

A FOREIGN CAPITAL FIELD GUIDE

Institutional Residential in Saudi Arabia.

*What the institutionalisation of US multifamily
tells us about the next ten years in Riyadh.*

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Riyadh, since 2009.

Operating across the Kingdom for sixteen years, including the recent institutional residential chapter.

EXECUTIVE SUMMARY

The opportunity in one paragraph.

Saudi Arabia is entering the same residential institutionalisation curve that the United States travelled between 1985 and 2005. The conditions are present: a demographically young, mobile, rental-bound population; a fragmented inventory of high-quality assets under family-office ownership; substantial domestic capital actively seeking institutional residential exposure; and no operator at scale to absorb that capital under an institutional governance standard.

This paper argues three things. First, that the parallel to US multifamily in the mid-1980s is not metaphorical — the structural conditions are demonstrably similar, with the additional advantage that the institutional-quality slice of Saudi residential, the gated compounds built to international standards over the last three decades, sits concentrated behind gates rather than scattered across zip codes. Second, that the window for foreign institutional capital to enter at category-formation pricing is approximately 18 to 36 months. Third, that the absence of an institutional operator is the principal constraint, and that the resolution of this constraint is currently underway through domestic capital.

Saudi GDP growth without Saudi development risk. A position currently available to foreign capital. Not for long.

The intended reader is an institutional capital allocator — pension, sovereign fund, insurer, family office — evaluating whether Saudi residential warrants a place in a global real estate strategy. The paper offers a framework, not a recommendation. The author has been operating in the Kingdom since 2009, with the most recent chapter inside institutional residential in the United States and Saudi Arabia. The paper is written as the observation of a category in the process of forming.

SECTION 01

The Multifamily Parallel.

Before US multifamily became one of the world's most institutionalised real estate asset classes, it looked nothing like its current form. In 1985, American apartment ownership was overwhelmingly local — fragmented across regional partnerships, mom-and-pop landlords, and developer-operators with limited tenure. There was no Greystar at scale. There were no large public REITs dedicated to apartment ownership. The institutional capital that today deploys hundreds of billions into US multifamily had no on-ramp into the category, because the category did not yet have institutional operators.

What changed between 1985 and 2005 is well understood by anyone who has studied the asset class. Operator consolidation came first — Greystar, Camden, Trammell Crow Residential, AvalonBay, Equity Residential. Consolidation created the operational standard that institutional capital needed to underwrite. The capital followed. Once the capital flowed, the asset class compressed cap rates, lifted asset values, and became a permanent line item in the global institutional real estate playbook.

The window between the operator forming and the capital arriving was approximately fifteen years. Foreign and US institutional capital that deployed during that window — into operating platforms, into stabilised asset acquisitions, into joint ventures with the new operators — captured the largest spread between formation pricing and stabilised institutional pricing in the history of US apartment ownership.

Saudi institutional residential in 2026 sits where US multifamily sat in 1985. The window between formation and arrival is open.

The thesis of this paper is that Saudi Arabia in 2026 sits at an equivalent inflection. The structural conditions match: fragmented, family-office ownership of institutional-quality residential inventory; absent operating consolidation; substantial domestic capital seeking institutional residential exposure; and no platform at scale through which foreign capital can enter. The paper does not argue that Saudi will recapitulate the US story in detail. It argues that the structural pattern is sufficiently analogous to warrant active analysis by global capital allocators today.

SECTION 02

Two Talent Highways.

Demographics are necessary but not sufficient to explain the residential opportunity in Saudi Arabia. The richer explanation is the intersection of two unprecedented talent flows, both running through Riyadh simultaneously.

Inbound: the Western expat highway.

Vision 2030's Regional Headquarters programme has relocated more than 400 multinational corporate headquarters into Riyadh since 2021, with a binding requirement that they be the primary regional base for government contract eligibility. The relocations have created a sustained inflow of senior Western expatriates, their families, and their housing requirements at international institutional standards. The same inflow applies to Riyadh Air, NEOM, Diriyah Gate, Expo 2030, and World Cup 2034. The audience is high-wallet, internationally benchmarked, and culturally familiar with the premium-rental product available in their home markets.

Outbound: the Saudi millennial highway.

Less visible, more consequential. Over the past two decades, the Saudi state systematically funded its citizens to study at elite institutions globally — Stanford, Harvard, INSEAD, LBS, MIT, Oxford. The cohort now returning to Saudi Arabia in its thirties and forties is internationally credentialed, professionally mobile, and forming households at a moment when Saudi residential supply has not yet adapted to the formats this generation lives in. They form households later than the previous generation, with average Saudi household size having fallen from approximately 6.0 in 2004 to 4.8 today. They defer home ownership, and they earn at levels that support premium-rental consumption. Sixty-three percent of Saudi nationals are under thirty. Female labour force participation has crossed 34 percent, above the Vision 2030 target of 30 percent set for 2030.

63%

of Saudi nationals under 30 years old

7M → 9.6M

Riyadh population by 2030

305,000

additional homes needed for Saudi nationals, 2024–2034

Sources: General Authority for Statistics (2023); GASTAT Saudi Census 2022; Knight Frank Riyadh Residential Update (October 2024); PwC Middle East Vision 2030 Report (January 2025).

The intersection of the two highways is the structural feature of the Saudi residential opportunity that no other emerging market currently offers. The Western expat inflow validates the operating standard. The returning Saudi cohort represents the volume.

In analogous emerging markets — Mexico City, Bogotá, Jakarta, Cairo — institutional residential has historically been constrained by one of two missing ingredients. Either there has been an expatriate population without the local rental cohort to scale beyond the wedge, or there has been a domestic young-professional cohort without the international price discovery that makes institutional underwriting possible. Saudi Arabia is the unusual case in which both ingredients are present at scale, in the same metropolitan area, at the same moment. This is unusual enough to warrant attention from global capital regardless of regional view.

The Western tenant validates the operating standard. The Saudi millennial inherits it as the volume audience.

From a capital allocator's perspective, the practical implication is that the asset class can be underwritten initially against the expatriate cohort — a tenant base familiar to any global LP, with rental price points comparable to premium London or New York — while the long-run thesis is anchored to the larger and more durable domestic cohort. The risk profile is therefore lower at entry than a pure emerging-market residential underwriting would suggest. The upside profile is larger than a pure expatriate underwriting would assume.

A useful frame: the international tenant pays the rent that builds the operating muscle. The Saudi cohort, once the product reaches them, is the audience that scales it.

SECTION 03

The Asset Class Structure.

The Saudi residential opportunity differs from US institutional residential in one respect that materially advantages foreign capital. The institutional-quality slice of the market — the gated compounds — is structurally concentrated in a way the broader residential universe is not. This concentration is the wedge through which the asset class can be institutionalised.

For three decades, premium residential supply in the major Saudi cities has been organised around gated compounds — Al Bustan (836 units), Al Nakhla, Andorra Village, Wadi Qortuba, Arizona, California, Vives, Antara, and approximately one hundred others of equivalent or smaller scale. Each compound is purpose-built, behind one gate, in one location, typically under single-family-office ownership. Unit counts range from approximately eighty at the lower end to over one thousand at the upper. Outside this institutional-quality stock, the broader Saudi residential market is fragmented, indigenous, and operationally heterogeneous — like any emerging market. The opportunity for foreign institutional capital is the institutional-quality wedge, not the whole.

The historical reason for the compound format is well known: when the Kingdom began importing the Western technical workforce required to operate its oil, healthcare, and education systems, those expatriates needed housing that allowed them to live according to Western social norms while remaining within the Kingdom's regulatory frame. Compounds solved that problem at scale. As the Kingdom has liberalised, the compounds have remained the standard institutional-quality residential format, now serving both the legacy expatriate audience and an increasingly diverse domestic and international resident base.

For a capital allocator accustomed to US institutional residential, the implication is significant. The US single-family rental thesis required operators to aggregate scattered inventory across hundreds of zip codes — a structural barrier that constrained operator margins for the first decade of the asset class. US multifamily, while concentrated within properties, was already institutionally consolidated when foreign capital arrived in scale, leaving little category-formation arbitrage.

The compound stock offers asset concentration without category consolidation. This combination has no obvious global comparable.

The compound stock therefore offers both conditions simultaneously: asset concentration at the gate, with no current consolidation at the operator. The author estimates between 50,000 and 100,000 institutional-quality compound units across the Kingdom, with clear line of sight to a consolidated operator portfolio of 5,000 to 10,000 units within 36 months based on demonstrated comparable pace in the market.

SECTION 04

Why Now.

Three forces have converged in the last twenty-four months that make the current window distinct from any prior moment in Saudi residential history.

Mobility.

Until approximately 2018, the Saudi labour market was structurally immobile. The majority of Saudi nationals lived their entire professional lives within the city of their birth. Vision 2030, combined with the structural changes in female labour participation, has created — for the first time in the Kingdom's modern history — a mobile professional class. A 28-year-old engineer from Dammam will now move to Riyadh for a Vision 2030 role. A female professional from Jeddah will open the Regional HQ office of a multinational. A founder from Riyadh will relocate to Jeddah to scale a venture. The labour market is now mobile in a way it has never been, and mobility is the precondition for institutional rental demand.

Capital activation.

Major Saudi developers, banks, and family offices are actively organising institutional residential strategies. The pace is consistent with the domestic norm in this market: activation moves quickly once direction is set. Multiple platforms with anchor portfolios of 1,000 to 2,000 units have been stood up in the past 24 months. The implication is that the domestic capital is unlikely to wait for foreign capital to participate. Foreign capital that engages now does so as a co-formation partner. Foreign capital that engages in 24 to 36 months will price into a market the domestic capital has already cleared.

Regulatory aperture.

Beginning in 2024, the Saudi Ministry of Investment has permitted foreign-owned commercial entities to operate in the Kingdom without a mandatory local partner, subject to MISA licensing. Premium Residency is available to qualifying investors. The regulatory perimeter, while still evolving, now permits the operating and capital structures global institutional LPs require for cross-border deployment. This was not true in 2020. It is true now.

SECTION 05

The Foreign Capital Thesis.

From the perspective of a global LP — Canadian pension, Scandinavian fund, UK insurer, Asian sovereign — the question is not whether Saudi residential is interesting in the abstract, but how it fits within a global real estate allocation governed by fiduciary discipline.

The pattern that emerges from the conditions described above is that Saudi institutional residential offers exposure to Saudi GDP growth without exposure to Saudi development risk. The distinction matters. Most foreign capital seeking Vision 2030 exposure has done so via mega-project equity, PIF-related vehicles, or contractor equity — instruments that bundle execution risk, political risk, and capital-intensity risk in ways that institutional fiduciaries find difficult to underwrite. Stabilised operating residential, by contrast, offers cash-yielding income from delivered assets, predictable rent rolls, and a tenant base that includes the multinationals already vetted by the LP's other investment committees.

The principal channels of exposure are three. First, operator equity — a minority position in the operating platform itself, with the upside profile of an emerging-market property services franchise. Second, asset-level joint ventures with established Saudi family offices and developers, underwritten against a stabilised operating standard. Third, structured credit and preferred equity into the compound acquisition flow that the operator generates over time. Each channel can be sized to the LP's appetite. Each has a Sharia-compatible structuring path. None requires the LP to assume development or political risk it would not assume elsewhere in its real estate allocation.

Cash-yielding stabilised assets. Institutional operating standard. Hard-currency rent. Vision 2030 demographic tailwind. Sharia-compatible structures available.

The Saudi residential opportunity, in this framing, is not a venture bet on a frontier market. It is a category-formation participation in a structurally familiar asset class, in a market with sovereign-grade fiscal underwriting, demographic momentum that exceeds most global comparables, and a domestic capital base already prepared to share execution. The principal task for foreign capital is not whether to engage. It is when.

SECTION 06

The Operator Gap.

Every structural condition described in the preceding sections is by now well understood by sophisticated participants in the Saudi market. The single constraint that has prevented foreign institutional capital from participating to date is the absence of an operating platform at scale that meets institutional governance, reporting, and operating standards.

This is the same constraint that delayed US multifamily institutionalisation by approximately a decade. Until Greystar achieved the scale and operating discipline that institutional LPs required, US apartment ownership remained capital-constrained despite obvious demographic demand. The Saudi parallel is direct. International platforms entering the Kingdom have validated the opportunity but operate with strategic priorities spanning multiple geographies. Family-office developer platforms are organised to serve internal asset portfolios, not open-market operator mandates. Domestic property management firms operate efficiently within the traditional model but are not positioned to deliver the lifestyle-led, internationally-benchmarked operating standard that foreign LPs would underwrite. Hospitality-adjacent operators hold the right operating DNA but sit within ownership structures that do not authorise category-defining moves.

None of these is a criticism. Each existing participant sits where its strategic mandate places it. The observation is simply that the operator category itself remains open — and that the resolution of this constraint, once achieved, is the moment that opens the asset class to foreign institutional capital at scale.

*Capital is plentiful. Supply is plentiful. Demand is plentiful. The constraint is the operator.
That constraint is being resolved.*

The mechanism of resolution will be familiar to anyone who has watched category formation in adjacent markets. A new platform with international operating DNA, Saudi domicile, and anchor domestic capital partners establishes the operating standard. Other capital follows. The operator category compresses to two or three credible participants. Foreign LPs engage through joint ventures, structured equity, and operator-anchored asset acquisitions. Within 36 to 60 months, Saudi institutional residential is a recognised category in global real estate allocations.

SECTION 07

What To Watch.

For LPs and family-office principals tracking this thesis from outside the Kingdom, the meaningful signals over the next 12 to 24 months are the following.

Operator formation events.

Announcements of new Saudi-domiciled institutional residential operators with anchor pipelines exceeding 500 units. The pace and structure of these announcements is the leading indicator of category formation.

Compound transaction activity.

Disclosed acquisitions of single-asset compounds by funds or family-office platforms, with operating contracts attached. Each such transaction is a data point on emerging cap rates and operator economics.

Foreign capital entry signals.

JV announcements between Saudi developers and international real estate platforms (Hines, Brookfield, Greystar, JLL Capital Markets) targeting residential. These signal foreign LP interest before formal allocation.

Regulatory clarifications.

Issuance by REGA, MISA, and ZATCA of clarifying frameworks specific to institutional residential operators and to foreign LP participation. These are technical but determinative of the entry structure.

Operating standard pricing.

Disclosed rent rolls and occupancy at the leading compounds. Observed pricing of premium expatriate-occupied units in Riyadh currently approaches USD 100,000 to USD 150,000 per villa per year, with blended portfolio rates of approximately USD 60,000 to USD 80,000 per unit.

A CLOSING NOTE

On observation and disclosure.

This paper has been written by a participant in the asset class it describes, not by a detached analyst. The author has been operating in Saudi Arabia since 2009, alongside roles across the United States, Europe, and Asia. The institutional residential chapter spans the US single-family rental build-out at Darwin Homes (2021–2023) and operating leadership at the first international institutional residential platform in Saudi Arabia (2024–2026). The author currently sits within the Saudi residential ecosystem in an operating capacity. Readers should weigh the framing accordingly.

The paper takes no position on which specific platforms, operators, or capital partners will succeed in the category. It makes no recommendation of investment, no representation as to specific opportunities, and no warranty as to the data referenced. Sources are public unless otherwise noted; estimates are the author's, drawn from operating experience and publicly available materials. Where the paper offers a frame, it does so to assist capital allocators in forming their own view, not to substitute for one.

The objective is narrower than a pitch and broader than a market memo. The author's view is that Saudi institutional residential is at the moment of category formation, that the moment will not last, and that the global capital allocators who develop a view now will be better positioned than those who develop a view in 24 months. The paper exists to make that view easier to develop.

The conversation to have now is the relationship. The capital deployment is twenty-four months out.

Readers who find the framing useful, or who would value a more detailed conversation on any of the structural elements addressed, are welcome to reach the author directly.

ABOUT THE AUTHOR

Victor Barrero.

Riyadh, since 2009.

I first came to the Kingdom in the summer of 2009, on a corporate strategy internship at flynas during my MBA at INSEAD. There was no Vision 2030. Most of my classmates had never been here. I came back full-time the following year, and I have stayed connected to the Kingdom every year since, through multiple chapters of its modernisation.

Since 2024 I have lived in Riyadh full-time. The two years before this paper, I spent operating inside the institutional residential category it describes.

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