

## From Collateral to Capital:

### How Has Private Credit Become Gulf's Next Frontier?

*A report issued by Gulf Capital Investment Company KSCC "InvestGB", the investment arm of Gulf Bank, stated that the world has witnessed in recent years a profound shift in how companies and projects are financed. Banks are no longer the sole main players in lending. What has emerged strongly is what is known as private credit; lending carried out by investment funds, non-bank financial institutions, and even family offices, directly to borrowers.*

Private credit is a form of non-bank lending in which non-bank lenders (such as credit funds) provide loans and financing to companies privately, outside public markets. This offers tailored financing to companies that may not be able to access traditional debt markets, while delivering higher returns to investors in exchange for unique risks, with a focus on interest and fees rather than direct ownership.

The report noted that this shift did not come out of nowhere. It is the result of tighter regulatory requirements imposed on banks after financial crises, along with rising interest rates, which reduced banks' ability to provide long-term or higher-risk lending. In contrast, investors capitalized on this gap and began building a massive private credit market that reshaped global financing, allowing private funds to step in and build a market valued at USD 2.5 trillion, transforming how companies and projects are financed.

When broader investment-grade credit and asset-backed credit such as infrastructure financing and structured private placements are taken into account, the effective size of the global private credit market could exceed USD 30 trillion in 2025, according to a BlackRock report, underscoring its systemic importance.

In the West, particularly in the United States and Europe, banks have faced strict regulatory constraints that limited their ability to finance highly leveraged companies or non-traditional projects. With rising interest rates, bank borrowing became more expensive, reducing appetite on both the corporate and banking sides.

Here, private credit stepped in, distinguished by flexibility, faster decision-making, and the ability to price risk without being bound by stringent bank capital rules. As a result, the market grew to trillions of dollars and became a key channel for financing corporates, infrastructure, and real estate.

#### Gulf Advantages

The report added that although the trend is global, Gulf countries do not start from the same point as the West. In the US and Europe, private credit was primarily built on corporate lending. In the Gulf, however, real estate is the natural starting point.

This is structural rather than temporary. The Gulf business environment has historically relied on strong collateral, and banks themselves tend to favor asset-backed lending. Therefore, the transition from bank financing to private credit is expected to occur first through real estate credit.



## Emerging Markets

In emerging or still-developing markets, financial transparency is limited and company data is sometimes incomplete, making corporate lending more complex and risky. In contrast, real estate provides clear assets that can be valued and mortgaged, with traceable cash flows. Moreover, real estate developers in the Gulf have long experience in project financing and execution risk management, giving lenders clearer visibility into risks compared to lending to operating companies with opaque financial structures.

## Rising Momentum

Indicators of this momentum are increasing. In 2024, the Abu Dhabi Investment Authority committed approximately USD 830 million to Cheyne Capital's European real estate debt fund. In addition, local frameworks such as the private credit regimes in the Dubai International Financial Centre (2022) and Abu Dhabi Global Market (2023) have legitimized secured lending (King & Spalding). Property Finder's USD 90 million credit facility in the same year also signaled the region's adoption of structured debt.

In the same context, Mubadala entered a USD 1 billion partnership in credit and real estate with Fortress in 2025, reflecting the shift of sovereign investors from passive limited partners to active credit originators. Meanwhile, Shuaa Capital launched a USD 250 million real estate debt platform in the UAE in 2023, while Brookfield and Hayfin Capital began evaluating bridge financing opportunities in the Gulf, highlighting growing international interest in credit origination in the region.

## Role of Regulations and Legal Frameworks

The report noted that Gulf countries; especially the UAE and Saudi Arabia have seen significant development in legal frameworks related to real estate financing. Free zones such as the DIFC and ADGM have enabled clear arrangements for collateral and mortgages, while Saudi Arabia has enhanced its real estate laws to strengthen enforceability.

This legal development, combined with a strong collateral culture and bank dominance of the financial system, has made real estate credit the most logical first asset class for private lending growth in the region.

## Clear Signals

The report emphasized that growing interest in this field is not merely theoretical, it is supported by real-world developments. Sovereign funds and major investors have entered local and international real estate debt transactions, and regional firms have launched specialized real estate lending platforms.

Gulf real estate markets have also recorded record activity in transaction volumes, with most rated developers maintaining stable outlooks, reinforcing confidence in their ability to service debt and complete projects.

## Real Risks

Despite the significant opportunities, real risks remain. Legal enforcement of mortgages is still not fully tested outside free zones, requiring lenders to focus on stronger jurisdictions and employ multi-layered security structures.

Limited exit liquidity also means loans must be short-term and amortizing to reduce refinancing risk. Another challenge is aligning the short-term nature of real estate loans with permanent investment fund structures that require recurring cash flows.



## Timing of Growth

Unlike the West where real estate debt has become a crowded market with low returns; the Gulf remains at an early stage. Higher returns reflect market immaturity rather than necessarily higher risk.

The timing of growth also differs: private credit in the Gulf is expanding in a normal interest rate environment with fiscal surpluses, not under near-zero rates as in the West post-2012. Additionally, sovereign funds play a counter-cyclical role, easing liquidity pressures during downturns.

## Successful Strategies

Successful strategies focus on bridge loans; short-term financing used to cover temporary funding gaps, such as purchasing a new property before selling an existing one or until long-term financing is secured typically with tenors of 12 to 24 months, especially in prime locations.

Returns can also be enhanced through additional financing tranches linked to cash flows held in escrow accounts. Partnerships with experienced global managers are an effective way to transfer knowledge and build strong local capabilities in credit underwriting and origination.

The report concluded that the real battleground for private credit growth in the Gulf will be real estate debt. Investors who build disciplined, robust lending platforms today; rather than merely replicating off-the-shelf Western models will shape the region's credit market over the next decade.

While Western experience shows that excess liquidity can lead to overextension, the Gulf's opportunity lies in measured, collateral-based growth, with real estate credit serving as the link between capital surpluses and the deepening of emerging private markets.



## Private Credit: Global Scale vs GCC + Egypt Positioning

■ Global PC ■ GCC + Egypt PC

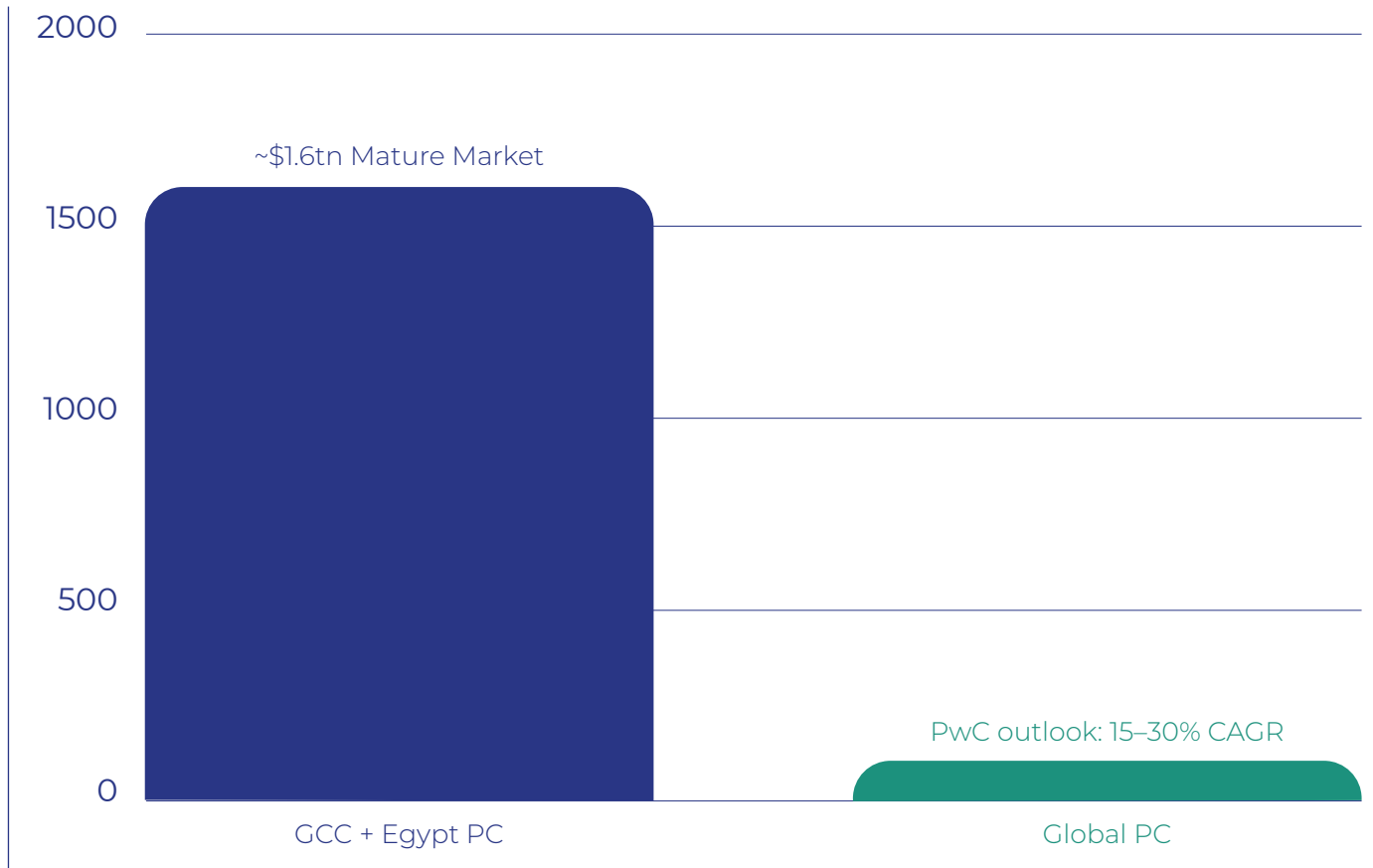


Figure 1: PwC expects private credit in the GCC and Egypt to grow at a faster pace than global markets due to its early-stage development.



# How Private Credit is Entering the Gulf

