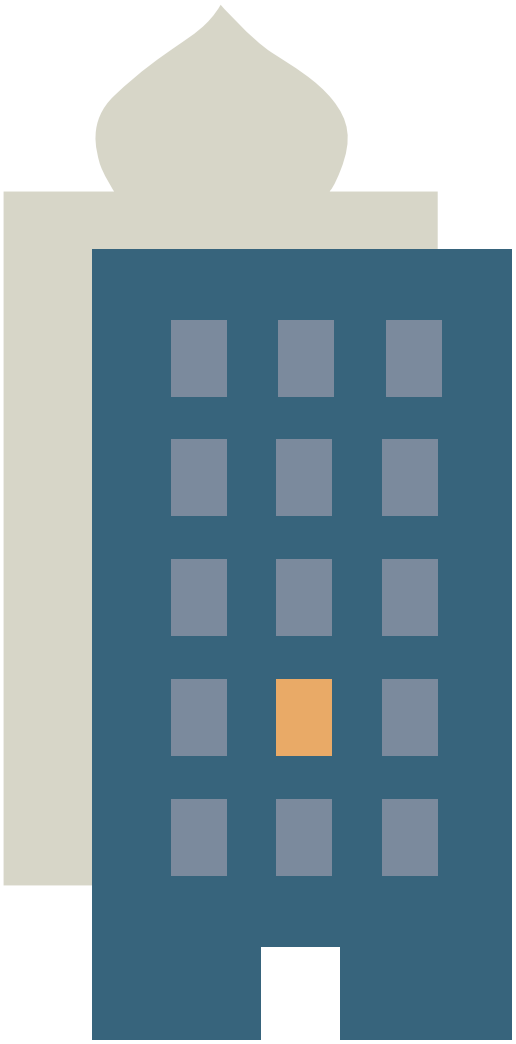
MIDDLE EAST INSTITUTIONAL CAPITAL AND US REAL ESTATE



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US real estate remains a core asset class for Middle East investors, though headwinds on both sides will keep flows below peak. GCC institutions would be wise to maintain the strategies and partnerships that allow timely execution when conditions align. The window does not stay open indefinitely.

For two decades, institutional capital from them Gulf Cooperation Council (GCC)—Saudi Arabia, Bahrain, Qatar, Kuwait, Oman, and the UAE—was a significant force in US real estate, peaking in 2007–08, 2014–16, and 2018–19. From Beginning in 2021, the relationship went cold. By 2025, tracked GCC flow stood at one-tenth of its 2015 level, against a US market back near 2015 volumes.[1]

Credible data is thin. GCC capital reaches US real estate through offshore SPVs, co-investment structures, onshore subsidiaries, and pooled vehicles that rarely register in public transaction databases. We estimate tracked flows understate actual deployment by an order of magnitude.

We combined a twenty-five-year quantitative series—MSCI Real Capital Analytics transaction tracking, oil prices, GCC GDP, UAE and Saudi residential price indices, the Fed funds rate—with conversations conducted by Soling Partners across Spring 2026 with sovereign wealth funds, financial institutions, and family offices in every major GCC geography. The result is the first analytical framework mapping aggregated GCC investor behavior and appetite.

GCC capital has never been pulled toward US real estate by a single force. Two dynamics govern it: how GCC allocators see the US market—rate trajectory, vintage performance, fund governance, distributions—and whether GCC capital is free to deploy offshore at all, given oil revenue lags, domestic real estate returning 18% a year, and Vision program claims on sovereign capital.

These dynamics are independent. Neither heals because the other improves. Scale deployment has happened only when both aligned—twice in twenty-five years, in 2006–08 and 2014–16. The framework makes it possible to track when that might happen again.

The oil price lag was the most surprising finding. GCC capital does not move when oil revenues arrive: it accumulates, passes through institutional budget cycles, and deploys 12 to 24 months later. The 2014–16 peak of $11 billionbn tracked occurred as Brent fell from $100 to $45, funded by the $100+ environment of 2011–14.

The domestic competition dynamic is equally clear. From 2021 to 2024, UAE residential real estate returned 18% annually, with Riyadh not far behind, and GCC capital rationally stayed home. In 2025, Dubai moderated to +9.8%, the first narrowing of the domestic premium in four years.

Has GCC capital moved on? Our data and conversations say no; no allocator consulted described exiting the asset class. AI infrastructure, private credit, and domestic development have taken share, and some of that shift is permanent. But US real estate carries two decades of shared history and a return profile no domestic market replaces at the right entry point.

Our base case for 2026–27 implies a small increase in actual GCC capital moving into US real estate through co-investment, SMA, and direct structures. The terms have changed: every allocator told a version of the same story about the pooled fund subscription model losing their trust in 2022–23. GCC capital is insisting on more direct arrangements, more control and more transparency.

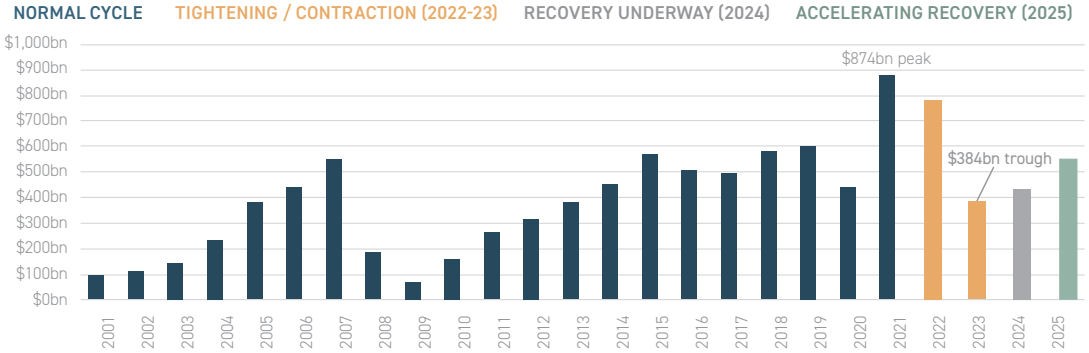
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THE MARKET IN CONTEXT: VOLUME, FLOWS AND THE DIVERGENCE

GCC institutional capital has been a consistent presence in US commercial real estate across four cycles since the early 2000s. Understanding the current period—GCC participation at a fraction of historical levels even as the US market recovers—requires setting both series in the same frame.

This section sets US CRE transaction volume against GCC institutional flow from 2001 to 2025, maps each against the macro variables that drive GCC deployment and analyses the divergence since 2021.

EXHIBIT 1: US COMMERCIAL REAL ESTATE ANNUAL TRANSACTION VOLUME, ALL PROPERTY TYPES ($ BILLION).



Source: MSCI/RCA.

US CRE TRANSACTION VOLUME

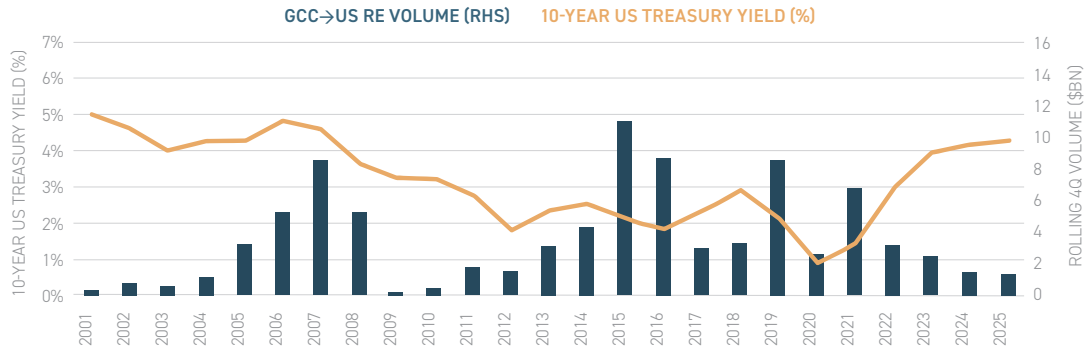
US CRE volume peaked at $873 billion in 2021, driven by near-zero rates that compressed cap rate spreads and pushed values above long-run income fundamentals. It then fell 56% to $384 billion in 2023, the steepest decline since the GFC.

Recovery has been sustained: $431 billion in 2024 and $549 billion in 2025, essentially back to 2015 levels. Q4 2025 at $195 billion was the strongest quarter since 2022, and Q1 2026 up 28% year on year points to a market that has re-priced at current rate levels.

GCC INSTITUTIONAL FLOW INTO US REAL ESTATE REMAINS LOW

GCC institutional investment in US real estate has moved in distinct cycles since the early 2000s, with peaks in 2007–08, 2015–16 and 2018–19, and sharp troughs in 2009–10 and from 2022 onwards. Four macro variables explain most of the variance in GCC deployment across those cycles. Three of the four operate with a significant lag—a structural feature that shapes the outlook for re-engagement as much as any reading of current market conditions.

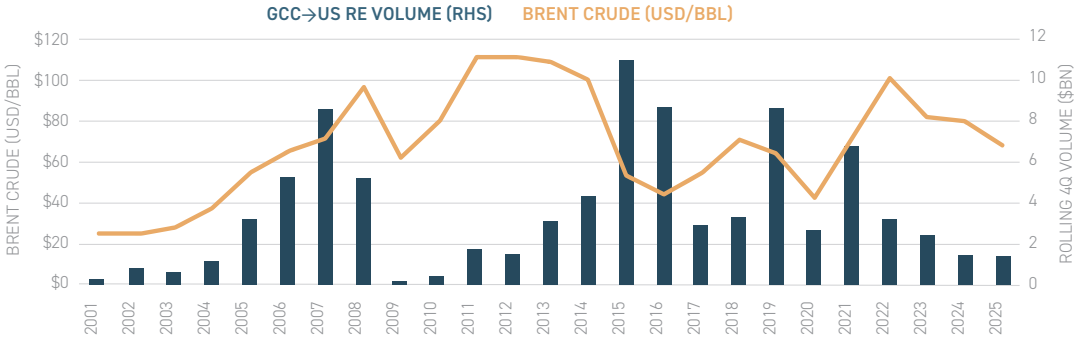
EXHIBIT 2: GCC—US REAL ESTATE VOLUME VS. US 10-YEAR TREASURY YIELD



Sources: MSCI RCA; Federal Reserve/Macrotrends.

The relationship between GCC deployment and US rates is the strongest variable in the series: peaks in 2007–08, 2015–16 and 2018–19 cluster in low-rate windows, with troughs in 2009–10 and from 2022. The 2022–24 tightening drove the sharpest withdrawal on record, and the speed of the move created a vintage performance problem that now operates as a constraint in its own right.

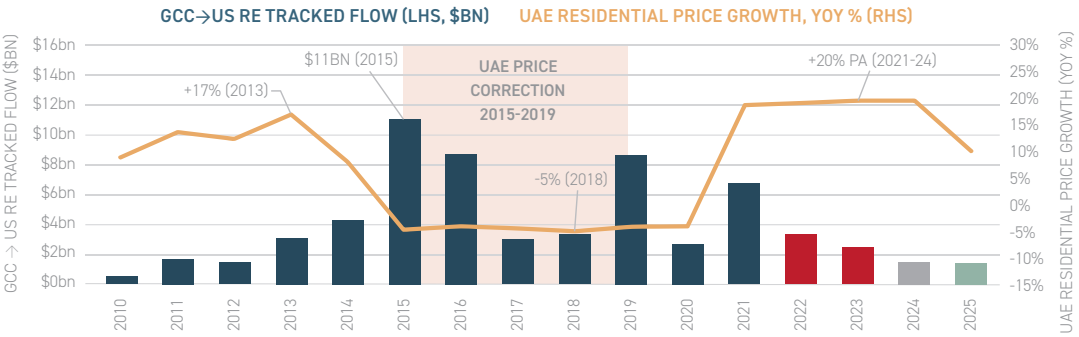
EXHIBIT 3: GCC—US REAL ESTATE VOLUME VS. BRENT CRUDE



Sources: MSCI RCA; Macrotrends.

The Brent chart is more counterintuitive: the 2014–16 flow peak occurs as oil falls from above $100 to $45 a barrel. GCC institutions accumulated during the 2011–14 period of $100+ oil and deployed with a 12–18-month lag, the USD peg preserving purchasing power. The relevant signal is the preceding 12–24 months of oil revenue.

EXHIBIT 4: UAE RESIDENTIAL PRICE GROWTH VS. GCC—US REAL ESTATE FLOW, 2010–25



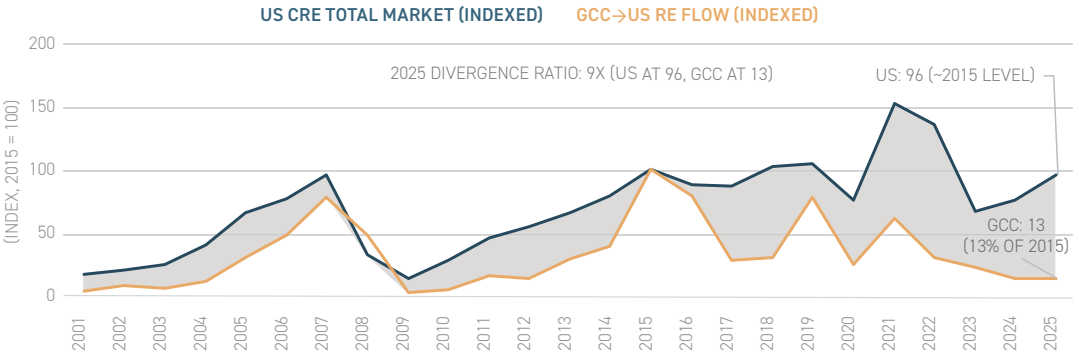
Sources: RFA/RCLCO; DLD/Digital Dubai RPPI; CBRE/JLL for pre-2020 estimates.

THE DOMESTIC MARKET AS A COMPETING INVESTMENT OPTION

From 2010 to 2014, UAE residential prices rose while GCC flow grew toward its 2015 peak of $11 billion. The relationship inverts from 2021, when prices move from –4.5% in 2020 to +18% and hold through 2023–24. Tracked GCC flow falls from $6.8 billion in 2021; $1.5 billion in 2024 with domestic residential delivering 12–18% annually against US fund positions at 2–3%.

The 2025 moderation to +9.8% is the first signal that the domestic premium is narrowing. If it continues, US real estate begins to reopen at the GCC IC level.

EXHIBIT 5: US CRE MARKET VOLUME VS. GCC—US FLOW – INDEXED (2015 = 100)



Sources: MSCI/RCA; RFA/RCLCO.

THE DIVERGENCE—AN INDEXED COMPARISON

In 2025, the US market index stood at 96, essentially back to its 2015 level, while tracked GCC flow stood at 13. A divergence ratio of 8× is not explained by undercounting alone.

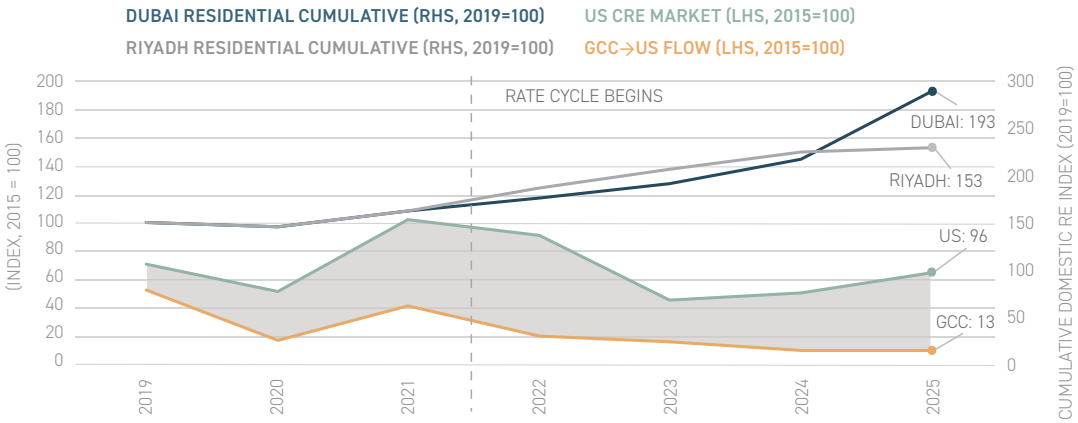
The pre-2021 correlation held because the closed-end fund dominated access: when US volume expanded, managers launched funds on predictable cycles, GCC investors re-upped, and tracked flow moved in proportion. Rates were accommodative, distributions were flowing, and domestic real estate offered a reasonable rather than compelling alternative.

2022–23: THE STRUCTURAL BREAK

From 2022, the US-side constraint turns sharply negative while the GCC-side constraint is already in place. Rate rises compress values and income returns. The more durable damage comes from fund behavior under stress: redemption gates and deferred distributions drove a shift toward direct transactions, co-investments and joint ventures, where asset-level visibility replaces a manager's liquidity discretion.

Two further forces compound the constraint. UAE prices rose 12% in 2022 and 18% in 2023, with Riyadh similarly strong. And from late 2022 capital previously directed toward US real estate began flowing into US AI infrastructure—data centers, hyperscaler campuses, GPU clusters—competing for dollars an earlier cycle would have committed to real estate.

EXHIBIT 6: THE DIVERGENCE—US MARKET, GCC FLOW, AND GCC DOMESTIC REAL ESTATE RETURNS (2019–25)



Sources: MSCI/RCA; RFA/RCLCO; DLD/Digital Dubai; GASTAT.

2024–25: RECOVERY THAT HAS NOT TRANSMITTED

Part of the explanation is structural: the shift to direct transactions, co-investments and JVs means GCC capital moves deal by deal rather than in the broad sweeps of the subscription cycle. Dynamic 2 constraints supply the rest: institutions carrying US real estate above policy target cannot approve new commitments until the existing book resolves, domestic real estate continued at +18% through 2024, and AI infrastructure competition intensified.

THE CHANGING COMPOSITION OF GCC OUTBOUND CAPITAL

For most of the 2000s the marginal dollar of GCC capital entering US real estate came from sovereign wealth funds and government-related pension funds with explicit geographic allocation frameworks, sized by policy rather than sentiment.

Since the GFC, it increasingly comes from two segments: regulated financial institutions—regional banks, investment companies and dedicated real estate vehicles—that aggregate HNWI and smaller institutional demand into SPVs distributed through a co-GP or advisory layer, on the Investcorp model; and family offices, which have grown in number, scale, and sophistication since 2012.

TWO DIFFERENT DECISION FRAMEWORKS

Large institutional allocators deploy on geographic weights, long-term return assumptions and macro views. They can hold an impaired position while it recovers and return when conditions suit the mandate; re-engagement is a governance question that resolves when the target is reset and the book stabilizes.

Aggregators and family offices operate under different constraints. The aggregator must sell the next deal to its HNWI client base, which is harder when the previous one is underwater. The family office accounts to principals who see domestic markets returning 18% and ask why the US position returns 2–3%. An alternative is always available.

OUTLOOK FOR RE-ENGAGEMENT TIMING AND POSITIONING

Re-engagement will not be uniform. Large allocators will return when their Dynamic 1 and Dynamic 2 constraints resolve on governance cycles, signaled by the indicators in Section 3. Aggregators and family offices will return when the product is sellable again, which is harder to model and faster when it comes.

GCC deployment into US real estate is shaped by conditions in both the US market and the GCC domestic environment, and these variables do not necessarily move together.

THE GCC ALLOCATION DECISION: A TWO-DYNAMIC FRAMEWORK THE GCC ALLOCATION DECISION: A TWO-DYNAMIC FRAMEWORK

GCC deployment into US real estate is shaped by conditions in both the US market and the GCC domestic environment, and these variables do not necessarily move together. That is a structural feature which makes the relationship navigable on the basis of a clear framework.

Appetite is the product of two largely independent dynamics: how GCC allocators perceive the US market, and whether GCC capital is available and positioned to deploy internationally. Material deployment requires both to be positive at once, which has happened twice in twenty-five years, in 2006–08 and 2014–16. The framework identifies the conditions that need to move rather than predicting when.

DYNAMIC 1: THE GCC VIEW OF THE US MARKET

The first dynamic governs how GCC allocators evaluate the US market. They interpret the same raw data as US managers—return series, sector performance, macro indicators—through their own filters: policy targets, governance constraints, currency and tax considerations, and evidence from their existing US portfolios.

The 2022–24 withdrawal was more severe than earlier tightening cycles of comparable magnitude. Rapid rate rises after a prolonged zero-rate period produced two compounding effects: values declined sharply against commitment benchmarks, and some funds suspended redemptions and deferred distributions. The second damaged confidence in the asset class as a strategic allocation, independent of near-term returns.

Dynamic 1 carries two negative signals. The rate signal may improve as the Fed easing cycle progresses. The confidence signal—institutional memory of redemption gates and deferred distributions—will take longer to clear and will not respond to rate movements alone.

DYNAMIC 2: THE INTERNAL GCC ENVIRONMENT

The second dynamic is internal to GCC institutions and less visible in external analysis: whether capital is available to deploy internationally at all. GCC institutions do not deploy as oil revenues arrive. They accumulate, revise mandates through budget cycles, and deploy 12 to 24 months later, which is why the 2014–16 volume peak occurs as prices fall. Subdued prices now constrain deployment capacity well into 2026–27.

Dynamic 2 operates at two levels. The regional level is common across institutions: oil revenue conditions, domestic deployment requirements, and the political relationship between GCC governments and the US, which together set the outer limit on international allocation. The institution-specific level covers the existing book, liquidity, redemption pressures and the governance process for approving a new commitment.

THE INDEPENDENCE OF THE TWO DYNAMICS

Neither dynamic drives the other, and neither resolves because the other improves. A US recovery—lower rates, stabilizing values, improving fund performance—does not change an internal GCC environment in which deployment is constrained; higher oil revenues do not resolve the memory of a damaging vintage.

The framework gives GCC institutions a structure for assessing where each dynamic stands relative to their own position, and for identifying what needs to move before scale deployment is appropriate. A period in which both are constrained is still a period for work on relationships, because those relationships are the access mechanism when alignment comes.

THE OUTLOOK FOR 2026–27: SCENARIOS AND IMPLICATIONS

The matrix in Exhibit 7 maps the principal factors bearing on GCC deployment decisions across both dynamics. Institutions weight them differently by segment and mandate, but the picture is consistent: conditions are in transition, with neither dynamic yet providing clear positive alignment. The US rate path signal has been revised to negative as of June 2026.

EXHIBIT 7: FACTORS BEARING ON GCC DEPLOYMENT DECISIONS

FACTOR	DESCRIPTION	SIGNAL
MARKET CONDITIONS		
US rate path	Hold through 2026; market pricing hike H2 2026	Negative
US macro	Demand path improving, but AI risk	Positive
Price/volume recovery	Trend path improving	Positive
Fund liquidity	Redemptions and distributions: trend improving	Positive
STRUCTURAL AND REGULATORY		
US tax friction	FIRPTA and FDAP: structural drag on net returns	Neutral
Shariah compliance	Structure-dependent — solvable but adds cost	Neutral
Currency and USD stability	GCC pegs manage FX exposure	Positive
GEOPOLITICAL AND DOMESTIC MANDATE		
US political uncertainty	Elevated sovereign risk perception	Negative
MENA geopolitical risk	Uncertainty persists	Negative
GCC Vision / local RE	Domestic competition for capital	Negative
Oil revenue environment	Elevated prices; constrained flows	Neutral
INSTITUTIONAL AND PORTFOLIO		
US RE allocation vs target	Some allocators at or above policy target	Negative
Internal liquidity	Slightly improving	Neutral
Manager relationships	Trusted managers still accessed	Positive

READING THE CURRENT ENVIRONMENT

The factors are tilted negative but not decisively. Market sentiment has shifted from rate cuts to rate hikes; growth has been solid, but elevated oil prices create broader risks.

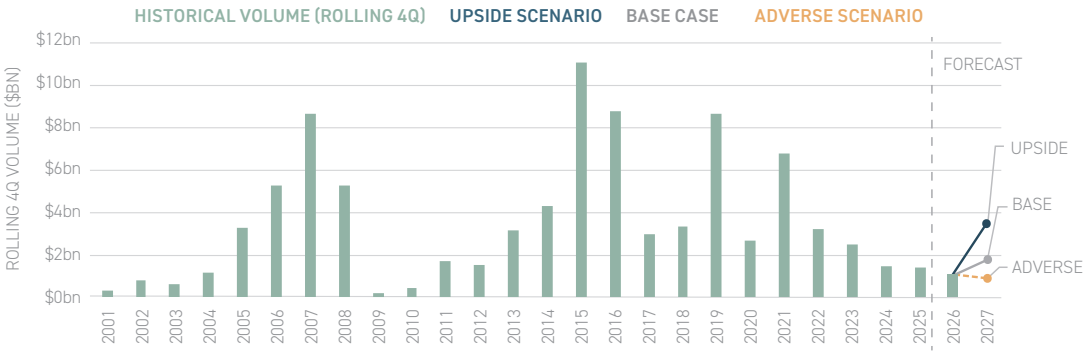
On the GCC side, the Iran conflict and Hormuz disruption introduce near-term uncertainty that reinforces institutional caution even where fiscal positions are in surplus. Domestic program mandates continue to absorb capital that could otherwise go offshore, and sovereign risk perception of the US has not improved.

There is no precedent in the data for a structural volume recovery under this combination: elevated rates trending higher, unresolved Hormuz exposure, and active domestic capital absorption. The 2014 inflection from $4 billion to $11 billion argues for maintaining positioning, but it occurred in a falling-rate environment.

THE HORMUZ CONTEXT

The closure of the Strait of Hormuz in late February 2026, following US military action against Iran, has disrupted global oil supply to a degree not seen since 1974. For GCC institutions this creates competing effects: elevated prices that improve fiscal positions in principle, against constrained export capacity and political uncertainty that inhibit major commitments.

EXHIBIT 8: GCC—US REAL ESTATE VOLUME, HISTORICAL AND FORECAST SCENARIOS



Sources: RFA/RCLCO; Federal Reserve and Reuters rate consensus (June 2026); EIA, World Bank and IMF outlooks (April–May 2026).

CURRENT PREFERENCES: WHAT GCC INSTITUTIONS ARE LOOKING FOR

This section addresses how GCC institutions engage: the structural conditions, vehicle preferences and governance requirements they bring to US real estate now. These preferences come from direct conversations with allocators across all major segments and geographies, conducted by Soling Partners during March, April and May 2026.

US REAL ESTATE REMAINS A CORE STRATEGIC ALLOCATION

Across every segment and geography covered, US real estate remains a core strategic allocation, and no allocator consulted is exiting the asset class. The long-term case—USD denomination, tangible asset, established legal system, institutional liquidity in major markets—has not changed.

Recent vintage performance has been poor in a way that has shaped current preferences more acutely than a general downturn would: structures committed in 2021–22 carry assets acquired at peak valuations, and capital has not been returned on projected timelines. Allocators therefore distinguish between the asset class and the vehicle. The asset class remains core; the pooled fund is under sustained scrutiny.

INCOME OVER TOTAL RETURN

The shift toward income-generating assets is the most consistent preference signal in the research, and it extends beyond traditionally income-oriented allocators. Sovereign funds and family offices that previously accepted deferred income in pursuit of total return IRR now prefer current income.

Core is the stated preference; core-plus is the practical reality given current pricing. Value-add is tolerated only as a small component of an income-generating portfolio, where the thesis is specific and the income bridge during repositioning is credible. GCC ICs want to discuss income yield, lease structure and what happens to distributions when the market turns.

STRUCTURE: THE SMA AND DIRECT TRANSACTION PREFERENCE

The preference for separately managed accounts and direct transactions over pooled funds has hardened into a structural requirement. Control is the primary driver: GCC governance frameworks, approval hierarchies and decision timelines differ from those of US managers, and 2019–24 showed that ceding control to a manager not calibrated to GCC conditions creates problems difficult to resolve once assets become impaired.

Transparency is the second. Direct ownership and SMA structures provide asset-level visibility that satisfies GCC governance processes—IC reporting, board oversight, regulatory compliance—in a way quarterly fund reports do not.

Fee structure is the third. Many GCC institutions access US real estate through GCC-based aggregators who add a co-GP or advisory fee on top of the US manager's fee. In a pooled fund that fee is difficult to justify; in an SMA or direct structure the co-GP's active role—governance oversight, reporting, local relationship management—provides a legitimate basis for it.

A number of GCC allocators are now US GPs themselves via subsidiaries, and many others seek terms that make them co-GPs on specific transactions. We intend to explore the trend in a future report.

There is a clear preference for established, liquid coastal markets over secondary and tertiary centers, a direct response to the liquidity experience of the previous cycle.

SCALE AND SEGMENT: WHO IS ACTIVE, AND AT WHAT SIZE

SOVEREIGN WEALTH FUNDS

Sovereign funds require transactions of $400 million or above to justify the governance and execution overhead of a direct US allocation. The natural structure is a direct partnership or SMA with a large, established manager whose decision-making suits sovereign governance timelines. Most operate under sovereign immunity frameworks exempting them from FIRPTA and FDAP withholding.

FINANCIAL INSTITUTIONS

Financial institutions—regional banks, investment companies, takaful operators and dedicated real estate vehicles—operate at transaction sizes up to roughly $200 million across multiple assets. They prefer specialist managers with demonstrable sector expertise over large, diversified platforms, in a relationship more transactional than the SWF partnership but deeper than a fund subscription.

Shariah compliance is a genuine structuring requirement for this segment. AAOIFI-compliant structures—Diminishing Musharaka for residential, Ijarah for income-generating assets—are well established across most preferred sectors, but the legal and structuring cost is real, and managers who have retained the capability have a material advantage.

FAMILY OFFICES

Family offices show the widest variation in preference and capability. Some are sophisticated direct investors with their own US teams; most access the market through GCC-based aggregators that bundle smaller allocations into structured vehicles and supply a local governance layer they cannot replicate independently.

Transaction sizes are generally sub-$100 million and often sub-$50 million, where the relevant manager is typically a specialist. Family offices frequently follow the lead of larger institutions they respect, since a credible allocation provides IC-level validation. These aggregator and distributor relationships are a significant, underappreciated channel.

RISK PROFILE AND DURATION

The stated preference across segments is for closed-end structures with defined investment periods, operating assets and a core-plus risk profile. Closed-end is preferred because the open-ended experience of 2022–23—suspended redemptions, deferred distributions—showed the liquidity promise to be conditional in ways GCC allocators found unacceptable.

Core-plus in GCC allocator terms means income-generating assets with a modest enhancement component—lease-up, light repositioning, market rent reversion—where the enhancement is time-bound and the base income case does not depend on execution.

The phrase used in research conversations—the deal is always king—captures how GCC ICs operate. Stated portfolio-level preferences are genuine, but a compelling transaction from a trusted manager, with a credible income case and appropriate structure, can clear a GCC IC even when it sits outside those parameters.

GEOGRAPHY

There is a clear preference for established, liquid coastal markets over secondary and tertiary centers, a direct response to the liquidity experience of the previous cycle. Several GCC institutions hold positions in smaller Sun Belt markets where assets became impaired and exit options were constrained. The ability to exit at a reasonable price is now an explicit requirement.

Gateway and major regional markets—New York, Los Angeles, Boston, Miami, Seattle, Chicago, Washington DC—are preferred across all segments. Sun Belt markets with institutional depth remain acceptable for allocators with existing familiarity, but the broad enthusiasm of 2018–22 has not returned. Markets where impaired assets sit in GCC portfolios are unlikely to attract fresh capital in the near term.

ABOUT THE AUTHORS

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NOTES

[1] GCC flow figures are drawn from MSCI Real Asset Analytics and represent directly attributable GCC institutional investment in US real estate, not measures of total GCC exposure. Capital also reaches US real estate through pooled funds, offshore SPVs, onshore subsidiaries and co-investment structures that transaction-level data does not consistently capture. Tracked figures may materially understate total flows, and are used here as directional indicators.