

Dubai Residential REIT

High occupancy levels, coupled with increased rental yields supported robust top-line growth

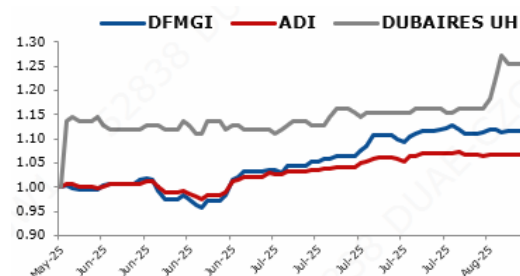
Current Price
AED 1.38

Target Price
AED 1.51

Upside/Downside (%)
+9.4%

Rating
HOLD

- Average rent per square foot rose 6.2% YOY to AED 55.5 in 1H25, driven by re-ratings and lease renewal catch-ups.
- The Gross Asset Value rose to AED 23.0 Bn in June 2025 from AED 21.6 Bn in December 2024, driven by valuation gains.
- Dubai Residential generated AED 603 Mn in FCF in 1H25, with 92.6% conversion and AED 574 Mn FFO at 59.9% margin.
- The board approved an interim dividend of AED 550 Mn for the period of 1H25, translating to AED 4.2 fils per unit.
- Cash stood at AED 839 Mn in 1H25 after AED 1 Bn debt repayment, AED 2.9 Bn liquidity remains for future growth.



Stock Information

Market Cap (AED, Mn)	17,940.00
Paid Up Capital (Mn)	1,300.00
52 Week High	1.43
52 Week Low	1.18
20d Avg. daily value(AED)	11,499,990

1H25 Profit before fair value gains in line with our estimate

Dubai Residential (the Company) net profit (before change in fair value of investment property) increased 10.1% YOY to AED 622 Mn in 1H25, in line with our estimate of AED 611 Mn. The increase in the net profit is attributed to growth in revenue, partially offset by a rise in direct costs and higher marketing and selling expenses, along with the management fees.

P&L Highlights

Dubai Residential's revenue grew 9.8% YOY in 1H25 to AED 958 Mn, supported by continued leasing momentum and higher rental rates across the residential portfolio. The average occupancy of the portfolio stood at 98%.1 during 1H25. Average revenue per leased GLA (Gross Leasable Area) stood at AED 56 per SQFT during 1H25. In 1H25, Dubai Residential's Premium segment generated AED 80 Mn in revenue, up 12.1% YOY, with occupancy rising to 98.4% and average rental rates increasing 9.3% YOY to AED 75.6 per SQFT during 1H25. The Community segment posted AED 454 Mn in revenue, up 8.0% YOY, with occupancy at 97.4% and average rents growing 8.2% YOY to AED 54.5 per SQFT during 1H25. The Affordable segment delivered AED 337 Mn in revenue, reflecting an 11.6% YOY rise during 1H25, supported by higher occupancy of 99.0% and a 7.7% YOY increase in rental rates to AED 48.9 per SQFT. The Corporate Housing segment recorded AED 44 Mn in revenue, up 13.9% YOY in 1H25, with occupancy sharply improving to 99.8% and stable rental rates at AED 101.6 per SQFT. The Company's direct costs increased 7.0% YOY to AED 230 Mn in 1H25. Hence, gross profit increased 10.7% YOY to AED 728 Mn in 1H25. Additionally, gross margins expanded 62 bps YOY to 76.0% in 1H25. Other operating income rose 5.5% YOY to AED 1 Mn in 1H25. The Company incurred AED 10 Mn in 1H25 for management fees compared to nil in 1H24.

1H25 Result Review (AED, Mn)

Total Assets	23,954
Total Liabilities	2,455
Total Equity	21,500
EBITDA	651
Net Profit	622

Financial Ratios

Dividend Yield (12m)	6.1
Dividend Pay-out (%)	N/A
E.Price-Earnings Ratio(x)	14.82
E.Price-to-Book Ratio (x)	0.80
Book Value (AED)	1.758
Return-on Equity (%)	N/A

Stock Performance

5 Days	7.81%
1 Months	7.81%
3 Months	N/A
6 Months	N/A
1 Year	N/A
Month to Date (MTD%)	7.81%
Quarter to Date (QTD%)	12.20%
Year to Date (YTD%)	N/A

General and administrative expenses of Dubai Residential declined 5.3% YOY to AED 53 Mn in 1H25. Selling and marketing expenses surged 33.7% YOY to AED 11 Mn in 1H25. The Company's EBITDA rose 11.5% YOY to AED 651 Mn in 1H25, supported by strong revenue growth and improved operational efficiency. Moreover, EBITDA margin expanded from 66.9% in 1H24 to 68.0% in 1H25. Operating profit expanded 11.5% YOY to AED 650 Mn in 1H25, with an expansion in margin of 103 bps YOY to 67.8% in 1H25. The Company's finance income grew 6.8% YOY to AED 16 Mn in 1H25, and finance cost surged from AED 33 Mn in 1H24 to AED 44 Mn in 1H25. Dubai Residential also reported a gain on fair value of investment property of AED 1,297 Mn in 1H25, compared to nil in 1H24. The net profit of the REIT after the gain on fair value of investment property stood at AED 1,919 Mn in 1H25, compared to AED 565 Mn in 1H24.

Balance Sheet Highlights

Gross Asset Value stood at AED 23.0 Bn in 1H25, compared to AED 21.6 Bn in 2024. The cash and cash equivalent of the Company stood at AED 839 Mn in 1H25, due to repayment of AED 1.0 Bn borrowings during 1H25. As a result, borrowings of Dubai Residential declined from AED 2.6 Bn in 2024 to AED 1.6 Bn in 1H25. The Company also incurred capex of AED 121 Mn in 1H25, compared to AED 36 Mn in 1H24. 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.

Target Price and Rating

We revise our rating on Dubai Residential from BUY to HOLD with an unchanged target price of AED 1.51. Dubai Residential REIT delivered a strong set of results in 1H25, underpinned by robust market demand, resilient operating metrics, and disciplined financial management. The REIT reported revenue of AED 958 Mn in 1H25, reflecting a 9.8% YOY increase, driven by rise in average rental rates and solid leasing momentum across its diversified residential portfolio. As of June 30, 2025, Dubai Residential owned and operated 35,701 residential units across 21 integrated communities in five key neighbourhoods, offering a mix of premium, community, affordable, and corporate housing. Its footprint includes landmark developments like Bluewaters, City Walk, Nad Al Sheba, and family-oriented communities such as The Gardens, Remraam, Layan, and Shorooq. With over 140,000 residents, the REIT serves a significant share of Dubai's urban population. Operational performance remained strong, with average occupancy reaching 98.1% in 1H25, including 99.0% in affordable housing, 98.4% in premium, 97.4% in community, and 99.8% in corporate housing. A tenant retention rate of 94% further reinforces Dubai Residential's tenant-centric strategy and portfolio affordability. Revenue per leased GLA rose by 6.2% YOY to AED 55.5 per SQFT in 1H25, reflecting successful rent re-rating initiatives and ERV catch-up. In terms of segment performance, community housing contributed 47% of total revenue, followed by affordable housing at 35%, during 1H25. Though the premium segment comprised just 2% of the unit base, it delivered 8% of revenue in 1H25, showcasing pricing power and strategic location advantages. Free cash flow (FCF) stood at AED 603 Mn during 1H25, with a 92.6% FCF conversion rate. Net profit before fair value gains increased to AED 622 Mn in 1H25, up 10.1% YOY from 1H24. EPRA Net Asset Value (NAV) was reported at AED 1.65 per unit in 1H25, up from AED 1.51 at the end of 2024. Dubai Residential declared an interim dividend of AED 550 Mn, or 4.2 fils per unit, translating to a 6.1% annualized yield. This payout is fully backed by retained earnings and internal cash flows, with no reliance on debt. The REIT reaffirmed its guidance to distribute at least 80% of annual net profit before fair value gains from 2026 onward. The REIT maintained a conservative net LTV of 3.3%, supported by AED 839 Mn in cash and AED 2.9 Bn in available liquidity, as of June 2025. The REIT benefits from an unsecured AED 3.7 Bn revolving credit facility, maturing in 2029 with favourable pricing (3M EIBOR + 80 bps), ensuring capital flexibility for future growth. Dubai Residential remains fully Sharia-compliant, governed by a dedicated Sharia board, and continues to benefit from UAE corporate tax exemption. Looking ahead, the REIT's growth pipeline includes 276 units from near-term developments in Jebel Ali Village and Garden View Villas, expected to contribute AED 70–80 Mn in annual revenue. Thus, based on the above-mentioned factors, we assigned a HOLD rating on the stock.

Dubai Residential - Relative valuation

(at CMP)	2025F
PE	14.82
PB	0.80
EV/EBITDA	14.75
EPS	0.094
BVPS	1.758
DPS	0.0846
Dividend yield	6.1%

FABS Estimates & Co Data, prior financials are not available as the company got listed on 28th May, 2025.

Dubai Residential - P&L

AED Mn	1H24	1H25	1H25F	Var	YOY Ch	2024 ¹	2025F	Change
Revenues	872	958	962	-0.4%	9.8%	1,793	1,930	7.6%
Direct Cost	-215	-230	-227	1.3%	7.0%	-438	-458	4.6%
Gross Profit	657	728	735	-1.0%	10.7%	1,355	1,472	8.6%
Other operating income	1	1	1	-5.3%	5.5%	7	8	10.0%
Management fees ²	0	-10	-67	-84.3%	NM	-122	-76	-37.8%
General and administrative	-56	-53	-24	NM	-5.3%	-48	-102	111.0%
Marketing and selling	-8	-11	-8	39.7%	33.7%	-14	-19	36.3%
Impairments and other gains - net	-12	-5	0	NM	-59.7%	0	0	NM
Operating Profit	583	650	637	2.0%	11.5%	1,178	1,282	8.9%
EBITDA	584	651	638	2.0%	11.5%	1,182	1,285	8.7%
Finance income	15	16	25	-34.1%	6.8%	47	49	3.6%
Finance costs	-33	-44	-51	-13.9%	34.1%	-131	-103	-20.8%
Profit before change in fair value of investment property	565	622	611	1.8%	10.1%	1,094	1,228	12.2%
Gain on fair value of investment property	0	1,297	825	57.2%	NM	1,546	2,596	68.0%
Profit for the Year	565	1,919	1436	33.6%	NM	2640	3824	80.2%

FABS estimate & Co Data, ¹FY2024 figures are on the carveout basis, ²Management fees for 2025 are for the partial period since the Company was listed in May 2025 and the remaining amount before listing is included in the G&A costs

Dubai Residential - Margins

	1H24	1H25	YOY Ch	2024	2025F	Change
Gross margin	75.4%	76.0%	62	75.6%	76.3%	70
Operating margin	66.8%	67.8%	103	65.7%	66.5%	76
EBITDA margin	66.9%	68.0%	102	65.9%	66.6%	65
Net profit margin	64.8%	65.0%	15	61.0%	63.6%	259

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash flow (DCF), Dividend discount method (DDM), and Relative Valuation (RV) to value Dubai Residential. We have assigned 70% weight to DCF, 15% to DDM, and 15% to RV method.

Valuation Method	Target	Weight	Weighted Value
DCF Method	1.56	70.0%	1.09
DDM Method	1.45	15.0%	0.22
Relative Valuation (RV)	1.38	15.0%	0.21
Weighted Average Valuation (AED)			1.51
Current market price (AED)			1.38
Upside/Downside (%)			+9%

1) DCF Method:

Dubai Residential is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 8.4%. It is arrived after using the cost of equity of 8.9% and after-tax cost of debt of 5.0% with a debt-to-equity ratio of 14.2%. The cost of equity is calculated by using a 10-year government bond yield of 5.6%, a beta of 0.66 and an equity risk premium of 5.0%. Government bond yield is calculated after adding the Abu Dhabi 10-year spread over a 10-year US risk-free rate. We have used the tax cost of debt of 5.0% for computing valuation. The Company will not incur the corporate tax, as an exemption is available at the REIT level on meeting the prescribed conditions.

Sum of PV (AED Mn)	4,358
Terminal value (AED Mn)	16,647
Net Debt (AED Mn)	744
FV to Common shareholders (AED, Mn)	20,261
No. of units (Mn)	13,000
Current Market Price (AED)	1.38
Fair Value per share (AED)	1.56

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
NOPAT	1,282	1,422	1,574	1,718	1,862
D&A	2	2	2	2	2
Capex	-470	-1,111	-226	-154	-163
Working capital	72	50	56	48	44
Free Cash Flow to Firm (FCFF)	887	364	1,405	1,613	1,745
Discounting Factor	0.97	0.89	0.82	0.76	0.70
Discounted FCFF	430¹	325	1,157	1,225	1,222

Source: FAB Securities, ¹Adjusted for partial year

2) DDM Method:

Dubai Residential announced a policy to declare regular dividends to shareholders in the forecasted period. The Company intends to distribute dividends semiannually. The dividends are expected to be paid in cash. Dubai Residential announced the dividend of AED 550 Mn for the period of 1H25 and is expected to announce a dividend of AED 550 Mn for 2H25. From 2026 onwards, the Company intends to maintain at least an 80% dividend payout ratio (Based on profit for the period before changes in fair value of investment property). All forecasted dividends are discounted to present value using the cost of equity, and details related to the cost of equity calculation are provided above.

Sum of PV of dividend (AED Mn)	4,403
Terminal value (AED Mn)	14,401
FV to Common shareholders (AED, Mn)	18,804
No. of units (Mn)	13,000
Current Market Price (AED)	1.38
Fair Value per share (AED)	1.45

DDM Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Dividend paid in -					
H1	550	537	595	655	716
H2	550	537	595	655	716
Total Dividend	1,100	1,074	1,190	1,310	1,432
Discounting Factor	0.97	0.89	0.81	0.75	0.69
PV of Dividend	532¹	952	969	979	983

Source: FAB Securities

3) Relative Valuation:

In the CCM valuation, we have used the Price/FFO multiple to value Dubai Residential. We have used the valuation of international Residential REIT players. The price/FFO multiple is used to value REITs as it reflects cash flow generation, offering a more transparent measure of profitability and operational performance by excluding non-cash items such as fair value gains on the investment properties. It is valued at Price/FFO multiple of 15.5x in line with peers.

Company	Market Cap (USD Mn)	EV/EBITDA	PE	Price/FFO
Veris Residential Inc	1,336	28.1	NA	21.3
Equity Lifestyle Properties	12,025	21.0	31.6	19.8
Ingenia Communities Group	2,258	19.8	37.8	18.2
Nippon Accommodations Fund	306,363	28.9	27.0	20.0
Advance Residence Investment	459,221	29.0	30.5	NA
Avalonbay Communities Inc	26,525	19.7	37.1	16.0
American Homes 4 Rent- A	13,086	20.6	62.5	18.7
Unite Group Plc/The	3,688	27.1	10.6	16.1
UMH Properties Inc	1,399	18.5	99.9	16.6
Essex Property Trust Inc	16,575	19.2	83.5	16.0
Equity Residential	24,092	17.9	50.3	15.7
Mid-America Apartment Comm	16,601	17.6	38.3	16.0
Empiric Student Property Plc	652	16.0	17.5	NA
Camden Property Trust	11,505	17.4	78.4	15.7
UDR Inc	12,773	19.1	124.6	15.1
Invitation Homes Inc	18,672	19.1	40.8	15.5
Independence Realty Trust In	4,031	17.6	85.6	14.3
CAN Apartment Prop Real Esta	7,215	NA	81.7	17.0
Elme Communities	1,446	18.2	NA	NA
Interrent Real Estate Invest	1,881	24.2	NA	19.6
European Residential Real Es	606	NA	NA	NA
Altarea	2,563	23.1	NA	NA
Nexpoint Residential	799	18.0	NA	11.6
BRT Apartments Corp	283	20.0	NA	12.5
Boardwalk Real Estate Invest	3,933	20.6	15.1	15.5
Killam Apartment Real Estate	2,184	19.9	5.0	14.5
Minto Apartment Real Estate	910	NA	7.0	14.2
Centerspace	904	18.3	NA	10.9
BSR Real Estate Investment T	672	16.5	NA	13.5
Flagship Communities Reit Ut	431	17.4	13.9	11.9
Care Property Invest	470	20.4	18.3	12.0
Morguard North American Resi	706	NA	10.7	10.1
Dream Residential Real Estat	91	NA	105.1	12.8
Northview Residential Reit	124	12.0	6.4	8.0
Average		20.2x	44.8x	15.1x
Median		19.2x	37.1x	15.5x
Max		20.6x	78.4x	16.6x
Min		17.9x	15.1x	12.8x

Source: FAB Securities

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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani +971-2-6161629 ahmad.banihani@Bankfab.com

Sales & Execution

Abu Dhabi Head Office

Trading Desk +971-2-6161700/1 Online Trading Link

+971-2-6161777

Institutional Desk +971-4-4245765

DISCLAIMER

This report has been prepared by FAB Securities (FABS), which is authorised by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.