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Middle East Real Estate:
Building portfolio resilience
Resilience Redefined

مئة عام
Years in the Middle East

The ongoing geopolitical situation in the Middle East has introduced a new variable into one of the world's most dynamic real estate regions. For decades, Middle East markets – particularly the UAE – have positioned themselves as safe havens for global capital amid a shifting regional environment. Today, that positioning is being stress-tested. The most significant implications on real estate are not physical, but relate to a reassessment of conditions across banking systems, investor sentiment, and capital flows.

As investors and developers navigate the effect of the situation on the performance of their real estate portfolios, it is critical to assess the country and asset-level specifics to plan for the short, medium and long term.



Understanding market impact factors

The impact of geopolitical changes on real estate is rarely immediate or uniform. Instead, it can materialize through a series of interconnected channels.

1. Investor sentiment and transaction activity

The most immediate effect is sentiment. Decline in real estate transactions may reflect a pause in decision-making rather than a fundamental change in demand. Deals may take longer to close, and price negotiations can become more pronounced, particularly in the secondary market where both buyers and sellers may adopt a 'wait-and-watch' approach.

2. Capital flow volatility

As the geopolitical situation evolves, capital becomes more mobile – and more selective. Yield comparison, relative maturity of other markets as potential alternatives, and overall liquidity can all become drivers of decision making.

3. Cost of capital and financing conditions

Global market reactions to the current landscape, including rising borrowing costs and inflation expectations, can tighten financing conditions. This will directly impact leveraged developers and may delay or reprioritize marginal projects.

4. Construction and supply chain pressures

Interferences to regional logistics, airspace, and shipping routes can increase construction costs and timelines. At the same time, local market factors, such as oversupply risks in certain locations and segments, can amplify pricing changes if demand slows.

5. Demand-side sensitivity (Tourism and expatriates)

Short-term demand drivers – tourism, expatriate inflows, and corporate relocations—are sensitive to perceptions of stability. Even with limited evidence of large-scale outflows, marginal hesitation can still slow absorption rates in high-supply markets.





Starting from a position of strength

The recalibration of market sentiment across key markets in the Middle East (KSA, UAE and Qatar) is occurring after a growth cycle. The current situation represents the first meaningful external shock to markets that have been largely liquidity-driven over the past five years. A critical feature of the current environment is the divergence in resilience across these markets, driven by differences in demand structure and economic models.



Saudi Arabia: Policy-driven resilience

The real estate market in Saudi Arabia has a largely domestically driven demand base and state-led development model. The main primary demand drivers are Vision 2030 focused mega-projects, readiness for global events such as Expo 2030 and World Cup 2034, and government-backed housing initiatives – particularly in a high oil price environment. While foreign ownership laws were introduced in January 2026, the Kingdom's real estate market is currently less dependent on short-term foreign capital flows. As a result, longer horizon city building projects, supported by critical infrastructure, will be prioritized over speculative builds. Elevated oil revenues, if sustained, can also translate into broader infrastructure and housing investment.

In the immediate term, real estate transactions in Riyadh in March 2026 totaled SAR 1.7Bn reflecting a month-on-month decline of 4% compared to February. By comparison, the transaction value increased by 8% in Jeddah and declined by 28% in Dammam over the same period. Each year, the period of Ramadan, (falling in March this year) in addition to the summer months (Q2), typically reflects lower transaction volumes compared to the rest of the year. Therefore, the net impact from the current regional situation is unlikely to be fully reflected in metrics until Q3 2026. Overall projects that are policy-aligned to longer term strategic initiatives will continue to be prioritized.



UAE: Sentiment-sensitive, structurally strong

The UAE, and Dubai in particular, is the most exposed to shifts in investor sentiment due to its reliance on foreign capital and expatriate demand. The market reacted immediately to the regional situation with softening across developer equities, residential transactions, and pricing during March. Emaar properties share price stood at AED 11.7 as of 31 March, compared to AED 16.2 on 27 February and share price for Aldar changed from AED 10.8 to AED 7.8 during the same period, reflecting a month-on-month decline of 28% for both. Meanwhile, residential transactions (excluding mortgages) in Dubai declined from AED 46.2Bn in February 2026 to AED 35.5Bn in March 2026.

Based on the supply pipeline anticipated to be released in 2026-27 following project launches in 2022-23, a level of price correction was anticipated across Dubai even before the current situation. Developers with stronger balance sheets are expected to manage phased deliveries while providing incentives, such as competitive payment plans and discounts to control the immediate impact of market sentiment and buyer behavior. Meanwhile, developers who are reliant on handovers to keep pace with facility agreements may need to restructure, only if off plan purchasers seek to resell to pass on the completion payment obligations resulting in handover delays.

By contrast, the real estate sector in Abu Dhabi entered March from a position of domestically anchored demand with tighter supply pipeline favoring income-generating assets. The government is investing in infrastructure for the next phase of growth in key locations. This is expected to remain the focus for funding and development of real estate projects across the capital city.

Overall, medium- to long-term performance across key UAE real estate segments will be driven by core fundamentals: economic growth, demographic demand, and the relative attractiveness of rental yields compared to global benchmarks.



Qatar: Selective and strategic development

Qatar's position is more nuanced. While it benefits from strong fiscal capacity linked to LNG exports, its economic concentration creates exposure to energy infrastructure risks and global gas demand dynamics. Real estate demand – closely tied to energy sector employment and investment – may experience greater flight to quality and price differentiation between prime and secondary locations, particularly if disruptions to export infrastructure persist. Similar to KSA, strong fundamentals from domestic demand will act as a buffer for portfolios largely exposed to core assets in preferred locations. Development projects focusing on longer-term strategic initiatives will be prioritized.

The asset class view

The impact of the events happening today will be uneven across asset classes:



Residential: Residential transactions and pricing will experience softening in speculative and mid-market segments, particularly in locations with higher level of upcoming supply, such as Dubai. Meanwhile, end-user driven segments, such as housing targeted towards residents, are expected to remain largely stable.



Industrial: The warehouse and logistics segment is expected to face shorter-term disruption due to restricted aviation and shipping movements. On the other hand, longer-term structural demand is expected to be supported by a desire among Middle East economies to build robust supply chain resilience.



Office: During March, multiple entities transitioned to remote working or hybrid models, and this increased focus on flexibility is expected to drive workplace demand. Decisions on new leases may be delayed, while prior lease commitments will become a prerequisite for any new developments. Since job growth ultimately underpins office demand, continued economic growth in key sectors such as financial and business services, government services, among others, will be the primary factor supporting new build.



Hospitality: The disruption to aviation and reduction in visitor numbers will impact occupancies across existing supply, while new development plans may be paused in the short-term.



Retail: Domestic consumer-based demand is expected to support performance of community retail formats, while regional and super-regional malls are most exposed to tourism and mobility disruptions resulting from the current situation. Overall, online sales may track higher than previous periods due to constrained mobility in the short term. However, continued preference for shopping online is also reliant on inventory remaining unaffected.



Building portfolio resilience

For investors and developers, the implication is clear: The market will become more selective.



Risk premiums are expected to rise for Middle East real estate as the sector will not be considered 'risk-neutral'. Developers are expected to face stricter underwriting. While capital remains available, it will no longer be indiscriminate, and demand certainty will drive overall viability assessment.



Flight to quality is expected to intensify. Prime and income-generating assets are expected to outperform, while secondary and speculative developments will face increasing pricing pressure.




Demand will become localized, at least in the short term. Asset categories and cities with stronger domestic demand will prove to be more resilient than those heavily reliant on international flows.



A time-based portfolio strategy can help Middle East real estate portfolios position themselves to manage the short-term impact while being in a state of readiness to capitalize on the opportunities in the medium to long term.

Timeline	Strategy	Focus areas	Action*
Short term (0-6 Months)	Protect and reposition	This phase is defined by uncertainty and sentiment-driven volatility, therefore the focus should be on cash flow resilience.	<ul style="list-style-type: none"> • Strengthen liquidity buffers and consider refinancing early • Pause speculative launches without pre-sales visibility • Re-underwrite assumptions (pricing, absorption, costs) • Prioritize income-generating, stabilized assets
Medium term (6-24 Months)	Deploy capital selectively	The next phase will reward capital providers, not just owners of assets.	<ul style="list-style-type: none"> • Acquire distressed or partially completed assets that align with strategic objectives • Partner with capital-constrained developers (JV/structured equity) • Expand into real estate private credit strategies • Rebalance geographically within the region seeking core assets with strong demand fundamentals
Long term (2-5 Years)	Build for a more disciplined cycle	From growth-at-all-costs to risk-adjusted, resilient investment.	<ul style="list-style-type: none"> • Focus portfolios on: <ul style="list-style-type: none"> – Prime assets – Strong tenants – Income stability • Reduce leverage • Align with policy-driven growth sectors • Diversify into forward-looking demand segments such as logistics, data centers, affordable housing

* As events are unfolding day-by-day, ongoing geopolitical developments across the region may require revisions of underlying assumptions which may lead to material adjustments.



Disciplined scenario planning

The Middle East real estate market is transitioning into a more mature phase characterized by greater differentiation and disciplined capital allocation. The defining feature of the next decade will be capital flowing into selected, higher conviction investments. While sector fundamentals are expected to largely remain intact, the interaction between capital providers and developers will shift from chasing unrestricted growth to engineering resilience.

The unique demand drivers for real estate asset classes within the Middle East, which combine domestic demand with international investor sentiment, have so far been driven by a level of certainty that has come under review over the last few weeks. The opportunity in this cycle will not come from predicting the market, but from positioning portfolios to perform across scenarios in the future. Thus, for investors and developers, success will depend less on timing the cycle and more on selecting the right markets, asset classes, and capital structures in an increasingly complex and interconnected landscape.

Further Information

As consumer behavior, expectations, and markets shift, so are the ways companies finance, invest, develop, and use real estate. Deloitte brings together diverse teams of specialists from around the globe who can provide customized solutions across the spectrum of real estate.

For more information, please visit the [Real Estate Services](#) page or reach out to the authors:



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Sources:

1. Emaar share price: Dubai Financial Market (DFM)
2. Aldar share price: Abu Dhabi Exchange (ADX)
3. Dubai transactions: REIDIN Insights
4. KSA transactions: Paseetah; Ministry of Justice

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