

The Iran Conflict and the Geopolitics of Safe Havens

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The paradox of geopolitical shock in the Gulf

It is a well-established fact that geopolitical crises affect real estate markets differently.¹ Short-lived crises, in particular, may have fleeting effects on equity markets,² and even subside before real estate markets, which operate on longer adjustment cycles and are measured in months rather than minutes, have time to respond. This was certainly the case with the Twelve-Day conflict between Israel and Iran in June 2025, when investors factored its rapid conclusion into asset prices. What is less well understood is how different markets respond to the same geopolitical shock. Why do some markets absorb geopolitical shocks with remarkable resilience while others transmit them rapidly into pricing and sentiment? What is known about that?

Safe haven real estate

In the financial literature, a 'safe haven' has been defined as 'a place of safety that offers investors shelter, i.e. non-negative returns (and that are largely uncorrelated with domestic or international equities³) in extreme market conditions'.⁴ Alongside gold and cash, real estate as a category has traditionally been regarded as one of the most important 'safe havens' for global capital. Importantly, once international capital identifies such a safe haven, it is willing to accept a relatively low rate of return.⁵ More recently, behavioural economists have analysed how investors treat certain real estate markets differently when geopolitical tensions rise and what the impact on such markets is.⁶ Some markets have certainly become identified as 'safe havens' to which capital flies amidst crisis. These markets usually possess several easily identifiable qualities: a diversified investor base, favourable tax treatment, sustained rental demand and global connectivity.⁷

Conversely, real estate markets that rely on a single buyer demographic, possess only limited liquidity, overly depend on tourism, concentrate on one economic sector and exhibit slower policy responses are much less likely to achieve safe haven status. These factors are mutually reinforcing over time: it is the practised, persistent package that demonstrates safe haven status. Naturally, institutional (and even family) memory counts – tales of how Dubai stood up well during the first Gulf War are now being recounted to justify continued commitment during the present crisis. Geographical distance from the location of existing or potential future crises evidently matters less, as the flight of capital from Russia to Dubai during the Ukraine War demonstrates.⁸

It is therefore important to recognise that relative insulation from geopolitical risks is only one dimension of safe haven markets and perhaps not even the most important one. Factors such as domestic political consistency, especially in the tax treatment of global income and local real estate, regulatory clarity, exchange rate stability and internal security, are equally important components that may weigh more heavily than geographical proximity to areas of traditional geopolitical risk. This is reflected by the statistics: for the 16,500 high-net-worth individuals (HNWIs) who left London in 2025, that particular traditional Organisation for Economic Co-operation and Development (OECD) safe haven was no longer perceived as sufficiently safe, a contrast to the 9,800 HNWIs who moved to Dubai who evidently viewed the UAE much more positively.⁹ When migration is known to affect both market pricing and stability, analysts have been keen to emphasise the benefits of such decision-making on the Dubai real estate market. HNWI migration functions as both a signal and a driver of real estate pricing.¹⁰ Analysts will now be keeping a close watch on the equivalent statistics for 2026 and even more importantly 2027, as memories fade and the longer-term effect of the present crisis becomes clearer.

It would, however, be wrong to think that this analysis explains everything about how real estate markets respond to geopolitical crises, or that it is completely reliable as a correlative and predictive tool. Many global investors have expressed their concerns about the USA's current broad political direction, for example, but this has done little or nothing to prevent them from continuing to invest there.¹¹ In this case, there does seem to be a discrepancy between what investors say and what they actually do.



What explains different shock absorption capacity?

Real estate commentators have built on safe haven theory to develop a detailed understanding of what constitutes 'safe havens' for capital. To attain safe haven status, a real estate market must score highly across several dimensions: liquidity and financial-market depth – increasingly including tokenisation and derivatives¹² – regulatory clarity, a broad and diverse international investor base, infrastructure quality, and transparent information on key indicators such as achieved prices, yields, transaction volumes, ownership and construction costs.¹³ Traditionally less important has been political neutrality: during the Cold War, the safest real estate havens included London, New York and Paris that were at most risk from nuclear attack.¹⁴

As a result of tensions between Iran and its neighbours, the Gulf has been one of the most geopolitically exposed regions in the world. In recent years the region has seen a succession of crises, from the tensions in the Strait of Hormuz in 2011–12, the 2019 Abqaiq attack, the 2024 tanker incidents, and the Twelve-Day conflict and in 2025 and the subsequent missile and airstrike incidents in Qatar. Now we are witnessing the most obvious manifestation of geopolitical risk to affect the Gulf since the Iraq War a generation ago. Previous crises have barely dented the Dubai real estate market, which continued to outperform its regional competitors. On the contrary, the Dubai market has outperformed global markets during periods of regional instability, no doubt assisted by its rise in global competitiveness as well as its policy agility, illustrated by visa reforms and regulatory updates.¹⁵ And as with other local markets such as Abu Dhabi, Bahrain, Kuwait, Oman and Saudi Arabia, market pricing in Dubai continued to depend far more on the stage of the local real estate cycle than on perceptions of geopolitical risk, and is therefore nuanced by sector. This is especially the case when oil prices act as a geopolitical counterweight, acting through fiscal support for

Government infrastructure spending by Gulf Governments at a time when, worldwide, Government budgets are largely adversely affected by rises in hydrocarbon inputs to production.

It would be incorrect, however, to suggest that all regional markets are impervious to previous crises. In contrast to Dubai, Iran itself has been the most obvious example: the country experienced a real estate boom between 2020 and 2025, with prices tripling in some cases. However, this has been driven as much by inflation and the use of real estate as a domestic safe haven as by any actual economic growth. With affordability having deteriorated to the point where even apartments are now beyond the reach of most middle-class Iranians, investors and owners of multiple properties now form the bulk of demand.¹⁶ Their sensitivity to geopolitical risk is far greater than those of traditional owner-occupiers, and the evidence is already showing that capital is flowing out of Iran on a previously unprecedented scale – a classic inflation hedge dynamic.¹⁷ Dubai has been a particular beneficiary in recent months, thanks to visa availability and historical ties, among other factors.¹⁸



Dubai's performance amid successive regional tensions illustrates how safe haven status is earned through policy agility, infrastructure investment, and sustained global connectivity. Capital today is highly mobile and increasingly selective. Investors are not merely seeking shelter, they are seeking certainty, liquidity and long-term strategic alignment. That combination explains why HNWI migration and institutional capital flows continue to favour certain Gulf markets despite broader geopolitical exposure.

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Momentous events stress test theory

The ongoing conflict between Iran and Israel, into which the Gulf states have been drawn in unwillingly, will now test whether Dubai and other Gulf real estate markets will retain their safe haven status. Many different channels exist through which such a crisis could exert influence over local real estate markets: oil and shipping, risk premia, investor caution, and issues with developer capital raising. We cannot look to short-term price evidence as an answer, as it will prove unreliable due to fractured liquidity and closed markets. We can however say that the efficiency of the UAE's defence systems and the way stranded travellers have been so well provided for, the active cooperation of the entire population amid the crisis and the outpouring of loyalty from around the Emirates, mirrored by similar positivity from other Gulf states, are all very positive initial signs so far.¹⁹ Nor of course does the present conflict represent any significant risk to the other advantages of the Gulf as a safe haven, including domestic security, regulatory sophistication and flexibility, or its position geographically at the centre of many communications and trading routes.

Prolonged wars often sap levels of commitment and investor confidence, however, as the case of the estrangement of Qatar from its Arab neighbours between 2017 and mid-2021 demonstrated.²⁰ Never before has the Gulf as a whole been faced with both a potentially prolonged geopolitical crisis at a time when real estate markets have achieved development in depth, diversification and extensive deployment of overseas capital, so the duration of the present conflict may prove decisive in determining the answer to the question.

What seems moreover certain is that after this crisis passes, geopolitical checklists of safe haven strength will be the inevitable upshot of greater awareness of risks. Consultancies are already providing detailed, multi-dimensional weighted models of the components of shock absorption capacity. They will include analysis of shipping routes and energy markets, liquidity indicators, taxation levels, and Foreign Direct Investment (FDI) decisions by major investors such as Sovereign Wealth Funds. Even when the immediate threat has receded in the Gulf, they may now also wish to factor in defence and security measures, in particular the comparative effectiveness of air and missile defence.

This analysis is especially relevant to investors given that the tendency of global capital to gravitate towards real estate as a safe haven has strengthened in recent years: real estate accounts for a growing share of offshore portfolios globally, including, in the case of the Gulf, even from Africa.²¹ And arguably even more so in future, when real estate will face increasing competition as a safe haven from geographically mobile assets such as Bitcoin, which can play a part in portfolio diversification and has risen in prominence as investment preferences exhibit intergenerational shifts.²²

Conclusions: The new geography of risk in the Gulf

The duration, extent and outcome of the present hostilities involving Iran and its neighbours will have a decisive impact on how investors view different Gulf markets. Safe haven theory predicts that it is at the point when any crisis becomes prolonged that markets and sectors within markets will start to differentiate in their responses.

The present crisis is a stark reminder of the fact that geopolitics always affects real estate markets: what is vital for investors and developers alike to recognise is that it does not do so evenly between them. As resilience becomes a progressively more obvious competitive advantage, investors will become more selective and diversification strategies will matter more than ever before.



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