FAB أبوظبي الأول للأوراق المالية SECURITIES

First Look Note | 1H26

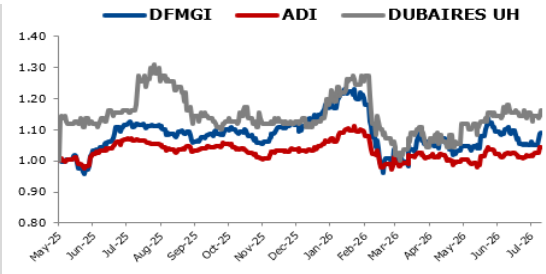
UAE Equity Research | Sector: REIT | Market: DFM

Dubai Residential REIT

Higher rental rates and sustained occupancy continued to support strong revenue growth

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.26	AED 1.60	+27%	BUY

- Average portfolio occupancy improved to 98.6% in 1H26, while annualised revenue per leased GLA increased 7.5% YOY to AED 59.7 per sq. ft.
- Gross Asset Value (GAV) increased to AED 25.2 Bn as of June 2026 from AED 23.5 Bn as of December 2025.
- The REIT completed the addition of 56 units at Garden View Villas and 220 townhouses at Jebel Ali Village during 1H26, increasing the portfolio to 35,976 residential units across 22 communities.
- The Board approved an interim cash dividend of AED 573.2 Mn (4.4 fils per unit) for 1H26, representing 80% of 1H26 net profit before changes in the fair value of investment property.



Stock Information	
Market Cap (AED, Mn)	16,640.00
Paid Up Capital (Mn)	1,300.00
52 Week High	1.47
52 Week Low	1.09
3M Avg. daily value (AED)	4,390,578

1H26 Result Review (AED, Mn)	
Total Assets	26,003
Total Liabilities	3,422
Total Equity	22,581
EBITDA	743
Net Profit	716

Financial Ratios	
Dividend Yield (12m)	6.69
Dividend Pay-out (%)	17.21
Price-Earnings Ratio(x)	N/A
Price-to-Book Ratio (x)	N/A
Book Value (AED)	1.74
Return-on Equity (%)	9.95

Stock Performance	
5 Days	1.59%
1 Months	0.79%
3 Months	10.34%
6 Months	-3.76%
1 Year	-1.54%
Month to Date (MTD%)	0.00%
Quarter to Date (QTD%)	0.80%
Year to Date (YTD%)	1.61%

1H26 Net Profit before FV gain is in line with our estimate

Dubai Residential (the Company/ the REIT) net profit (before change in fair value of investment property) increased 15.1% YOY to AED 716 Mn in 1H26, in line with our estimate of AED 693 Mn. The increase in net profit was primarily driven by higher revenue and impairment gains, coupled with lower direct costs, G&A expenses, marketing and selling expenses, and finance costs, partially offset by higher management fees and lower finance income.

P&L Highlights

Dubai Residential REIT's revenue rose 8.1% YOY to AED 1,036 Mn in 1H26, driven by higher rental rates, ERV catch-up on renewals, re-rating on churn, and sustained occupancy. The average portfolio occupancy stood at 98.6% during 1H26. Average revenue per leased GLA (Gross Leasable Area) increased 7.5% YOY to AED 59.7 per sq. ft. in 1H26. During 1H26, Dubai Residential's Premium segment generated AED 87 Mn in revenue, up 10.0% YOY, with occupancy declining to 92.0% due to the addition of 56 units of Garden View Villas and average rental rates increasing 9.1% YOY to AED 82.5 per sq. ft. The Community segment posted AED 495 Mn in revenue, up 9.1% YOY, with occupancy improving to 99.2% owing to leasing of refurbished units and average rents increasing 7.5% YOY to AED 58.6 per sq. ft. during 1H26. The Affordable segment generated AED 357 Mn in revenue, up 5.9% YOY, supported by occupancy improving to 99.3% driven by higher occupancy at Al Khali Gate and average rental rates increasing 5.6% YOY to AED 51.6 per sq. ft. in 1H26. The Corporate Housing segment recorded AED 49 Mn in revenue, up 12.4% YOY, with occupancy remaining stable at 99.8% and average rental rates increasing 12.3% YOY to AED 114.1 per sq. ft. in 1H26. The Company's direct cost declined 18.7% YOY to AED 187 Mn in 1H26. Consequently, gross profit increased 16.6% YOY to AED 849 Mn in 1H26, with the gross margin expanding by 596 bps YOY to 81.9% in 1H26. Other operating income rose from AED 1 Mn in 1H25 to AED 3 Mn in 1H26. The Company incurred management fees of AED 80 Mn in 1H26, compared with AED 10 Mn in 1H25, reflecting the transition to the REIT management fee structure, under which payroll and indirect costs incurred during the first five months of 1H25 were replaced from 2026 by a management fee equivalent to 10% of net profit before changes in the fair value of investment property, disclosed as a separate management fee line. General and administrative expenses declined 49.5% YOY to AED 27 Mn in 1H26, while selling and marketing expenses declined from AED 11 Mn in 1H25 to AED 5 Mn in 1H26. The Company's EBITDA rose 14.1% YOY to AED 743 Mn in 1H26, driven by conversion of rental income into profits, operational efficiency and the benefit of scale across the portfolio, with the EBITDA margin expanding by 378 bps YOY to 71.7% in 1H26. Operating profit increased 14.2% YOY to AED 742 Mn in 1H26, with the operating margin rising by 383 bps YOY to 71.7% in 1H26. The Company's finance income declined 21.8% YOY to AED 13 Mn in 1H26, while finance costs declined 11.9% YOY to AED 39 Mn in 1H26. Dubai Residential also reported a gain on fair value of investment property of AED 373 Mn in 1H26, compared with AED 1,297 Mn in 1H25.

Balance Sheet Highlights

Gross Asset Value (GAV) increased to AED 25.2 Bn as of June 2026, compared with AED 23.5 Bn as of December 2025, primarily driven by the addition of 276 units in the Garden View Villas and Jebel Ali Village communities. The Company's cash and cash equivalents declined to AED 746 Mn in 1H26, compared with AED 937 Mn in 2H25, primarily due to the payment of the dividend for 2H25 amounting to AED 550 Mn in April 2026 and payment of AED 1.13 Bn to the related party for the acquisition of property, partially offset by cash generated from normal operating activities. Meanwhile, Dubai Residential's borrowings increased from AED 1.6 Bn in 2H25 to AED 2.4 Bn in 1H26 due to an increase in bank borrowings to finance the acquisition from a related party. Net Finance-to-Value (FTV) remained conservative at c.6.8% in 1H26, with a gross LTV of c. 9.7%.

Target Price and Rating

We maintain our BUY rating on Dubai Residential with a target price of AED 1.60. Dubai Residential REIT delivered a strong operational and financial performance in 1H26, supported by higher rental rates, sustained occupancy, disciplined cost management, and continued portfolio expansion. The REIT reported revenue of AED 1.04 Bn in 1H26, reflecting an 8.1% YOY increase, driven by higher rental rates across the portfolio, positive rental reversion on renewals, re-rating on churn, and sustained occupancy. Operational performance remained resilient, with average portfolio occupancy improving to 98.6% in 1H26 from 98.1% in 1H25, while tenant retention increased to 94.1% in 1H26 from 93.8% in 1H25, supporting recurring rental income and reinforcing the visibility and predictability of cash flows. Average revenue per leased unit increased 7.7% YOY to AED 56,638 in 1H26, while annualised revenue per leased GLA rose 7.5% YOY to AED 59.7 per sq. ft., reflecting sustained demand for professionally managed residential communities and the REIT's ability to capture positive rental reversion across its portfolio. Management indicated that the portfolio remains c.14% under-rented on a weighted average basis versus the market, providing scope for future rental uplift. The Company expects this uplift to be primarily driven by lease renewals rather than new leases, as the 94.1% retention rate implies only c. 6% portfolio churn. Community and Affordable Housing contributed over 82% of total revenue in 1H26, while management identified Corporate Housing as the fastest-growing segment, although the portfolio mix is expected to remain broadly unchanged over the medium term. Management noted that the regional conflict temporarily softened customer behaviour and rental demand; however, the impact eased following the ceasefire, and the weakness was confined to the Premium segment, with no material pressure in Community, Affordable or Corporate Housing. Profitability remained strong, with net profit before changes in the fair value of investment property increasing 15.1% YOY to AED 716 Mn, while free cash flow conversion improved to 94.8%, demonstrating the REIT's highly cash-generative operating model. The Company also indicated that fair value gains are expected to stabilise going forward, with future movements largely dependent on market conditions and the REIT's operational performance. The REIT continued to execute its growth strategy through disciplined portfolio expansion. During 1H26, it completed the addition of 56 units at Garden View Villas and 220 townhouses at Jebel Ali Village, increasing the portfolio to 35,976 residential units across 22 communities. It expects these newly added assets to contribute c. AED 75 Mn in incremental annual revenue once fully stabilised, with leases being signed at or slightly above the assumptions used at the IPO. Looking ahead, the REIT has also submitted Expressions of Interest for three medium-term residential developments comprising

448 premium units and 107 community units, while continuing to evaluate further value-accretive opportunities within the Dubai Holding and Dubai Holding Asset Management pipeline. Gross Asset Value (GAV) increased to AED 25.2 Bn as of June 2026, compared with AED 23.5 Bn as of December 2025, primarily driven by the addition of Garden View Villas and Jebel Ali Village, while on a like-for-like (LFL) basis GAV increased by c. 1.4% in 1H26. The Board approved an interim cash dividend of AED 573.2 Mn (4.4 fils per unit), representing 80% of 1H26 net profit before changes in the fair value of investment property, consistent with its disciplined distribution policy. The REIT also maintained a conservative balance sheet, with net Finance-to-Value (FTV) of 6.8%, AED 2.45 Bn drawn under its AED 3.7 Bn revolving credit facility, and c. AED 2 Bn of available liquidity as of June 2026 to support future growth. Additionally, Dubai Residential REIT was included in the FTSE EPRA Nareit Emerging Index during June 2026, further strengthening its visibility among global real estate investors. Thus, based on our analysis, we maintain our BUY rating on the stock.

Dubai Residential - Relative valuation

(at CMP)	**2025**	**2026F**
PE	12.81	11.07
PB	0.74	0.69
EV/EBITDA	12.59	11.69
EPS	0.098	0.114
BVPS	1.696	1.838
DPS	0.085	0.091
Dividend yield	6.7%	7.2%

FABS Estimates & Co Data

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Dubai Residential – P&L

AED Mn	1H25	2H25	1H26	1H26F	Var	YOY Ch	HOH	2025	2026F	Change
Revenues	958	996	1,036	1,015	2.0%	8.1%	4.0%	1,953	2,164	10.8%
Direct Cost	-230	-197	-187	-189	-1.0%	-18.7%	-5.2%	-427	-390	-8.8%
Gross Profit	**728**	**798**	**849**	**826**	**2.7%**	**16.6%**	**6.3%**	**1,526**	**1,774**	**16.3%**
Other operating income	1	9	3	3	-2.9%	NM	-67.9%	10	10	10.0%
Management fees	-10	-73	-80	-78	2.6%	NM	9.1%	-83	-165	98.1%
General and administrative	-53	-26	-27	-28	-3.8%	-49.5%	3.0%	-79	-54	-31.1%
Marketing and selling	-11	-4	-5	-5	1.0%	-57.4%	19.1%	-15	-13	-14.4%
Impairments & other gains	-5	-3	2	2	-4.8%	NM	NM	-8	-9	NM
Operating Profit	**650**	**701**	**742**	**721**	**3.0%**	**14.2%**	**5.9%**	**1,350**	**1,544**	**14.3%**
EBITDA	**651**	**702**	**743**	**720**	**3.2%**	**14.1%**	**5.9%**	**1,353**	**1,546**	**14.3%**
Finance income	16	-7	13	13	-0.4%	-21.8%	NM	9	32	NM
Finance costs	-44	-37	-39	-41	-5.4%	-11.9%	4.2%	-81	-96	18.9%
Profit before change in fair value of investment property	**622**	**657**	**716**	**693**	**3.4%**	**15.1%**	**9.1%**	**1,279**	**1,479**	**15.7%**
Gain on fair value of investment property	1,297	446	373	448	-16.7%	-71.2%	-16.4%	1,743	942	-46.0%
Profit for the Year	**1,919**	**1,103**	**1,089**	**1,140**	**-4.5%**	**-43.2%**	**-1.2%**	**3,022**	**2,421**	**-19.9%**

FABS estimate & Co Data

Dubai Residential - Margins

	1H25	2H25	1H26	YOY Ch	HOH	2025	2026F	Change
Gross margin	76.0%	80.2%	81.9%	596	176	78.1%	82.0%	387
Operating margin	67.8%	70.4%	71.7%	383	129	69.1%	71.3%	221
EBITDA margin	68.0%	70.5%	71.7%	378	127	69.2%	71.4%	217
Net profit margin[1]	65.0%	65.9%	69.2%	421	324	65.5%	68.4%	290

FABS estimate & Co Data, [1]Excluding 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	1.56	70.0%	1.09
DDM Method	1.75	15.0%	0.26
Relative Valuation (RV)	1.66	15.0%	0.25
Weighted Average Valuation (AED)			**1.60**
Current market price (AED)			1.26
Upside/Downside (%)			+27%

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 8.2%. It is arrived after using the cost of equity of 8.5% and after-tax cost of debt of 5.1% with a debt-to-equity ratio of 8.8%. The cost of equity is calculated by using a 10-year government bond yield of 5.6%, a beta of 0.64 and an equity risk premium of 4.6%. 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)	5,616
Terminal value (AED Mn)	16,341
Net Debt (AED Mn)	1,691
FV to Common shareholders (AED, Mn)	**20,267**
No. of units (Mn)	13,000
Current Market Price (AED)	1.26
Fair Value per share (AED)	**1.56**

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	1,544	1,701	1,842	1,983	1,993
D&A	2	2	2	2	2
Capex	-1,354	-229	-158	-167	-167
Working capital	-1	55	49	48	10
Free Cash Flow to Firm (FCFF)	**191**	**1,528**	**1,736**	**1,866**	**1,837**
Discounting Factor	*0.97*	*0.89*	*0.83*	*0.76*	*0.71*
Discounted FCFF	**92**[1]	**1,367**	**1,435**	**1,425**	**1,297**

Source: FAB Securities, [1]Adjusted 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 a 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 dividends (AED Mn)	5,727
Terminal value (AED Mn)	17,005
FV to Common shareholders (AED, Mn)	**22,732**
No. of units (Mn)	13,000
Current Market Price (AED)	1.26
Fair Value per share (AED)	**1.75**

DDM Method

(All Figures in AED Mn)	**FY 2026E**	**FY 2027E**	**FY 2028E**	**FY 2029E**	**FY 2030E**
Dividend paid in -					
H1	573	651	711	771	780
H2	610	651	711	771	780
Total Dividend	**1,184**	**1,303**	**1,421**	**1,541**	**1,560**
Discounting Factor	*0.97*	*0.89*	*0.82*	*0.76*	*0.70*
PV of Dividend	**1,145**	**1,161**	**1,167**	**1,166**	**1,088**

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 14.6x in line with peers.

Company	Market Cap (USD Mn)	EV/EBITDA (FY2026E)	PE (FY2026E)	Price/FFO (FY2026E)
NORTHVIEW RESIDENTIAL REIT	62	10.9	1.4	8.0
ELME COMMUNITIES	146	NA	NA	NA
BRT APARTMENTS CORP	282	18.9	NA	12.7
CARE PROPERTY INVEST	532	NA	8.0	11.6
FLAGSHIP COMMUNITIES REIT UT	537	24.7	27.0	13.6
BSR REAL ESTATE INVESTMENT T	627	NA	6.3	15.2
MORGUARD NORTH AMERICAN RESI	633	14.5	9.2	9.5
NEXPOINT RESIDENTIAL	660	17.7	NA	11.2
CENTERSPACE	932	23.2	NA	11.6
MINTO APARTMENT REAL ESTATE	1,178	NA	NA	18.0
UMH PROPERTIES INC	1,300	24.6	148.4	14.8
INGENIA COMMUNITIES GROUP	1,810	18.5	13.2	13.1
KILLAM APARTMENT REAL ESTATE	2,224	19.3	15.1	14.9
ALTAREA	2,506	33.6	66.0	12.1
UNITE GROUP PLC/THE	2,766	26.4	NA	12.8
BOARDWALK REAL ESTATE INVEST	3,427	18.1	19.0	14.0
INDEPENDENCE REALTY TRUST IN	3,951	17.3	102.5	14.4
CAN APARTMENT PROP REAL ESTA	5,339	NA	26.4	13.5
CAMDEN PROPERTY TRUST	11,132	17.8	213.5	16.3
AMERICAN HOMES 4 RENT- A	12,417	18.8	57.8	17.5
UDR INC	12,430	14.4	66.6	15.1
EQUITY LIFESTYLE PROPERTIES	12,744	20.8	33.6	20.1
MID-AMERICA APARTMENT COMM	15,485	17.3	38.4	15.6
INVITATION HOMES INC	18,008	17.7	49.9	15.4
ESSEX PROPERTY TRUST INC	18,373	21.5	65.3	17.5
EQUITY RESIDENTIAL	25,335	17.8	53.7	16.3
AVALONBAY COMMUNITIES INC	26,957	19.9	38.4	16.3
ADVANCE RESIDENCE INVESTMENT	415,866	26.3	22.7	NA
Average		**20.0x**	**49.2x**	**14.3x**
Median		**18.8x**	**36.0x**	**14.6x**
Max		**22.3x**	**63.4x**	**16.1x**
Min		**17.7x**	**16.1x**	**12.7x**

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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