Market Insights & Strategy

Global Markets

November 20th, 2026



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Friday GCC & E Real Estate Market Pulse

- **Dubai Residential REIT records rental growth as competition may limit further gains**
- **UAE developers face growing pressure to meet handover targets**
- **Falling sales and rising costs challenge Saudi developers**
- **The North Coast and East Cairo dominate Egyptian property sales**

Starting in **Dubai**, Dubai Residential REIT reported continued rental income growth across its established communities. According to WAM, revenue rose 7.6% YoY in the first nine months of 2026. Average occupancy increased to 98.4% from 98.1% a year earlier when comparing the same properties in both periods. This comparison excludes the 276 homes added during 2026; including those homes, average occupancy was 97.7%. Annualised revenue per leased and occupied sq ft rose 7% to AED60. Gross asset value reached AED25.2bn, compared with AED23bn a year earlier, reflecting portfolio expansion and the additional homes. These results indicate sustained demand across the established portfolio, which remains almost fully occupied. In our view, growing competition for tenants could limit further rental increases. The portfolio's performance therefore remains encouraging, although it should not be taken as evidence that all Dubai landlords have the same scope to raise rents.

Across the wider **UAE**, transaction values point to substantial property-market activity. According to WAM, Abu Dhabi recorded AED171.26bn in real estate transactions during the first nine months of 2026, up 76.1% YoY, while foreign investment in its investment zones rose 131% to AED86.11bn. Dubai recorded nearly AED625bn in transactions during the first ten months, including AED411.98bn in property sales, while Sharjah's transaction value increased 5.6% YoY to AED46.8bn in the first nine months. These totals cover sales, mortgages and other transactions rather than new investment alone. The different reporting periods limit direct comparisons, but the figures point to active property markets across several emirates, with growth varying significantly between them.

Arada Capital's proposed partnership with Alya offers another indication of continued interest in higher-end development. According to Arada's announcement, the two have signed a memorandum of understanding for a development and co-investment partnership covering premium residential and mixed-use projects in the **UAE and Saudi Arabia**. The initial focus is two potential residential developments in Downtown Dubai and on Yas Island in Abu Dhabi, with an anticipated combined gross development value (GDV) of approximately AED6bn, once completed. Alya is a premium residential development platform backed by Canadian investment group Brookfield and Abu Dhabi-based investment manager Lunate. The opportunities remain subject to due diligence, commercial agreement and the necessary approvals. The announced value therefore relates to the potential completed value of the initial projects, not committed investment in the wider pipeline.

Delivery timelines remain a key consideration for the supply outlook. According to AGBI, rising construction costs and delays are putting pressure on UAE developers, with Binghatti completing only two of six towers planned for 3Q2026 and Aldar reducing its full-year delivery forecast from 3,700 to 2,600 homes. Emaar remained on schedule, delivering approximately 1,200 UAE homes during the quarter. AGBI, citing Cavendish Maxwell, reported that around 136,000 residential units are scheduled for completion in 2027, almost three times the pace recorded in 2026 so far. In our view, the key question is how much of this planned supply is delivered on time, as actual completions will depend on construction progress. A substantial increase in completed homes could give buyers and tenants more choice and moderate price and rental growth, while further delays could keep availability tight and place additional pressure on developers' cash flows.

Moving to **Saudi Arabia**, weaker sales values and rising material costs are making the near-term backdrop more challenging. AGBI, citing data from the Real Estate General Authority (REGA), reported that the value of property sales fell 40% YoY to USD7.4bn in October 2026. Separately, an S&P Global Ratings analysis, quoted by AGBI said raw-material costs had risen by approximately 20%; the article does not specify the comparison period for that estimate. Affordability pressures, regulatory changes and regional uncertainty are also weighing on the market. Market conditions vary by location, with Makkah recording USD2.5bn in sales, around USD500mn more than Riyadh. Despite this relative strength, the broader combination of weaker sales values and higher building costs could, in our view, encourage buyers and developers to take a more cautious approach to new commitments.

Even so, longer-term development plans continue to move forward. According to AGBI and Saudi Arabia's Public Investment Fund (PIF), Saudi Downtown Company has launched an 829,000 sq m waterfront development in Al Khobar, with more than 4,000 homes, 500 hotel rooms, 40,000 sq m of offices and 139,000 sq m of retail and dining space. The project will seek private-sector investment, reflecting PIF's greater emphasis on working with developers rather than funding urban projects alone. This creates opportunities for private capital in the Eastern Region, although attracting investment and matching construction to demand will be important in a softer market.

Finally, in **Egypt**, sales remain resilient but with significant differences across locations. According to Daily News Egypt, citing The Board Consulting, contracted sales reached approximately USD22.4bn, in the first nine months of 2026, up 2% YoY, while the number of units sold increased 4% to around 52,000. The North Coast and East Cairo accounted for 83% of reported sales, reaching approximately USD9.72bn and USD8.94bn, respectively, while West Cairo's sales fell 52% to approximately USD1.79bn. These are contracted sales rather than cash already collected, an important distinction when assessing developers' financial position. With high borrowing costs, inflation and affordability pressures expected to encourage smaller homes and more flexible payment plans in 2027, we view that the challenge is not simply finding buyers but offering homes and payment terms they can realistically afford.

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