

## Dubai Residential REIT

Current Price AED 1.40	Target Price AED 1.51	Upside/Downside (%) +8%	Rating HOLD
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### 1H25 Profit before fair value gain is in line with our estimate

- Dubai Residential revenue rose 9.8% YOY to AED 958 Mn in 1H25, supported by continued leasing momentum and higher rental rates across the residential portfolio.
- Direct cost grew 7.0% YOY to AED 230 Mn in 1H25.
- Gross profit increased 10.7% YOY to AED 728 Mn in 1H25, while gross margins expanded 62 bps YOY to 76.0% in 1H25.
- EBITDA rose 11.5% YOY to AED 651 Mn in 1H25, driven by revenue growth and operational efficiencies. Moreover, EBITDA margin expanded 102 bps YOY to 68.0% in 1H25.
- Operating profit increased from AED 583 Mn in 1H24 to AED 650 Mn in 1H25, with an expansion in margin of 103 bps YOY to 67.8% in 1H25.
- Dubai Residential reported management fees of AED 10 Mn for the period of 1H25.
- Net finance cost of the Company rose from AED 17 Mn in 1H24 to AED 27 Mn in 1H25.
- Dubai Residential's net profit before change in fair value of investment property grew 10.1% YOY to AED 622 Mn in 1H25, mainly attributable to an increase in operating income.
- Gain on fair value of investment property stood at AED 1.3 Bn during 1H25.
- The number of residential units stood at 35,701, with average portfolio occupancy of 98.1% during 1H25.
- The Gross Asset Value (GAV) stood at AED 23.0 Bn, as of June 2025, compared to AED 21.6 Bn in December 2024, driven largely by valuation gains and new additions.

### Earnings Call Summary

- Dubai Residential is the only pure-play residential REIT of scale in the UAE, distinguishing itself from peers by offering institutional investors exposure to a diversified, income-generating housing portfolio.
- The REIT operates fully Sharia-compliant with oversight from a dedicated Sharia board, ensuring adherence to Islamic finance principles across investment and operational activities.
- As of 1H25, Dubai Residential owned and operated 35,701 residential units, predominantly apartments, across 21 communities situated in five of Dubai's most strategic neighborhoods.
- The Company maintained a high tenant retention rate of 94% in 1H25, reinforcing its tenant satisfaction strategy and the affordability-driven stability of its residential leasing model.
- Community housing contributed 47% of total revenue, followed by affordable housing at 35%, while premium and corporate housing made smaller contributions but delivered high EBITDA margins during 1H25.
- Despite accounting for only 2% of total units, the premium segment contributed 8% of revenue and achieved an adjusted EBITDA margin of 78% during 1H25, highlighting the segment's profitability and pricing power.
- The REIT delivered strong free cash flow of AED 603 Mn in 1H25, with a robust 92.6% cash conversion rate and recurring funds from operations (FFO) reaching AED 574 Mn in 1H25 with FFO margin of 59.9%.
- The board approved an interim dividend of AED 550 Mn for the period of 1H25, translating to 4.2 fils/unit providing a dividend yield of 6.0% on an annualized basis.
- The declared dividends are fully funded by retained earnings and internal cash flows, ensuring sustainability without reliance on additional debt or asset sales.

- The REIT reaffirmed its commitment to distribute at least 80% of net profit before fair value gains from 2026 onwards, with a full-year dividend guidance of AED 1.1 Bn for 2025.
- Net Loan-to-Value (LTV) stood at a conservative 3.3% in 1H25, with gross LTV at 6.9%, highlighting a strong balance sheet and ample capacity for future growth investments.
- Cash balance stood at AED 839 Mn as of 1H25, after a major AED 1 Bn debt repayment, while the REIT still retains AED 2.9 Bn in liquidity for future growth opportunities.
- Average rent per square foot increased by 6.2% YOY to AED 55.5 per SQFT in 1H25, driven by market re-ratings and end-of-lease catch-ups, with further upside expected as lease renewals continue.
- Premium, affordable, and community segments posted revenue growth of 12.1%, 11.6%, and 8.0%, respectively, on a YOY basis in 1H25, due to strong market demand and successful rent re-ratings.
- Near-term projects such as Garden View Villas and Jabal Ali Village are expected to add 276 units by the end of 2025 and 2Q26, and are expected to contribute AED 70-80 Mn in annualized top-line revenue.
- Strategic developments in Dubai Wharf, Acres, and Science Park are projected to add over 550 units in premium and community segments by 2027-28, supporting medium-term portfolio growth.
- The REIT utilizes an AED 3.7 Bn unsecured revolving credit facility with favourable pricing (3M EIBOR + 80 bps), and a bullet maturity in 2029, enabling capital flexibility.
- Dubai Residential confirmed it remains exempt from UAE corporate tax, enhancing net returns to investors.
- Segment-wise occupancy remained strong, with corporate housing at 99.8%, affordable housing at 99.0%, premium at 98.4%, and community segments at 97.4% during 1H25, reflecting high demand and tenant stickiness across the portfolio.
- The premium segment continues to outperform in revenue growth and yield, driven by strategic asset locations and demographic shifts favouring upscale urban housing among Dubai's growing middle-income population.
- EPRA Net Asset Value (NAV) stood at AED 1.65 per unit in 1H25, compared to AED 1.51 per unit in 2024 (on a pro forma basis).

#### Dubai Residential REIT – P&L

AED Mn	1H24	1H25	1H25F	Var	YOY Ch
Revenues	872	958	962	-0.4%	9.8%
Direct Cost	-215	-230	-227	1.3%	7.0%
<b>Gross Profit</b>	<b>657</b>	<b>728</b>	<b>735</b>	<b>-1.0%</b>	<b>10.7%</b>
Other operating income	1	1	1	-5.3%	5.5%
Management fees	0	-10	-67	-84.3%	NM
General and administrative	-56	-53	-24	119.6%	-5.3%
Marketing and selling	-8	-11	-8	39.7%	33.7%
Impairments and other gains - net	-12	-5	0	NM	-59.7%
<b>Operating Profit</b>	<b>583</b>	<b>650</b>	<b>637</b>	<b>2.0%</b>	<b>11.5%</b>
<b>EBITDA</b>	<b>584</b>	<b>651</b>	<b>638</b>	<b>2.0%</b>	<b>11.5%</b>
Finance income	15	16	25	-34.1%	6.8%
Finance costs	-33	-44	-51	-13.9%	34.1%
<b>Profit before change in fair value of investment property</b>	<b>565</b>	<b>622</b>	<b>611</b>	<b>1.8%</b>	<b>10.1%</b>
Gain on fair value of investment property	0	1,297	825	57.2%	NM
<b>Profit for the Year</b>	<b>565</b>	<b>1919</b>	<b>1436</b>	<b>33.6%</b>	<b>NM</b>

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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