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Is the Saudi REIT Market More Interesting Than It Looks?

ARGAAM INTELLIGENCE RESEARCH TEAM

Content

Introduction

By Islam Zween

Saudi Arabia's listed REIT market sits quietly in the shadow of Tadawul's oil giants and banking behemoths — easy to overlook, smaller than it looks, and more complex than its surface uniformity implies.

But spend time with the data and something unexpected emerges. A single structural fault line runs through the entire sector, and it is not the one most analysts would reach for first. It is not asset class, or geography, or fund size.

It is something more fundamental — whether the manager answers to a bank or operates independently.

That one distinction predicts, with striking consistency, how much a fund borrows, what it owns, how the market prices it, and where it sits in the web of relationships connecting the sector. One divide. Every pattern flows from it.

The sector has its structural tensions — and the valuation gap is perhaps the most instructive. Most Saudi REITs trade below the stated worth of their underlying properties, reflecting a market still calibrating its confidence in reported asset values.

Some funds have begun to attract a more favourable reassessment as earnings quality becomes clearer.

Others, however, appear to remain in a different category — carrying discounts wide enough to suggest that the market's hesitation goes beyond routine caution and reflects a more fundamental question about how the underlying assets are being valued.

You have likely noticed that Saudi REITs rarely receive the analytical attention they deserve. This week we are changing that. Our study — The Saudi Listed REIT Market: An Empirical Overview — Structural Ecology Across Nineteen Funds — is the most comprehensive dataset-driven examination of this sector assembled in one place. We think it will change how you read these funds.

What the data over the past decade reveals is more structured than most market participants would expect.

A year ago, Argaam Intelligence identified the pressures bearing down on Saudi REITs — rising rates, compressed distributions, and a sector that had fallen sharply against a market moving in the opposite direction. This new study by our team builds on it, moving from identifying the pressure to examining the structural architecture underneath it.

One distinction — whether a fund's manager is bank-affiliated or independent — turns out to predict leverage, asset composition, valuation, and network position with striking consistency.

A second finding concerns risk: Saudi REITs behave far more like bonds than equities, moving with interest rate cycles in ways that have little to do with property fundamentals.

And a third finding speaks to how the sector holds together through a network whose central node, when the commercial relationships are fully mapped, turns out to be the Saudi government itself — a reflection not of market design but of how deeply public institutions are woven into the fabric of the broader economy.

Argaam Intelligence also examined — nearly a year ago — what foreign property ownership, could mean for Saudi REITs.

The argument then was that new capital sources could ease the valuation pressure the sector was carrying. Today that question has a fuller answer, and this study provides the framework to read it properly."*

The deeper you go into the data, the more one absence stands out. Across all nineteen funds, all 197 catalogued assets, and every dimension this study examines — leverage, valuation, ownership, network position — one asset class never appears.

Not once, not in any fund, not in any form that the regulatory framework would recognise. For a country executing one of the most ambitious infrastructure programmes in the world, that absence is striking.

It is also, we would argue, an opportunity hiding in plain sight. We examine it in full in our second analysis this edition and make the case for why it matters.

In our second analysis this edition — Why Saudi Arabia's REIT Market Needs Infrastructure and How to Build It — Argaam Intelligence surfaces a paradox that the headline numbers obscure entirely.

Saudi Arabia is already monetising infrastructure cash flows at a scale few countries can match. The assets are real, the demand is visible, and the investor base is ready. Yet domestic investors — the same retail and institutional clientele who oversubscribe REIT distributions — cannot access any of it. The analysis explains why, and what a credible path forward looks like.

Two thorough analyses. One market. And a question that runs through both: Saudi Arabia is building something consequential — the only question is whether its own investors get to own a piece of it.

Part 01

The Saudi Listed REIT Market

An Empirical Overview

Structural Ecology Across Nineteen Funds

Abstract

This paper is an empirical overview of Saudi Arabia's listed real estate investment trust (REIT) market, assembled from a daily market panel backfilled to the sector's November 2016 inception (some 36,600 fund-day observations), a quarterly panel of audited fundamentals, a property-level register of 197 assets, a weekly market model, and a relationship network merging ownership structure with FactSet Revere commercial ties.

The market is young and small — nineteen funds, an aggregate capitalisation near SAR 14.6 billion, about 0.15% of the Tadawul Main Market — and its listed units trade predominantly at discounts to net asset value. Its defining risk is duration, not equity beta: a cap-weighted REIT index carries a market beta of just 0.20 but a level correlation with the ten-year yield of −0.59, and cap-rate expansion through the 2022–23 rate cycle drove most of its de-rating.

The organising fact, however, is structural: one characteristic — whether a fund's manager is bank-affiliated or independent — orders the market across every lens.

It sorts leverage (bank-affiliated gearing near 32% of enterprise value against 45% for independents, a gap stable through time and on appraised values), sorts portfolio composition (independents leading the higher-yield classes), and sorts network position: on disclosed ties the funds sit in sixteen isolated silos, and it is the parent banks' commercial relationships that fuse them into a single connected web whose points of gravity — by betweenness centrality — are the sponsoring banks and a few shared counterparties, headed by the Government of Saudi Arabia.

Bank-affiliated funds occupy the core; independents, however large their portfolios, orbit the periphery. The paper reports these patterns descriptively and points to the questions they raise for a market maturing under Vision 2030.

01. Scale and Market Significance

Despite their visibility, REITs remain a small share of the overall market. The nineteen listed trusts carry an aggregate market capitalisation of roughly SAR 14.6 billion, equivalent to about 0.15% of the Tadawul Main Market's circa SAR 9.6 trillion.[2] The sector is therefore best understood as nascent rather than systemically important: individual funds are modest — only a handful exceed SAR 2 billion — and the asset class is still building the liquidity, analyst coverage and institutional depth of more mature REIT markets.

A market-capitalisation lens understates the sector's economic footprint. The nineteen funds control on the order of SAR 28–30 billion of gross real-estate assets; the gap between that and their roughly SAR 14.6 billion of listed equity reflects leverage and the persistent discounts at which most units trade relative to net asset value.

Measured against assets under management in the public-funds industry rather than against the whole equity market, REITs represent close to a quarter of the total — a more meaningful denominator, since it situates the funds within the asset-management complex they actually inhabit rather than against an index dominated by Saudi Aramco, the major banks and SABIC.

02. Introduction and Data

Saudi Arabia's listed real estate investment trust (REIT) sector is young, having been created by the Capital Market Authority's Real Estate Investment Traded Funds Instructions in October 2016 and inaugurated by the listing of Riyad REIT the following month.1 In under a decade the market has grown to nineteen exchange-traded REITs, making it one of the more visible expressions of the capital-market deepening envisaged under Vision 2030. The vehicles are structured as closed-ended public funds managed by licensed authorised persons, traded on the Main Market (Tadawul) alongside equities, and subject to a regulatory cap that limits borrowing to 50% of total asset value.

This paper sets out what the data show about that market. Rather than testing a single hypothesis, it assembles the sector's empirical record and reports its principal regularities as they emerge from the analysis. Five bodies of evidence underpin it: a daily market panel for all nineteen funds, backfilled to Riyad REIT's November 2016 listing and running to roughly 36,600 fund-day observations; a quarterly panel of book fundamentals (total assets, debt, equity, revenue and net income) assembled from each fund's audited statements; a property-level register of 197 individual assets compiled from full-year disclosures; a weekly market model estimated over 2016–2026 against equity and interest-rate factors; and a relationship network merging the ownership structure with FactSet Revere commercial ties. Market data are drawn from S&P Capital IQ as at 16–17 June 2026 and denominated in Saudi riyals; the full construction is described in the Data and Method note.

The findings can be stated briefly. The sector is small relative to the equity market but economically larger than its listed capitalisation suggests (Section 2); leverage is the cross-sectional dimension along which the funds most clearly separate, and it sorts by manager type in a way that is stable through time (Section 3); ownership sorts portfolio composition on the same axis (Section 4); the units trade predominantly at discounts to net asset value, with distribution yields compressed into a narrow band (Section 5); and the sector's dominant risk factor is interest rates rather than the equity market, so that the funds behave as duration assets (Section 6). Section 7 turns from the cross-section to the connections between the funds, mapping the ownership network and showing that its points of gravity are the sponsoring banks and a few shared counterparties. Section 8 draws the threads together.

03. The Cross-Section of Leverage

03.01. Leverage and Manager Type

Of the dimensions along which the nineteen funds differ, leverage is the most sharply separated — and it separates along a single structural line. The funds fall into two groups of almost identical aggregate size: those run by bank-affiliated asset managers (the asset-management arms of Al Rajhi, SNB/Al-Ahli, Alinma, Riyad and Aljazira) and those run by independent managers (Jadwa, SEDCO Capital, Alkhabeer, Musharaka, MEFIC and peers).

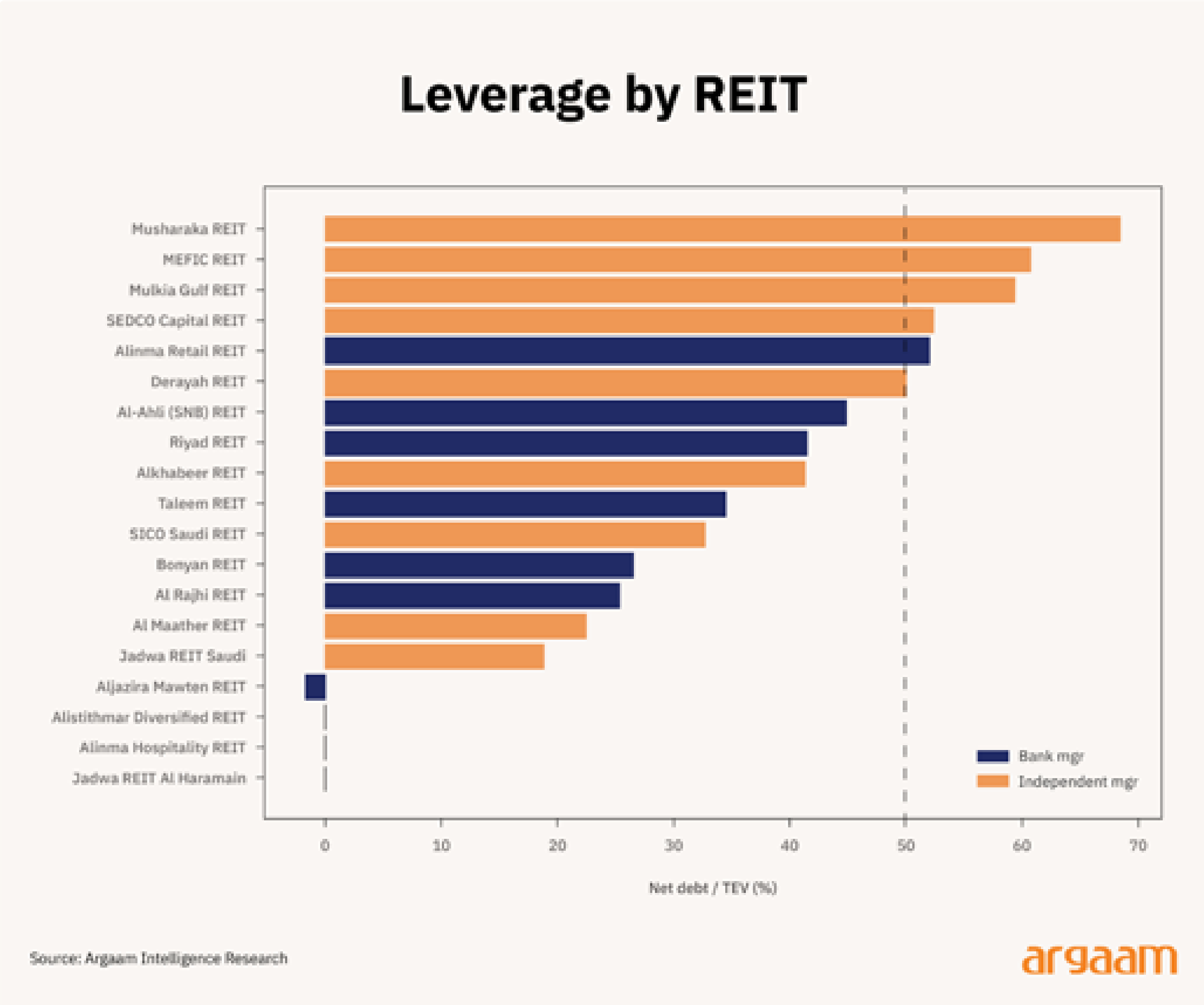
The two camps carry similar capitalisation but behave differently on the balance sheet (Table 1).

Manager type	REITs	Agg. cap (SAR bn)	Mean cap (SAR m)	Mean leverage (net debt / TEV)
Bank-affiliated	9	7.34	918	31.9%
Independent	10	7.23	723	45.2%
All listed REITs	19	14.57	—	—

Table 1. Bank-affiliated versus independent REIT managers, 16 June 2026 snapshot. Leverage = net debt / total enterprise value; group means exclude REITs with missing TEV. Source: author panel, S&P Capital IQ.

Bank-affiliated REITs run materially lower leverage — a mean net-debt-to-enterprise-value ratio of about 32% — than independently managed trusts, at 45%, and the most aggressively geared funds, those approaching or exceeding 60%, are almost exclusively independent (Figure 1).

The pattern is descriptive but consistent: bank-sponsored managers cluster at conservative gearing, plausibly reflecting the balance-sheet posture of their parent institutions, while independents gear higher, competing on yield and assets under management. Whether that difference reflects prudence, captive-vehicle conflicts, or simply differing investor bases is a question the cross-section raises rather than settles.



Source: Argaam Intelligence Research

Figure 1. Leverage (net debt / total enterprise value, %) by REIT, 16 June 2026. The dashed line marks the CMA's 50% regulatory ceiling on borrowing. Bank-affiliated managers (blue) cluster at lower gearing; the most highly leveraged funds are almost all independently managed (gold). Source: author panel, S&P Capital IQ.

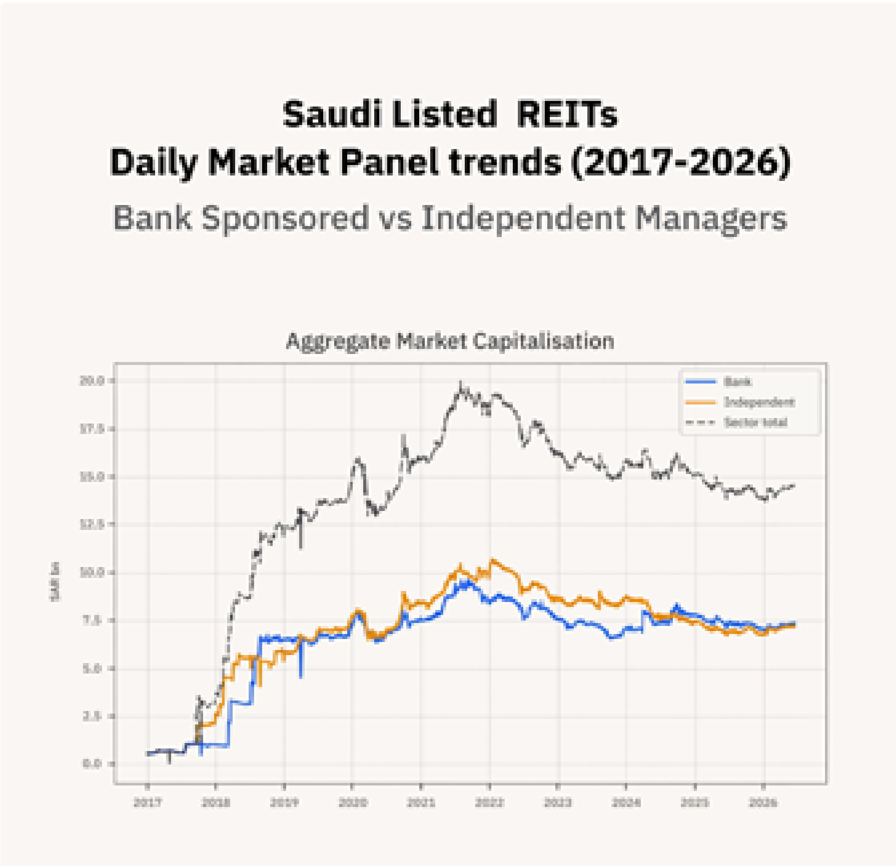
03.02.

Persistence through time

A single trading day cannot establish whether the leverage gap is structural or incidental. Extending the snapshot into the full time-series panel resolves this: since roughly 2019 the average net-debt-to-enterprise-value ratio of independently managed funds has run consistently above that of bank-affiliated funds, widening to a gap of ten to fifteen percentage points and never inverting (Figure 2).

Aggregate sector capitalisation and equal-weighted price performance, by contrast, track closely across the two camps, peaking around 2022 before easing with the rate cycle — so the separation is visible in balance-sheet risk, not in size or market return.

The book-value panel corroborates the market-based picture: measured as total debt to total assets from audited financials, independent managers again sit structurally above their bank-affiliated peers, and the gap is stable across the post-2019 period. Book assets stepped up sharply during the 2018–19 listing wave and have since plateaued near SAR 12–13 billion for each camp.



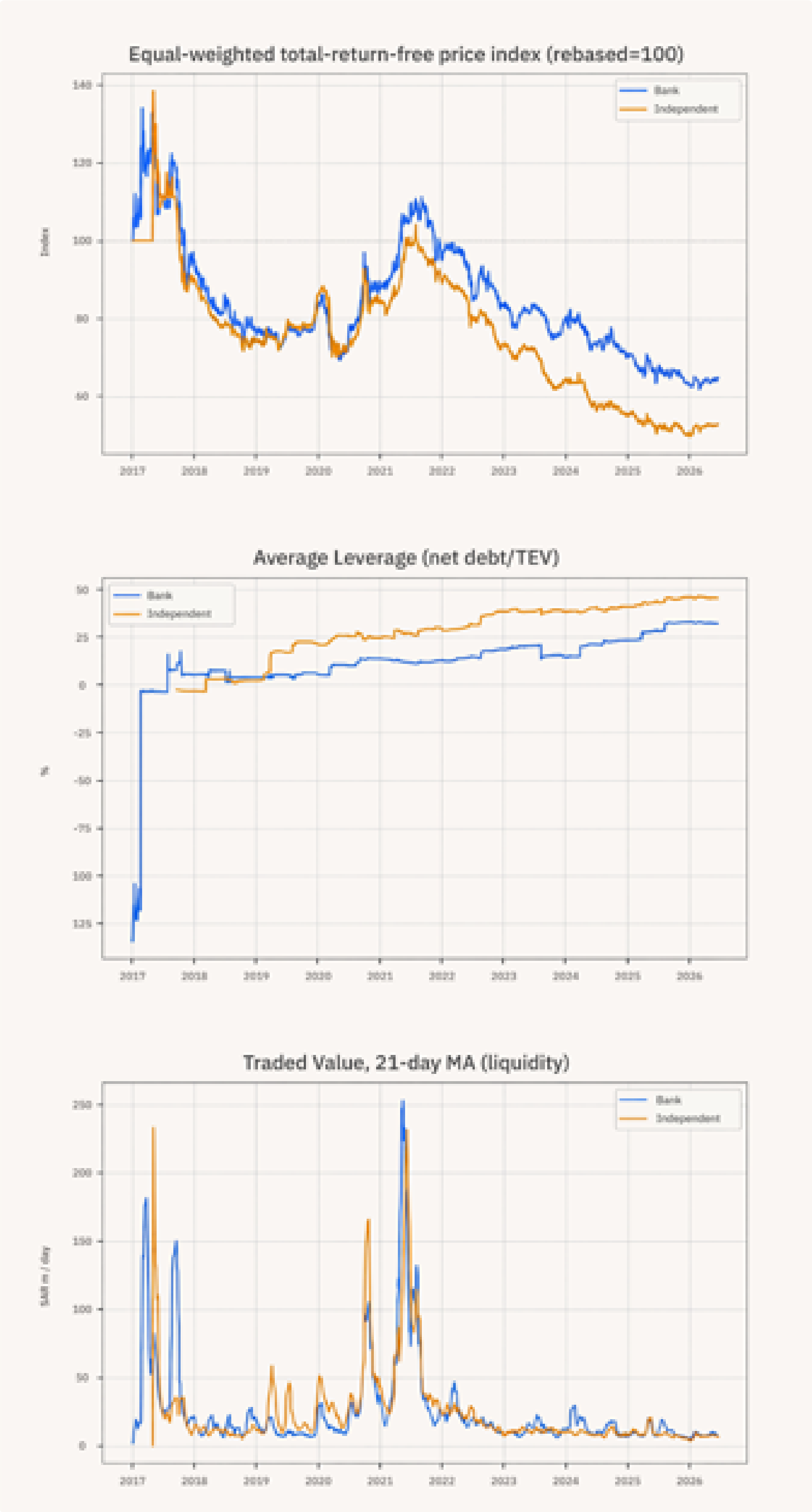


Figure 2. Daily sector trends, 2017–2026: aggregate market capitalisation, equal-weighted price index, average leverage (net debt / TEV) and traded value, split by manager type. The leverage panel shows the independent–bank gap opening after 2019 and never inverting. Source: author panel, S&P Capital IQ.

04. Portfolio Composition and the Asset Register

04.01.

What sits inside the funds

A property-level asset register, compiled for all nineteen funds from their latest full-year disclosures and cataloguing 197 individual assets, makes explicit what sits inside each structure; the register is reproduced in full, fund by fund, in the companion document “Data, Method and Property Asset Register” (Section B).

It shows that the same manager-type axis that sorts leverage also sorts the composition of the portfolios. Three patterns stand out.

First

the conventional commercial classes — retail, office, hospitality and education — divide roughly in proportion to the number of funds, but the operationally demanding, higher-yield classes are overwhelmingly independent: independents hold 87% of residential assets and 78% of logistics and warehouse assets, together with the only industrial and land holdings.

Second

independents run broader books — on average 5.5 distinct asset classes and 12.1 properties per fund, against 3.2 classes and 8.4 properties for bank-affiliated funds. Third, the most concentrated single-asset vehicles are small bank-sponsored funds (the SNB/Al-Ahli REIT’s single mall is 67% of its value), while geography is uniformly central: Riyadh alone accounts for 52% of located assets.

04.02.

Infrastructure exposure

Whether the sector extends beyond conventional real estate into infrastructure depends on definition. On a strict reading — digital, energy or transport infrastructure such as towers, data centres, pipelines or toll roads — none of the nineteen funds qualifies, and the CMA regime contains no separate infrastructure-REIT category.

On a broader reading that admits social and economic infrastructure (education campuses, healthcare, logistics and industrial assets), 43 of the 197 catalogued assets, about 22% by count, carry an infrastructure character. Weighting each fund’s exposure by its market capitalisation gives an infrastructure-attributable value of roughly SAR 3.1 billion — about 22% of listed-REIT capitalisation but only some 0.03% of the circa SAR 9.7 trillion Tadawul Main Market.

Only Taleem REIT is a genuine pure-play (education campuses); Aljazira Mawten, holding a single logistics warehouse, is the only other wholly infrastructure-oriented fund. This exposure is concentrated in independently managed, diversified vehicles rather than in dedicated structures, and infrastructure remains the sector’s clearest asset-class white space — one with substantial scope for development under Vision 2030.

05. Valuation: Discounts, Yields and Returns

Table 2 collects the headline financial metrics for each fund — market price against net asset value, return on equity, operating EBITDA and distribution yield. Three features stand out. First, the listed units trade predominantly at discounts to book net asset value: most funds change hands well below the value of their underlying equity, with the widest discounts — MEFIC (−52%), Musharaka (−43%) and Jadwa REIT Al Haramain (−35%) — set against a minority that command premiums, led by Aljazira Mawten (+45%) and by Bonyan, SICO Saudi and Jadwa REIT Saudi at around +20%. The pervasiveness of discounts is itself a marker of the sector's immaturity and of the market's scepticism toward reported carrying values.

Second, distribution yields are compressed into a narrow band of roughly 6–7.6% for almost all funds, reflecting the regulatory requirement to distribute at least 90% of net income and the competition for yield-seeking unitholders; cross-sectional variation in total return therefore comes far more from movements in price and net asset value than from the payout itself. Third, accounting return on equity is an unreliable guide, because reported net income embeds unrealised property fair-value revaluations — several funds post negative ROE in a given year despite paying uninterrupted distributions. A funds-from-operations measure would be more informative but is not consistently disclosed; EBITDA is reported here as the cleaner operating proxy.

Ticker	Fund	Type	Price	NAV/ sh	Prem/ (Disc)	ROE (LTM)	EBITDA (SARm)	Div yield
4330	Riyad	Bank	4.98	6.76	−26%	−1.2%	131.3	6.4%
4331	Aljazira Mawten	Bank	10.92	7.51	+45%	8.3%	5.6	3.9%
4332	Jadwa Al Haramain	Indep.	5.00	7.67	−35%	5.2%	37.3	6.6%
4333	Taleem	Bank	10.68	10.79	−1%	6.1%	62.8	6.2%
4334	Al Maather	Indep.	9.01	8.26	+9%	6.7%	53.4	7.4%
4335	Musharaka	Indep.	4.00	6.98	−43%	−17.9%	54.2	6.0%
4336	Mulkia Gulf	Indep.	4.63	6.82	−32%	−4.0%	81.5	6.9%
4337	SICO Saudi	Indep.	5.15	4.23	+22%	−0.4%	17.4	NA
4338	Al-Ahli (SNB)	Bank	6.46	8.38	−23%	1.6%	100.9	5.0%
4339	Derayah	Indep.	5.54	7.82	−29%	1.0%	74.3	6.4%
4340	Al Rajhi	Bank	8.27	8.18	+1%	6.5%	198.3	6.3%
4342	Jadwa Saudi	Indep.	11.18	9.31	+20%	3.2%	140.2	7.2%
4344	SEDCO Capital	Indep.	7.94	7.81	+2%	5.4%	191.8	6.8%
4345	Alinma Retail	Bank	4.87	6.55	−26%	−2.7%	82.0	7.2%
4346	MEFIC	Indep.	3.39	7.04	−52%	0.1%	45.0	NA
4347	Bonyan	Bank	10.09	8.24	+22%	7.7%	189.5	7.6%
4348	Alkhabeer	Indep.	5.74	7.26	−21%	3.7%	101.1	7.3%

Table 2. Key financials by fund. Price, market capitalisation and shares as at 17 June 2026; NAV per share = book total equity at the most recent reported quarter ÷ shares; EBITDA, net income (for ROE) and dividends per share are last-twelve-months. Premium/(discount) = price ÷ NAV per share − 1; ROE = LTM net income ÷ book equity; dividend yield = LTM DPS ÷ price. ROE reflects unrealised property revaluations and is therefore volatile. Alinma Hospitality and Alistithmar Diversified are omitted (no reported fundamentals); dividend data are unavailable for SICO Saudi and MEFIC. Source: author panel, S&P Capital IQ.

The discount to net asset value is the single most informative valuation datum in the sector, and it varies systematically with the leverage and composition patterns of the preceding sections: deeper discounts tend to accompany higher leverage, greater retail concentration and higher headline yield, while the funds trading nearest to or above NAV are a mix of the most conservatively geared and the most specialised. Tracking the discount through time and across the manager-type divide is the natural extension of this cross-section.

06. Interest-Rate Risk: A Duration Asset

06.01.

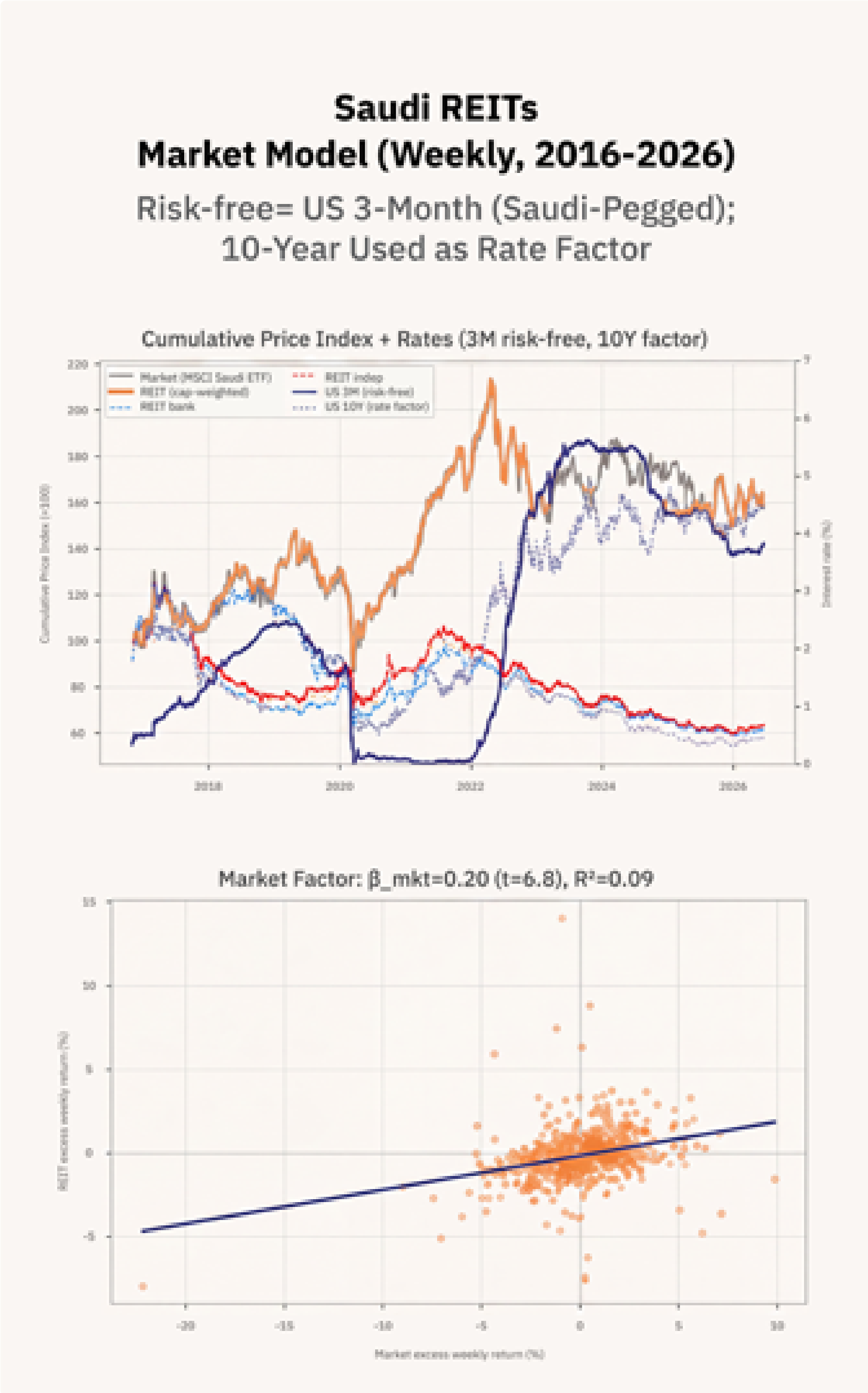
Beta, the rate cycle and cap rates

To situate the funds within the broader market, a cap-weighted REIT price index was constructed from the daily panel and compared with the Saudi equity market, proxied by the iShares MSCI Saudi Arabia ETF. Because the riyal is pegged to the US dollar at SAR 3.75 — a peg in place since 1986, under which the Saudi Central Bank (SAMA) moves its policy rates in lockstep with the US Federal Reserve — US Treasury yields serve as a sound proxy for Saudi rates.

Over the decade the cap-weighted REIT index carries a market beta of just 0.20 (highly significant), with annualised volatility of about 12–13% against roughly 18% for the market (R^2 ~ 0.09). Saudi REITs are distinctly low-beta, and the bank and independent sub-indices differ little — market betas of 0.20 and 0.23 respectively — so the equity-market sensitivity of the sector is largely uniform across manager types. The CAPM alpha is negative (about −8% per year), reflecting the sector's decade-long de-rating rather than any risk-adjusted out-performance.

A low equity beta does not mean low risk; it means the dominant risk factor is interest rates rather than the stock market. The price index moves inversely with the rate cycle — climbing through the near-zero-rate years to a 2021–22 peak, then de-rating sharply as the ten-year yield and policy rate rose through 2022–23 — and the level correlation between the REIT index and the ten-year yield is −0.59.

A two-factor model that adds the change in the ten-year yield leaves the market beta at 0.20 while loading negatively on rates, consistent with REITs behaving as duration assets. The same force is visible in valuations: the funds' implied capitalisation rate — net operating income (proxied by EBITDA) divided by enterprise value, equivalently the inverse of the EV/EBITDA multiple — has a median of about 6.7% and ranges from roughly 4% for the richest-priced funds to 9% for the cheapest. It is cap-rate expansion through the rate cycle that drove much of the sector's price weakness (Figure 3).


Saudi REITs
Market Model (Weekly, 2016-2026)
Risk-free= US 3-Month (Saudi-Pegged);
10-Year Used as Rate Factor
Cumulative Price Index + Rates (3M risk-free, 10Y factor)
Market Factor: β_mkt=0.20 (t=6.8), R²=0.09

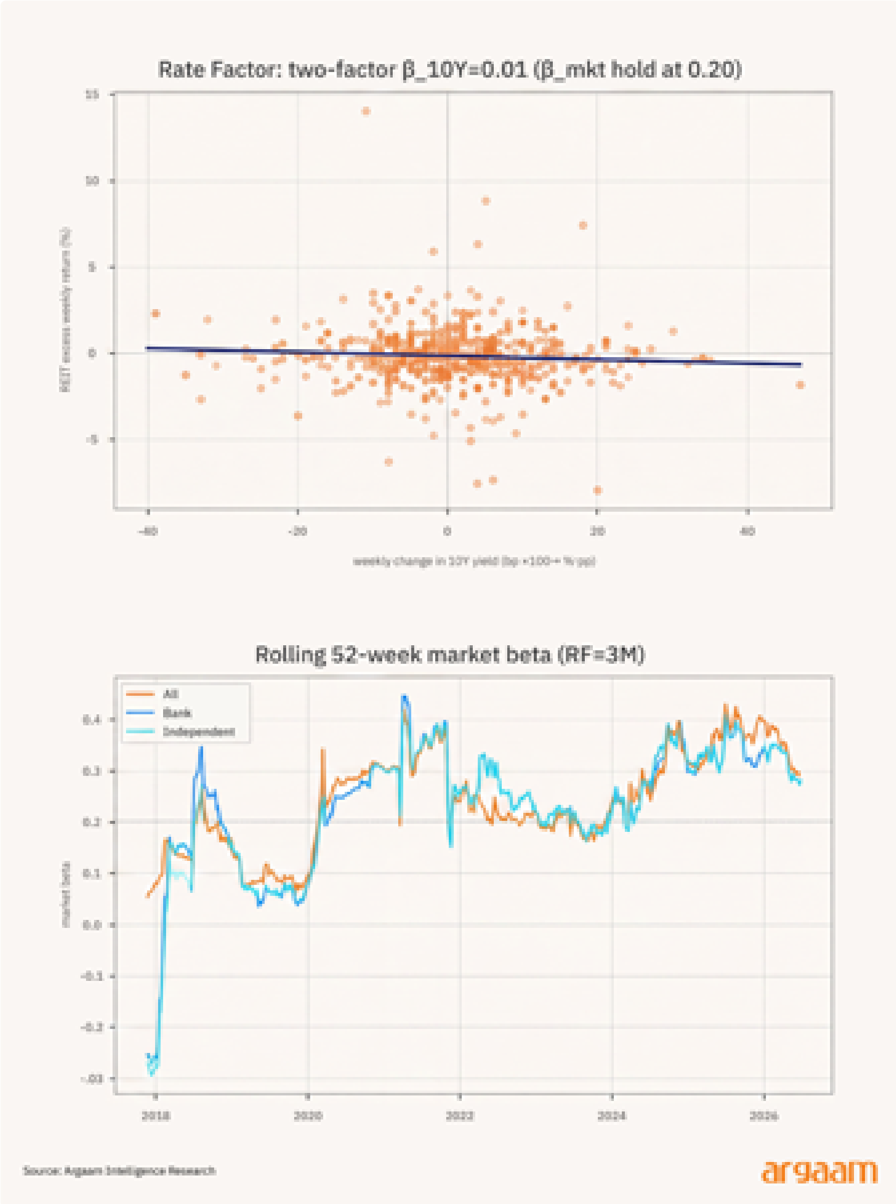


Figure 3. Market model, weekly 2016–2026. Top-left: cap-weighted REIT index and market proxy (rebased = 100), with the US 3-month (risk-free) and 10-year (rate factor) yields on the right axis. Top-right: CAPM fit of REIT excess returns on market excess returns. Bottom-left: the 10-year-change rate factor. Bottom-right: rolling 52-week market beta by manager type. Market proxy = iShares MSCI Saudi Arabia ETF (USD; riyal pegged to USD); US Treasuries proxy Saudi rates. Source: author panel, S&P Capital IQ, US Treasury.

06.02.

Capitalisation rates on appraised values

The implied cap rate above takes enterprise value as the denominator, so it embeds the market's pricing and the sector's discount. To isolate the income yield on the underlying real estate, a second measure divides the same NOI proxy (EBITDA) by the appraised fair value of each fund's property portfolio, drawn from FY2024 independent valuer reports and audited financial statements rather than market prices.

On appraised values the median asset-level cap rate is about 5.6%, roughly a percentage point below the market-implied 6.7% — that gap is essentially the sector's NAV discount re-expressed as yield.

The manager-type ordering survives the change of denominator: bank-sponsored funds show a higher median asset cap rate (about 6.6%) than independents (about 5.3%), meaning the market prices bank-REIT income more cheaply on both measures (Table 3). Read together, the two cap rates separate price-driven cheapness, where the market cap rate sits well above the asset cap rate, from portfolios that genuinely throw off a high income yield.

Ticker	Fund	Type	NOI (SARm)	Appraised RE (SARm)	Basis	Cap – mkt %	Cap – asset %
4330	Riyad REIT	Bank	131.3	3011.0	FV	8.99	4.36
4331	Aljazira Mawten	Bank	5.6	87.0	A	4.41	6.43
4332	Jadwa Al Haramain	Indep.	37.3	664.1	A	–	5.62
4333	Taleem REIT	Bank	62.8	955.0	FV	7.56	6.58
4334	Al Maather REIT	Indep.	53.4	820.3	A	7.49	6.51
4335	Musharaka REIT	Indep.	54.2	1500.1	A	4.87	3.62
4336	Mulkia Gulf REIT	Indep.	81.5	1577.8	A	6.88	5.17
4337	SICO Saudi REIT	Indep.	17.4	467.4	A	3.96	3.71
4338	Al-Ahli (SNB)	Bank	100.9	2123.6	A	6.26	4.75
4339	Derayah REIT	Indep.	74.3	1540.6	A	6.23	4.82
4340	Al Rajhi REIT	Bank	198.3	2342.2	A	6.49	8.47
4342	Jadwa Saudi	Indep.	140.2	2712.4	A	5.46	5.17
4344	SEDCO Capital	Indep.	191.8	2282.0	FV	6.14	8.41
4345	Alinma Retail	Bank	82.0	1074.5	C	6.84	7.63
4346	MEFIC REIT	Indep.	45.0	835.8	A	7.11	5.39
4347	Bonyan REIT	Bank	189.5	2745.3	C	8.47	6.90
4348	Alkhabeer REIT	Indep.	101.1	1739.3	C	7.32	5.81

Table 3. Capitalisation rates by fund. NOI proxied by EBITDA (annual). Market cap rate = NOI / TEV (the inverse of the EV/EBITDA multiple); asset cap rate = NOI / appraised real-estate value from FY2024 valuer reports and financial statements. Basis: A = independent appraisal, FV = fair value disclosed in the accounts, C = cost-model carrying value (cap rate is an upper bound). Alinma Hospitality and Alistithmar omitted (no NOI). Source: author panel, S&P Capital IQ, fund annual reports (2024).

07. The Ownership Network and Its Points of Gravity

The cross-sectional findings above treat the funds as a set of independent observations. A complementary question is how they are connected — whether the market has a structure, and if so, which institutions sit at its centre. To answer it, the relationship network linking the nineteen REITs to their sixteen asset managers and nine parent sponsors is mapped and merged with commercial-relationship data from FactSet Revere (accessed via WRDS): the property-level asset register supplies ownership, holdings and disclosed-tenancy ties, while the Revere layer contributes customer, supplier, investor, equity and joint-venture ties for the thirty resolved entities, and a conservative alias crosswalk de-duplicates names before centrality is computed. The merged graph contains 436 nodes and 453 unique relationships, of which 325 fall in a single connected component. On disclosed structure alone the funds first appear to form sixteen isolated silos, one per manager, with no shared tenants, co-owned properties or common sponsors and betweenness effectively zero everywhere; it is only the addition of the commercial layer, below, that reveals the market's true connectedness.

07.01.

Commercial ties fuse the silos into one bank-anchored web

Adding the FactSet Revere layer collapses the sixteen silos into a single 325-node component, and the fusion happens through the parent banks. Bank-affiliated REITs reach the wider network only via their manager and its parent bank, which in turn sits on a broad commercial web; remove the banks and the market reverts to isolated islands. The structure that holds the Saudi REIT sector together is therefore the banking system, not anything intrinsic to the REIT industry. Figure 4 makes the point visually: node size is betweenness centrality — the share of shortest paths running through a node — and the large nodes, the network's points of gravity, are overwhelmingly the banks and a handful of shared external counterparties.

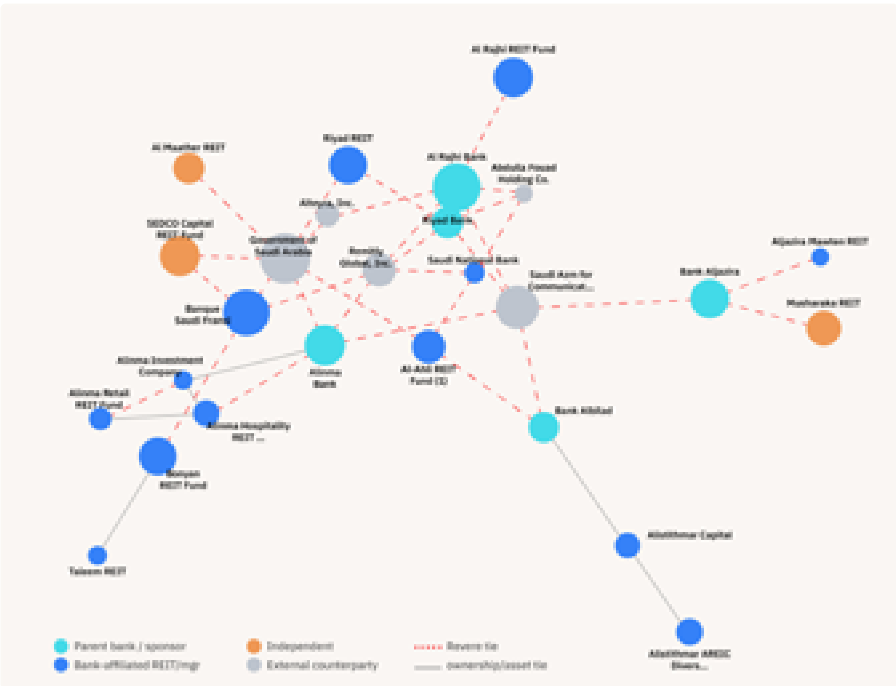


Figure 4. Points of gravity in the merged graph (the gravity model). Node size is betweenness centrality; red dashed edges are FactSet Revere commercial ties; grey edges are ownership and asset relationships. The largest nodes — the central actors through which the network is organised — are the parent banks and a few shared counterparties. Source: author panel, FactSet Revere via WRDS.

07.02.

The central actors: banks and a few shared counterparties

Ranked by betweenness, the network organises around the parent banks — Al Rajhi Bank, Banque Saudi Fransi, Alinma Bank and Bank AlJazira — together with a small set of shared external counterparties (Table 4). The single most important bridge is the Government of Saudi Arabia (betweenness 0.205), a common customer and research partner across many families, consistent with a state-anchored, Vision 2030 market.

Shared service providers such as Saudi Azm (IT) act as further connective tissue, linking four banks at once. The central actors are thus not the largest funds by portfolio but the institutions that sit between families: the sponsoring banks and the counterparties they share.

Institution	Class	Degree	Betweenness
Government of Saudi Arabia	External	6	0.205
Al Rajhi Bank	Sponsor (bank)	28	0.189
Banque Saudi Fransi	Sponsor (bank)	12	0.171
Saudi Azm (IT services)	External	5	0.151
Alinma Bank	Sponsor (bank)	10	0.126
Al Rajhi REIT Fund	REIT (bank)	41	0.126
SEDCO Capital REIT Fund	REIT (independent)	40	0.126
Bank AlJazira	Sponsor (bank)	7	0.118
Riyad REIT	REIT (bank)	36	0.113
Bonyan REIT Fund	REIT (bank)	34	0.110

Source: Argaam Intelligence Research

Table 4. Top ten institutions by betweenness centrality in the merged, de-duplicated graph. Betweenness is the share of all shortest paths that pass through a node; degree is the number of direct connections. The bridging actors are the parent banks and the shared external counterparties (highlighted: the Government of Saudi Arabia, the single most important bridge). Source: author panel, FactSet Revere via WRDS.

07.03.

The interconnection is commercial, not capital

The relationships that bridge the families are overwhelmingly commercial rather than financial (Table 5). Roughly 80% of Revere ties are customer or supplier relationships; genuine financial entanglement between the funds is rare, with only five equity investments and a single joint venture across the entire universe. What looks like a connected market is largely the banks' general commercial footprint, with the REITs attached to it by ownership rather than by direct cross-holdings between the funds themselves.

FactSet Revere tie type	Count	Share
Customer	86	58.9%
Supplier	31	21.2%
Research collaboration	13	8.9%
Investor	10	6.8%
Equity investment	5	3.4%
Joint venture	1	0.7%
Total	146	100%

Source: Argaam Intelligence Research

Table 5. FactSet Revere relationship ties by type (146 active ties). Customer and supplier ties dominate; direct financial links between funds are rare. Source: FactSet Revere via WRDS.

07.04.

Ownership class determines network position

Ownership class maps directly onto structural position. Bank-affiliated entities occupy the core and perform the bridging; independents are heavy by portfolio (high PageRank — Derayah, Musharaka and Al Maather hold the largest disclosed asset counts) but structurally peripheral, connecting to little beyond their own silo. The exception proves the rule: where an independent scores highly on prestige-style centrality it is because it sits adjacent to a bank — SEDCO Capital, for instance, via Banque Saudi Fransi. Position in this market is inherited through ownership and through proximity to a bank; the market's gravity sits with the banks, and the independents orbit it.

Three caveats bound the reading. The Revere ties attach to the parent banks in their capacity as banks, so bank centrality partly reflects their scale in banking generally rather than REIT-specific conduct — the REIT inherits the position through ownership. The picture rests on thirty of forty-four universe entities resolved in Revere; adding the remaining bank arms would likely deepen, not overturn, the bank-centrality finding. And eigenvector (prestige) centrality is unstable on this graph because it localises on whichever portfolio cluster is densest, so betweenness is used as the robust headline metric. Resolving the outstanding entity IDs, separating bank-as-bank ties from REIT-specific ties, and adding board-interlock or co-investment data are the natural next steps.

SUMMARY OF FINDINGS

Read together, the evidence sketches a coherent portrait of a young asset class. The Saudi listed REIT market is small relative to the equity market but economically larger than its listed capitalisation implies, and it trades at a persistent discount to net asset value that marks both its immaturity and the market's scepticism toward reported carrying values. Its defining risk is duration: with a market beta near 0.20 and a level correlation with the ten-year yield of −0.59, the sector is driven by the Fed-linked rate cycle far more than by domestic equity conditions, and it was cap-rate expansion through 2022–23, not any equity-market move, that drove most of the de-rating.

Within that common rate exposure, the cross-section separates most clearly on leverage, and leverage sorts by manager type: bank-affiliated funds gear conservatively (around 32% net debt to enterprise value) while independents gear higher (around 45%), a gap that is stable through time, never inverts after 2019, extends to portfolio composition — independents leading in the higher-yield asset classes — and reappears when income is priced against appraised asset values. This is a robust descriptive regularity rather than a tested causal claim; what lies behind it — parent-institution prudence, captive-vehicle incentives, or differing investor clienteles — is the most natural question for further work, alongside tracking the NAV discount and distribution coverage through time and widening the sector beyond rate-sensitive commercial property into the infrastructure real assets that remain its clearest white space.

The same ownership axis shapes the market's structure. On disclosed relationships alone the funds sit in sixteen isolated silos, one per manager; it is only the parent banks' commercial ties that fuse them into a single connected web, so that the network's points of gravity — the institutions with the highest betweenness — are the sponsoring banks and a small set of shared counterparties, headed by the Government of Saudi Arabia. Bank-affiliated funds occupy the core while independents, however large their portfolios, sit at the periphery. Across every lens used here — leverage, portfolio composition, valuation and now network position — the manager's ownership is the single characteristic that most consistently orders the Saudi REIT market.

Notes

Full data construction and methodology are set out in the companion data appendix, "Data, Method and Property Asset Register."

01. CMA Real Estate Investment Traded Funds Instructions, issued October 2016; Riyad REIT was the first to list on Tadawul in November 2016.

02. Saudi Exchange Main Market (TASI) capitalisation of circa SAR 9.56 trillion (end-January 2026); the REIT share is computed against a SAR 9.6 trillion denominator.

Part 02

What's the Case for Infrastructure REITs in Saudi Arabia?

Executive Summary

Saudi Arabia is building infrastructure at a pace few economies have matched

yet its listed capital market offers investors essentially no way to own it. This note sets out the case for closing that gap through a dedicated infrastructure REIT (or REIT-like) asset class, drawing on our empirical work on the nineteen listed Saudi REITs, our framework linking asset-manager ownership to behaviour, and the design lessons of the United States, China and India.[1]

Four findings anchor the analysis.

01.

The listed market has no infrastructure asset class.

On a strict definition (towers, data centres, pipelines, toll roads) none of the nineteen Tadawul-listed REITs holds a single infrastructure asset, and the CMA regime contains no infrastructure category. Even on a broad definition that admits social and economic infrastructure, exposure is roughly SAR 3.1 billion – 22% of listed REIT capitalisation but only about 0.03% of the Main Market (Exhibit 2).

02.

Saudi infrastructure income is already being securitised – privately and largely offshore.

Aramco has monetised over US$38 billion of pipeline and midstream income through lease-and-leaseback structures held by foreign consortia; PIF took the TAWAL tower company private; a multi-gigawatt AI data-centre build-out is underway. Origination is not the constraint. Listed, local access is.

03.

The enabling conditions are aligning.

Full foreign-investor access from February 2026, a fast-growing US$306 billion asset-management industry with 1.6 million retail fund subscribers – a third of them already in REITs – Shariah-natural ijara structures, and a privatisation programme targeting US$64 billion of private capital all point the same way (Exhibit 4). Only the asset-class definition for infrastructure is missing.

04.

Globally, infrastructure is roughly 45% of listed REIT value.

Of 782 listed REITs across 30 markets, 183 are infrastructure vehicles accounting for about US$1.0 trillion of US$2.3 trillion in covered market capitalisation. Late-developing markets like China built the class top-down, as a state asset-monetisation channel – such template might fit Saudi Arabia (Exhibit 3).

01. The Starting Point:
A Listed Sector Without Infrastructure

The Saudi listed REIT sector is small, young and rate-driven. Nineteen funds with a combined capitalisation of roughly SAR 14.6 billion represent about 0.15% of the Tadawul Main Market, though they control on the order of SAR 28–30 billion of gross real-estate assets and close to a quarter of public-funds AUM. The units trade predominantly at discounts to net asset value – as wide as −52% – with distribution yields compressed into a 6–7.6% band by the mandatory 90% payout. The defining risk is duration, not equity: a market beta of just 0.20 but a −0.59 level correlation with the ten-year yield, so the 2022–23 de-rating was a Fed-linked cap-rate event, not an equity event.

The cross-section sorts on a single structural line: whether the fund's manager is bank-affiliated or independent (Exhibit 1). The two camps are almost identical in aggregate size, but bank-affiliated managers gear at a mean of about 32% net debt to enterprise value against about 45% for independents – a gap that has run at ten to fifteen percentage points since 2019 and has never inverted – and the same axis sorts portfolio composition (independents hold 87% of residential and 78% of logistics assets and run broader books) and, as Section 5 shows, network position.

Exhibit 1. Two markets in one: bank-affiliated versus independent REIT managers

Dimension	Bank-affiliated	Independent
Funds / aggregate market cap	9 funds · SAR 7.34bn	10 funds · SAR 7.23bn
Mean market cap per fund	SAR 918m	SAR 723m
Mean leverage (net debt / TEV)	31.9%	45.2%
Leverage gap through time	Lower since 2019	+10–15pp; never inverts
Portfolio breadth (avg.)	3.2 asset classes · 8.4 properties	5.5 asset classes · 12.1 properties
Higher-yield asset classes	Minority holder	87% of residential; 78% of logistics; only industrial & land
Median asset cap rate (FY2024 appraisals)	≈6.6%	≈5.3%
Network position	Core – bridges via parent banks	Periphery – isolated unless bank-adjacent

Snapshot 16 June 2026. Leverage = net debt / total enterprise value; group means exclude REITs with missing TEV.
Source: companion empirical paper (Tables 1 and 3; asset register), S&P Capital IQ.

Against that backdrop, the property-level asset register compiled for all nineteen funds – 197 individual assets – shows infrastructure to be the sector's clearest white space (Exhibit 2). Strictly defined, exposure is zero, and the CMA regime contains no infrastructure category. Broadly defined, 43 assets carry an infrastructure character, worth roughly SAR 3.1 billion on a capitalisation-weighted basis – 22% of listed-REIT value but some 0.03% of the Main Market – held incidentally inside diversified, independently managed vehicles rather than in dedicated structures. Nothing in the current framework prevents broad-infrastructure holdings; nothing in it enables strict infrastructure at all, because the REIT wrapper is confined to real estate and the July 2025 amendments to the Real Estate Investment Funds Regulations, while liberalising development exposure on Nomu, kept that confinement intact.[2]

Exhibit 2. Infrastructure exposure of the listed REIT sector

Measure	Reading
Strict infrastructure (towers, data centres, pipelines, toll roads)	0 of 197 registered assets; no CMA infrastructure-REIT category exists
Broad infrastructure (education, healthcare, logistics, industrial)	43 of 197 assets – about 22% by count
Capitalisation-weighted attributable value	≈SAR 3.1bn – 22% of listed-REIT capitalisation; ≈0.03% of the ≈SAR 9.7tn Main Market
Pure-play funds	Taleem REIT (education campuses); Aljazira Mawten (single logistics warehouse)
Where the exposure sits	Concentrated incidentally in diversified, independently managed vehicles – not in dedicated structures

Source: companion empirical paper, Section 4.2 and the 197-asset property register.

02. The Paradox:

The Assets Exist, the Access Does Not

What makes the white space striking is that Saudi infrastructure cash flows are already being securitised at scale – just not in listed local vehicles. Aramco's stabilised-payment lease-and-leaseback monetisations – the US$12.4 billion oil pipeline transaction (2021), the US$15.5 billion gas pipeline transaction (2022) and the roughly US$11 billion Jafurah midstream deal (2025) – package precisely the contracted, long-duration, investment-grade income a REIT wrapper is built to hold, yet the equity sits with offshore private consortia.3 That BlackRock was by mid-2025 exploring a sale of its gas-pipeline stake demonstrates an active secondary market in these strips – a natural seeding channel for a listed vehicle. In parallel, PIF took TAWAL, the Kingdom's dominant tower company with well over fifteen thousand sites, private; Humain has secured 211 land plots and, with DataVolt, launched a multi-gigawatt AI data-centre programme; and the National Privatisation Strategy targets some US$64 billion of private capital across roughly 200 projects, with the National Infrastructure Fund created expressly to crowd capital in.[4]

The domestic private-capital ecosystem tells the same story from beneath the listed market. Of roughly US$21.6 billion in Saudi private-capital assets under management (September 2025), real estate accounts for US$12.2 billion (56%) and private equity and venture US$8.9 billion (41%); private debt, infrastructure and natural resources are marginal. The pipeline replicates the pattern – of 154 funds in market seeking US$19.1 billion, four-fifths are real-estate vehicles – and the largest managers by capital raised are sovereign- or bank-linked (the top three alone account for 45.8% of raised capital). Infrastructure income, in short, is absent not only from the listed REIT shelf but from the domestic fund industry altogether; the only Saudi infrastructure equity that trades anywhere trades in private offshore consortia.[5]

The consequence is a structural exclusion: domestic retail and institutional investors – the same clientele that oversubscribes REIT distributions – cannot buy the Kingdom's most bankable income streams, while foreign private capital can. An infrastructure REIT class is, at its core, the mechanism that resolves this asymmetry.

03. What Global Markets Show

Infrastructure is not a niche within the global REIT universe; it is approaching half of it. Classifying the 782 listed REITs across some thirty markets, 183 are infrastructure vehicles representing roughly US$1.0 trillion of US$2.3 trillion in covered capitalisation – led by digital infrastructure (about US$340 billion across only twelve names), industrial and logistics (about US$339 billion) and healthcare (about US$300 billion). Three developmental paths produced this (Exhibit 3).[6]

Exhibit 3. Three models for listing infrastructure income

Market	Vehicle	Scale	Model
United States	REIT election	Towers + data centres alone ≈US$340bn	Bottom-up: private operators migrated into the REIT wrapper
China	C-REIT (2021)	RMB 207bn, 77 listings in under five years	Top-down, infrastructure-first; commercial property added only later
India	InvIT (separate from REIT)	≈US$73bn AUM, 17 listed; projected US$258bn by 2030	Top-down, coupled to the National Monetisation Pipeline (21% of NHAI toll assets; 250k towers)

Source: companion empirical paper, Section 4.2 and the 197-asset property register.

The lesson for Saudi Arabia is the sequencing. The American class grew bottom-up over decades from private landlords; no late developer has replicated that. China and India instead created the class top-down, as a deliberate policy instrument for recycling state-originated infrastructure capital, with retail participation designed in and the regime tailored to concession (rather than freehold) assets. Saudi Arabia – where the state originates virtually all infrastructure and already runs a monetisation programme – is structurally in the China–India camp. Notably, China sequenced infrastructure before commercial property; Saudi Arabia has done the reverse, which means the harder part of the institutional apparatus (listing, distribution rules, retail familiarity with the wrapper) already exists.

The Chinese experience carries a second lesson, about ownership design rather than sequencing. The C-REIT is deliberately an ownership hybrid – part publicly listed vehicle, part insurance-style patient capital, part state-controlled instrument (Kumala et al., 2024) – engineered to recycle private and institutional equity into largely state-owned infrastructure while supporting the real economy and avoiding the over-financialisation the United States experienced before the global financial crisis, reversing a development model previously funded by local-government debt (Ye et al., 2022). The companion ownership paper places Saudi Arabia at the China–Europe end of the international ownership spectrum – a bank-affiliated commercial core beneath a dominant sovereign owner, with independents and foreign entrants only now arriving – which is precisely the landscape in which the state-anchored hybrid, rather than the American bottom-up migration, is the feasible template.

04. The Case

Supply is identifiable today. The seed pools include TAWAL's tower estate; the data-centre stock the Humain–DataVolt programme will create (capital-intensive assets whose developers will need recycling vehicles as capex compounds); secondary strips of the Aramco midstream leases; desalination and power assets with long-dated SWPC/PPA offtakes; airports under privatisation; and the education, healthcare and logistics assets the independents already hold. Scale-wise, a single tower or data-centre listing would exceed the entire current infrastructure exposure of the listed REIT sector several times over – this is a step-change, not an extension.

Demand is visible in the existing market, and it is growing quickly (Exhibit 4). The Saudi asset-management industry reached roughly US$306 billion of assets under management by mid-2025 – up 21% year on year, after a decade compounding at about 12% – and is targeted to exceed US$500 billion and 40% of GDP by 2030.[7] Retail participation has widened dramatically: public-fund subscribers rose from about 265,000 in 2013 to nearly 1.6 million by March 2025, and roughly a third of them already hold REITs – the wrapper is retail-familiar in a way no new instrument would be. Distribution yields on listed REITs compress into a 6–7.6% band because yield-seeking unitholders compete for the mandatory 90% payout; contracted infrastructure income serves exactly that clientele. From February 2026 all categories of foreign investor have direct market access – removing the QFI gateway just as global listed-infrastructure allocations mature, and building on foreign holdings that had already reached SAR 423 billion by end-2024.[8] The growing insurance and pension pools need long-duration riyal income that today only sovereign sukuk provide. And an ijara-based structure makes the vehicle naturally Shariah-compliant – a differentiator no other infrastructure REIT market offers at scale, with obvious GCC and Islamic-investor export potential.

Exhibit 4. The demand base for a listed infrastructure class

Indicator	Reading	Why it matters
Asset-management AUM	US$306bn at H1-2025 (+21% y/y; ≈12% CAGR 2015–24); target >US$500bn and 40% of GDP by 2030	The pool that must absorb new listed product is compounding
Retail base	Public-fund subscribers 265k (2013) → ≈1.6m (Mar 2025); about one-third already invested in REITs	The wrapper is retail-familiar; distribution designed in, as in China/India
Existing REIT pricing	Distribution yields compressed to 6–7.6%	Yield-seeking unitholders compete for mandatory 90% payouts – the natural clientele for contracted income

Indicator	Reading	Why it matters
Institutional intermediation	Professional managers hold 3.8% of Tadawul capitalisation (7.3% of free float); foreign investors 4.2% (11% of float); GREs ≈64%	Intermediation is thin; an aligned income product deepens it
Foreign access	Full direct access for all investor categories from Feb 2026; foreign holdings SAR 423bn end-2024	The marginal buyer arrives as the class launches
Shariah structure	Ijara lease structures naturally compliant	A differentiator no other infrastructure REIT market offers at scale; GCC / Islamic-investor export potential

Sources: companion ownership paper (S&P Global Ratings; Arab News; CMA; Preqin) and companion empirical paper (Table 2).

There is a market-structure argument too. Ownership of the Saudi exchange is concentrated among government-related entities – close to 64% of total capitalisation at end-2024, with Aramco alone about 67% and the seven largest issuers more than 80% – while professional asset managers hold just 3.8% of capitalisation and foreign investors 4.2%.[9]

The result, as the companion ownership paper documents, is thin institutional intermediation, low genuine float and retail-driven price discovery. A listed infrastructure class does not merely add product; it adds precisely the aligned, income-focused institutional product the Financial Sector Development Program's capital-market objective calls for, in a segment where the state's own monetisation programme guarantees the deal flow.

Finally, there is a valuation-credibility argument. The pervasive NAV discounts in the existing sector rest on a wedge between appraised values and market pricing: the median market-implied capitalisation rate is about 6.7%, against roughly 5.6% on FY2024 appraised asset values – the sector's discount re-expressed as yield (Exhibit 5). The manager-type ordering survives the change of denominator: bank-sponsored funds' income is priced more cheaply on both measures (median asset cap rate about 6.6% versus 5.3% for independents).

Concession assets valued on contracted, government-counterparty cash flows are far harder to dispute; an infrastructure segment could import the valuation credibility the property segment has struggled to establish – while recycling state capex into private hands without lengthening bank balance sheets.

Exhibit 5. Market-implied versus appraised-asset capitalisation rates

Ticker	Fund	Type	NOI (SARm)	Appraised RE (SARm)	Basis	Cap – mkt %	Cap – asset %
4330	Riyad REIT	Bank	131.3	3,011.0	FV	8.99	4.36
4331	Aljazira Mawten	Bank	5.6	87.0	A	4.41	6.43
4332	Jadwa Al Haramain	Indep.	37.3	664.1	A	–	5.62
4333	Taleem REIT	Bank	62.8	955.0	FV	7.56	6.58
4334	Al Maather REIT	Indep.	53.4	820.3	A	7.49	6.51
4335	Musharaka REIT	Indep.	54.2	1,500.1	A	4.87	3.62

Ticker	Fund	Type	NOI (SARm)	Appraised RE (SARm)	Basis	Cap – mkt %	Cap – asset %
4336	Mulkia Gulf REIT	Indep.	81.5	1,577.8	A	6.88	5.17
4337	SICO Saudi REIT	Indep.	17.4	467.4	A	3.96	3.71
4338	Al-Ahli (SNB)	Bank	100.9	2,123.6	A	6.26	4.75
4339	Derayah REIT	Indep.	74.3	1,540.6	A	6.23	4.82
4340	Al Rajhi REIT	Bank	198.3	2,342.2	A	6.49	8.47
4342	Jadwa Saudi	Indep.	140.2	2,712.4	A	5.46	5.17
4344	SEDCO Capital	Indep.	191.8	2,282.0	FV	6.14	8.41
4345	Alinma Retail	Bank	82.0	1,074.5	C	6.84	7.63
4346	MEFIC REIT	Indep.	45.0	835.8	A	7.11	5.39
4347	Bonyan REIT	Bank	189.5	2,745.3	C	8.47	6.90
4348	Alkhabeer REIT	Indep.	101.1	1,739.3	C	7.32	5.81

NOI proxied by EBITDA (annual). Market cap rate = NOI / TEV (inverse of EV/EBITDA); asset cap rate = NOI / appraised real-estate value from FY2024 valuer reports and financial statements. Basis: A = independent appraisal, FV = fair value in the accounts, C = cost-model carrying value (cap rate an upper bound). Source: companion empirical paper, Table 3.

05. Design Questions and Risks

Wrapper

The candidate assets are mostly concessions, usufructs and contracted offtakes, not freehold property. That argues for a dedicated instrument – an InvIT/C-REIT-style "Infrastructure Investment Traded Fund" under the CMA's existing traded-fund architecture – rather than stretching the real-estate definition inside the current REIT regulations, with concession-life disclosure, leverage caps and mandatory payout calibrated to contracted income.

Ownership as A Design Resource

The companion ownership paper's diagnosis – who owns the manager predicts what it does (Jensen & Meckling, 1976; Massa & Rehman, 2008; Golez & Marin, 2015) – becomes, in a class built from scratch, an allocation tool. Because the CMA would be writing the licensing, listing and distribution rules of the new category at once, it can assign each ownership archetype the role its incentives fit, rather than letting the market's default gravity make the assignment (Exhibit 6).

The sovereign is the only originator of strict infrastructure and the only patient balance sheet large enough to seed the class (Bernstein, Lerner & Schoar, 2013) – so it should sponsor assets and anchor listings, not own the managers. Bank-affiliated houses bring the retail rails (SNB Capital alone reaches more than 2.3 million clients)10 and a demonstrated conservatism (about 32% gearing) suited to senior, stabilised assets – so they should distribute and manage the low-risk end, under an open-architecture obligation.

The independents are the sector's proven operators of demanding, higher-yield assets (87% of residential, 78% of logistics, the only industrial holdings) – so complex concessions such as towers, data centres and water should be tendered to them (cf. Chen et al., 2004; Cremers & Petajisto, 2009). Insurance and pension pools supply the natural cornerstone demand for long-duration riyal income; foreign entrants, arriving through the February 2026 opening, import listed-infrastructure pricing discipline.

No archetype is disqualified; the design principle is that each does what its ownership makes it good at, and is barred from the combination its ownership makes dangerous.

Exhibit 6. From ownership archetype to market design: Assigning roles in an infrastructure REIT class

Archetype	Evidence from the Saudi market	Role in the new class	Design rule that makes it work
State / sovereign (PIF, Aramco, NIF)	Originates virtually all strict infrastructure; most central node in the sector's network; patient capital	Asset sponsor and seeder; anchor investor at listing	Seed from PIF's Financial portfolio at arm's-length pricing; minimum sponsor retention with lockup; related-party pipeline disclosed at IPO
Bank-affiliated managers	≈32% gearing; network core; captive retail distribution at scale	Distribution engine; managers of senior, stabilised assets	Open-architecture obligation – shelves must carry non-affiliated funds; leverage caps set by contracted income, not parent posture
Independent managers	≈45% gearing; hold 87% of residential and 78% of logistics; operationally demanding classes; network periphery	Operating managers of complex concessions (towers, data centres, water)	Mandates awarded by competitive tender, not sponsorship; mandatory manager co-investment; equity-sharing to hold specialist talent
Insurance / pension (incl. GOSI)	Growing pools needing long duration riyal income now served only by sovereign sukuk	Cornerstone demand at listing; secondary-market depth	Solvency and asset-class treatment recognising contracted concession income; cornerstone tranches with staged lock-ups
Foreign entrants (post-Feb 2026)	Full direct access; SAR 423bn holdings end-2024; global listed infrastructure expertise	Marginal buyer; co-managers importing valuation credibility	Index-inclusion path; co-management joint ventures with local houses; offshore licensing route
Foreign entrants (post-Feb 2026)	Full direct access; SAR 423bn holdings end-2024; global listed-infrastructure expertise	Marginal buyer; co-managers importing valuation credibility	Index-inclusion path; co-management joint ventures with local houses; offshore licensing route

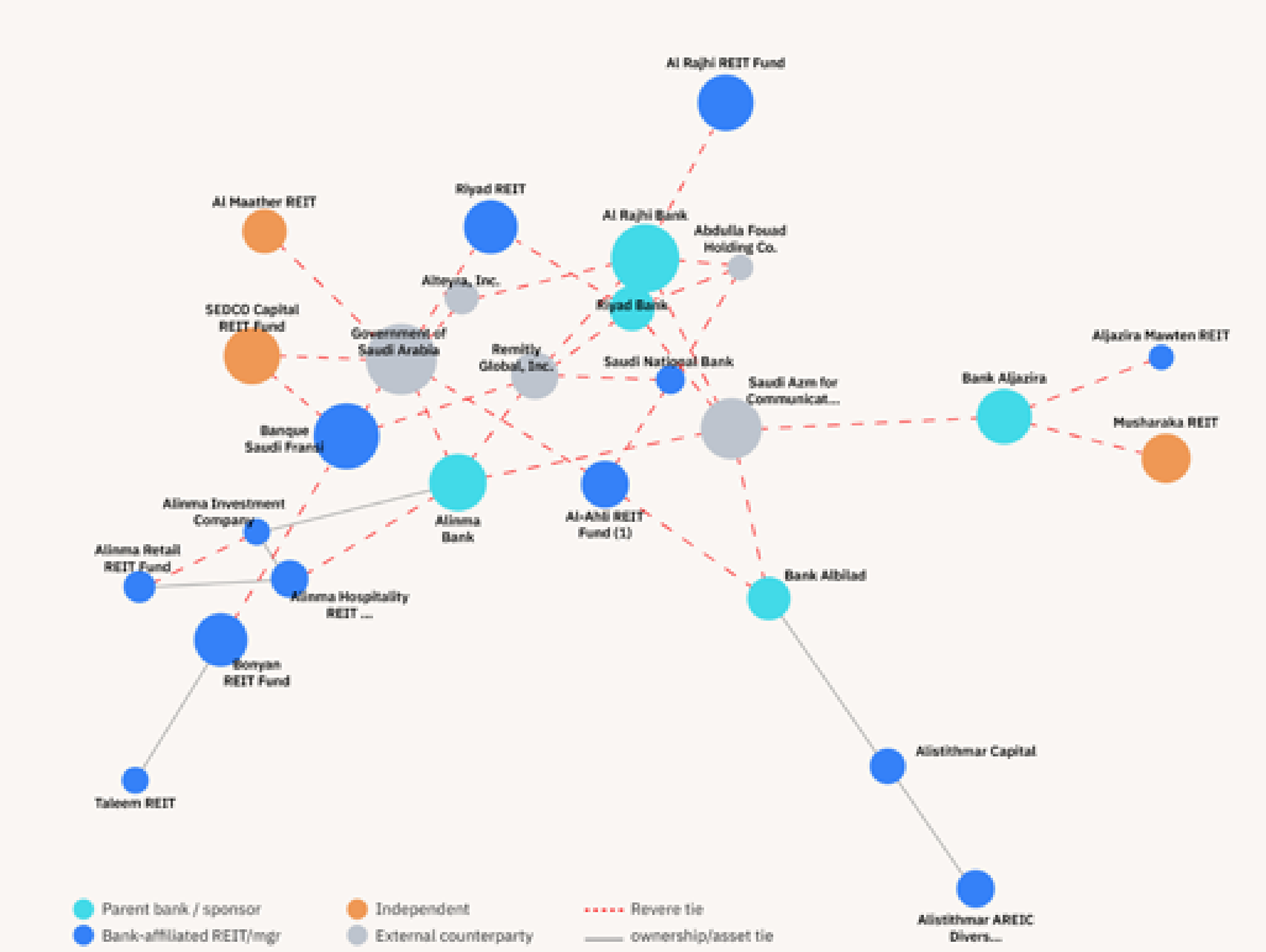
Roles assigned by comparative advantage as evidenced in the companion papers: behavioural predictions from the ownership paper (Table 8) and the leverage, composition and network findings of the empirical paper (Tables 1, 3 and 4).

Sponsor concentration: designing against the default.

The network analysis shows what an undesigned infrastructure class would collapse into. The nineteen existing funds connect to each other only through their parent banks' commercial webs, and the most central node in the sector's merged relationship network is already the Government of Saudi Arabia (betweenness 0.205; Exhibits 7 and 8). An infrastructure class seeded from PIF and Aramco assets and distributed through bank-affiliated managers would, by default, put the asset sponsor, the anchor investor and the distributor's parent inside the same state perimeter – the "owning the manager and owning the rails" problem in its most

acute form. But for infrastructure the state's centrality is also unavoidable in a way it is not for shopping malls: every concession has a government counterparty. The design task is therefore not to remove the state from the network but to convert its position from an ownership fact into a contractual one – the state as tariff-payer, offtaker and concession grantor (which is what makes the income investment-grade), not as owner of the sponsor, the manager and the distribution channel at once.

Exhibit 7. Points of gravity inw the Saudi REIT relationship network



Source: Argaam Intelligence Research

Node size is betweenness centrality; red dashed edges are FactSet Revere commercial ties; grey edges are ownership and asset relationships. The largest nodes – the institutions through which the network is organised – are the parent banks and a few shared counterparties. Source: companion empirical paper, Figure 4; FactSet Revere via WRDS.

Exhibit 8. Top ten institutions by betweenness centrality

Institution	Class	Degree	Betweenness
Government of Saudi Arabia	External	6	0.205
Al Rajhi Bank	Sponsor (bank)	28	0.189
Banque Saudi Fransi	Sponsor (bank)	12	0.171
Saudi Azm (IT services)	External	5	0.151
Alinma Bank	Sponsor (bank)	10	0.126
Al Rajhi REIT Fund	REIT (bank)	41	0.126
SEDCO Capital REIT Fund	REIT (independent)	40	0.126
Bank AlJazira	Sponsor (bank)	7	0.118
Riyad REIT	REIT (bank)	36	0.113
Bonyan REIT Fund	REIT (bank)	34	0.110

Betweenness is the share of all shortest paths passing through a node; degree is the number of direct connections. The bridging actors are the parent banks and shared external counterparties, headed by the Government of Saudi Arabia. Source: companion empirical paper, Table 4; FactSet Revere via WRDS.

Five Rules | Each written into the category from day one, would do the conversion.

01. Sponsor–Manager Separation

The fund manager may not be owned by, or affiliated with, the asset sponsor – which in practice reserves the operating mandates for independent and foreign-partnered managers and deliberately breaks the captive equilibrium the existing sector displays.

02. Sponsor retention with lockups on the C-REIT/InvIT model (of the order of 15–20% of units, locked for three to five years)

Converting the state's anchor position into visible skin in the game rather than exit-by-listing.

03. Free-float minimums and caps on strategic tranches

So that a class launched into an exchange where government-related entities already hold about 64% of capitalisation adds tradable float rather than more locked stock.

04. Fourth, an open-architecture distribution obligation

Bank channels that list any infrastructure fund must carry non-affiliated funds on equal terms – in the companion ownership paper's assessment the single highest-leverage reform available to the Saudi market.

05. Network monitoring as a supervisory statistic

The merged-graph method used in the empirical paper gives the CMA a measurable test – the projected effect of each new listing on sector centrality and sponsor concentration can be assessed before approval and tracked after it, exactly the simulation proposed as this programme's third workstream.

Two 2025–26 developments suggest the governance preconditions for this design are already forming. PIF's April 2026 strategy formally separates its Vision (developmental), Strategic and Financial (return-seeking) portfolios – the mandate clarity the sovereign-anchor role requires before it seeds a commercial asset class, and the natural home (the Financial portfolio) for arm's-length infrastructure listings – and in the same month PIF anchored a foreign-managed Saudi-equity ETF, a precedent for a sovereign seeding an independent house's product to widen access rather than crowd it out.[11] Meanwhile the CMA's July 2025 investment-fund amendments (fee-cap powers, disclosure of top debt holdings, pre-published unitholder-meeting agendas, orderly successor-manager transfer) supply the retail-protection base a mass-market infrastructure product would rest on.[12]

Duration

The existing sector's −0.59 yield correlation would strengthen, not weaken, with infrastructure: longer contracts mean more bond-like pricing. CPI-indexed tariffs and tolls in concession design are the principal mitigant, and leverage rules matter here too – the finding that bank-affiliated managers gear at about 32% while independents run about 45% implies the conservatism of likely bank sponsors could constrain pricing on assets whose contracted cash flows would support more structural leverage, pushing the operationally demanding assets, once again, toward the independents.

A final constraint is talent. Operating towers, data centres or desalination concessions demands specialist teams, and the ownership paper's conclusion – that equity-sharing independents systematically out-recruit salaried bank and family captives – implies the ownership design of the managers licensed into the new category will also decide whether it can staff itself.

06. Outlook and Research Agenda

A plausible trajectory: in the near term (one to three years), one or two quasi-infrastructure listings through the existing wrapper – logistics, education, possibly a data-centre shell exploiting Nomu's development flexibility; in the medium term, a dedicated CMA infrastructure category timed to the privatisation pipeline, seeded with a tower or utility asset, PIF-anchored, with the 2026 foreign opening supplying the marginal buyer. Scaled from China's trajectory, an infrastructure segment in the tens of billions of riyals within five years of a regime launch is credible – a class that would quickly dwarf the existing SAR 14.6 billion REIT sector.

Such a class would also do direct work for the Financial Sector Development Program. Its capital-market objective – Tadawul capitalisation of 80.8% of GDP excluding Aramco – is valuation- and listing-sensitive, and the companion papers' feasibility assessment finds the FSDP's scale targets being met predominantly through bank and sovereign channels; their warning is that scale without alignment simply reproduces the conflicts of the dominant archetypes at national magnitude. An infrastructure category designed for alignment from day one – sponsor independence, open architecture, mandate clarity – is the natural test case for whether the Program's quantitative ambition and the regulator's qualitative reforms can advance together.

This note is a baseline. Three workstreams follow directly. First, a census of REIT-able Saudi infrastructure assets with indicative valuations, extending the property-register method of the empirical paper to towers, data centres, midstream, water and power. Second, a formal comparative design study of the C-REIT, InvIT and US REIT-election regimes against CMA architecture, including Shariah structuring. Third, a simulation of what a TAWAL-scale listing does to the ownership network's centrality measures – testing whether the bank-core, state-gravity equilibrium replicates or can be broken by design.

The open question for the research programme is precisely the one the companion papers pose: whether ownership structure will again determine behaviour, or whether, for once, regime design gets there first.

Notes

01. Companion papers: "Ownership Structure, Alignment and the Behaviour of Asset Managers" (V9, June 2026) and "The Saudi Listed REIT Market: An Empirical Overview" (2026), with its data appendix and 197-asset property register. Exhibits 1, 2, 5, 7 and 8 reproduce or condense the empirical paper's Tables 1, 3 and 4, Figure 4 and asset register; Exhibits 4 and 6 draw on the ownership paper's Tables 4–8. Market data: S&P Capital IQ (16–17 June 2026); relationship data: FactSet Revere via WRDS. Global REIT universe: author classification of 782 listed REITs across some 30 markets.

02. CMA, Real Estate Investment Funds Regulations (2025) and the July 2025 amendments liberalising development exposure on Nomu.

03. Aramco disclosures; Bloomberg and trade-press reporting on the 2021 oil-pipeline (US$12.4bn), 2022 gas-pipeline (US$15.5bn) and 2025 Jafurah midstream (roughly US$11bn) lease-and-leaseback transactions, and on BlackRock's exploration of a gas-pipeline stake sale (mid-2025).

04. PIF and TAWAL announcements; Humain and DataVolt announcements; National Privatisation Strategy and National Infrastructure Fund disclosures.

05. Preqin Pro, Saudi private-capital assets under management and funds in market, data as of 5 June 2026.

06. Cushman & Wakefield, China REIT market review (December 2025); SEBI and IBEF InvIT statistics (FY25).

07. S&P Global Ratings and Arab News reporting on Saudi asset-management AUM (US$306bn at end-H1 2025) and public-fund subscriber growth; Fitch Ratings projection of AUM surpassing US$400bn by 2026.

08. Gibson Dunn and King & Spalding client briefings on the February 2026 opening of the market to all categories of foreign investor; finews reporting on foreign holdings of SAR 423bn at end-2024.

09. S&P Global Ratings, "Tadawul On The Rise: Saudi Arabia's Investment Plans Fuel Growth" (2025); Saudi Exchange ownership as of year-end 2024 / April 2025.

10. SNB Capital corporate disclosures (asset management).

11. Public Investment Fund, "PIF Board of Directors approves PIF 2026–2030 strategy," press release, 15 April 2026; PIF AUM disclosures (US$913bn at end-2024, above US$1tn during 2025).

12. CMA amendments to the Investment Funds Regulations, effective 9 July 2025 (fee-cap powers, disclosure of top debt holdings, pre-published unitholder-meeting agendas, successor-manager transfer rules).

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