FAB SECURITIES أبوظبي الأول للأوراق المالية

Earnings Call Insight | 2H25

UAE Equity Research | Sector: REIT | Market: DFM

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%

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