

GCC Real Estate Debt Market: Slowing Issuance, Mounting Credit Pressures



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Bird-Eye View: A Sector-Specific Slowdown, Not a Broad GCC Credit Event

Issuance has stalled and credit quality is diverging; execution and cash conversion will decide who reopens first

1 Issuance Has Decoupled

USD 3.4bn

YTD Sep-26 issuance, down 46.8% YoY vs. +6.6% for the total GCC

What's happening? One deal in Q2, none in Q3; 2026 on course for a ~50% decline

2 Refinancing Wall Is Back-Ended

~83%

of USD 23.4bn outstanding debt matures in 2029 or thereafter

What's happening? UAE: USD 10.6bn due by 2030 vs. USD 3.1bn in KSA

3 Credit Exposure Is Concentrated

~70%

of the market is held by seven established issuers

What's happening? Recurring-income platforms screen stronger than developers

4 IG: Balance Sheets Diverge

0.4x vs. 3.3x

Debt/EBITDA, Emaar vs. Aldar (LTM June 2026)

What's happening? Long-end IG widening has reversed; only 3–5Y remains wider

5 HY: Repricing Is Sustained

+112 bps

net widening in 3–5Y HY senior bonds since end-2025

What's happening? Issuer-specific risk, not duration, sets HY pricing

6 Execution Decides Reopening

2027

the year delivery and cash collection become the test

What's happening? Established, liquid issuers should re-access markets first

Bottom line

GCC real estate credit is not under broad stress, but access is narrowing; established IG issuers keep their funding flexibility, while HY developers face sustained repricing ahead of a back-ended maturity wall.

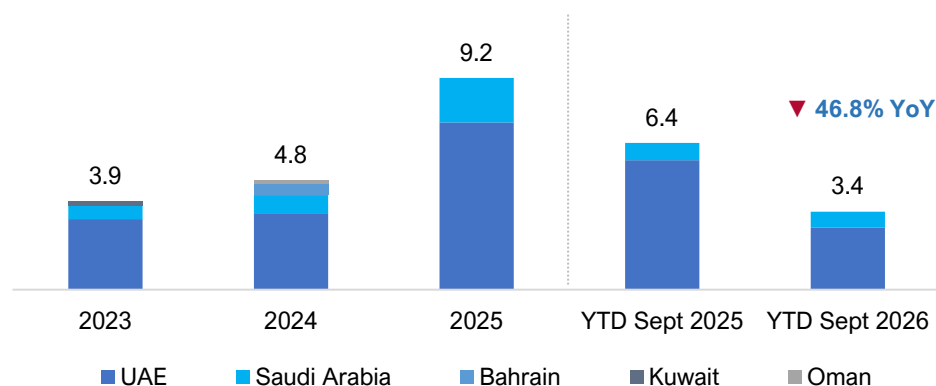
Source: Aranca Research, Bloomberg, Moody's, S&P, Fitch, Cap IQ

GCC Real Estate Debt Lags Broader Market Amid Iran–Israel Conflict

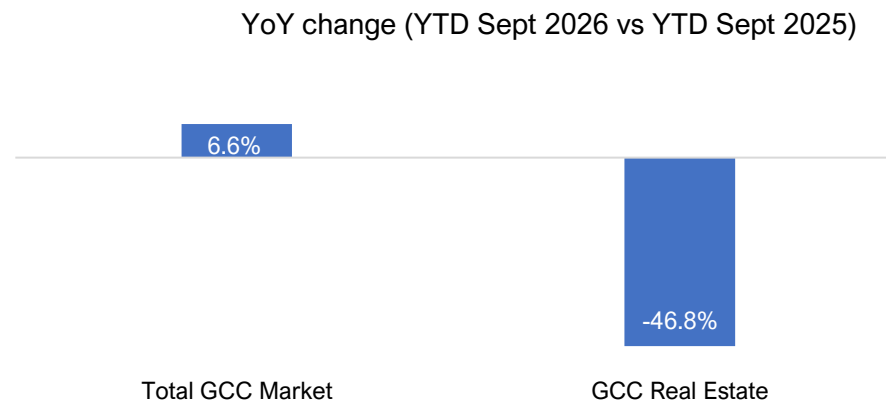
Conflict-related cost pressures and execution risks keep real estate issuance subdued

- **Issuance fell sharply:** GCC real estate debt issuance fell 46.8% YoY to USD 3.4bn in YTD September 2026, as the Iran–Israel war weakened appetite. Issuance slowed after Q1, with only Dar Al Arkan's USD 600mn transaction in Q2 and none in Q3.
- **Investors turned selective:** Higher construction costs and longer material lead times increased execution risks around new projects. In the UAE, imported building-material costs rose 20–25% from pre-conflict levels, adding to investor caution towards new issuance.
- **Real estate diverged from the market:** GCC bond issuance rose ~6.6% YoY to USD 154bn in YTD September 2026, while real estate issuance fell, highlighting a sector-specific slowdown rather than broader GCC credit weakness.
- **Year-end recovery remains challenging:** Issuers would need USD 5.8bn in Q4 to match 2025's USD 9.2bn issuance, leaving the year on course for a ~50% decline.

Real Estate Debt Issuance Trend (USD bn)



Debt Issuance: Overall Market vs. Real Estate



Key takeaway

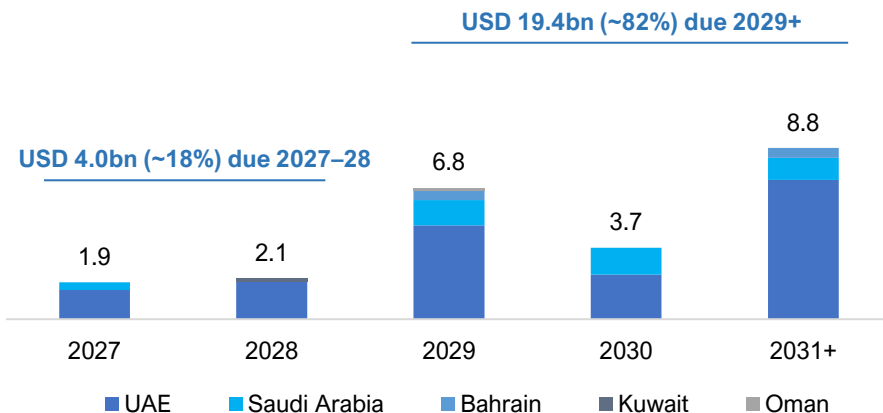
Real estate issuance has decoupled from the broader GCC debt market, with conflict-related execution risks and weaker investor appetite likely to keep 2026 issuance well below 2025 levels.

Source: Aranca Research, Bloomberg, Moody's, Zawya

Near-Term Refinancing Risk Remains Contained, but Funding Access Will Stay Selective

Bank liquidity, government linkages and regulatory support help offset rising refinancing needs

GCC Real Estate Debt Maturity Profile – As of Sept 2026 (USD bn)



- **Back-ended maturity profile provides near-term headroom:** Maturities remain relatively modest through 2028 but rise materially from 2029, increasing the importance of proactive refinancing and liquidity preservation.
- **UAE carries the largest exposure:** Refinancing exposure is concentrated in the UAE, with USD 10.6bn maturing through 2030 vs. USD 3.1bn in Saudi Arabia, leaving UAE issuers more exposed to rollover and funding-cost risks.

Key Funding and Liquidity Considerations for GCC Developers



Bank liquidity broadens financing options

Large GCC banks remain well positioned, with liquid assets at ~20% of balance sheets, average Tier 1 capital of ~17% and deposits up 6.2% YTD through April 2026. This provides developers with an alternative funding channel when bond markets are less attractive.



Government linkage can strengthen funding access

Aldar benefits from Mubadala ownership, while Emaar's scale and established market position support funding access. Other peers remain relatively more exposed to market conditions.



Regulatory easing can support cash conversion

Abu Dhabi permits off-plan mortgages after 50% payment, with Aldar completing the first registration in September 2026. With off-plan accounting for 89% of 1H 2026 residential sales value, wider mortgage access could support developer collections.



Escrow can constrain deployable liquidity

In Abu Dhabi, escrow releases are linked to verified construction progress, while Saudi Arabia requires separate project escrow accounts and retains 20% of eligible surplus until completion, limiting the immediate redeployment of project cash.

Key takeaway

Near-term refinancing looks manageable, but flexibility will increasingly depend on funding diversification and issuer-specific support.

Source: Aranca Research, Bloomberg, S&P, Aldar, Emaar, Rega, ADREC

Recurring Income Anchors Investment-Grade Credit Strength

Diversified earnings reinforce credit resilience

16,307

USD mn outstanding
across the seven issuers

~70%

share of the market held
by these issuers

INVESTMENT GRADE

3 issuers · USD 8,300 mn · diversified, recurring-income platforms

3 | 4

investment-grade vs
high-yield issuers

5 | 2

UAE vs KSA issuers

Aldar Properties

UAE

4,290 USD mn outstanding

S&P
NR

Moody's
Baa2

Fitch
NR

✓ **Credit strengths**

Benefits from Mubadala ownership, a sizeable recurring-income platform and a diversified business mix across development and investment properties.

! **Key risks**

Exposure to property-market cycles and execution of a large development pipeline.

Majid Al Futtaim

UAE

3,010 USD mn outstanding

S&P
BBB

Moody's
NR

Fitch
BBB

✓ **Credit strengths**

Supported by diversified operations across malls, retail, communities and entertainment, alongside a strong recurring-income base.

! **Key risks**

Concentration in major flagship assets, pressure from weaker retail performance and continued capital requirements across development projects.

Emaar Properties

UAE

1,000 USD mn outstanding

S&P
BBB+

Moody's
Baa1

Fitch
WD

✓ **Credit strengths**

Strong development visibility, recurring income and large net cash support the credit profile.

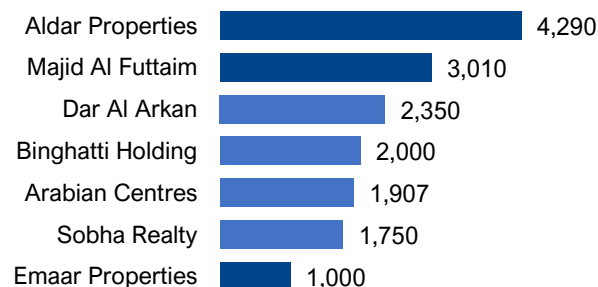
! **Key risks**

Exposure to Dubai real estate demand, pressure on hospitality and entertainment earnings, construction cost inflation and potential delays in customer collections.

Outstanding issuance by issuer (USD mn)

■ Investment grade

■ High yield



Key takeaway

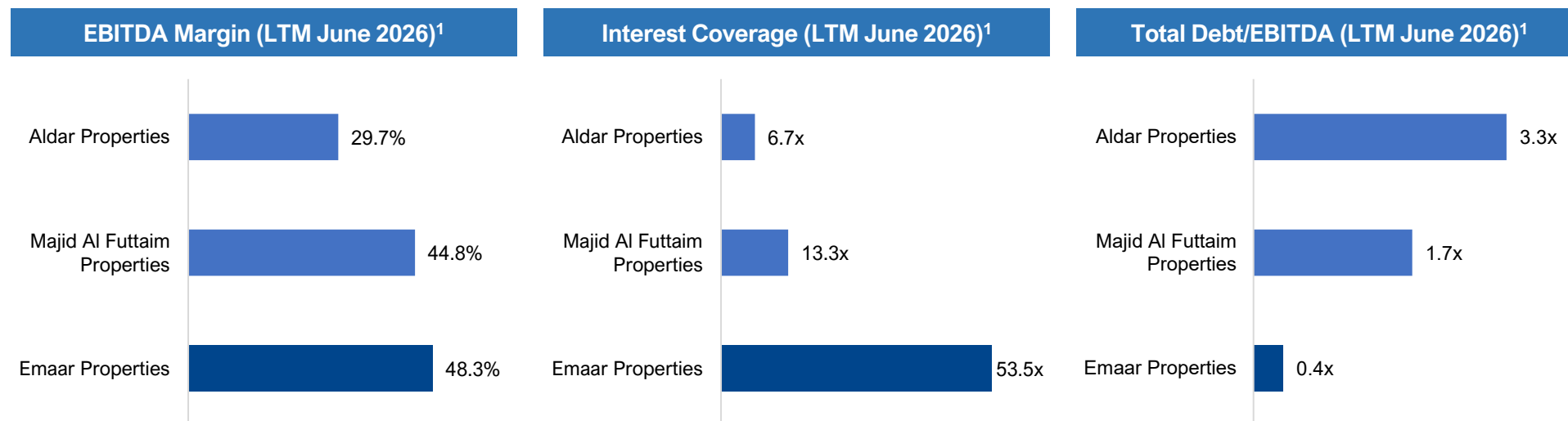
Recurring income provides a cushion against development volatility, although sizeable project commitments and exposure to property cycles remain material credit risks.

Source: Aranca Research, Bloomberg, Moody's, S&P, and Fitch

IG Peer Analysis: Financial Metrics Reveal Distinct Credit Profiles

Emaar's low leverage and strong coverage set it apart from IG peers

Comparative Analysis of Profitability Margins and Key Credit Metrics Across IG Real Estate Peers



Margins reflect earnings mix

- Emaar (48.3%) and MAF (44.8%) benefit from high-margin development and recurring income
- Aldar's 29.7% reflects greater development exposure

Coverage is strong, headroom varies

- Emaar's 53.5x reflects a minimal financing burden
- MAF's 13.3x rests on recurring cash flows; Aldar's 6.7x on a larger debt base

Leverage is the clearest differentiator

- Emaar's 0.4x gives ample capacity to absorb stress
- MAF's 1.7x is moderate; Aldar's 3.3x leaves the least borrowing headroom

Key takeaway

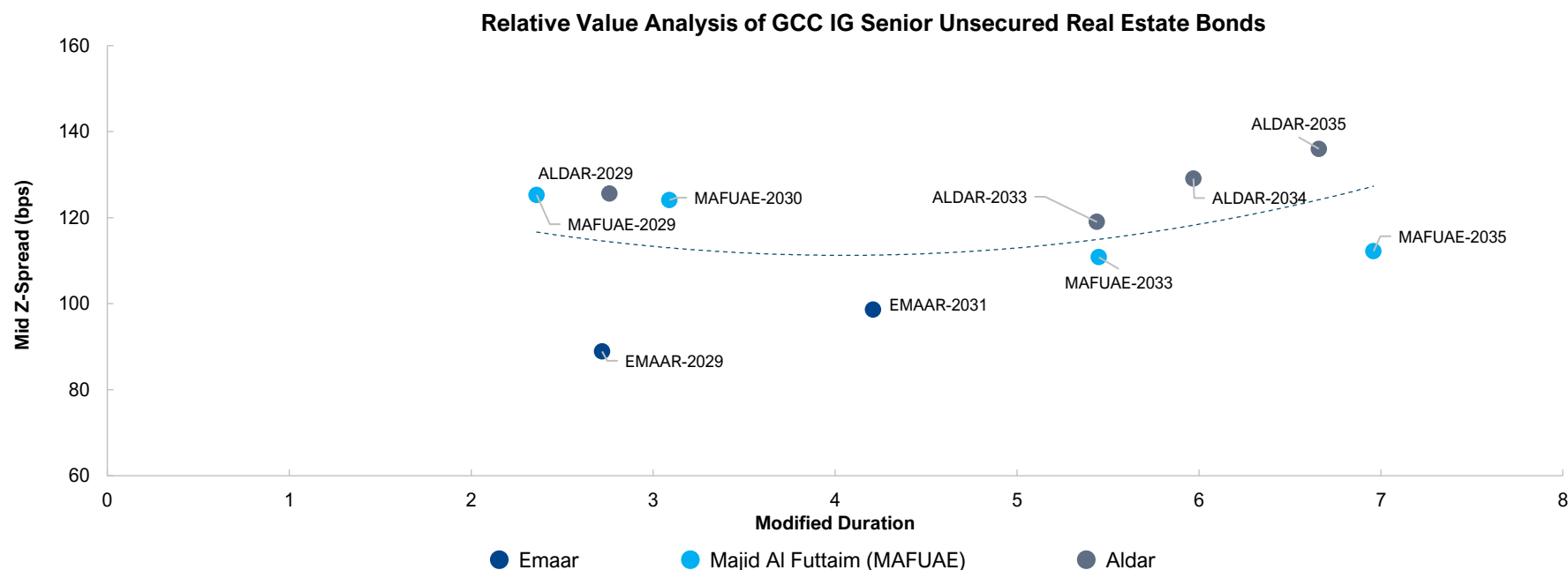
Emaar is the IG balance-sheet benchmark; Aldar's higher leverage and thinner coverage make it the most funding-sensitive IG name, although Mubadala ownership supports its market access.

Source: Aranca Research, Cap IQ, Company Filings of Emaar, Majid Al Futtaim & Aldar

Note: ¹Credit metrics are based on LTM June 2026 financials, except MAF, which reflects December 2025 standalone financials

GCC IG Real Estate Bonds Exhibit Divergent Spread Curves

Emaar leads short-end pricing, while Aldar and MAF diverge at longer durations



Emaar: Short-End Pricing Advantage

Emaar's 2029 bond trades at 89 bps, ~37 bps tighter than comparable MAF and Aldar bonds, highlighting issuer-level pricing differentiation within the IG segment.

MAF: Inverted Spread Profile

MAF's longer-duration bonds (5.5–7.0 years) trade at ~112 bps vs. ~125 bps for shorter-duration bonds, indicating an inverted spread curve despite higher duration exposure.

Aldar: Widening Long-End Premium

Aldar's spread premium over MAF increases from 8 bps for 2033 maturities to 24 bps for 2035 maturities, highlighting greater relative spread compensation at the longer end despite comparable durations.

Key takeaway

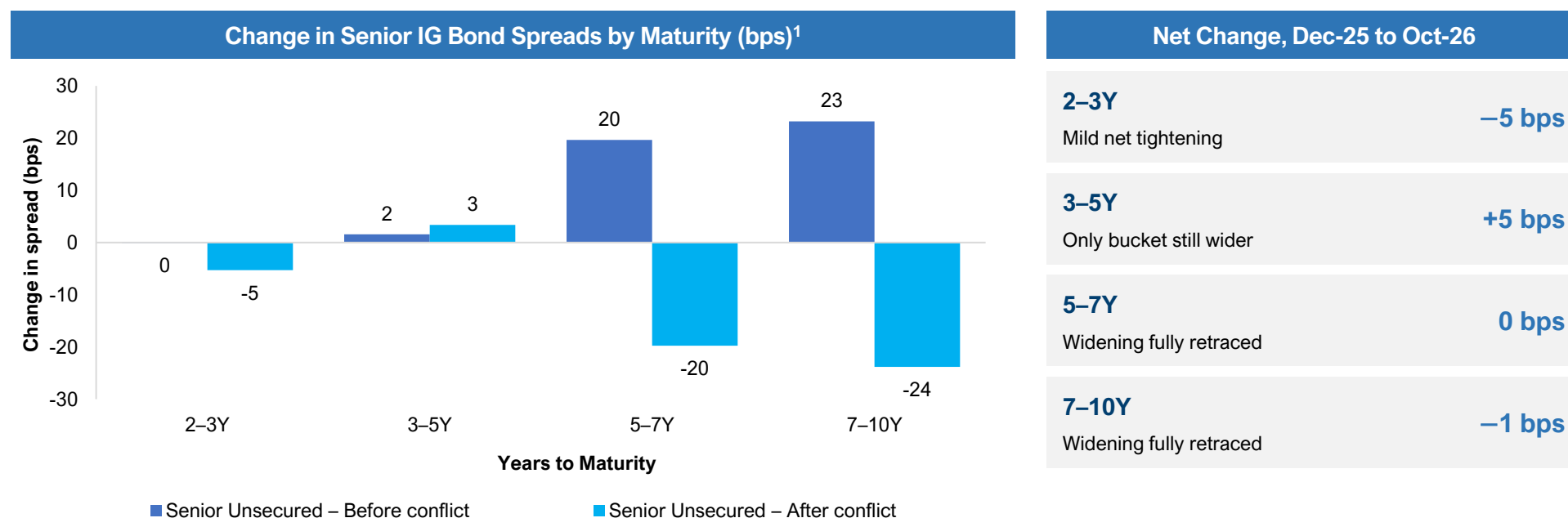
IG pricing is issuer-led rather than curve-led, Emaar commands a clear short-end advantage, while MAF and Aldar price differently at the long end despite similar durations.

Source: Aranca Research, Bloomberg

Note: Data Labels represent Corp Ticker and Maturity year for Senior Bonds

Regional Conflict Reshaped Risk Pricing Across IG Bonds

Stronger demand for higher-quality credit supported longer-dated bond valuations



Investor Demand Remained Selective

- **Repricing was uneven across the curve:** While longer-dated bonds retraced earlier widening, the 3-5Y bucket continued to widen, indicating that spread normalization was not broad-based across IG maturities.
- **Tighter spreads may not translate into lower funding costs:** Post-conflict spread compression could improve refinancing conditions for IG issuers; however, elevated benchmark yields and potential new-issue concessions may offset the benefit, limiting the reduction in overall borrowing costs.

Key takeaway

Demand for quality reversed post-conflict IG widening at the long end; with 3-5Y still wider and benchmark yields elevated, the funding-cost benefit for IG issuers is real but limited.

Source: Aranca Research, Bloomberg

Note: ¹Spreads are analyzed across two periods: pre-conflict (31 December 2025 to 27 February 2026) and post-conflict (27 February 2026 to 8 October 2026)

High-Yield Real Estate Credit: Distinct Issuers, Different Pressure Points

Developer-led and single-market names make up the high-yield tier

Where the risk sits?

Risk themes flagged in each credit profile

	Dar Al Arkan	Binghatti	Cenomi	Sobha
Single-market concentration	●	●	○	●
Demand / earnings volatility	●	●	○	●
Execution & delivery	○	●	●	●
Leverage & capital intensity	●	○	●	○
Construction cost inflation	○	○	○	●
Governance	○	○	○	●
Themes flagged	3	3	2	5

HIGH YIELD

4 issuers · USD 8,007 mn · developer-led and single-market names

Dar Al Arkan

KSA **2,350** USD mn

S&P
NR

Moody's
B1

Fitch
NR

✓ **Strengths** Strong Saudi real estate fundamentals and a high-value land bank support the credit profile.

! **Key risks** Single-market concentration, volatile land-driven earnings and the capital-intensive nature of the business keep credit metrics under pressure.

Binghatti Holding

UAE **2,000** USD mn

S&P
NR

Moody's
Ba3

Fitch
BB-

✓ **Strengths** Low leverage, strong interest coverage and solid pre-sales support credit resilience.

! **Key risks** High exposure to Dubai leaves the business sensitive to weaker residential demand and off-plan sales; expansion into larger master-community projects could increase execution, funding and delivery risks.

Arabian Centres (Cenomi)

KSA **1,907** USD mn

S&P
B+

Moody's
NR

Fitch
BB

✓ **Strengths** Leading Saudi mall portfolio, resilient occupancy and new flagship openings support the operating profile.

! **Key risks** Elevated leverage, leasehold exposure and execution risk around the development pipeline, although leverage is expected to moderate as new assets ramp up.

Sobha Realty

UAE **1,750** USD mn

S&P
BB

Moody's
Ba2

Fitch
NR

✓ **Strengths** Strong off-plan sales, a large revenue backlog and solid market position support the credit profile.

! **Key risks** Geographic concentration in Dubai, exposure to cyclical demand, rising construction costs and delays, and governance constraints from concentrated family ownership.

Key takeaway

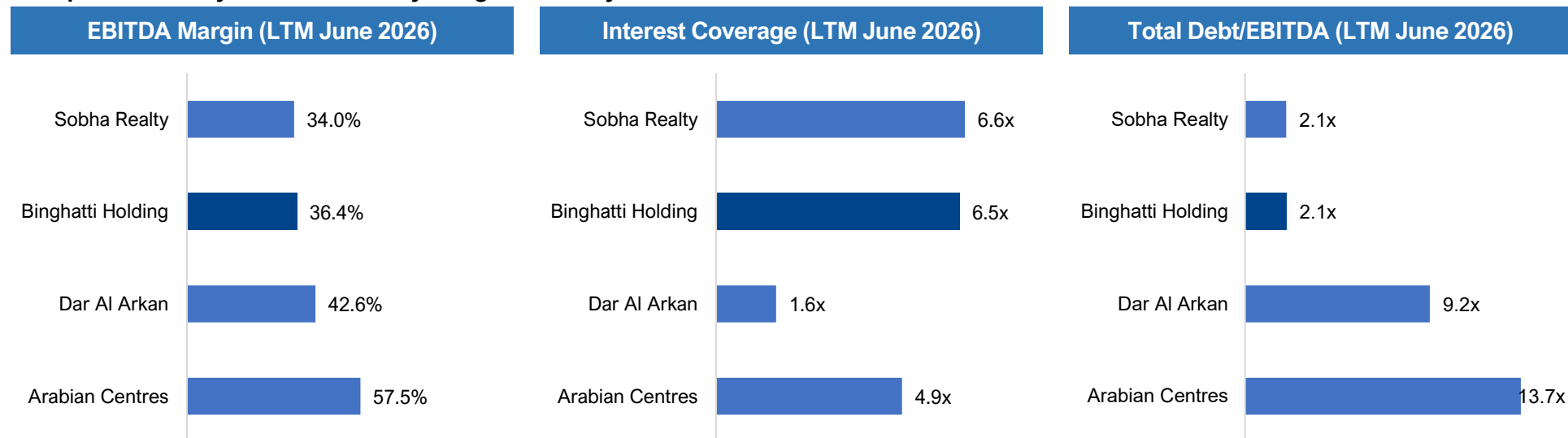
Credit assessment requires an issuer-specific lens: demand and delivery risks for Dubai developers, volatile land-driven earnings for Dar Al Arkan, and elevated leverage for Cenomi.

Source: Aranca Research, Bloomberg, Moody's, S&P, and Fitch

HY Peer Analysis: Profitability Does Not Necessarily Signal Stronger Credit Metrics

Binghatti's low leverage and strong coverage contrast with its HY rating

Comparative Analysis of Profitability Margins and Key Credit Metrics Across HY Real Estate Peers



Margins reflect business model

- Arabian Centres (57.5%) leads on mall rents; Dar Al Arkan (42.6%) on land sales
- Binghatti (36.4%) and Sobha (35.5%) are more exposed to construction costs

Headroom varies materially

- Sobha Realty (6.6x) and Binghatti's (6.5x) have the strongest interest Coverage
- Dar Al Arkan (1.6x) has limited headroom

Headline leverage understates risk

- Binghatti (2.1x) and Sobha (2.0x) carry Dubai concentration and execution risk
- Dar Al Arkan (9.2x) and Arabian Centres (13.7x) reflect capital-intensive models

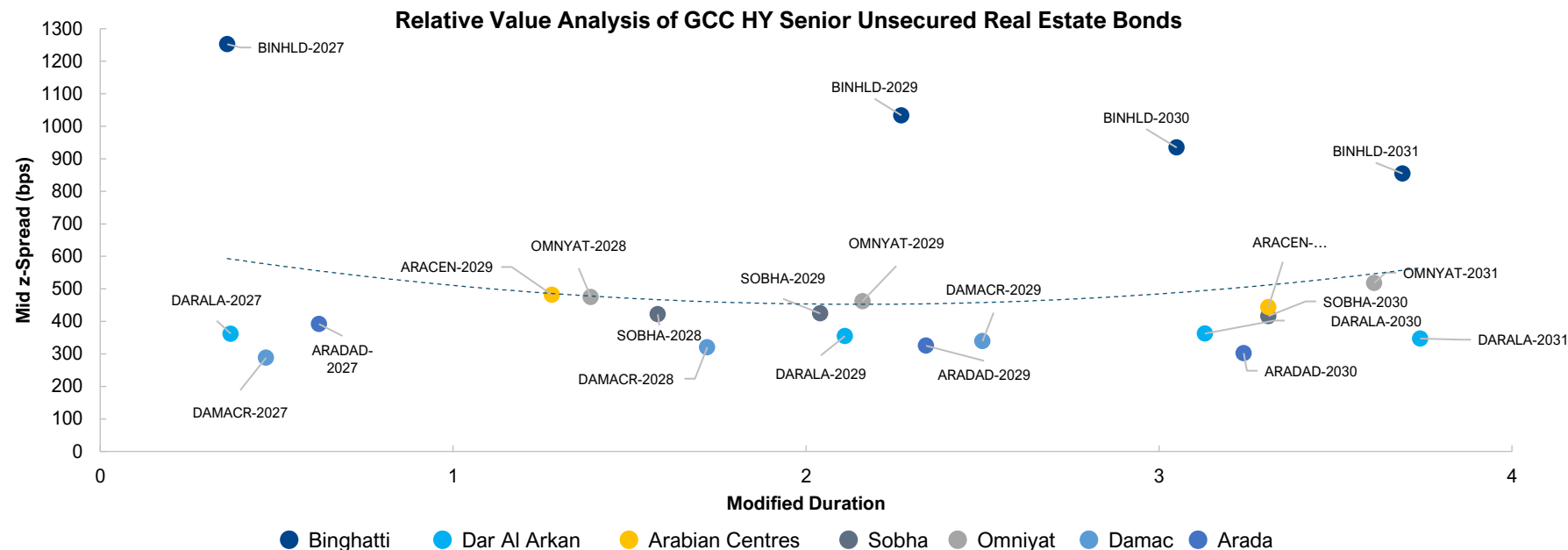
Key takeaway

In HY, metrics alone do not set the rating: Binghatti's strong coverage and low leverage are offset by concentration and execution risk, while the most levered names rely on recurring income or land value.

Source: Aranca Research, Cap IQ, Company Filings of Arabian Centres, Dar Al Arkan, Binghatti Holding, Sobha Realty

Issuer-Specific Risks Drive Spread Differentiation Among HY Senior Bonds

Longer-duration bonds do not consistently command higher spreads across HY issuers



Leverage Alone Does Not Explain Pricing

- Despite similar leverage, Binghatti trades at a substantial spread premium to Sobha, suggesting investors place greater weight on its geographic concentration and project execution risks.

Limited Premium for Longer-Dated Bonds

- Dar Al Arkan's spreads remain within a narrow 347–362 bps range despite modified duration increasing from 0.4 to 3.7 years. The largely flat spread curve suggests investors demand little additional compensation for longer maturities.

Key takeaway

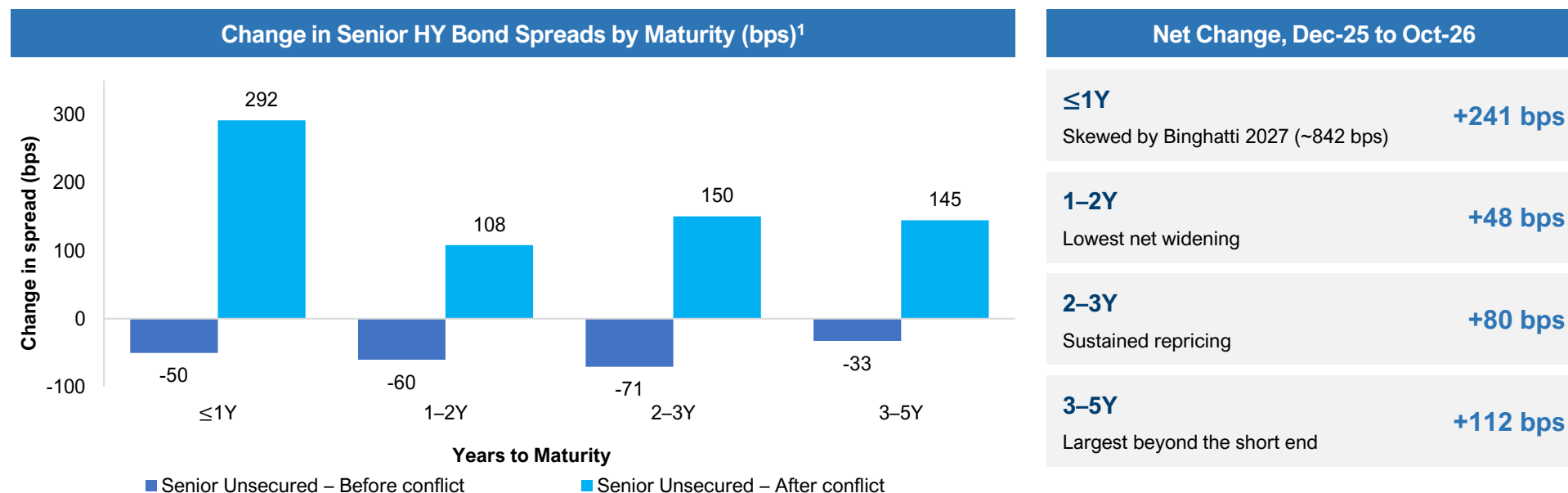
HY spreads are set by issuer-specific risk rather than duration, Binghatti trades well wide of similarly levered Sobha, while Dar Al Arkan's curve is largely flat.

Source: Aranca Research, Bloomberg

Note: Data Labels represent Corp Ticker and Maturity year for Senior Bonds

Post-Conflict HY Spread Widening Outweighed Earlier Tightening Across All Maturities

3–5Y bucket saw the largest net widening beyond the short end, signaling elevated medium-term credit risk



Spread Movements Were Driven by Select Issuers

- **Short-end widening was concentrated in a single issuer:** Bingham's 2027 bond widened by ~842 bps. Excluding this bond, average widening in the ≤1Y bucket falls from 292 bps to ~108 bps, broadly matching the 1–2Y segment and suggesting that near-term stress was not widespread.
- **Medium-term bonds faced more sustained spread repricing:** The 3–5Y bucket recorded 145 bps of widening against just 33 bps of earlier tightening, resulting in a net 112 bps deterioration—higher than the 1–2Y (+48 bps) and 2–3Y (+80 bps) buckets. This suggests investor concerns extended beyond immediate refinancing pressures to medium-term credit risks.

Key takeaway

HY repricing has outlasted the conflict shock, net widening in every bucket, led by the medium term, points to lasting concern over refinancing and execution risk rather than a one-off move.

Source: Aranca Research, Bloomberg

Note: ¹Spreads are analyzed across two periods: pre-conflict (31 December 2025 to 27 February 2026) and post-conflict (27 February 2026 to 8 October 2026)

IG vs. HY: Credit Divergence Is About Balance Sheets and Pricing, Not Profitability

IG spreads have normalized post-conflict, while sustained HY premiums highlight growing credit divergence

Metric	Investment Grade	High Yield	What It Means
Total Debt/EBITDA (LTM June 2026)	0.4x – 3.3x	2.1x – 13.7x	<ul style="list-style-type: none"> HY leverage spans a far wider range; low leverage alone (Binghatti, Sobha) does not lift a name to IG
Interest coverage (LTM June 2026)	6.7x – 53.5x	1.6x – 6.6x	<ul style="list-style-type: none"> Two HY issuers are below 2x cover, leaving thin buffers if funding costs stay high
EBITDA margin (LTM June 2026)	29.7% – 48.3%	34.0% – 57.5%	<ul style="list-style-type: none"> Profitability does not separate the tiers; balance-sheet strength and business mix do
Senior spread level	~89 – 136 bps	~288 – 1,252 bps	<ul style="list-style-type: none"> HY trades at a multiple of IG spreads, with issuer risk rather than duration driving dispersion
Net spread change since Dec-25	–5 to +5 bps	+48 to +241 bps	<ul style="list-style-type: none"> Conflict-driven widening has reversed in IG but persists across every HY maturity bucket
Funding access	Open, supported by recurring income, liquidity and, for Aldar, Mubadala ownership	Selective, with higher costs and possible secured structures for weaker or debut issuers	<ul style="list-style-type: none"> Repeat IG issuers should lead any reopening; HY access hinges on delivery and cash conversion

Key takeaway

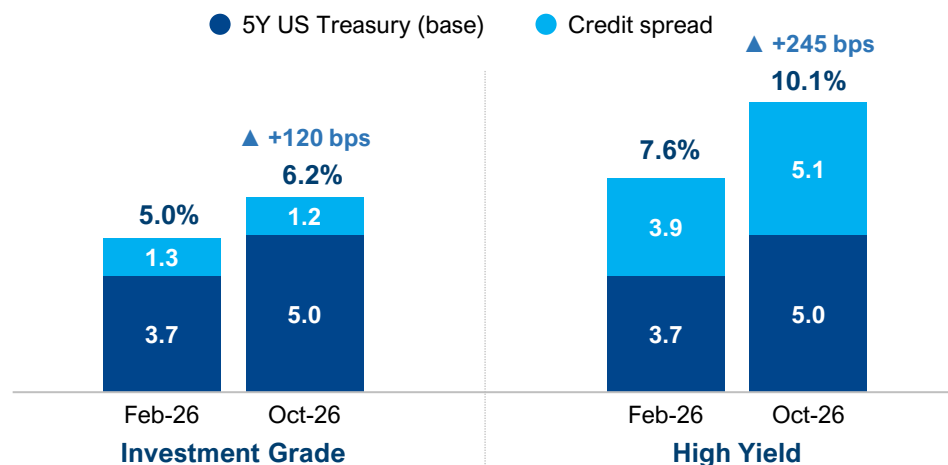
The IG–HY divide is widening where it matters for refinancing, IG issuers can fund on normalised spreads, while HY developers must earn back market access through delivery and cash conversion.

Source: Aranca Research, Bloomberg, Cap IQ, company filings

Higher Rates Amplify the IG–HY Divide in Refinancing Costs

Rising benchmark yields offset IG spread relief, while wider HY spreads compound borrowing costs pressures

All-in Yield Build-up, Feb-26 vs. Oct-26¹



Refinancing Cost Sensitivity²

Extra annual interest if 2027–30 maturities (IG: ~USD 2.9bn; HY: ~USD 11.8bn) refinance at yields above existing coupons.

+64 bps ≈ Overall weighted-average difference	~USD 94mn
+80 bps ≈ IG refinancing (~USD 2.9bn)	~USD 23mn
+60 bps ≈ HY refinancing, incl. NR (~USD 11.8bn)	~USD 71mn

Fed · Sep-26 3.75–4.00% +25 bps, confirmed	→	GCC pass-through 3.90% / 4.50% CBUAE / SAMA repo	→	Scenario · YE-26 4.00–4.25%
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How Higher Rates Transmit to GCC Real Estate Credit

Bond refinancing

- Fixed coupons defer the hit to refinancing, mainly the 2029 wall
- All-in yields up ~120 bps (IG), ~245 bps (HY) since Dec-25

Bank funding

- EIBOR/SAIBOR loans reprice within months of policy moves
- Floating bank debt is hit first, lifting near-term interest expense

Cash conversion

- Construction cash goes out upfront; collections follow escrow
- Higher rates widen the gap and can slow off-plan sales

Valuations and carry costs

- Higher discount rates pressure mall and recurring-income values
- Carry costs rise on land banks and unfinished projects

Key takeaway

IG spread normalization has provided limited relief as higher US benchmark yields keep funding costs elevated, while HY issuers face additional pressure from wider spreads. A widening gap between existing coupons and prevailing market yields could further increase refinancing costs as 2027–30 maturities approach.

Source: Aranca Research, Bloomberg, Federal Reserve (FRED), CBUAE, SAMA

Note: ¹Average credit spreads as of 26th Feb and 8th Oct 2026. ²Estimated additional annual interest is calculated by applying the difference between weighted-average YTM and coupon rates (weighted by outstanding bond amounts) to 2027–30 maturities. HY includes NIG and NR bonds.

Selective Reopening Depends on Execution, Not Just Sentiment

Higher borrowing costs make liquidity, project delivery and cash conversion critical over the medium to long term

Remaining 2026: Liquidity and Execution

Conflict-related uncertainty keeps public-market access selective

Selective demand should keep public-market access concentrated among established issuers with stronger liquidity and a proven funding record.

Alternative funding fills the gap

Developers may rely more on unrestricted cash, secured bank facilities and asset sales, although higher rates could increase bank funding costs. Project escrow supports construction, not parent-level debt repayment.

Liquidity buffers matter most

Large presales and development backlogs support cash-flow visibility, but conversion will depend on construction progress and timely collections.

2027: Delivery and Cash Collection

Issuance reopens gradually

If risk and investor confidence improve, repeat issuers should return first. Lower-rated and debut issuers may still face higher costs or secured structures.

Project delivery becomes the test

Handovers convert presales into cash. A larger 2027–28 supply pipeline could increase competition and place pressure on pricing and collection rates.

Higher Rates Increase the Importance of Refinancing Timing

With prevailing market yields exceeding existing coupons, issuers may need to secure favorable refinancing windows ahead of the larger maturities from 2029.

Investment Considerations

- **Issuance has decoupled:** Any reopening will be gradual and led by established issuers rather than broad-based.
- **Credit quality is diverging:** IG developers retain strong funding access; HY names face higher costs and tighter terms.
- **Refinancing wall is back-ended:** Near-term maturities are manageable, but higher borrowing costs increase rollover risks from 2029.
- **Execution decides reopening:** Presale collections and project delivery, not sentiment, will separate resilient issuers from stressed ones.

What to watch

Q4 2026: do repeat issuers reopen the market? | **2027:** handovers, collections and escrow releases | **2029:** maturity-wall refinancing

Source: Aranca Research



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