schools, malls, and new metro projects. Higher risks in peripheral or oversupplied districts.                                      |

## SUMMARY FOR RISK Vs REWARD MATRIX (GRAPH)

| SECTOR                    | YIELD RANGE              |                 | MARKET INSIGHTS   |
|---------------------------|--------------------------|-----------------|---|
| Industrial & Logistics    | Low<br>(2)               | High<br>(5)     | Offers superior returns with infrastructure alignment. High on reward, low on volatility.   |
| Hospitality Resorts       | High<br>(5)              | High<br>(4)     | Strong returns in peak season; risk tied to tourism flows, branding, and operational leverage on cost.  |
| Shopping malls            | Moderate<br>-High<br>(4) | Medium<br>(3)   | Transitioning retail landscape poses occupancy risks; reward varies with mall management style and good/poor design.  |
| Office Buildings          | Moderate<br>(3)          | Moderate<br>(3) | Stable in prime locations but vulnerable in oversupplied pockets. Tenant quality and covenant mix, on medium to long term leases is a key differentiator.                     |
| Residential (prime zones) | Moderate<br>(3)          | High<br>(5)     | Solid rental base and resale activity; affected by job creation and access to finance. Amenities, building services and infrastructural surroundings are key differentiators. |



## ESG CONSIDERATIONS

Sustainability in the Oman real estate market gained prominence, with several developers exploring LEED and EDGE certifications.

Solar integration and water reuse systems were noted in new commercial and industrial projects, particularly in Madinat Al Irfan. REITs and institutional investors have begun factoring ESG scores into their acquisition criteria in Oman.

## VISION 2040 ALIGNMENT

Oman's Vision 2040 is shaping real estate policy and infrastructure spending. Key themes influencing market dynamics include diversification of income sources, urban planning, sustainable housing, and tourism development.

All new developments in Duqm and Salalah are now required to present sustainability and social impact assessments aligned with Vision 2040 goals.

## SUBMARKET HIGHLIGHTS

- **Muscat:** Stable rents and rising Grade A absorption. Growth in wellness and educational facilities.
- **Duqm:** Increased demand for logistics and hospitality assets. Strong Vision 2040 alignment.
- **Sohar:** Freezone-led demand continues. Investor interest in cold storage and food logistics.
- **Salalah:** Tourism growth boosts the boutique hospitality sector. Infrastructure projects to support connectivity ongoing.



## LOOKING AHEAD - H2 2025

Building on a stable first half, Oman's real estate market is poised for further expansion in the second half of 2025. Key growth themes include industrial demand, housing affordability, ESG integration, and digital infrastructure. Strategic projects in Duqm, Sohar, and Muscat will play a catalytic role, bolstered by tourism-led investments in Salalah and Dhofar.

Looking ahead to the second half of 2025, Oman's real estate market is expected to maintain steady growth, supported by government-led initiatives, infrastructure expansion, and increasing investor interest. Several key trends are likely to shape the market:





## PROJECTED MARKET TRENDS

### SUSTAINED DEMAND FOR INDUSTRIAL & LOGISTICS ASSETS

With Oman positioning itself as a regional logistics hub, demand for warehousing, distribution centers, and industrial spaces is expected to remain strong.

### RESIDENTIAL MARKET STABILISATION

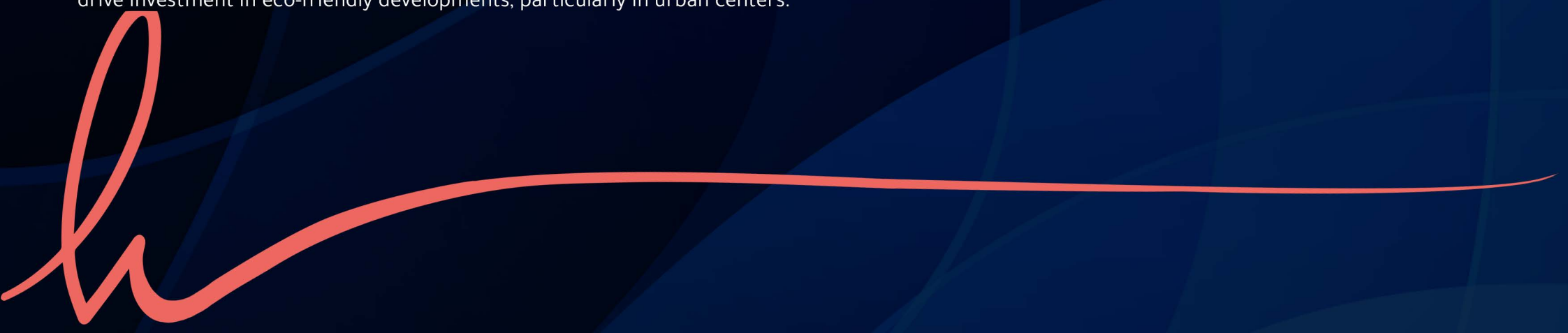
While high-end residential properties in Muscat may continue to attract buyers, affordable housing initiatives could gain traction, driven by government incentives and rising middle-class demand.

### TOURISM & HOSPITALITY GROWTH

The expansion of integrated tourism complexes (ITCs) and new hotel developments will boost real estate demand in coastal cities like Salalah and Muscat.

### SUSTAINABILITY & SMART CITIES

Oman's commitment to green building practices and smart city initiatives will drive investment in eco-friendly developments, particularly in urban centers.



## PROJECTED MARKET TRENDS

### GDP GROWTH PROJECTION

Economic growth is expected to remain stable, with logistics, manufacturing, and tourism continuing to be key drivers.

### OIL PRICE STABILITY

Oil prices are projected to hover around \$75-\$80 per barrel, ensuring fiscal stability (at the time of print).

### INFLATION & EMPLOYMENT

Inflation is likely to remain moderate, while private sector job creation is expected to increase, particularly in technology, renewable energy, and logistics.

overall, Oman's real estate market in H2 2025 is set to build on the momentum of H1, with continued investment in infrastructure, sustainability, and economic diversification shaping its trajectory. This will be supported by ongoing government initiatives and sustained foreign investment. In particular, the residential real estate market is projected to grow at a compound annual rate of 9.19%, increasing from \$4.75 billion in 2024 to \$6.60 billion by 2029.

with the government's focus on economic diversification under Vision 2040, the real estate sector is poised for continued growth, offering opportunities for developers and investors alike.





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