



MENA & SAUDI REAL ESTATE



INVESTMENT OUTLOOK

October 2026

What's Shaping the MENA Real Estate Outlook

Bifurcated cycle

Riyadh Grade A office is 98–99% occupied and Abu Dhabi ~98%, while Dubai faces ~120,000 units due in 2026 and Qatar office rents are down 3.2% YoY.

Regulatory opening

Saudi's foreign-ownership law (effective Jan 2026) removed the SAR 30m purchase threshold; the Jul 2025 REIT reform lets Nomu-listed REITs invest in development projects.

Geopolitical risk

The Feb 2026 conflict cut Saudi's 2026 GDP forecast from 4.5% to 1.7%, with Brent swinging from ~\$71 to ~\$117/bbl by April.

Sovereign capital

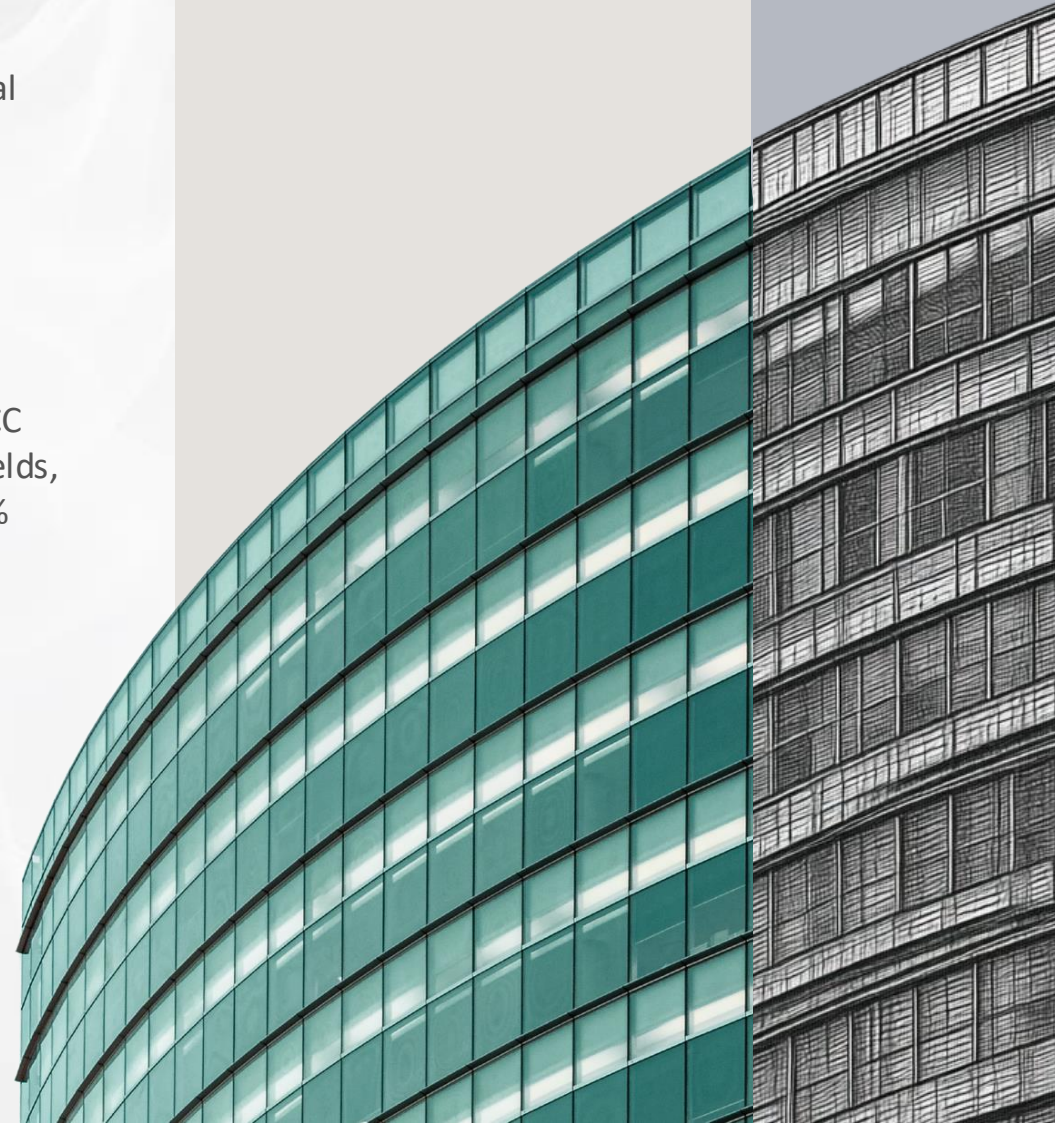
~\$5tn of GCC sovereign wealth AUM; real estate captured ~24% of \$278bn 2025 deployment (~\$67bn).

Highest conviction

Riyadh prime office vacancy of 0.5%, GCC logistics rents up 13–20% YoY at ~7% yields, and Abu Dhabi residential prices up 16% YoY.

Investment read

H1 2026 Saudi sector earnings ranged from +19.0% to –37.8% YoY, so returns now depend on which sector and issuer you pick, not on regional exposure.



Chapter 1

The CIO Section

Three buckets

The pivot

Transaction
momentum

Structural barriers



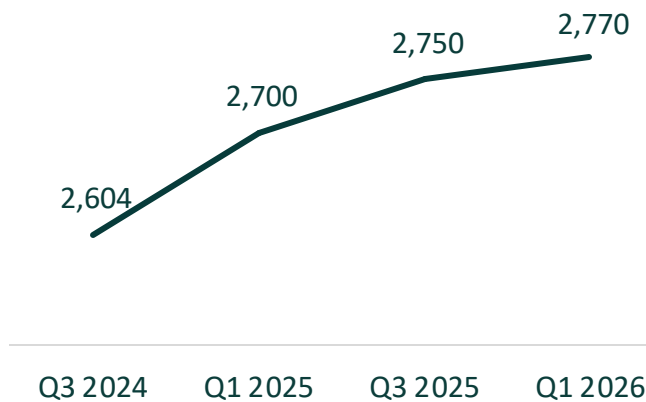
Three buckets: where conviction is high, selective, or absent

A regional conflict that began in late February 2026 reset growth expectations and repriced risk; the underlying structural story, Saudi expansion, Gulf logistics, and disciplined prime, is intact but now demands issuer- and asset-level conviction.

High-Probability Winners	Selective / Issuer-Level	High Risk / Avoid for Now
- Riyadh Grade A office - GCC Logistics / Industrial - Abu Dhabi Residential - Data Centres	- Dubai prime & branded residential - Saudi REITs & recent IPOs - Makkah/ Madinah hospitality - Riyadh Residential	- Dubai mid-market apartments - Qatar office & retail - Egypt residential - Riyadh/ Jeddah upscale hospitality

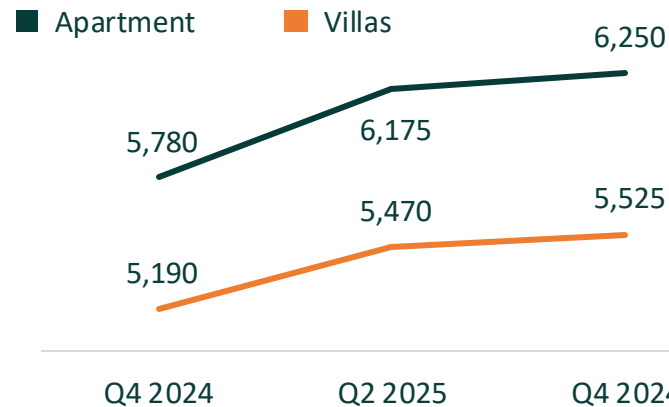
Office rent growth is slowing

Grade A office rent (SAR/sqm/year)



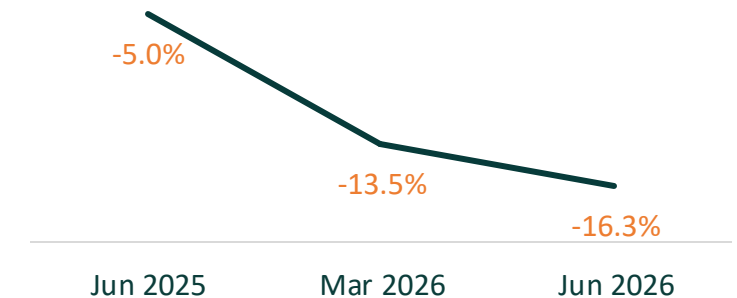
Apartment rents have outpaced villas

Grade A residential rent (SAR/sqm/year)



Hotel occupancy decline is deepening

Riyadh hotel occupancy, YoY change



The pivot: how February 2026's conflict reset the operating environment

The regional conflict beginning on 28 Feb 2026 is the single largest contributing factor to the 2025–26 story, with its effects cascading through.

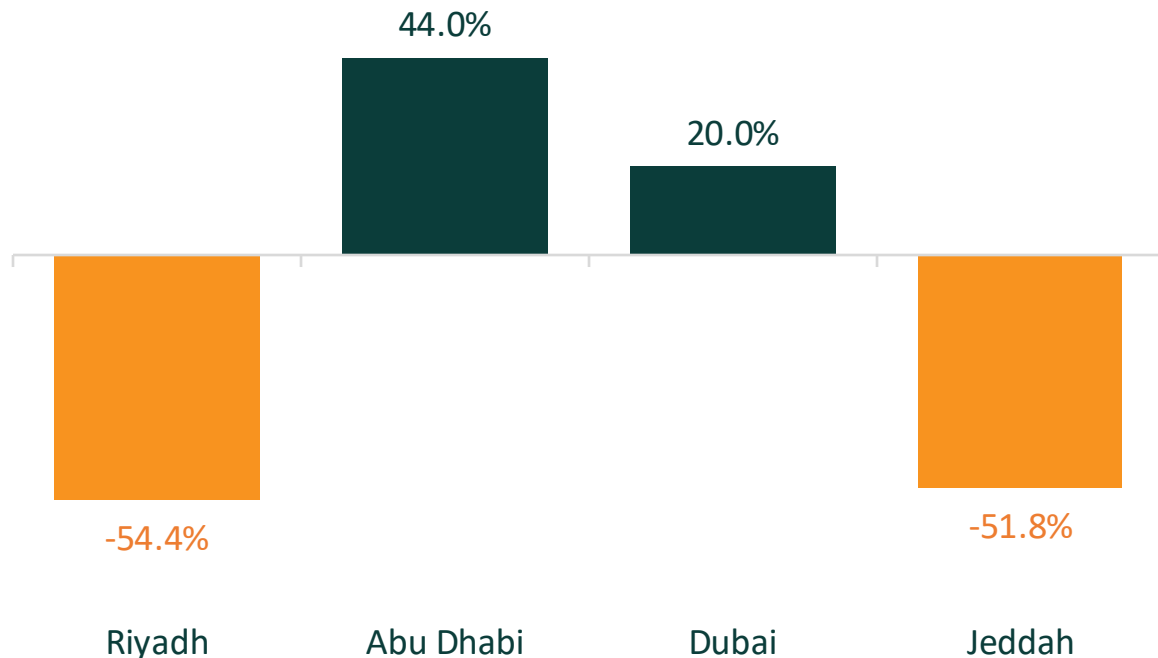
Factor	Pre-conflict (~Jan–Feb 2026)	Post-conflict (as of Aug 2026)	Read-through
Brent crude	~\$71/bbl (Feb monthly avg)	~\$84–89/bbl (Jul–Aug)	Fiscal cushion, but export volume losses partly offset the price gain
Saudi 2026 GDP (IMF)	+4.5% forecast	+1.7% forecast	Largest single revision in the dataset 2.8pp cut
GCC policy rates	SAMA 4.25% / UAE 3.65%	Unchanged	No financing relief accompanied the shock
Saudi foreign-ownership law	Not yet effective	Effective 21–22 Jan 2026	Structural opening proceeded despite the conflict
TASI 3-month return	+1.1% (Nov 2025–Feb 2026)	–5.3% (Apr–Jul 2026)	Risk premium re-priced sharply, only partially reversed by the June ceasefire
Foreign equity flows	Contained, no conflict-driven exit	~SAR1.0bn net selling in first war week	Foreign capital is present but not yet convicted
Saudi hospitality (national)	Occupancy trending with seasonal pattern	Q1'26 occupancy –17.9%, RevPAR –18.3% (dip); recovering by Q2	International routes hit hardest; domestic/religious tourism cushioned the blow

Transaction momentum diverges sharply by city

Residential sales transaction volume: year-on-year % change (Q1 2026 basis) is the clearest single indicator of where buyer conviction currently sits.

UAE volumes grew while Riyadh and Jeddah halved

Residential sales transactions, YoY change



Riyadh (-54.4%)

New foreign ownership rules and regulatory repricing have buyers pausing to absorb the changes; this does not insinuate a demand collapse, as population growth and infrastructure investment still support the long-term case.

Abu Dhabi (+44.0%)

AED 142bn in transactions, prices up 16% YoY, driven by continued off plan strength and expat/FDI demand.

Dubai (+20.0%)

A fifth consecutive record year (270,000+ transactions, AED 917bn), though momentum is easing as a large 2026 supply wave begins to land.

Jeddah (-51.8%)

Volumes fell alongside Riyadh's slowdown; apartments still made up ~80% of the ~3,800 deals recorded, showing where residual demand remains concentrated.

CIO Takeaway: Abu Dhabi and Dubai are transacting through the cycle; Riyadh and Jeddah show a sharp pullback; driven by regulatory repricing and geopolitical uncertainty, not a collapse in structural demand *(see the Riyadh deep dive in Chapter 4. Analysis Across Markets).*

Structural barriers: Saudi is opening, but investibility remains gated

Headline access reform is positive; the real CIO question is whether ownership route, title, data, financing and exit risk can be underwritten asset by asset.

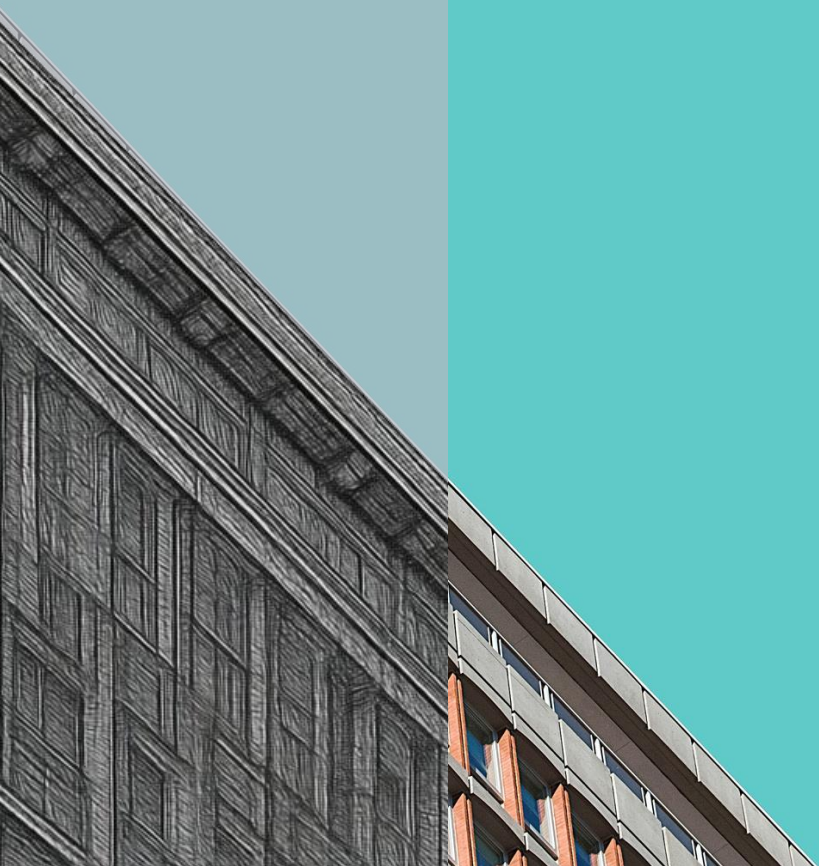
Barrier	Saudi-specific constraint	GCC-wide read-through	CIO underwriting response
1 Access ownership route	Access has widened but stays conditional on investor type, location and structure; Makkah/Madinah add restrictions.	Foreign ownership regimes remain fragmented across the GCC. Freehold is often limited to designated zones.	Confirm the legal ownership route before pricing the asset: can the vehicle acquire, hold, finance and transfer it?
2 Title, & development approvals	Execution risk can arise from title, subdivision, zoning, utilities and planning approvals, especially for development land and off-plan.	Master-planned developments offer clearer title and infrastructure; secondary locations carry more permitting and delivery risk.	Make title, zoning, permits and infrastructure conditions precedent. Reflect approval delays in timing, CAPEX and IRR.
3 Market transparency, valuation	Transparency is improving, but transaction, rent and operating data remain thinner than in mature markets; NAV movements can obscure recurring performance.	Dubai and Abu Dhabi offer the deepest datasets; comparables and achieved rents are limited outside core markets.	Triangulate value rather than rely on a single benchmark, with wider sensitivities where data is weaker.
4 Financing, liquidity & exit	High funding and construction costs, sponsor concentration and uneven liquidity can amplify downside risk, especially for development-led assets.	Dollar pegs transmit US rate conditions; geopolitical shocks can hit funding, flows, transactions and exit liquidity at once.	Prioritize visible cash flow, strong sponsors and conservative leverage; underwrite multiple exit routes with a margin of safety.

CIO takeaway: the region is worthy of investment. Investors will likely favor legally clean, income-backed, institutionally managed exposure and potentially require a pricing premium where title, data, approvals or exit depth are weak.



Chapter 2

Market Backdrop and Access



The macro
backdrop

Country and
sector
positioning

Demand factors

The macro backdrop: Sovereign capital and dollar pegs cushion an oil shock

Oil and fiscal deployment cushion the shock, but financing costs offer no relief: neither central bank has cut rates since the conflict began.

GCC SWF assets

~\$5tn

PIF alone ~SAR4.54tn / US\$1.21tn at end-2025, net profit +152% to SAR65.1bn

2025 sovereign deployment

\$278.1bn

SWFs +35% to \$180.3bn; real estate captured ~24% of total deployment

GCC policy rates

3.65–4.75%

Dollar pegs mirror the Fed; three 2025 cuts, none since rates remain restrictive

Saudi 1H2026 fiscal deficit

SAR160bn

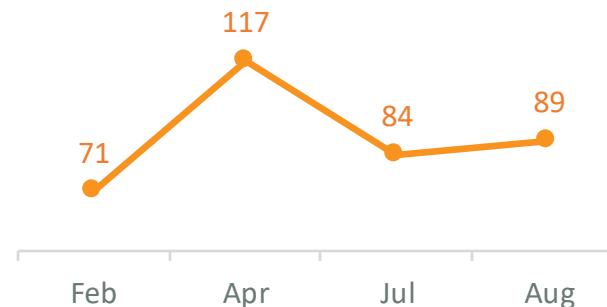
Oil revenue +9% YoY, but expenditure +15% YoY; active fiscal deployment through the shock

Growth has resumed but momentum is below pre-conflict levels

- Saudi 2025 real GDP: Oil +5.7%, non-oil +4.9%; non-oil activity now ~55% of GDP, up from ~42% in 2016
- PMI dropped below 50 (to 48.8) in March 2026 at the height of the conflict shock, recovering to 52.8 by May
- Brent crude swung from ~\$71/bbl (Feb) to ~\$117 (Apr, peak disruption) to ~\$86 by Aug; a durable cushion, but dependent on Hormuz stability
- Private-credit growth is projected to slow from 10.2% (2025) to 5.8% (2026); capital remains available but more selective

Brent spiked to \$117, then eased

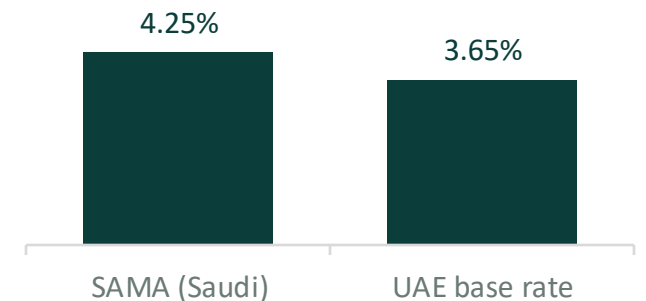
Brent crude, monthly avg., 2026 (\$/bbl)



Brent swung 65% peak-to-trough within five months (Feb–Apr) on Hormuz disruption fears before settling near \$84–89; a durable but volatile cushion. Neither central bank has cut rates since the conflict began, meaning financing costs offer no relief alongside the fiscal support.

SAMA sits 60bps above the UAE

GCC policy rates, 2026



Country and sector positioning across the cycle

Saudi's decade long access reform culminates in foreign ownership.

2015	QFI access opens for foreign institutions
2017	T+2 settlement introduced
2018–19	FTSE / MSCI index integration
2020	Muqassa / derivatives market broadened
Jul 2025	REIT overhaul — Nomu-listed REITs may invest in development projects
Jul 2025	Royal Decree M/14: Law of Real Estate Ownership by Non-Saudis published
Jan 2026	Foreign-ownership law takes effect; SAR30m threshold and licensing removed
Feb 2026	QFI regime abolished entirely direct access for all foreign investors

Market	Residential	Office	Retail	Hospitality	Logistics / Industrial	Overall position
Saudi Arabia	Stabilisation	Expansion	Stabilisation	Expansion	Expansion	Expansion with selective normalisation
UAE / Dubai	Repricing	Expansion	Stabilisation	Stabilisation	Expansion	Late-cycle rebalancing
UAE / Abu Dhabi	Expansion	Expansion	Stabilisation	Stabilisation	Expansion	Supply-constrained expansion
Qatar	Repricing	Stabilisation	Repricing	Recovery	Stabilisation	Post-supply absorption / repricing
Oman	Stabilisation	Stabilisation	Stabilisation	Expansion	Expansion	Steady, selective expansion
Egypt	Recovery	Recovery	Recovery	Expansion	Expansion	Recovery with high asset selectivity

Reform meets a market already mid-cycle

Riyadh and Abu Dhabi are expanding from genuine scarcity; Dubai and Qatar are repricing supply built during the prior boom; Egypt is recovering off a currency-driven reset. The reform changes who can participate, **it doesn't change where each market already sits in its own cycle.**

Population growth, urbanization and tourism targets underpin demand

Saudi homeownership demand drives an estimated 100,000–150,000 new units a year, and tourism ambitions add a direct real-estate demand channel.

Saudi Arabia

- Population ~35 million, growing 1.5–2%/yr, ~50% under age 30
- Homeownership program targets 70% ownership by 2030
- Homeownership demand drives an estimated 100,000–150,000 new units annually

UAE

- National population 11.3 million (2024); Dubai grew 7.5% to 4.58 million by end-2025
- Abu Dhabi population exceeded 4 million, also +7.5%
- Expat and FDI buyers, 62% of Abu Dhabi residential transaction value in 2025

Tourism ambitions are a direct real-estate demand channel

Saudi 2024 trips

115.9m

29.7m inbound + 86.2m domestic; SAR284bn spend

Saudi 2030 target

150m visitors

Vision 2030 tourism ambition

Dubai 2025 int'l visitors

19.6m

+5% YoY; hospitality demand driver

Saudi domestic tourists

28.9m

Q1 2026 anchored total visitation despite int'l declines

Population in millions

Year	Saudi Arabia	Egypt	Qatar	Dubai	Abu Dhabi
2020	30.99	109.32	2.80	3.41	3.38
2021	31.58	110.98	2.85	3.48	3.52
2022	32.19	112.67	2.90	3.55	3.65
2023	32.80	114.38	2.95	3.60	3.79
2024	33.43	116.12	3.00	3.83	4.14
2025	34.07	117.89	3.06	4.01	4.30
2026	34.72	119.68	3.11	4.12	4.46
2027	35.38	121.51	3.17	4.24	4.63
2028	36.06	123.35	3.22	4.36	4.81
2029	36.75	125.23	3.28	4.49	5.00
2030	37.44	127.14	3.33	4.61	5.19

Saudi, Egypt, Qatar: UN World Population Prospects (2024 revision), interpolated 2020–2030. Dubai, Abu Dhabi: extrapolated from emirate planning data; directional, not forecast-grade.

Chapter 3

Market Case Studies

Umm Al Qura

Dar Al Majed
(AlMajdiah)

Alramz Real Estate



Umm Al Qura for Development & Construction, sovereign-anchored Makkah play

Developer of the Masar Destination project, positioned directly adjacent to the Grand Mosque expansion in Makkah; one of the clearest examples of sovereign capital underwriting religious tourism infrastructure.

IPO'd March 2025 • Makkah

FLAGSHIP PROJECT

Masar Destination, Makkah

STRATEGIC ANCHOR

Grand Mosque expansion,
adjacent

SUBSTANTIAL SHAREHOLDERS

PIF • GOSI • Dallah Albaraka

LISTING

March 2025, Saudi Main Market

Why it matters for the CIO thesis

- Direct read through to the Makkah hospitality resilience theme: **68.2%** occupancy (+6.3pp YoY) and RevPAR **+8.7% YTD** June 2026, the strongest performance of any Saudi city
- Sovereign/quasi-sovereign shareholder base (PIF, GOSI) signals long-horizon capital rather than opportunistic development consistent with the report's 'follow sovereign capital' recommendation
- Illustrates how religious tourism infrastructure sits outside the Riyadh/Jeddah corporate-demand softness affecting the broader hospitality sector

Dar Al Majed (AlMajdiah) — earnings growth did not prevent a valuation reset

A Riyadh-based family developer with roots to 1969, consolidated from several AlMajed family entities ahead of its August 2025 listing — one of 2025's 13 Main Market IPOs.

IPO'd Aug 2025 · Riyadh

FOUNDED
1969 (family origin)

BASE
Riyadh

LISTING
August 2025, Main Market

2025 IPO-TO-YEAR-END RETURN
–28.3%

The signal: earnings delivery was not the problem

- Dar Al Majed declined –28.3% from offer to 2025 year-end despite reporting higher FY2025 profit; a case of valuation pressure beyond earnings delivery
- It was one of 77% of 2025 Main Market IPOs that finished below offer price (vs. 22% in the 2021 cohort); a market-wide aftermarket weakness, not an issuer-specific failure
- Real estate / REITs was separately flagged as 'High' IFRS 18 transition exposure; fair-value, NAV and impairment effects can blur recurring operating earnings, which may partly explain investor caution on real estate issuers specifically
- CIO read: strong primary demand and genuine profit growth are necessary but not sufficient; secondary-market conviction on real estate issuers requires clean, comparable earnings

Alramz Real Estate: growth capital raised, but margins compressed sharply

A smaller urban-development company whose IPO was explicitly growth-funded; ~63% of proceeds injected into new real estate projects and funds making it the cleanest post-IPO read on execution risk in the current environment.

Listed 18 Dec 2025

OFFER PRICE / P/E
SAR 70.00 / 10.7x trailing

GROSS PROCEEDS
SAR 900mn

EBITDA MARGIN, FY25 → H1'26
24.0% → 5.7%

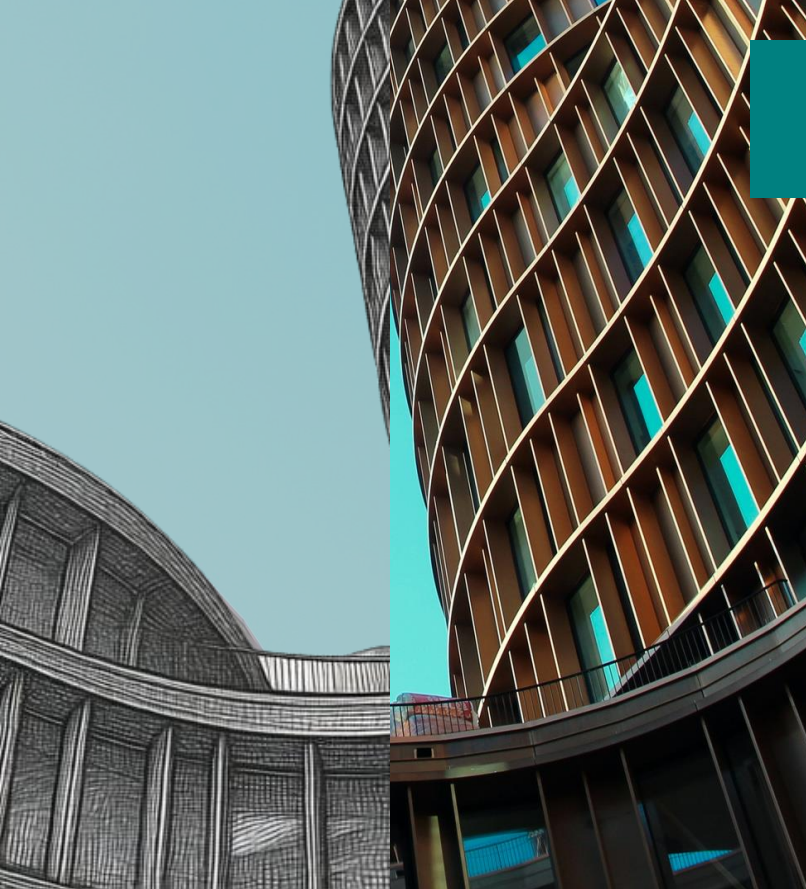
NET MARGIN, FY25 → H1'26
23.6% → 6.0%

The signal: expansion capital did not protect margins through the conflict shock

- Institutional demand was moderate (11.1x coverage) and retail demand was weak (0.36x) a marked contrast to the 60–100x coverage seen on other 2025 Saudi IPOs, suggesting the market priced in real estate development risk from the outset
- EBITDA margin compressed from 24.0% (FY2025) to 5.7% (H1 2026) among the steepest deteriorations of any 2025–26 Saudi IPO cohort member reviewed
- Shares traded materially below offer price through H1 2026, reinforced by weak retail demand and the broader geopolitical climate
- CIO read: even a growth-funded developer with fresh primary capital is not insulated from financing-cost pressure and construction-cost inflation (+20% since Jan 2026) during a conflict shock

Chapter 4

Analysis Across Markets



Sector economics
compared

Deep Dive
Riyadh,
Abu Dhabi and Dubai

Saudi
hospitality

Other priority
markets

Development
economics

Capital flows

REITs and capital-
market access

Real estate
earnings and
liquidity trends

Sector economics compared: where rents, occupancy and yields point

Riyadh office and GCC logistics are tightest; Qatar office and Riyadh/Jeddah hospitality are softening.

Sector	Rent / price momentum	Occupancy / vacancy	Yield signal
Office (Riyadh)	Prime rent +7.3% YoY to SAR3,630/sqm	0.5% prime vacancy, 98–99% Grade A	Tightest in GCC; implied compression
Office (Abu Dhabi)	Al Maryah +82% YoY to AED6,000/sqm	~98% occupancy	Landlord-favourable; rent cap cut 5%→0% temporarily
Office (Qatar)	–3.2% YoY to QAR77/sqm	Elevated vacancy in secondary locations	Oversupplied — competitive, occupier-favourable
Residential (Dubai)	+10% YoY (2025), easing from +16% peak	N/A — sales-led market	Gross ~6.6% (apartments ~7.1%, villas ~4.5%)
Residential (Abu Dhabi)	+16% YoY avg; Yas/Reem apartments +18%	N/A — sales-led market	Not disclosed; momentum strong
Logistics / industrial (GCC)	Rents +13–20% YoY	Structurally undersupplied	~7%, 250bps+ spread over govt bonds
Hospitality (Makkah/Madinah)	RevPAR +8.7% / –2.4%	68.2% / 75.1% occupancy	Not disclosed; resilient demand anchor
Hospitality (Riyadh/Jeddah)	RevPAR –23.2% / –7.2%	47.6% / 66.4% occupancy	Softening; supply competition rising
Retail (prime malls, Dubai/AD)	Stable, landlord-favourable	~98% / ~95% occupancy	Not disclosed; 'landlord's market'
Data centres (Saudi)	N/A — early-stage sector	Power/land are binding constraints	Sector took 31% of regional RE capital raised (Q1–Q3 2025)

Deep Dive | Riyadh office & logistics: the tightest, highest-conviction market in the GCC

Logistics rents are outpacing even Riyadh's tight office market, but a near-doubling of office stock by 2028 is the key absorption risk to monitor against RHQ demand.

Prime office vacancy

0.5%

Prime rent growth

+7.3% YoY

To SAR3,630/sqm/yr

Grade A occupancy

98–99%

Warehouse rent growth

+16% YoY

To ~SAR208/sqm/yr

Structural drivers

- 675–780 multinationals have relocated regional HQs under the RHQ program, directly absorbing Grade A office space
- Total office stock of 8.1m sqm (Q2 2025) with a pipeline that could nearly double stock to ~15m sqm by 2028
- A five-year rent freeze is aiding tenant-side stabilization even as headline rents climb

Watch items

- Absorption risk: a near-doubling of stock by 2028 tests whether RHQ and giga-project demand can keep pace
- Construction-cost inflation of 5–7% (Saudi tender inflation) compresses development margins even as rents rise
- Logistics rents (+16% YoY) reflect Saudi's push for ~45% of MENA's future data-centre capacity and NLDP's 59-logistics-centre target by 2030

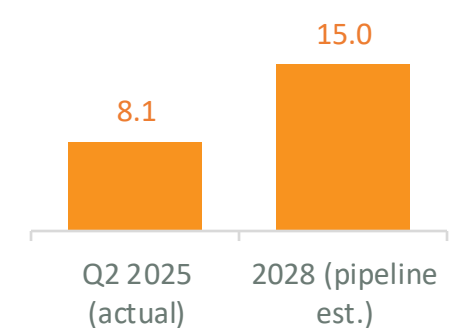
Logistics rents are outpacing office 2-to-1

Riyadh rent growth, YoY



Office stock set to nearly double by 2028

Riyadh office stock (million sqm)



CIO takeaway: Riyadh office and logistics remain the report's single highest-conviction pocket — reconsider only if vacancy rises above ~8% or logistics yields compress below ~6%.

Deep Dive | Abu Dhabi: supply-disciplined expansion in residential and office

H1 2026 leasing volumes fell 13% YoY while rental growth roughly halved in four months; a market cooling from a very tight starting point, not one that is turning over.

2025 residential transactions

AED 142bn

+44% YoY — a record year

Avg. residential price growth

+16% YoY

To AED 17,394/sqm

Office occupancy

~98%

Grade A space scarce

Al Maryah office rent growth

+82% YoY

To AED 6,000/sqm

What's driving it

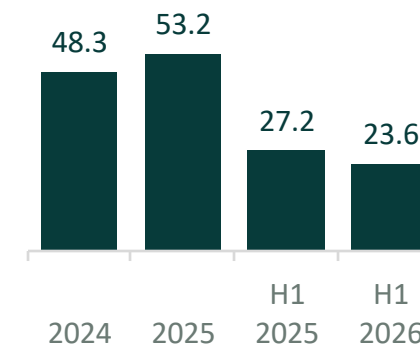
- Off-plan accounted for **71%** of residential sales; Aldar alone captured **~40%** of residential sales value (~AED30.8bn)
- Expats and FDI drove **62%** of residential transaction value; **87%** of transactions were cash-funded
- Residential pipeline of **36,900** units (2026–2030), **66%** apartments; a measured, not runaway, supply response

Emerging risks

- Rental growth is moderating sharply — from **21.8%** (Dec 2025) to **12%** (Apr 2026) — a sign the cycle is maturing, not reversing
- H1 2026 office leasing volumes fell **13%** YoY (first meaningful contraction of the cycle), concentrated in Al Bateen (**–35%**) and Al Hisn (**–32%**)
- Raw material costs rose **~20%** since January 2026 (conflict, Hormuz disruption, shipping insurance); a real delay risk to the 2026–2028 completion pipeline

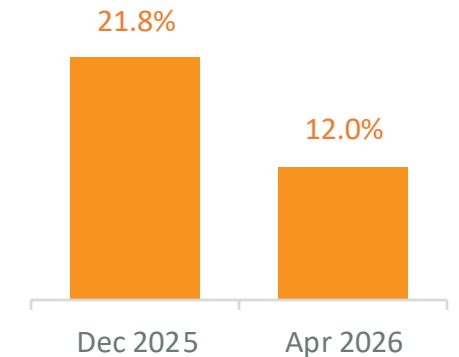
Leasing grew in 2025 but fell 13% in H1 2026

Abu Dhabi office leasing transactions (amounts in thousands)



Rental growth nearly halved in four months

Abu Dhabi residential rental growth, YoY (%)



CIO takeaway: Abu Dhabi's supply discipline and price momentum support core-plus entries now — but monitor the ~4.6%/yr supply pipeline and raw-material cost inflation for early oversupply or delay signals.

Deep Dive | Dubai residential: a record 2025 meets a large, well-flagged supply wave

The bull case is real, but the wait-and-see is genuine.

2025 transactions

270,000+

AED917bn, +20% YoY 5th consecutive record year

Units due 2026

~120,000

Of ~210–250k scheduled 2023–2026

2025 price growth

+10% YoY

Down from +16% peak (Q3 2024)

Fitch correction estimate

≤15%

H2 2025 – 2026, mid-market concentrated

The bull case is real

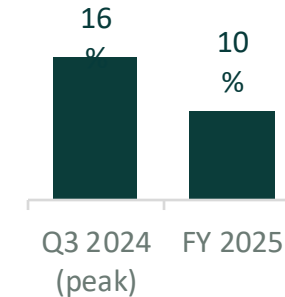
- Population grew 7.5% to 4.58 million; cash funds 86% of transactions, limiting systemic leverage risk
- Actual handovers historically run at 48–62% of scheduled volumes — the correction thesis likely overstates delivered supply
- Gross residential yields (~6.6%, apartments to ~7.1%) remain attractive on a regional and global basis

But the wait-and-see is genuine

- Q1 2026 saw a marked shift to 'wait-and-see' among buyers as regional conflict compounded pre-existing supply concerns
- Correction risk is concentrated, not market-wide: JVC, Business Bay and Dubai South mid-market apartments carry the bulk of the exposure
- Developers are proactively deploying incentives and discounts to sustain momentum — a signal worth monitoring, not yet a confirmed price break

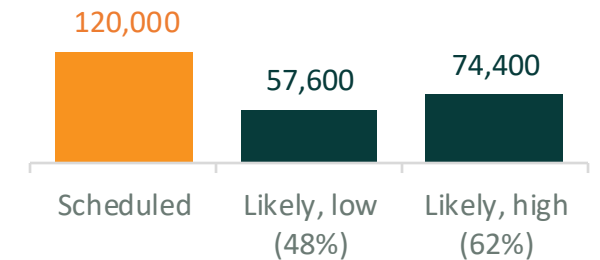
Growth slowed from 16% to 10%

Price growth, YoY (%)



Only 48–62% of scheduled units are likely to be delivered

Dubai 2026 residential supply (units)



'Likely delivered' applies Dubai's historical completion range (48–62%) to the 120,000 units scheduled for 2026; this is illustrative and not a forecast.

CIO takeaway: favour prime and branded stock held through volatility; defer mid-market entry if 2026 actual handovers exceed ~100,000 units and rents fall more than 10%.

Saudi hospitality: Makkah is the only city with positive RevPAR growth

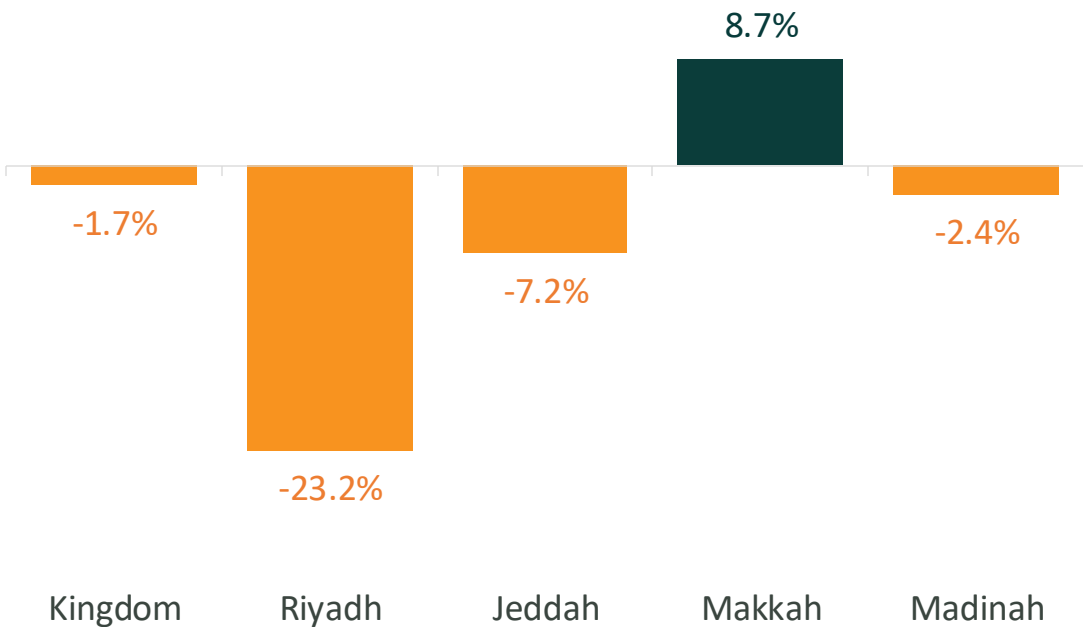
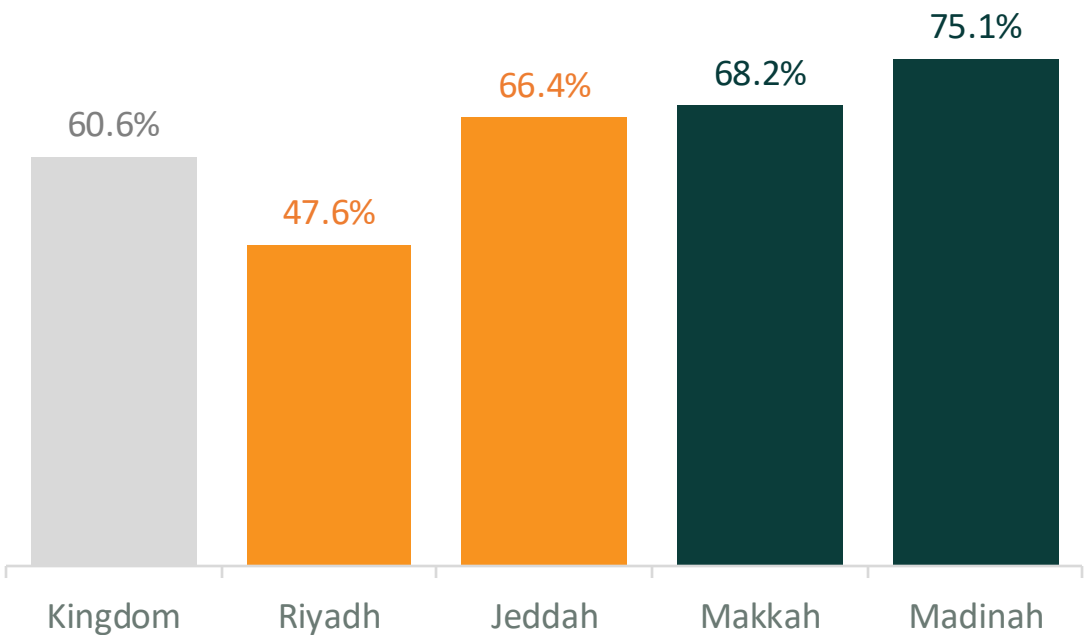
Overall tourism declined 5–7% in early 2026 on geopolitical route disruption, but domestic travel (Q1 2026: 28.9mn trips) anchored activity.

Madinah and Makkah lead; Riyadh trails at 47.6%

Hotel occupancy by city, YTD June 2026 (%)

Riyadh RevPAR fell 23.2%, the steepest decline of any city

RevPAR, year-on-year change (%)



Makkah is the only city with positive RevPAR growth (robust Hajj/Umrah demand) while Riyadh absorbed the sharpest corporate-demand pullback.

Other priority markets: Qatar, Egypt, Oman and Bahrain

Price growth runs from –1.7% (Qatar) to a nominal 20–30% (Egypt); an FX hedge, not real appreciation.

Qatar

- Residential sales volumes –23% QoQ in Q1 2026; apartment/villa prices down 1.7% / 3.5% YoY
- Hotel occupancy fell to 46.9% in March 2026 (from 52.4%) as Qatar Airways' schedule was disrupted; RevPAR –16%
- Office rents down 3.2% YoY amid oversupply; retail under similar pressure (–4.6% QoQ)

Oman

- Vision 2040 targets tourism at ~10% of GDP by 2040; Muscat prime residential +8% YoY to ~OMR900/sqm, yields 5–6%
- Overall transactions plateaued (OMR3.368bn, –0.4%) even as sales contracts rose 16%
- Integrated Tourism Complexes allow freehold foreign ownership plus a new Golden Residency route

Egypt

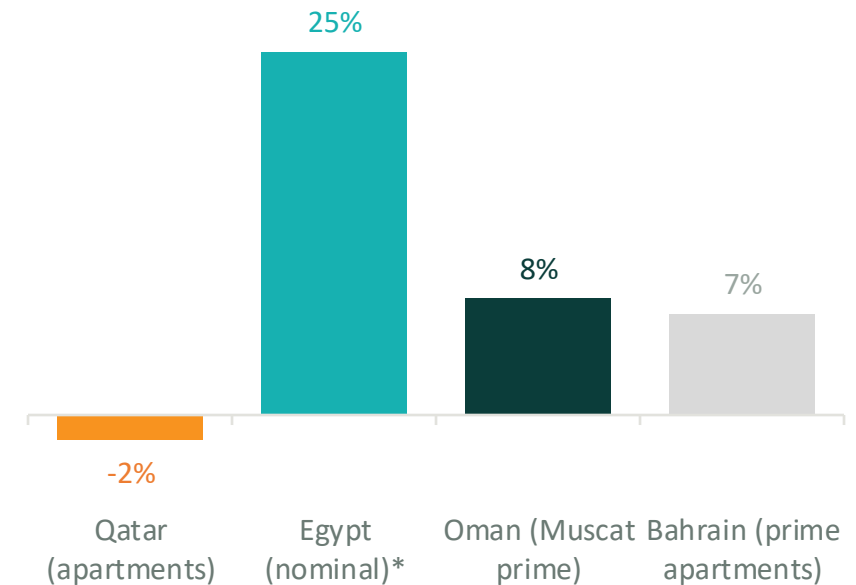
- Nominal price growth of 20–30% (2025) is an EGP-devaluation hedge, not real-terms expansion (EGP ~47.5–50/USD vs 8.88 in 2016)
- New Administrative Capital is moving from construction to occupancy — the defining 2026 event
- Ras El-Hikma (\$35bn, UAE/ADQ-anchored) is the standout foreign-capital signal

Bahrain

- Positioned as a cost-competitive alternative to Dubai/Qatar for financial-services professionals
- Residential market growing at ~6.1% CAGR; prime apartments ~BHD800/sqm, +7% YoY
- Manama, Bahrain Bay and Juffair remain the core investment focus areas

Egypt's nominal gain leads; Qatar is the only market in decline

Headline residential price growth, YoY



* Egypt's figure is the midpoint of a 20–30% nominal range driven almost entirely by EGP devaluation — it is not a real-terms comparator to the other three markets and should be read as an FX hedge signal, not organic price appreciation.

Development economics: costs are rising faster than the region's own forecasts

The Middle East trails only Africa globally on construction-cost inflation — before layering in the post-conflict raw-material spike (+20% since Jan 2026) or Saudi's own 5–7% tender inflation.

ME construction cost inflation

4.9% → 5.1%

2026 → 2027 (Turner & Townsend),
2nd highest globally after Africa

Saudi tender inflation

5–7%

Compresses development margins
even as headline rents rise

Post-conflict raw material spike

+20%

Since Jan 2026 across the GCC
(Stonehaven) — Hormuz disruption,
shipping insurance

GCC policy rates

3.65–4.75%

Negative-leverage risk where prime
yields sit below borrowing costs

How capital is structured on the ground

Dubai off-plan

- 80/20, 60/40 and 50/50 construction/handover splits, plus '1% monthly' plans — all interest-free developer financing
- RERA-mandated escrow (Oqood registration, **4%** DLD fee)
- Off-plan was ~**70–72%** of 2025 Dubai sales (73% of prime AED10m+ deals)

Saudi WAFI program

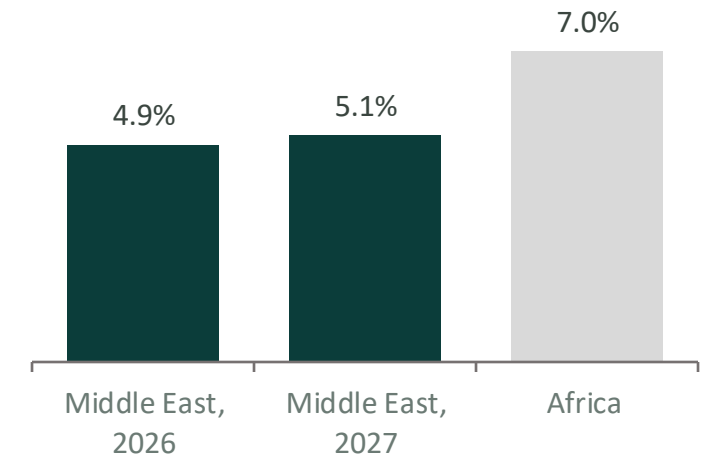
- REGA-supervised; 434+ active projects as of Sept 2025
- Mandatory escrow, completion guarantee and progress reporting
- Banks offering up to 90% LTV on qualifying projects

Financing risk

- Riyadh Grade A office pre-leasing typically requires **60–70%** lender coverage
- Negative leverage exists where prime yields (esp. residential, tightest logistics) sit below current borrowing costs

Middle East cost inflation is rising, second only to Africa

Annual construction cost inflation



Capital flows: who is providing capital, and on what terms

An estimated 18,000 HNWIs are relocating to the GCC, favouring Dubai, Riyadh and Abu Dhabi specifically.

Providers

- Sovereign wealth funds; PIF (domestic anchor), ADIA (~\$1.1–1.2tn), Mubadala, ADQ, QIA
- Regional developers: Emaar, Aldar, DAMAC, ROSHN, Modon, Binghatti
- PE real estate: Blackstone–Lunate (\$5bn JV), CapitaLand, Gaw Capital, GFH Partners, Arcapita
- Private credit; Fast-growing; ADIA ranked #2 globally at \$23.7bn, Mubadala at \$20bn

Structures in use

- Joint ventures and forward-funding / forward-commitments (\$100m+ equity tickets)
- Platform stakes and sale-and-leaseback (healthcare, industrial, government-linked assets)
- Private credit; spreads of 250bps+ over government bonds in logistics specifically
- Build-to-rent emerging in UAE/Saudi; institutional multifamily still nascent

Investor segmentation

Segment	Ticket size	Return profile	Preferred exposure
Sovereign / institutional	\$100m+	Core / core-plus, long hold	Logistics, hospitality, mixed-use, data centres
Regional developers	Development-scale	High target return, high execution risk	Residential / mixed-use
Family offices	Mid-size	Opportunistic + income	Prime residential, hospitality, private credit
HNWIs	Smaller	Income + capital appreciation	Prime/branded residential — Dubai, Riyadh, Abu Dhabi

REITs and capital-market access: liquidity has not kept pace with issuance

Real Estate Development held the second-highest 2025 traded-value share among non-bank sectors, yet posted one of the weakest H1 2026 earnings outcomes.

Saudi listed REITs

17–19

SAR ~25bn asset value (CY2022);
sector matured but liquidity-
constrained

Real estate 2025 traded-value share

6.6%

17 companies — deep participation
did not prevent a –37.8% YoY earnings
swing

Dubai residential REIT (2025 listing)

~AED14.3bn

Backed by 35,000+ units; targeted
~7.7% gross dividend yield

Nomu development REITs

Enabled Jul 2025

CMA reform permits Nomu-listed
REITs to invest directly in
development projects

The read-through from Saudi capital-markets data specifically

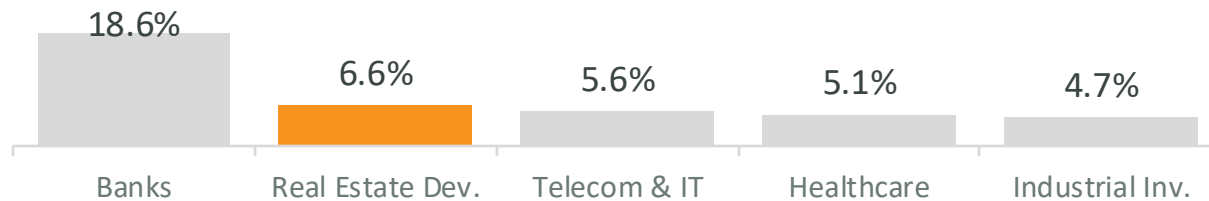
- Real Estate Development was one of the weakest-earnings sectors in H1 2026 (–37.8% YoY) despite holding the second-highest 2025 traded-value share (6.6%) among non-bank sectors — deep market participation did not protect against a sharp earnings decline
- IFRS 18 (effective 2026) flags real estate / REITs as 'High' transition exposure: material fair-value, NAV and impairment effects blur recurring operating earnings — expect sharper dispersion between clean and adjusted-earnings issuers
- Saudi's 2025 IPO cohort broadly underperformed post-listing (77% below offer price by year-end, vs. 22% in 2021) — Alramz and Dar Al Majed were both in this group despite genuine revenue/profit growth
- TASI's 16.05x P/E (Jul 2026, 11–15% below 2023–25 levels) suggests a broad valuation discount but the discount reflects earnings-conversion risk and restrictive funding conditions, not a collapse in underlying demand

Real estate earnings and liquidity trends, seen through Saudi's equity market

Real estate development pairs meaningful market participation with the sharpest earnings decline, while TASI-wide liquidity has fallen every year since 2023.

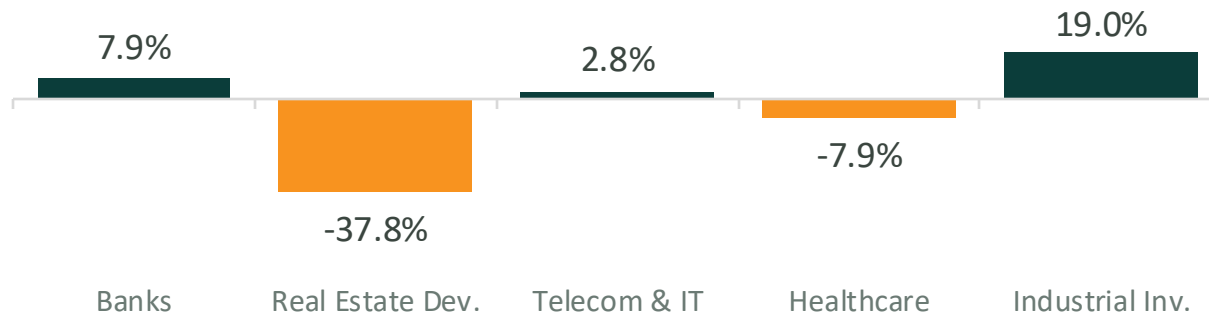
Real estate is the most-traded of these sectors after banks

2025 traded-value share by sector



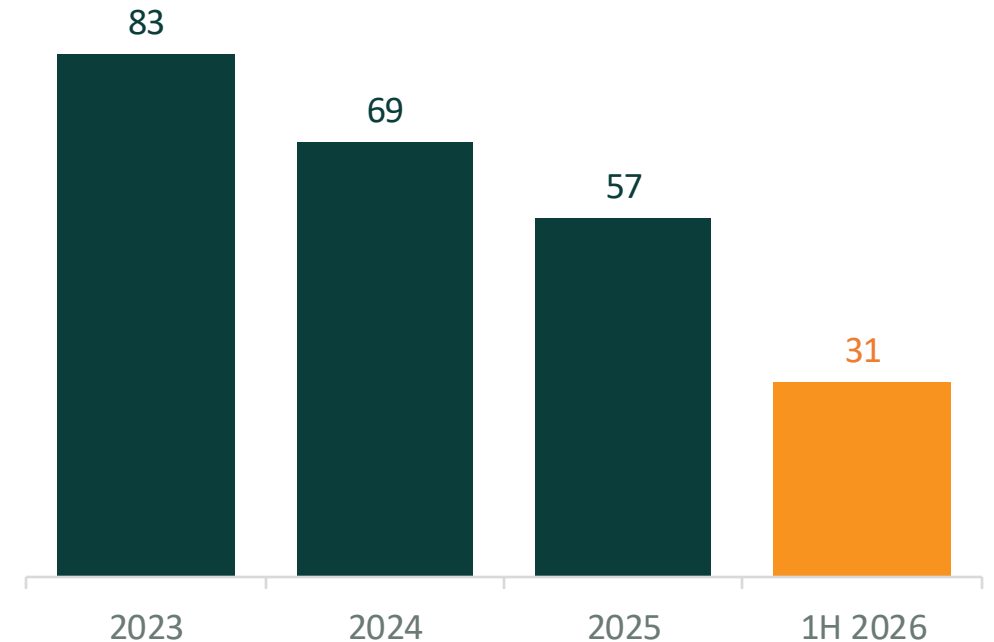
Real estate posted the sharpest earnings decline, at -37.8%

H1 2026 earnings momentum by sector, YoY



TASI volume has fallen each year since 2023

TASI volume traded, SAR billions



Real Estate Development combines meaningful market participation (6.6% traded-value share, the 2nd-highest of these sectors) with the sharpest earnings decline shown; the only sector where deep participation did not track positive earnings. Meanwhile TASI-wide liquidity has fallen every year since 2023, down 63% from peak to 1H2026 (annualized).

Chapter 5

Investment Outlook

Three scenarios for
the next 12 months

Expert
views



Three scenarios for the next 12 months, from the August 2026 vantage point

Access is broadening, conviction still needs to be earned.

Downside

Renewed escalation

- Conflict re-escalates or Hormuz disruption prolongs; oil and shipping costs stay higher for longer
- Saudi 2026 growth undershoots even the revised 1.7% IMF forecast
- Dubai's mid-market correction extends beyond Fitch's 15% estimate
- Foreign capital stays 'present but not convicted'; TASI range-bound at a discount

Base Case

Ceasefire holds, gradual normalization

- June 2026 ceasefire holds; routes restore gradually (Qatar Airways ~60% of capacity, end-May)
- Saudi/UAE growth tracks downgraded forecasts; GCC rates stay restrictive through 2026
- Riyadh/Abu Dhabi themes continue; Dubai absorbs supply without a disorderly correction
- Valuations (TASI 16.05x P/E) re-rate slowly as earnings visibility improves

Upside

Durable peace + Fed cuts

- Ceasefire proves durable; Hormuz and airspace normalize, oil moderates to pre-shock levels
- Faster Fed cuts flow through GCC pegs, easing financing costs region-wide
- Foreign conviction returns after the Jan 2026 Saudi opening with inflows into REITs and real estate
- Giga-projects (NEOM, Red Sea, Diriyah) stay on schedule, reinforcing the growth story

Risk dashboard: ● Low risk / favourable ●● Moderate ●●● High risk

Foreign investor access ●

Saudi's Jan 2026 ownership law and Feb 2026 QFI abolition materially widen the investable universe

Capital formation ●●

39 Saudi listings in 2025 and record UAE volumes show capacity; liquidity lags (TASI traded value -30% in 2025)

Financing conditions ●●

Policy rates (3.65–4.75%) stay restrictive with no post-ceasefire relief; construction costs (+20% since Jan) add pressure

Geopolitical risk ●●●

Dominant live risk: Saudi 2026 growth cut from 4.5% to 1.7%; the Jun ceasefire has not fully reversed the risk premium

Supply / oversupply risk ●●

Concentrated, not systemic: Dubai mid-market and Qatar are pressure points; Riyadh, Abu Dhabi, Saudi logistics undersupplied

Valuation & entry point ●

TASI at 16.05x P/E is 11–15% below 2023–25 levels; Dubai/Abu Dhabi yields remain attractive globally

Six recommendations & what we're watching next

Where to deploy capital now, and the signals that would change the call.

Recommendations

- 1 Riyadh office and GCC logistics now.** Riyadh's 0.5% prime office vacancy and 250bps+ logistics yield spreads offer the best risk-adjusted returns. De-risk via forward-funding or pre-leasing at 60–70% coverage; revisit if vacancy rises above ~8% or logistics yields compress below ~6%.
- 2 Build Abu Dhabi residential and hospitality exposure.** Supply discipline, +16% price growth and +44% transaction-value growth support core-plus entry. Watch the ~4.6%/yr supply pipeline for oversupply risk, and raw-material inflation (+20% since Jan 2026) for delivery delays.
- 3 Capture data-centres & private credit via platforms/JVs.** Capture Saudi's ~45% share of MENA's future data-centre capacity and 250bps+ private-credit spreads. Pause if power/grid constraints bind or hyperscaler capex slows.
- 4 Approach Dubai residential selectively.** With correction risk concentrated in mid-market apartments, favour prime/branded and income-yielding stock held through volatility. Defer mid-market entry if 2026 handovers exceed ~100,000 units and rents fall more than 10%.
- 5 Position for the Saudi foreign-ownership opening.** Establish local partnerships and WAFI-compliant structures ahead of full implementing-regulation clarity — but await final zone maps before committing land-banking capital.

What we're watching

- 1 Hormuz & shipping disruption.** Duration determines both the oil-price cushion and the +20% raw-material cost spike feeding into every development pipeline in this report.
- 2 Fed/ GCC Rate Path.** GCC policy rates (3.65–4.75%) are pegged to the Fed; any resumption of cuts directly eases financing-cost pressure across all six recommendations.
- 3 Dubai 2026 actual handovers.** ~120,000 units are scheduled; historical completion rates of 48–62% mean actual delivery, not the schedule, will determine whether Fitch's ≤15% correction materializes.
- 4 Saudi Q3/Q4 2026 GDP reading.** Will show whether growth is tracking the IMF's revised 1.7% forecast or undershooting it further as the fiscal deficit (SAR160bn, 1H2026) widens.
- 5 Saudi foreign-ownership implementing regulations.** Zone maps and full regulatory clarity are still pending — the structural opening is real, but land-banking capital should wait for finalization.

Geopolitical risk and investor appetite

Has geopolitical risk fundamentally changed investors' appetite for Saudi assets, or is capital simply waiting for greater clarity? What would bring that capital back?

The conflict cut Saudi's 2026 GDP forecast from 4.5% to 1.7%; foreign capital is present but not yet convicted.

Most see a varied impact, not a fundamental shift.

“Appetite has diverged by asset class, and some weakness predates the war... This is a price-discovery problem, so a ceasefire alone won’t fix it.”

Director Corporate Finance Advisory at a leading capital house, Saudi Arabia

Common ground: capital is mainly waiting for clarity.

“Both, but primarily greater clarity is needed.”

Ahmed Zeeshan, CFA, FCCA, Senior Director, Emaar, The Economic City

Contrasting evidence: private markets remain active.

“I believe the capital is simply awaiting greater clarity for large transactions. Transactions in private markets are still taking place however not disclosed.”

Senior Investment Advisor to a PIF entity

Recovery view: easing tensions could accelerate deployment.

“This should be viewed as a temporary pause rather than a loss of confidence. As geopolitical risks ease, financing conditions improve, and major projects continue to demonstrate successful delivery and performance, capital deployment is expected to accelerate.”

Mohammed Najamuddin Ansari, Head – Real Estate Development & Investment, RAFAL Real Estate Development

Adjacent view: inflation, rates and AI are bigger risks.

“Bigger risks are inflation and rates risk, and the impact of AI evolution on how and which businesses will be impacted, and correspondingly on their asset prices.”

Pankaj Gupta, Veteran Banker, Saudi Arabia

The views suggest selective deployment, with pricing, geopolitical clarity and financing conditions shaping the return of capital.

Real estate policy: pricing pressure versus new opportunity

With the white land tax, rent controls and greater foreign ownership pulling the market in different directions, where is the balance between pricing pressure and new investment opportunities?

Q1 2026 residential sales fell 54.4% YoY in Riyadh and 51.8% in Jeddah; a five-year Riyadh rent freeze now applies.

Several experts read the three policies as one deliberate shift.

“I view these three policies not as conflicting, but as a coordinated push to shift Saudi real estate from land appreciation to an income-based market. Pressure is intentionally hitting transition areas...”

Hassan Ali, Investment & Strategy Director, AlKifah Holding

Supporting view: opportunity sits outside the rent freeze.

“The white land tax forces idle plots into the market, while the five-year Riyadh rent freeze caps landlord incomes... the most promising opportunities lie outside the rent freeze, such as in Jeddah, build-to-sell projects in foreign zones, and listed developers with low-cost land banks.”

Talha Nazr, Director, Public Equities, Olayan Financing Company

Most agree: pricing pressure first, opportunity later.

“This may create short-term pricing pressure, particularly for land and highly valued residential assets, but also opportunities for investors focused on development, income-producing assets and underserved segments.”

Big4 Partner, MENA region

Contrarian view: demand for modern stock limits price pressure.

“Although lots of supply is expected to come into market as a result of the white land tax, I don’t personally see any significant pressure on prices, since demand for modern residential buildings with amenities remains strong.”

Senior Investment Banker, Saudi capital house

Most see the policies pointing the same way, away from land banking and toward income-producing assets, though not all expect prices to fall.

Methodology note

How the figures in this report should be read; the full source list, with links, follows.

Figures reflect named institutional sources as of August–September 2026. Several risk-adjusted metrics (acquisition yields, exit IRRs) are directional or flagged as data gaps where not disclosed in primary sources — these should not be treated as modeled outputs.

Cross-check against gated JLL/CBRE/Knight Frank/Savills reports and official statistics (GASTAT, DLD, ADREC, SAMA, UAE Central Bank) before investment decisions.

Source list (1 of 3)

Sources cited in this report and the pages that draw on them; underlined titles link to the publication.

Source	Pages
Axial Consulting — Saudi Capital Markets: Access is Broadening, But Selectivity Matters More (Aug 2026)	5, 9, 14, 15, 25, 26
Axial Consulting — analysis and synthesis	4, 7
CMA — Regulatory enhancements for investment funds (REIT reform, Jul 2025)	7
Colliers — UAE Real Estate Report, Q1 2026	4, 7, 20, 21
Cushman & Wakefield — Middle East market research	4, 7, 17
Deloitte — Dubai Real Estate Predictions 2025	General
Dubai Land Department — transaction data	6, 20, 21, 23
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Global SWF — 2026 Annual Report	9
IMF — Saudi Arabia: 2026 Article IV Consultation	5, 9, 28
IPO prospectus — AlMajdiah / Dar Al Majed (2025), via Argam	14

Source list (2 of 3)

Sources cited in this report and the pages that draw on them; underlined titles link to the publication.

Source	Pages
IPO prospectus — Alramz Real Estate (2025), via Argaam	15
IPO prospectus — Umm Al Qura for Development and Construction (2025), via Argaam	13
JLL — Kingdom of Saudi Arabia Hotels Market Dynamics, Q2 2026	5, 11, 13
JLL — KSA Living Market Dynamics, Q1 2026	6
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Source list (3 of 3)

Sources cited in this report and the pages that draw on them; underlined titles link to the publication.

Source	Pages
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Turner & Townsend — International Construction Market Survey 2026 (via MEED)	23
UN — World Population Prospects (2024 revision)	11

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