

Dubai Residential REIT

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.33	AED 1.60	+20%	BUY

2H25 Net Profit higher than our estimate

- Dubai Residential revenue rose 8.1% YOY to AED 996 Mn in 2H25, supported by continued leasing momentum and higher rental rates across the residential portfolio.
- Direct cost fell 35.7% YOY to AED 197 Mn in 2H25.
- Gross profit increased 30.1% YOY to AED 798 Mn in 2H25, while gross margins substantially expanded to 80.2% in 2H25.
- EBITDA rose 21.4% YOY to AED 702 Mn in 2H25, driven by revenue growth and operational efficiencies. Moreover, EBITDA margin expanded substantially from 62.8% in 2H24 to 70.5% in 2H25.
- Operating profit increased from AED 575 Mn in 2H24 to AED 701 Mn in 2H25, with an expansion in margin from 62.5% in 2H24 to 70.4% in 2H25.
- Dubai Residential reported management fees of AED 73 Mn for the period of 2H25.
- Net finance costs of the Company rose from AED 24 Mn in 2H24 to AED 44 Mn in 2H25.
- Dubai Residential's net profit before change in fair value of investment property grew 19.1% YOY to AED 657 Mn in 2H25, mainly attributable to an increase in operating income.
- Gain on fair value of investment property fell from AED 1,546 Mn in 2H24 to AED 446 Mn in 2H25.
- The number of residential units stood at 35,700 (excluding retail units), as of December 2025, with average portfolio occupancy of 98.3% during 2025.
- The Gross Asset Value (GAV) stood at AED 23.5 Bn, as of December 2025, compared to AED 21.6 Bn in December 2024, underpinned by a strengthened income profile and the robustness of the underlying portfolio.

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 December 30, 2025, Dubai Residential owned and operated c. 35,700 residential units (excluding retail units), predominantly apartments, across 21 communities situated in five of Dubai's most strategic neighborhoods.
- Maintained a high tenant retention rate of 88% in 2025, reinforcing its tenant satisfaction strategy and the affordability-driven stability of its residential leasing model.
- Community housing contributed 48% of total revenue, followed by affordable housing at 35%, while premium and corporate housing made lower contributions but delivered high EBITDA margins during 2025.
- Despite accounting for only 2.1% of total units, the premium segment contributed 8% of revenue and achieved an adjusted EBITDA margin of 82% during 2025, highlighting the segment's profitability and pricing power.
- The REIT delivered strong free cash flow of AED 1,264 Mn in 2025, with a robust 93.5% cash conversion rate and funds from operations (FFO) reaching AED 1,279 Mn in 2025 with FFO margin of 65.5%.
- The board approved final dividend of AED 550 Mn for the period of 2H25 subject to approval by shareholders, translating to 4.2 fils per unit and a dividend yield of 7.7% (on an annualized basis) on the IPO price of AED 1.10.

- The REIT reaffirmed its commitment to distribute at least 80% of net profit before fair value gains from 2026 onwards.
- The balance sheet remains highly conservative, with gross Loan-to-Value Ratio (LTV) of 7% and net LTV of 3%.
- Cash balance stood at AED 937 Mn, as of 2025, after a major AED 1 Bn debt repayment and payment of a dividend of AED 550 Mn, supported by strong liquidity of c. AED 3 Bn in available liquidity to fund future growth.
- The company's portfolio saw strong rental stickiness, with 91.0% of rental contracts being renewals and 9.0% new leases. New leases achieved a notable 14.4% rent increase over existing passing rents, outperforming renewals which increased by 3.6%.
- Average rent per square foot of portfolio increased by 6.7% YOY to AED 56.5 per SQFT in 2025, driven by market re-ratings and end-of-lease catchups, with further upside expected as lease renewals continue.
- Premium, affordable, and community segments posted revenue growth of 13.9%, 8.3%, and 8.8%, respectively, on a YOY basis in 2025, due to strong market demand and successful rent re-ratings.
- Garden View Villas project is completed, and handover is left with estimated stabilized yield of 5.8% with Forward Purchase Price (FPP) of AED 241 Mn and Jebel Ali Village are expected to add 220 premium units at the end of 2Q26.
- The REIT transitioned from a corporate structure during 2025, with early payroll costs replaced by management fees, and will operate fully under the REIT structure in 2026, eliminating payroll costs at the REIT level.
- 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.
- Segment-wise occupancy remained strong, with corporate housing at 99.5%, affordable housing at 99.1%, premium at 98.4%, and community segments at 98.3% during 2025, 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.
- The Net Asset Value (NAV) per unit increased to AED 1.70 in 2025 compared to AED 1.51 in 2024, while the unit price traded at a discount to the 2025 NAV at AED 1.24 per unit.

Dubai Residential – P&L

AED Mn	2H24	1H25	2H25	2H25F	Var	YOY Ch	HOH Ch
Revenues	921	958	996	972	2.4%	8.1%	4.0%
Direct Cost	-307	-230	-197	-228	-13.4%	-35.7%	-14.2%
Gross Profit	614	728	798	744	7.3%	30.1%	9.7%
Management fees	0	-10	-73	-65	11.9%	NM	594.9%
General and administrative	-35	-53	-26	-50	-47.9%	-27.1%	-51.0%
Operating Profit	575	650	701	633	10.7%	21.8%	7.9%
EBITDA	578	651	702	634	10.7%	21.4%	7.8%
Finance income	32	16	-7	32	-122.0%	-122.5%	-143.0%
Finance costs	-55	-44	-37	-60	-37.7%	-33.0%	-15.5%
Profit before change in fair value of investment property	551	622	657	605	8.4%	19.1%	5.5%
Gain on fair value of investment property	1,546	1,297	446	1,299	-65.7%	-71.1%	-65.6%
Profit for the Year	2,097	1,919	1,103	1,905	-42.1%	-47.4%	-42.5%

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%

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.