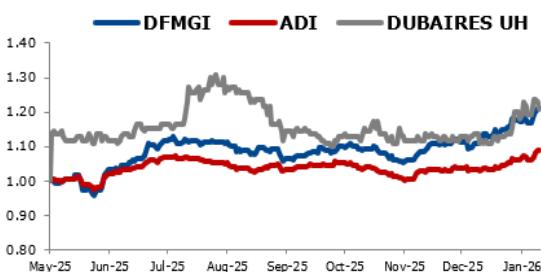


Dubai Residential REIT

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

Current Price AED 1.33	Target Price AED 1.60	Upside/Downside (%) +20%	Rating BUY
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- Average rent per square foot rose 6.7% YOY to AED 56.5 in 2025, driven by re-ratings and lease renewal catch-ups.
- The Gross Asset Value rose to AED 23.5 Bn in December 2025 from AED 21.6 Bn in December 2024, driven by valuation gains.
- Dubai Residential generated AED 1,264 Mn in FCF in 2025, with 93.5% conversion and AED 1,279 Mn FFO at 65.5% margin.
- The board proposed a final dividend of AED 550 Mn for the period of 2H25, translating to 4.2 fils per unit.
- Garden View Villas (56 units, premium) completed in late 2025, with Jebel Ali Village (220 units, premium) on track to complete in 2Q26.



2H25 Net Profit higher than our estimate

Dubai Residential (the Company/ the REIT) net profit (before change in fair value of investment property) increased 19.1% YOY to AED 657 Mn in 2H25, higher than our estimate of AED 605 Mn. The increase in net profit is attributed to growth in revenue coupled with lower direct cost, G&A expenses, marketing and selling expenses and finance cost, partially offset by lower finance income, coupled with rise in management fees and impairment charges.

P&L Highlights

Dubai Residential's revenue grew 8.1% YOY in 2H25 to AED 996 Mn, supported by continued leasing momentum and higher rental rates across the residential portfolio. The average occupancy of the portfolio stood at 98.3% during 2025. Average revenue per leased GLA (Gross Leasable Area) stood at AED 56.5 per SQFT during 2025. The Company's direct costs decreased 35.7% YOY to AED 197 Mn in 2H25. Hence, gross profit increased 30.1% YOY to AED 798 Mn in 2H25. Additionally, gross margins expanded substantially from 66.6% in 2H24 to 80.2% in 2H25. Other operating income rose 37.0% YOY to AED 9 Mn in 2H25. The Company incurred AED 73 Mn in 2H25 for management fees compared to nil in 2H24. General and administrative expenses of Dubai Residential declined 27.1% YOY to AED 26 Mn in 2H25. Selling and marketing expenses declined significantly from AED 13 Mn in 2H24 to AED 4 Mn in 2H25. The Company's EBITDA rose 21.4% YOY to AED 702 Mn in 2H25, supported by strong revenue growth, cost savings, operating leverage, and cost and asset management synergies. Moreover, EBITDA margin expanded from 62.8% in 2H24 to 70.5% in 2H25. Operating profit expanded 21.8% YOY to AED 701 Mn in 2H25, with a substantial expansion in margin from 62.5% in 2H24 to 70.4% in 2H25. The Company's finance income turned to negative 7 Mn in 2H25 compared to AED 32 Mn in 2H24, due to forfeiture of interest income.

Stock Information	
Market Cap (AED, Mn)	17,290.00
Paid Up Capital (Mn)	1,300.00
52 Week High	1.47
52 Week Low	1.18
3M Avg. daily value (AED)	10,008,320

FY25 Result Review (AED, Mn)	
Total Assets	24,570
Total Liabilities	2,524
Total Equity	22,047
EBITDA	1,353
Net Profit	1,279

Financial Ratios	
Dividend Yield (12m)	3.09
Dividend Pay-out (%)	17.21
Price-Earnings Ratio(x)	13.72
Price-to-Book Ratio (x)	0.80
Book Value (AED)	1.65
Return-on Equity (%)	N/A

Stock Performance	
5 Days	-0.75%
1 Months	9.02%
3 Months	7.26%
6 Months	2.31%
1 Year	-
Month to Date (MTD%)	1.53%
Quarter to Date (QTD%)	7.26%
Year to Date (YTD%)	7.26%

However, finance costs declined 33.0% YOY to AED 37 Mn in 2H25. Dubai Residential also reported a gain on fair value of investment property of AED 446 Mn in 2H25, compared to 1,546 Mn in 2H24.

Balance Sheet Highlights

Gross Asset Value stood at AED 23.5 Bn in 2025, compared to AED 21.6 Bn in 2024. The cash and cash equivalent of the Company stood at AED 937 Mn in 2025, compared to AED 1,968 Mn in 2024, while borrowings of Dubai Residential stood at AED 1.6 Bn in 2025. The Company incurred capex of AED 135 Mn in 2025, compared to AED 184 Mn in 2024. Net Loan-to-Value (LTV) stood at a conservative 2.8% in 2025, with gross LTV of around 7%, highlighting a strong balance sheet and ample capacity for future growth investments.

Target Price and Rating

We revise our rating on Dubai Residential from HOLD to BUY with a revised target price of AED 1.60. Dubai Residential REIT delivered a strong set of results in 2H25, underpinned by rental income, high occupancy levels, and a disciplined capital structure. The REIT reported revenue of AED 996 Mn in 2H25, reflecting an 8.1% YOY increase, driven by strong occupancy across the portfolio, improved tenant retention, stable rental growth at renewals, and rerating on churn. As of December 31, 2025, Dubai Residential owned and operated 35,700 residential units across 21 integrated communities in five key neighborhoods, 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 98.3% in 2H25, including 99.1% in affordable housing, 98.4% in premium, 98.3% in community, and 99.5% in corporate housing. Tenant retention stood at 87.6%, supporting revenue visibility and limiting vacancy-related friction across the portfolio. Annual revenue per leased GLA rose 6.7% in 2025 to AED 56.5 per SQFT, reflecting sustained demand for well-located residential assets, disciplined leasing execution, and effective renewal management across the portfolio. 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%. In terms of segment performance, community housing accounted for 48% of total revenue, followed by affordable housing at 35% during the year. Though the premium segment comprised just 2% of the unit base, it delivered 8% of revenue in 2025, supported by sustained demand for high-quality, well-located homes. Free cash flow (FCF) stood at AED 1,264 Mn during 2025, with a 93.5% FCF conversion rate. EPRA Net Asset Value (NAV) was reported at AED 1.7 per unit in 2025, up from AED 1.51 at the end of 2024. Dubai Residential declared dividend of AED 550 Mn, or 4.2 fils per unit for the period of 2H25 resulting into a dividend of AED 1.1 Bn (8.5 fils per unit) for FY2025. 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 2.8%, supported by AED 937 Mn in cash and AED 3 Bn in available liquidity, as of December 2025. Meanwhile, the Garden View Villas project, comprising 56 units, was completed in 4Q25, with handover currently in progress. Looking ahead, the REIT's growth pipeline includes 220 units from near-term developments in Jebel Ali Village with planned completion in 2Q26 and progress currently on track. Thus, based on the above-mentioned factors, we assigned a BUY rating on the stock.

Dubai Residential - Relative valuation

	2025	2026F
(at CMP)		
PE	13.72	12.80
PB	0.80	0.74
EV/EBITDA	13.52	12.57
EPS	0.098	0.105
BVPS	1.696	1.826
DPS	0.085	0.084
Dividend yield	6.3%	6.3%

FABS Estimates & Co Data

Dubai Residential – P&L

AED Mn	2H24	1H25	2H25	2H25F	Var	YOY Ch	HOH Ch	2024	2025	Change
Revenues	921	958	996	972	2.4%	8.1%	4.0%	1,793	1,953	9.0%
Direct Cost	-307	-230	-197	-228	-13.4%	-35.7%	-14.2%	-522	-427	-18.1%
Gross Profit	614	728	798	744	7.3%	30.1%	9.7%	1,271	1,526	20.1%
Other operating income	6	1	9	7	23.8%	37.0%	NM	7	10	33.1%
Management fees	0	-10	-73	-65	11.9%	NM	NM	0	-83	NM
General and administrative	-35	-53	-26	-50	-47.9%	-27.1%	-51.0%	-91	-79	-13.8%
Marketing and selling	-13	-11	-4	-8	-50.8%	-70.0%	-64.3%	-22	-15	-29.9%
Impairments & other gains	4	-5	-3	5	NM	NM	NM	-7	-8	NM
Operating Profit	575	650	701	633	10.7%	21.8%	7.9%	1,158	1,350	16.6%
EBITDA	578	651	702	634	10.7%	21.4%	7.8%	1,162	1,353	16.4%
Finance income	32	16	-7	32	NM	NM	NM	47	9	-80.0%
Finance costs	-55	-44	-37	-60	-37.7%	-33.0%	-15.5%	-88	-81	-8.1%
Profit before change in fair value of investment property	551	622	657	605	8.4%	19.1%	5.5%	1,117	1,279	14.5%
Gain on fair value of investment property	1,546	1,297	446	1,299	-65.7%	-71.1%	-65.6%	1,546	1,743	12.8%
Profit for the Year	2,097	1,919	1,103	1905	-42.1%	-47.4%	-42.5%	2,662	3,022	27.3%

FABS estimate & Co Data

Dubai Residential - Margins

	2H24	1H25	2H25	YOY Ch	HOH	2024	2025	Change
Gross margin	66.6%	76.0%	80.2%	1,354	420	70.9%	78.1%	724
Operating margin	62.5%	67.8%	70.4%	789	254	64.6%	69.1%	454
EBITDA margin	62.8%	68.0%	70.5%	768	250	64.8%	69.2%	443
Net profit margin ¹	59.9%	65.0%	65.9%	604	97	62.3%	65.5%	317

FABS estimate & Co Data, ¹Excluding fair value gain on investment property

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	1.60	70.0%	1.12
DDM Method	1.69	15.0%	0.25
Relative Valuation (RV)	1.49	15.0%	0.22
Weighted Average Valuation (AED)			1.60
Current market price (AED)			1.33
Upside/Downside (%)			+20%

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 8.1%. It is arrived after using the cost of equity of 8.3% and after-tax cost of debt of 5.1% 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 0.63 and an equity risk premium of 5.1%. 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 5.1% 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)	5,174
Terminal value (AED Mn)	16,310
Net Debt (AED Mn)	648
FV to Common shareholders (AED, Mn)	20,835
No. of units (Mn)	13,000
Current Market Price (AED)	1.32
Fair Value per share (AED)	1.60

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	1,446	1,592	1,727	1,861	1,992
D&A	2	2	2	2	2
Capex	-1,352	-226	-154	-161	-169
Working capital	40	40	33	29	40
Free Cash Flow to Firm (FCFF)	135	1,408	1,607	1,730	1,864
Discounting Factor	0.93	0.86	0.80	0.74	0.68
Discounted FCFF	126	1,214	1,282	1,277	1,274

Source: FAB Securities

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 1.1 Bn for the period of 2025. 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)	5,206
Terminal value (AED Mn)	16,780
FV to Common shareholders (AED, Mn)	21,985
No. of units (Mn)	13,000
Current Market Price (AED)	1.33
Fair Value per share (AED)	1.69

DDM Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Dividend paid in -					
H1	549	608	663	717	772
H2	549	608	663	717	772
Total Dividend	1,097	1,216	1,325	1,435	1,545
Discounting Factor	0.93	0.86	0.79	0.73	0.67
PV of Dividend	1,020	1,044	1,050	1,049	1,043

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 14.1x in line with peers.

Company	Market Cap (USD Mn)	EV/EBITDA (FY2026E)	PE (FY2026E)	Price/FFO (FY2026E)
Veris Residential Inc	1,417	21.9	21.3	21.3
Equity Lifestyle Properties	12,419	20.7	20.1	20.1
Ingenia Communities Group	1,339	14.7	13.8	13.8
Nippon Accommodations Fund	2,250	NA	NA	NA
Advance Residence Investment	3,126	NA	NA	NA
Avalonbay Communities Inc	24,649	17.3	15.0	15.0
American Homes 4 Rent- A	11,334	16.2	15.7	15.7
Unite Group Plc/The	4,269	15.4	13.7	13.7
UMH Properties Inc	1,320	16.5	15.2	15.2
Essex Property Trust Inc	15,946	17.8	15.3	15.3
Equity Residential	23,510	16.8	15.0	15.0
Mid-America Apartment Comm	15,478	16.6	15.3	15.3
Empiric Student Property Plc	NA	NA	NA	NA
Camden Property Trust	11,376	16.7	15.5	15.5
UDR Inc	12,106	17.7	14.3	14.3
Invitation Homes Inc	16,049	15.3	13.2	13.2
Independence Realty Trust In	3,882	16.5	13.6	13.6
CAN Apartment Prop Real Esta	NA	NA	NA	NA
Elme Communities	191	6.7	7.5	7.5
Interrent Real Estate Invest	1,366	22.6	19.7	19.7
European Residential Real Es	80	21.4	72.2	72.2
Altarea	3,243	17.2	14.0	14.0
Nexpoint Residential	758	17.4	12.2	12.2
BRT Apartments Corp	294	17.5	12.5	12.5
Boardwalk Real Estate Invest	2,461	18.3	14.1	14.1
Killam Apartment Real Estate	1,557	17.9	13.8	13.8
Minto Apartment Real Estate	466	22.1	17.3	17.3
Centerspace	1,072	16.6	12.9	12.9
BSR Real Estate Investment T	422	18.7	NA	NA
Flagship Communities Reit Ut	281	13.1	NA	NA
Care Property Invest	541	14.5	11.0	11.0
Morguard North American Resi	465	16.3	10.4	10.4
Dream Residential Real Estat	NA	NA	NA	11.8
Northview Residential Reit	NA	NA	NA	NA
Average		17.2x	16.7x	16.5x
Median		17.0x	14.2x	14.1x
Max		18.0x	15.5x	15.4x
Min		16.3x	13.3x	13.1x

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%

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