FAB أبوظبي الأول للأوراق المالية SECURITIES

Earnings Call Insight | 1H26

UAE Equity Research | Sector: REIT | Market: DFM

Dubai Residential REIT

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.25	AED 1.60	+28.0%	BUY

1H26 Net Profit[1] is in line with our estimate

- Dubai Residential REIT's revenue rose 8.1% YOY to AED 1,036 Mn in 1H26, driven by rising rental rates, ERV catch-up on renewal, re-rating on churn, and sustained occupancy.
- Direct cost declined 18.7% YOY to AED 187 Mn in 1H26.
- Gross profit increased 16.6% YOY to AED 849 Mn in 1H26, while gross margin expanding by 596 bps YOY to 81.9% in 1H26.
- EBITDA rose 14.1% YOY to AED 743 Mn in 1H26, driven by revenue growth and operational efficiencies. Moreover, the EBITDA margin expanded by 378 bps YOY to 71.7% in 1H26.
- Operating profit increased 14.2% YOY to AED 742 Mn in 1H26, with the operating margin rising by 383 bps YOY to 71.7% in 1H26.
- Dubai Residential reported management fees of AED 80 Mn in 1H26, compared with AED 10 Mn in 1H25.
- Net finance cost declined 6.0% YOY to AED 26 Mn in 1H26.
- Gain on fair value of investment property declined from AED 1,297 Mn in 1H25 to AED 373 Mn in 1H26.
- Net profit (before change in fair value of investment property) increased 15.1% YOY to AED 716 Mn in 1H26, driven by higher revenue and impairment gains, coupled with lower direct costs, G&A expenses, marketing and selling expenses, and finance costs, partially offset by higher management fees and lower finance income.
- The number of residential units stood at 35,976 as of June 2026, with average portfolio occupancy improving to 98.6% in 1H26.
- The Gross Asset Value (GAV) increased to AED 25.2 Bn as of June 2026, compared with AED 23.5 Bn as of December 2025, primarily driven by the addition of 276 units in the Garden View Villas and Jebel Ali Village communities.
- Free cash flow conversion improved to 94.8% in 1H26 from 92.6% in 1H25, with free cash flow increasing to AED 705 Mn in 1H26 from AED 603 Mn in 1H25.
- The Board approved an interim cash dividend of AED 573.2 Mn (4.4 fils per unit), representing 80% of 1H26 net profit before changes in the fair value of investment property.

[1]Net profit refers to net profit before changes in the fair value of investment property.

Earnings Call Summary

- Payroll and indirect costs were incurred for the first five months of 1H25 until the REIT structure took effect in June 2025, after which, from 2026, these costs were replaced by a management fee of 10% of net profit before changes in the fair value of investment property, disclosed as a separate management fee line.
- The Company’s average occupancy was 98.6% in 1H26, up 0.5 pp YOY, with retention at 94.1% and the collection rate at 99.7%, while average rent per sq. ft. rose 7.5% YOY to AED 59.7 in 1H26.
- Premium occupancy declined to 92.0% in 1H26 from 98.4% in 1H25, attributed to the inclusion of 56 Garden View Villas units, while Community occupancy rose to 99.2% in 1H26 from 97.4% in 1H25. Affordable occupancy grew to 99.3% in 1H26 from 99.0% in 1H25, and Corporate Housing remained unchanged at 99.8% in 1H26 compared with 1H25.
- Community and Affordable together contributed over 82% of revenue in 1H26. Community, Affordable and Corporate Housing occupancy remained resilient despite the regional conflict affecting the UAE.

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- The Company identified Corporate Housing as the fastest-growing segment but guided that the portfolio mix would remain broadly unchanged in the medium term, with Community and Affordable remaining the cornerstone.
- Management confirmed slight pressure on rents and customer behaviour when the conflict began, which has since eased following the ceasefire. The softening was confined to the Premium segment, with no material pressure in Community, Affordable or Corporate Housing.
- Dubai Residential REITs guided that fair value gains are expected to stabilise going forward, noting that the earlier catch-up has already been recognised, with future movements driven by market dynamics and the REIT's own operational performance.
- Two committed projects were completed in 1H26: 56 four-bedroom units at Garden View Villas (handover in March, leasing from April) and 220 three- and four-bedroom townhouses at Jebel Ali Village (handover in June, leasing from July), taking the portfolio to 35,976 units across 22 communities.
- Garden View Villas and Jebel Ali Village are expected to contribute c. AED 75 Mn in incremental annual revenue once stabilised. Leases are being signed at or slightly above the forward purchase agreement assumptions set at IPO, with those yields still holding.
- The Company expects the 276 newly added units to be fully stabilised in the medium term.
- Three medium-term LOI projects will add 448 premium and 107 community units: Lantana Hills at Dubai Science Park (390 townhouses, 2027), The Acres Cluster F (58 villas, 2028) and Dubai Wharf (107 apartments via conversion of underperforming retail, 2028). All projects are currently under construction with contractors appointed.
- Financing remains conservative with AED 2,450 Mn drawn under an AED 3.7 Bn unsecured revolving credit facility at 3M EIBOR + 80 bps, maturity in November 2029, with no amortisation, a 9.7% gross FTV / 6.8% net FTV, ICR of 28.8x on a net basis, ample covenant headroom and c. AED 2 Bn of available liquidity for growth as of June 2026.
- Dubai Residential REIT was added to the FTSE EPRA Nareit Emerging Index in June 2026.

Dubai Residential REIT – P&L

AED Mn	**1H25**	**2H25**	**1H26**	**1H26F**	**Var**	**YOY Ch**	**HOH**
Revenues	958	996	1,036	1,015	2.0%	8.1%	4.0%
Direct Cost	-230	-197	-187	-189	-1.0%	-18.7%	-5.2%
Gross Profit	**728**	**798**	**849**	**826**	**2.7%**	**16.6%**	**6.3%**
Other operating income	1	9	3	3	-2.9%	NM	-67.9%
Management fees	-10	-73	-80	-78	2.6%	NM	9.1%
General and administrative	-53	-26	-27	-28	-3.8%	-49.5%	3.0%
Marketing and selling	-11	-4	-5	-5	1.0%	-57.4%	19.1%
Impairments and other gains - net	-5	-3	2	2	-4.8%	NM	NM
Operating Profit	**650**	**701**	**742**	**721**	**3.0%**	**14.2%**	**5.9%**
EBITDA	**651**	**702**	**743**	**720**	**3.2%**	**14.1%**	**5.9%**
Finance income	16	-7	13	13	-0.4%	-21.8%	NM
Finance costs	-44	-37	-39	-41	-5.4%	-11.9%	4.2%
Profit before change in fair value of investment property	**622**	**657**	**716**	**693**	**3.4%**	**15.1%**	**9.1%**
Gain on fair value of investment property	1,297	446	373	448	-16.7%	-71.2%	-16.4%
Profit for the Year	**1,919**	**1,103**	**1,089**	**1,140**	**-4.5%**	**-43.2%**	**-1.2%**

FABS estimate & Co Data

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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