Research Update:

Emaar Properties Upgraded To 'BBB+' On Strong Business Performance; Outlook Stable

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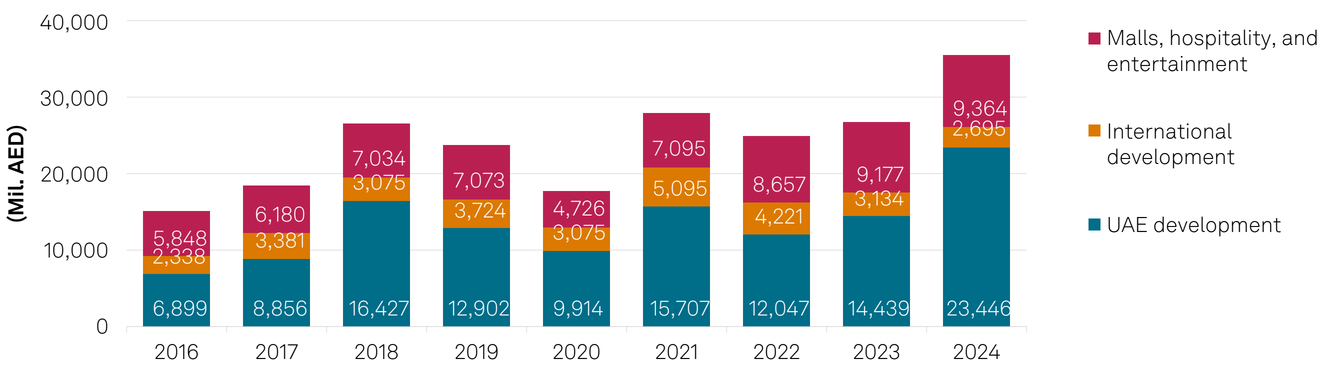
Rating Action Overview

- Emaar Properties' (Emaar's) revenue backlog hit a record-high United Arab Emirates (UAE) dirham (AED) 110 billion on Dec. 31, 2024, spurred by the solid performance of its domestic residential real estate development.
- We expect strong operating cash flow in 2025-2026, supported by healthy demand and a strong balance sheet despite growing capital expenditure (capex), dividend payments, and the cyclical nature of real estate development in Dubai, which is experiencing peak cycle conditions.
- We therefore raised our long-term issuer credit rating on Emaar Properties PJSC and our issue rating on its senior unsecured debt instruments to 'BBB+' from 'BBB'.
- The stable outlook reflects our expectation that Emaar will continue demonstrating steady operating performance, as well as low leverage, with adjusted debt to EBITDA expected to remain below 0.5x in 2025-2026.

Rating Action Rationale

The upgrade reflects the significant growth Emaar experienced in Dubai residential real estate, along with the steady performance of malls, hospitality, and entertainment that lends resilience to the cyclical development business. Emaar’s credit ratios remained strong as revenue grew 33% and EBITDA 12% in 2024. The company was in a net cash position with no leverage, with AED19.1 billion of discretionary cash flow (DCF). We forecast strong revenue growth to continue in 2025-2026 with S&P Global Ratings-adjusted EBITDA margins of 42%-45%, which will support Emaar's financial metrics despite rising capex and dividends based on the new policy.

Emaar Properties PJSC revenue breakdown by segment



UAE--United Arab Emirates. AED--UAE dirham. Source: S&P Global Ratings.

Emaar experienced record presales of AED65.4 billion ($17.8 billion) and revenue backlog grew by 65% to AED103 billion ($28 billion) in December 2024 for UAE development. This compares with AED37.4 billion and AED62.1 billion, respectively, in December 2023. UAE development generated 66% of the company's revenue and 55% of EBITDA in 2024. Emaar benefits from positive real estate trends in Dubai, where it is by far the largest developer. It successfully capitalizes on its solid reputation, having delivered over 74,400 units over its history. With 42,003 units under development (including in joint ventures [JVs]), (25,742 under development on Dec. 31, 2023) which are already 93% presold (compared with 95% on Dec. 31, 2023), the company will sustain its strong market position and capture the bulk of interest from international buyers in Dubai's real estate thanks to its well-established brand and good asset quality, sustaining better pricing power than other players. At the same time, Emaar reported that 39% cash for units sold (but under development) has been collected at the end of 2024. The high level of presale and cash collection from the pipeline of projects materially lowers operational risk and alleviates possible slower demand in case of resurging oversupply in Dubai. The high level of backlog provides increasing visibility of revenue recognition for the next two years. We understand prominent and well-established developers can collect full cash during the construction phase (that is, no post-handover payments) and on handover for recent projects. Cash collection now happens faster, with 70%-80% collected during the construction phase and the rest on handover. We think this allows developers to de-risk construction much faster and alleviates working capital pressure, reducing funding requirements. Such features should structurally support the group's resilience during future down cycles and played an important role in our decision to upgrade, as we acknowledge we are now in a supportive stage of the real-estate cycle in Dubai.

Dubai residential real estate market has experienced strong growth, led by continued demand from residents and international investors. We expect Dubai's economy to remain supportive, with GDP growth staying near 3% on average over 2024-2027. The city's population--not including workers commuting to Dubai--increased to 3.7 million at year-end 2023, according to the Dubai Statistics Center. We project that it will reach 4.0 million by 2026 on an increasing number of expatriates. We think Dubai remains an attractive business and residential destination, given that it offers low taxation despite the introduction of a 9% corporate tax starting June 2023 (there is still no personal income tax), has adopted a series of more liberal social laws, and enjoys the reputation as a safe haven in the region. Historically, however, the Dubai residential market has been very volatile, with short peaks and troughs. S&P Global Ratings expects property prices will remain stable over the next 18 months, then possibly normalize due to increasing supply. In addition, downward pressure on oil prices, a high degree of uncertainty about exact scope and/or timing of the possible ceasefire or any other solution to the war and potentially higher for longer policy rates to keep inflation expectations anchored. The increasing supply could saturate the unfulfilled demand, leading to lower prices and rents, and the residential real estate market could balance out by 2026. However, the regulatory environment and developers' personal governance supports our expectation that the next down cycle will be less aggressive.

The malls, hospitality, and entertainment businesses continue to support the company's growth prospects, with rising EBITDA from strong tourism momentum, and to provide meaningful diversification to the real-estate development activities. The mall leasing segment, which operates about 10 million square feet (sq. f.) of gross leasable area in malls in Dubai, benefited from significant growth in tourists. This particularly boosted Dubai Mall, the most visited mall in the world with annual footfall of more than 111 million based on the company's disclosure. Subsidiary Emaar Malls (not rated) demonstrated robust performance in 2024, with the occupancy rate remaining at a solid 98.5% and footfall increasing 6%. The luxury segment increases the retail sector's resilience, as tenants' sales reportedly increased by 7% in 2024. We expect that the asset quality of Emaar's malls will attract tenants and that the company will capitalize on it to increase rents. Projects include the expansion of Dubai Mall and Dubai Expo Mall. Similarly, strong tourism will fuel the hospitality segment's performance, following a 12% year-on-year revenue growth in 2024, supported by solid 79% hotel occupancy and average revenue per room available of AED571. Emaar now has 38 hotels with about 9,200 keys, including owned as well as managed assets in the UAE and International locations. It is in the process of opening 18 more hotels in the UAE as well as various international locations, with three-quarters to be added under management agreements, over the next five years. This will drive revenue growth, albeit with the risk of daily rates coming under pressure due to a sizable pipeline of new hotel rooms across the emirate. However, international real estate development will lag, demonstrating modest growth in 2025-2026. Emaar's overseas operations, which accounted for approximately 8% of the company's total revenue in 2024, have experienced unfavorable foreign exchange movements and inflation, primarily in Egypt but also in Pakistan and India. Emaar recorded a net impairment charge of AED1.11 billion in investment property and AED146 million on property, plant, and equipment in 2023. The group also provisioned AED756 million in impairments of some land parcels in its international operations in 2023, signaling continued weakness. While large and growing populations in Emaar's international markets offer supportive long-term growth prospects, challenges related to foreign exchange and high inflation rates underpin our cautious views on the company's performance there.

Emaar has announced significant capital spending of about AED65 billion over the next five years, after four years of limited investments. Land procurement is one of the key investment areas for the company. With more than 405 million sq. f. of land bank in the UAE as of December 2024, Emaar sits on the largest land bank among rated private developers in the UAE. The company intends to replenish its land by spending over AED30 billion in the next five years, which we think will help sustain its leading market share and competitive edge. We expect Emaar to incur substantial capital spending for Creek Tower and Creek Mall, exceeding AED14 billion. After years of maintenance capex at Emaar Malls, we anticipate that it will resume higher spending, notably on Dubai Mall's expansion--whose cost is an announced AED1.5 billion--considering close to full occupancy at 99% as of the end of 2024. Emaar also intends to invest in its residential rental portfolio to increase the share of more stable revenue. We estimate that total capital spending could amount to AED7 billion-AED11 billion per year in 2025-2026, excluding land acquisitions.

Higher capex and dividends will limit DCF, but leverage will remain minimal in 2025-2026. In 2024, the board approved a new dividend policy that includes a payout of 20%-40% of cash flow from the development business, and one of 40%-60% of annual net profit before depreciation from other businesses. In addition, the board can undertake special dividends based on the company's cash flow, taking into consideration capital requirements for growth initiatives. Emaar therefore expects to declare dividends at 100% of share capital for 2024 and the following few years. We expect annual dividend payments including to JV partners of about AED10 billion-AED12 billion in 2025-2026, which, combined with investments of AED7 billion-AED11 billion per year excluding on land, will limit DCF expansion despite our expectation of higher EBITDA. Over the past three years, Emaar has generated sizable S&P Global Ratings-adjusted DCF exceeding cumulatively AED51 billion, boosted by high presales, faster cash collections on new projects, as well as sizable handover payments on older projects completed. Meanwhile, cumulative capex (excluding capex for land purchases) has been contained at AED3.9 billion. The company used excess cash to repay its bank debt, with gross debt balances dropping to AED9.7 billion at the end of 2024 from AED12.3 billion a year earlier. Emaar's cash flow can be volatile, subject to the presales traction, construction cycles, and the payment terms. These are currently favorable, allowing the company to collect 70%-80% of the project's value throughout the construction phase and the remaining on handover. However, in a softer market, the payment terms may become more favorable to buyers, allowing extended payment periods, and raising the company's funding needs. Still, significant deleveraging and significantly stronger financial metrics, as seen in the net cash position on Dec. 31, 2024, put Emaar at advantage to confront the possible real estate cycle reversal due to oversupply.

Outlook

The stable outlook on Emaar reflects our expectation that the company will sustain strong credit metrics in 2025-2026 on favorable demand trend in the UAE, principally in Dubai, and despite much higher capex and dividends expected under our base case. Strong presale momentum, minimal leverage, and solid liquidity buffers will help Emaar navigate any potential cyclical slowdown. For the rating, we expect adjusted funds from operations (FFO) to debt will remain at about 60%, or above, and adjusted debt to EBITDA will stay below 0.5x sustainably.

Downside scenario

We could lower the rating on Emaar in the next two years if its credit metrics weakened without near-term prospects of recovery, such that adjusted FFO to debt durably fell well below 60% and debt to EBITDA exceeded 1.5x, while EBITDA interest coverage weakened well below 10x. We think this could happen if economic prospects, including for the real estate cycle in Dubai, showed signs of a significant slowdown. In our view, this could be triggered by:

- A severe and lasting cyclical correction in the residential real estate market in Dubai, with a sharp fall in residential real estate demand leading to low presales and significant pricing pressure, exacerbated by a high level of supply; or
- A slowdown in tourism growth in the UAE or a population decline affecting the retail and hospitality segments.

A change in financial policy that signaled higher debt tolerance and potential higher appetite for debt-funded expansions or higher dividend distributions could also lead to a lower rating.

Upside scenario

We view the probability of a positive rating action as low, given the cyclical nature of real estate development, particularly in Dubai. Rating upside could eventually come from a further improving business mix at Emaar, such that the relative share of EBITDA from more stable rental businesses continues to expand, mitigating the cyclicality of real estate development.

Company Description

Emaar is the largest listed property developer in the UAE. It reported revenue of AED35.5 billion in 2024, with over 92% from domestic activities. In addition, the company has real estate development activities in Egypt, Turkiye, Pakistan, Saudi Arabia, and India. Emaar develops masterplan communities, including residential and commercial property, such as shopping centers, offices, recreational facilities, and hotels. It builds residential units to sell and operates malls and hotels.

Established in 1997, Emaar has been listed on the Dubai Financial Market since 2000. Key operating subsidiaries Emaar Malls (listed in 2014) and Emaar Development (listed in 2017). Emaar Malls was delisted at year-end 2021.

As of March 11, 2025, the company's market capitalization was close to AED115.34 billion ($31.4 billion).

Our Base-Case Scenario

Assumptions

- Real GDP growth to remain near 3% on average over 2024-2027, with annual population growth for Dubai of about 3.5% over 2025-2026.
- Strong demand for residential real estate in Dubai, which will support presales. Still, the growing risk of oversupply and the cyclical nature of the real estate development moderate our growth outlook starting from 2026-2027.
- Revenue growth of over 20% in 2025. We expect higher revenue recognition for the real estate development in the UAE supported by good revenue visibility. Revenue will rise 5%-10% in 2026, mirroring the significant increase in the revenue backlog from over the past three years. We also expect steady growth in the hospitality and mall leasing operations, thriving on strong tourism growth and the ability to pass on rent increases to retail tenants, given the latter's strong performance.
- EBITDA margins to normalize at 42%-45% in 2025-2026 after 50% for fiscal 2024 and 59.1% for fiscal 2023, skewed by over AED3 billion cost accruals write-backs on completed projects in the UAE.
- Significant working capital outflows of AED3 billion-AED5 billion per year in 2025-2026, including land purchases for which Emaar indicated plans to spend over AED30 billion over the next five years.

- Capex of AED7 billion-AED 11 billion in 2025-2026, primarily for investments in the UAE, including the Dubai Creek Mall, the Dubai Creek Tower, the development of residential units for leasing, and investments in mall assets, especially the expansion of Dubai mall.
- Dividend payments of AED10 billion-AED12 billion per year, including to JV partners.

Key metrics

Emaar Properties--Forecast summary

(Mil. AED)	2020a	2021a	2022a	2023a	2024a	2025f	2026e
Revenue	19,710	28,270	24,926	26,750	35,505	40,000-45,000	42,000-47,000
Capital expenditure (capex, excluding land purchases)	2,156	2,469	1,407	1,185	1,283	7,000-8,000	10,000-11,000
Dividends	905	2,029	1,832	2,907	7,290	10,000-11,000	11,000-12,000
Discretionary cash flow (DCF)	(1,370)	5,726	15,487	16,464	19,099	Negative	Negative
Adjusted ratios							
Debt/EBITDA (x)	4.4	1.8	1	N.M.	N.M.	< 0.5	< 0.5
FFO/debt (%)	16	49.2	87.5	N.M.	N.M.	>100	>100
EBITDA margin (%)	20.8	31.7	39.7	59.1	50.1%	42.0-45.0	42.0-45.0

a--Actual. e--Estimate. f--Forecast. N.M.--Not meaningful. Source: S&P Global Ratings.

Liquidity

We view Emaar's liquidity as exceptional because we see liquidity sources exceeding uses more than 2.0x over the 24 months from Dec. 31, 2024. The company had ample availability under revolving credit facilities (RCFs) at Emaar Properties and Emaar Development, maturing in more than 12 months from that date.

Principal liquidity sources

- Cash of AED51.5 billion, of which AED30.5 billion is held in escrow accounts with banks under the supervision of the Real Estate Regulatory Agency, Dubai's real estate regulator;
- About AED0.3 billion liquid investments in treasury bills in Egypt and Eurobonds;
- AED3.7 billion available next beyond 12 months under Emaar Properties' and subsidiaries various RCF lines; and
- Cash flow from operations of AED16.0 billion-AED19 billion, subject to volatile working capital movements.

Principal liquidity uses

- Short-term debt of AED2.0 billion due next 12 months and AED3.1 billion due in 24 months;
- Flexible capex of up to AED7 billion-AED11 billion per year, including JV;
- Dividends of AED10.0 billion-AED12 billion per year, including to JV partners; and
- Working capital outflows of AED3.0 billion-AED5.0 billion per year including on land purchases.

Covenants

We understand that Emaar Properties is not subject to maintenance covenants. Emaar Properties is subject to incurrence covenants under its sukuks and RCFs, which become active if the rating on the company is speculative grade. At year-end 2024, there was ample headroom under these covenants, and we expect it to remain comfortable in 2025-2026.

Environmental, Social, And Governance

Environmental factors are a negative consideration in our credit rating analysis of Emaar. The risks stem from the carbon-intensive nature of its developments business and the need for efforts to help mitigate climate change. Social factors are also a negative consideration due to the Gulf Cooperation Council's evolving labor protection laws and the demographics of Dubai, where the company generates about 92% of its revenue. Expatriate workers represent 80%-90% of Dubai's population, and population volatility exposes Emaar to volatility in local demand for housing, investment sentiment, and residential prices. The disruption caused by the mandatory closure of construction sites and malls in 2020 was significant but temporary.

Issue Ratings--Subordination Risk Analysis

Capital structure

As of Dec. 31, 2024, Emaar's capital structure included $1.75 billion (AED6.42 billion) of senior unsecured sukuk certificates, AED14.7 million of secured bank loans, and AED3.25 billion of unsecured bank loans.

Analytical conclusions

We rate debt issued by Emaar in line with the long-term foreign currency issuer credit rating on the company. This reflects the absence of significant subordination risk, since the secured debt ratio and priority debt ratio are less than 50% of total consolidated debt, and with no further mitigants.

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	BBB+/Stable/--
Local currency issuer credit rating	BBB+/Stable/--
Business risk	Satisfactory
Country risk	Intermediate Risk
Industry risk	Intermediate Risk
Competitive position	Satisfactory
Financial risk	Modest
Cash flow/leverage	Modest
Anchor	bbb+
Diversification/portfolio effect	Neutral/Undiversified (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Exceptional (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	bbb+

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Criteria | Corporates | Industrials: Key Credit Factors For The Real Estate Industry, Feb. 26, 2018
- General Criteria: Methodology For Rating Sukuk, Jan. 19, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Credit FAQ: Is Dubai's Residential Real Estate Market Heading For Correction?, Oct. 28, 2024
- Credit FAQ: How Are Dubai's Macroeconomic Prospects Shaping Up?, Oct. 16, 2024
- Emaar Properties, July 10, 2024
- GCC Real Estate: How Credit Stories Have Evolved, March 11, 2024

Ratings List

Ratings list		
Upgraded		
	To	**From**
Emaar Properties PJSC		
Issuer Credit Rating	BBB+/Stable/--	BBB/Stable/--
Emaar Sukuk Ltd.		
Senior Unsecured	BBB+	BBB

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings. Alternatively, call S&P Global Ratings' Global Client Support line (44) 20-7176-7176.